

INDIAN HOTEL INDUSTRY

**Temporary lull in business travel in
April and May 2024 because of the
General Elections**

MAY 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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ICRA expects demand to remain strong in FY2025, despite a temporary lull during the election period.



- **ICRA estimates the pan-India premium hotel occupancy to be at ~70-72% in FY2025**, after a healthy 70-72% in FY2024 and 65-66% in 2M FY2025. The pan-India premium hotel average room rates (ARRs) 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. It is expected to inch 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 grow by 7-9% in FY2025 on YoY basis, over the 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 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 led to a sharp margin expansion 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 FY2025, against 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 led to 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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