



INDIAN HOTEL INDUSTRY

Hotel industry closes FY2024 as the strongest year after the pandemic

APRIL 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 sustained strong performance in FY2024. ICRA expects demand to remain strong in FY2025 as well.



- **ICRA estimates the pan-India premium hotel occupancy to have been at a decadal high of ~70-72% in FY2024**, after recovering to 68-70% in FY2023. It is expected to continue at ~70-72% in FY2025. The pan-India premium hotel average room rates (ARRs) were at ~Rs. 7,200-7,400 in FY2024 and are expected to rise to Rs. 7,800-8,000 in FY2025. The RevPAR is expected to have been at an 8-12% discount to the FY2008 peak in FY2024 and is expected to converge towards the FY2008 levels in FY2025. The spike in ARR in some hotels and specific pockets has been higher than the average, with a few outliers 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 taken during the Covid period and operating leverage benefits have resulted in a sharp expansion in margins over the pre-Covid levels. ICRA's sample set of 12 large hotel companies is expected to report strong operating margins of 31-33% for FY2024 and FY2025, 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 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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