



# INDIAN HOTEL INDUSTRY

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**Hotel industry to close FY2024 on a high note**

**FEBRUARY 2024**



## 1 Demand Dynamics



## 2 Trend in Operating Metrics



## 3 Inventory Addition over Last Few Months



## 4 Credit Rating Movements



## 5 ICRA Ratings in Hospitality Sector





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*Industry sustains strong performance in 11M FY2024. ICRA expects demand to remain strong in FY2025 as well.*



- **ICRA estimates the pan-India premium hotel occupancy at decadal highs of ~70-72% in FY2024 and FY2025**, after recovering to 68-70% in FY2023. Pan-India premium hotel average room rates (ARRs) are expected to be at ~Rs. 7,200-7,400 in FY2024 and rise further to Rs. 7,800-8,000 in FY2025. The RevPAR is expected to be at an 8-12% discount to the FY2008 peak in FY2024 and subsequently converge towards the FY2008 peak in FY2025. However, the spike in ARR in some hotels and specific pockets has been higher than the average levels, with a few outliers even crossing the FY2008 peak in FY2024.



- **ICRA expects the Indian hotel industry to report a 7-9% revenue growth in FY2025, over the 14-16% growth expected in FY2024.** Sustenance of domestic leisure travel, demand from meetings, incentives, conferences, and exhibitions (MICE) including weddings, and business travel (despite a temporary lull during election period) are likely to drive demand in FY2025. Spiritual tourism and tier-II cities are expected to contribute meaningfully in FY2025. Sustenance of a large part of the cost-rationalisation measures undertaken during Covid period, along with operating leverage benefits, has resulted in sharp expansion in margins compared to pre-Covid levels. ICRA's sample comprising 12 large hotel companies is expected to report strong operating margins of 31-33% for FY2024 and FY2025, as against 33% for FY2023 and 20-22% pre-Covid.



- **ICRA has a Positive outlook on the Indian hospitality industry.** The credit ratio has been improving since H2 FY2022, with more upgrades than downgrades in FY2023 and 10M FY2024. About 97% of ICRA's ratings have a Stable outlook at present.



- **The demand uptick resulted in a pick-up in supply announcements and commencement of deferred projects in the last 18-24 months.** However, supply, which is expected to increase at a CAGR of 4.5-5% over the medium term, would lag demand.



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