

## **INDIAN HOTEL INDUSTRY**

Festive season to support a healthy Q3 FY2025

**NOVEMBER 2024** 



## **Agenda**













### **Highlights**



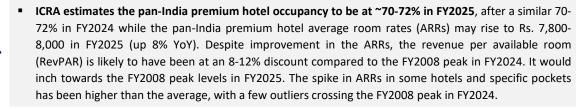


#### Click to see full report

ICRA expects demand to remain stable in FY2025. Along with robust margins, this would result in improvement in accruals. ICRA has a Positive outlook on the Indian Hospitality industry.

Compared to the previous downcycle in FY2009, which saw untimely supply increases of over 15% of the inventory at the bottom of the cycle during FY2009-FY2013, the current inventory growth is 4.5-5% for the period FY2023-FY2026. This is expected to facilitate an upcycle, as demand improves over the medium term.







■ ICRA expects the Indian hospitality industry to grow by 7-9% YoY in FY2025, over a high base of FY2024. Sustenance of domestic leisure travel, demand from meetings, incentives, conferences and exhibitions (MICE), including weddings, and business travel (despite a temporary lull during the General Elections) 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-19 period and operating leverage benefits led to a sharp expansion in margins over pre-Covid levels. ICRA's sample set of 13 large hotel entities is likely to report operating margins of 31-33% for FY2025, against 20-22% during the pre-Covid period.



Higher business accruals have supported the capital structure improvement and debt metrics. Debt
coverage metrics are likely to improve further, going forward. The credit ratio has been improving since
H2 FY2022, with significantly more upgrades than downgrades during FY2023—YTD FY2025.



■ The demand uptick led to a pick-up in supply announcements and commencement of deferred projects in the last 24-30 months. However, supply, which is expected to increase at a CAGR of 4.5-5% over the medium term (13,500 incremental premium rooms across 12 key markets), would lag demand. The per room cost for premium category rooms (ex-land) is Rs. 1.5-2.0 crore.



Name	Designation	Email	Contact Number
Shamsher Dewan	Senior Vice-President and Group Head	shamsherd@icraindia.com	0124 – 4545 328
Srikumar K	Senior 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
Sriraman Mohan	Senior Analyst	sriraman.mohan@icraindia.com	044 – 4596 4316

















# **ICRA 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
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860



















#### © Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



# **Thank You!**

