



# INDIAN HOTEL INDUSTRY

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**Demand to remain robust for the industry in Q4 FY2024**

**JANUARY 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 over the last several months. ICRA expects the demand to remain strong in Q4 FY2024 as well.*



- **ICRA estimates pan-India premium hotel occupancy of ~70-72% in FY2024**, after recovering to 68-70% in FY2023. Pan-India premium hotel average room rate (ARR) is expected at ~Rs. 6,300-6,400 in FY2024. While the occupancy is expected to be at decadal highs, the RevPAR is likely to remain at a 15-20% discount to the FY2008 peak in FY2024. Sustenance of domestic leisure travel, demand from the MICE and business travel segments, along with rise in FTAs have supported the operating metrics. The industry has benefitted from the G20 summit and the ICC Men's World Cup 2023 in FY2024.



- **ICRA expects the industry to report revenue growth of 12-15% 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 27-30% for FY2024, against the pre-Covid 20-22% levels. While there would be some moderation in margins in FY2024 from FY2023 levels with increase in some cost-heads like refurbishment/maintenance, they are likely to be higher than pre-Covid levels. Debt metrics for hoteliers are expected to be better than the pre-Covid levels in FY2024, aided by business accruals. The extent of improvement in the RoCE remains constrained by high capital cost of new properties owing to increased land and construction costs.



- **ICRA has a Positive outlook on the Indian hospitality industry**. About 97% of ICRA's ratings have a Stable outlook at present. The credit ratio has been improving since H2 FY2022 and there were more upgrades than downgrades in FY2023 and 9M FY2024.



- **The demand uptick resulted in a pick-up in supply announcements and commencement of deferred projects in the last 15-18 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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