ICRA

THE INDIAN HOSPITALITY INDUSTRY

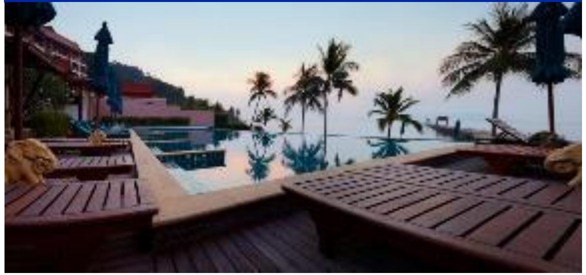
Robust demand to support strong revenue growth and earnings in FY2024

SEPTEMBER 2023

Agenda

ICRA

1 Trend in Key Operating Metrics



2 Demand Dynamics

3 Supply Trends

4 Financial Forecasts

5 Credit Rating Movements

6 Peer Comparison & Annexure

Highlights

Revenue growth and earnings would remain supported by robust demand.

Debt metrics for hoteliers are expected to be better than pre-Covid levels in FY2024, aided by business accruals.

The extent of improvement in RoCE to be constrained by high capital cost of new properties owing to increased land and construction cost, in case of asset-heavy expansion.

- **ICRA estimates pan-India premium hotel occupancy to be ~70-72% in FY2024**, after recovering to 68-70% in FY2023. Pan-India premium hotel average room rate (ARR) is expected to be ~Rs. 6,000-6,200 in FY2024. While the occupancy is expected to be at decadal highs, the RevPAR is expected to remain at 20-25% discount to the FY2008 peak. Sustenance of domestic leisure travel, demand from MICE and business travel, along with increase in FTAs would support operating metrics. The industry has also benefitted from the G20 summit and is likely to benefit from the upcoming ICC World Cup 2023.

- **ICRA expects the industry to report double-digit revenue growth in FY2024**. The sustenance of a large part of the cost-optimisation measures undertaken during the Covid-19 period, along with operating leverage benefits resulted in significant improvement in operating margins for hotel companies. ICRA's sample set is expected to report operating margins of 25-28% for FY2024, against 20-22% pre-Covid. While there would be some moderation in margins from FY2023 levels with increase in some cost-heads like refurbishment/maintenance, they are likely to be higher than pre-Covid levels.

- The demand uptick resulted in a **pick-up in supply announcements** and commencement of deferred projects in the last 12-15 months. However, supply, which is expected to grow at a CAGR of 3.5-4% over the medium term, would lag demand, facilitating an upcycle. Lenders and investors are keen on funding hotel projects at present, with industry uptick.

- The healthy business accruals have led to improvement in credit profile as well, in several companies. This has resulted in upgrades exceeding downgrades in FY2023 and YTD FY2024. About 94% of ICRA's ratings are on stable outlook at present, back to pre-Covid levels.

Analytical Contact Details

Name	Designation	Email	Contact Number
Shamsher Dewan	Senior Vice-President and Group Head	shamsherd@icraindia.com	0124 – 4545 328
Srikumar K	Vice-President and Co-Group Head	ksrikumar@icraindia.com	044 – 4596 4318
Vinutaa S	Vice-President and Sector Head	vinutaa.s@icraindia.com	044 – 4596 4305

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development - Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development - Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vipin Saboo	Head Business Development – Corporate Sector - West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860

ICRA

ICRA

Thank You!