

UNLOCKING

HIDDEN VALUE




The Untapped Investment Opportunity in The Hospitality Sector

NOESIS

Hotel Advisory
Redefined

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"Investment is most successful when it is more business Like"

~ **BENJAMIN GRAHAM.**

This quote represents a principle that resonates profoundly in the context of the overlooked yet promising investment in the hospitality sector. This vast and multifaceted industry, encompassing hotels, restaurants, casinos, and theme parks, serves as a powerful engine for economic growth, annually yielding billions in revenue. Yet, despite its sheer scale and economic impact, the hospitality sector has long been overlooked by the capital markets. Behind the curtains of volatility and risk hides a compelling investing opportunity in this industry.

The hospitality industry, while cyclical, demonstrates a consistent long-term growth trajectory fueled by a rapidly growing global population, increased affordability of travel, and the emergence of new markets worldwide. Its inherent fragmentation, comprising numerous small businesses, offers investors a landscape ripe with undervalued assets waiting to be unearthed. Moreover, the sector's ongoing globalization journey invites portfolio diversification, mitigating risk by capitalizing on expanding markets.

Technological advancements further infuse the hospitality sector with newfound potential. Innovations such as online travel agencies have transformed the industry, elevating convenience and driving the ever-increasing demand for travel experiences. Even in the face of the seismic disruptions brought by the COVID-19 pandemic, the resilience of the Tourism and Hospitality Sector emerged admirably, setting the stage for post-lockdown growth.

Investing in the hospitality sector in India presents a promising opportunity, given its significant contribution to the country's economy and its impact is only expected to grow with the projected increase in both domestic and international tourism given the robust growth of the travel market and the increasing appeal of India as a global tourist destination.

This report delves into the hidden value concealed within the hospitality sector, waiting to be harnessed for investors willing to take a dive. As we navigate through the investment landscape of this dynamic industry, we'll unveil the opportunities awaiting for those who recognize its untapped potential, ultimately charting a course toward profitable diversification and enhanced returns.

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Foreword by the CEO of NOESIS

The hospitality sector in India is currently experiencing a profound transformation, and our latest report, "Unlocking Hidden Value," offers a compelling analysis of the untapped investment potential within this dynamic industry.

At NOESIS, we pride ourselves on being at the forefront of hotel consulting and investment advisory services, and this report underscores our commitment to providing invaluable insights to our clients and investors. The key driving force behind the remarkable resilience of the hospitality sector lies in its global reach. Hospitality establishments are found in every corner of the world, allowing investors to leverage economic growth across diverse regions. This makes the hospitality sector an attractive option for those looking to diversify their investment portfolios.

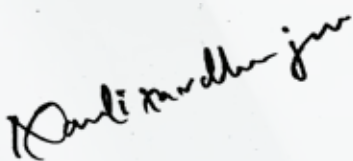
Despite its undeniable global presence, the hospitality sector remains relatively underexplored in terms of investment. Often perceived as complex and fragmented, it holds immense promise for those willing to delve deeper. There are several compelling factors that are rendering the hospitality sector increasingly attractive to investors. With the current GDP of India at \$3.74 trillion and on the way to becoming the 3rd largest economy in the world by 2027, the contribution of the hospitality and tourism sector which is currently at 6%-8% is going to be quite significant in the coming years.

The hospitality industry is a vibrant and globally interconnected arena that offers a multitude of investment opportunities. While it experiences cyclical fluctuations, it has historically proven to be a resilient performer. This resilience is further amplified by the growing demand for travel, the ascent of experiential tourism, and the pervasive influence of technology. For investors seeking a diversified portfolio, the hospitality sector should undoubtedly be on the radar.

Investing in hotel development projects emerges as a particularly promising avenue for generating income and building wealth. The global demand for hotel accommodations continues to surge, and the industry is poised for sustained growth in the years ahead. Our report delves deep into this growth trajectory, offering invaluable insights for those seeking high-potential returns, diversification, and tangible assets. It is projected that India will receive total Foreign Direct Investment of US\$ 120-160 billion annually by the year 2025.

"Unlocking Hidden Value" serves as an indispensable resource for investors aiming to navigate the evolving landscape of the hospitality sector. By harnessing emerging trends and fostering innovation, this report illuminates the path to uncovering concealed investment opportunities within the industry.

At NOESIS, we are committed to guiding our clients towards strategic and profitable investments in the hospitality sector. We believe that this report will serve as a valuable tool in your journey to unlock the hidden value within this ever-evolving industry.



Founder & CEO

Noesis Capital Advisors



Hospitality | The Pre and Post Pandemic Era

The Pre-Covid hospitality sector in India, encompassing the years leading up to 2020, played a vital role in the country's economy, encompassing various segments including hotels, restaurants, travel, and tourism. This report offers a comprehensive analysis of essential economic indicators, trends, challenges, and growth drivers that shaped the landscape of the hospitality sector in India to pave the way for a new era of growth and opportunities.

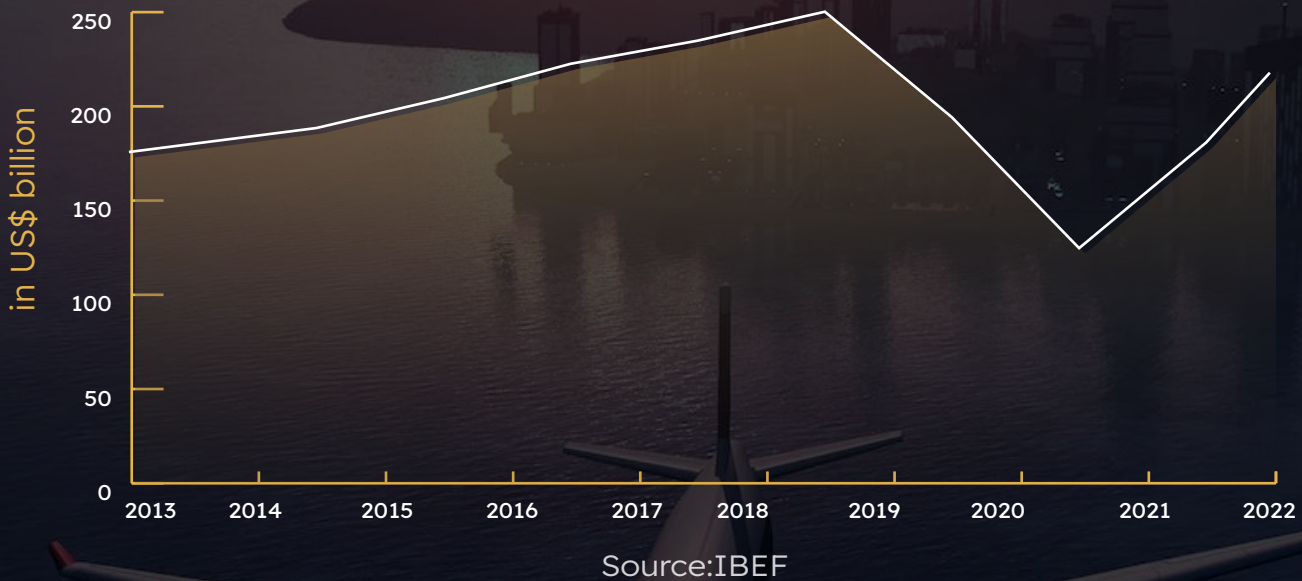


Key Economic Indicators

Gross Domestic Product (GDP) Contribution

In India The Travel and Tourism sector's contribution to National GDP is above world average. In 2019, the direct contribution of the travel and tourism sector to India's USD\$ 2.8 trillion GDP was approximately 6.8%. The total contribution, including the indirect impact of the sector, was estimated to be around 9.2% of the GDP. In 2021, the travel & tourism industry's contribution to the GDP was US\$ 178 billion.

Total contribution of travel and tourism to GDP in India from 2013 to 2022



In 2022, the total contribution of the travel & tourism industry's contribution to the GDP was at US\$ 215 billion this is expected to reach US\$ 512 billion by 2029. In India, the industry's direct contribution to the GDP is expected to record an annual growth rate of 7-9% between 2019 and 2030.

Employment

The tourism sector in India has been a significant contributor to employment. In FY23, it accounted for 35 million jobs, marking a growth of 8.3% over the previous year. The sector is expected to continue its growth trajectory, and by FY2029, it is projected to account for about 53 million jobs. This growth in employment opportunities is a testament to the robustness and resilience of the Indian tourism industry.

Tourism Arrivals

Foreign Tourist Arrivals during the period January-April 2023 were 31,33,751 as compared to 11,77,680 in January-April 2022, a growth of 166%. International tourist arrivals are expected to reach 30.5 million by 2028.

Investment

In 2022, a significant number of hotel signings (19,860 keys) and openings (9,961 keys) were witnessed, setting a record. The hospitality industry in India is estimated at USD\$ 23.50 billion in 2023, and is expected to reach USD\$ 29.61 billion by 2028, growing at a CAGR of 4.73% during the forecast period (2023-2028).

The Pre-COVID era was also a golden era for the hospitality sector in India. The industry was growing at a steady pace, and there was a high demand for travel and tourism. In FY2019, the Indian hotel industry occupancy rate was 65.55%, and the average daily rate (ADR) was INR 6,038 for chain-affiliated hotels. The factors that contributed to the growth and development of the sector were majorly

The rise of the Indian middle class

The rise of the Indian middle class led to an increase in demand for travel and tourism.

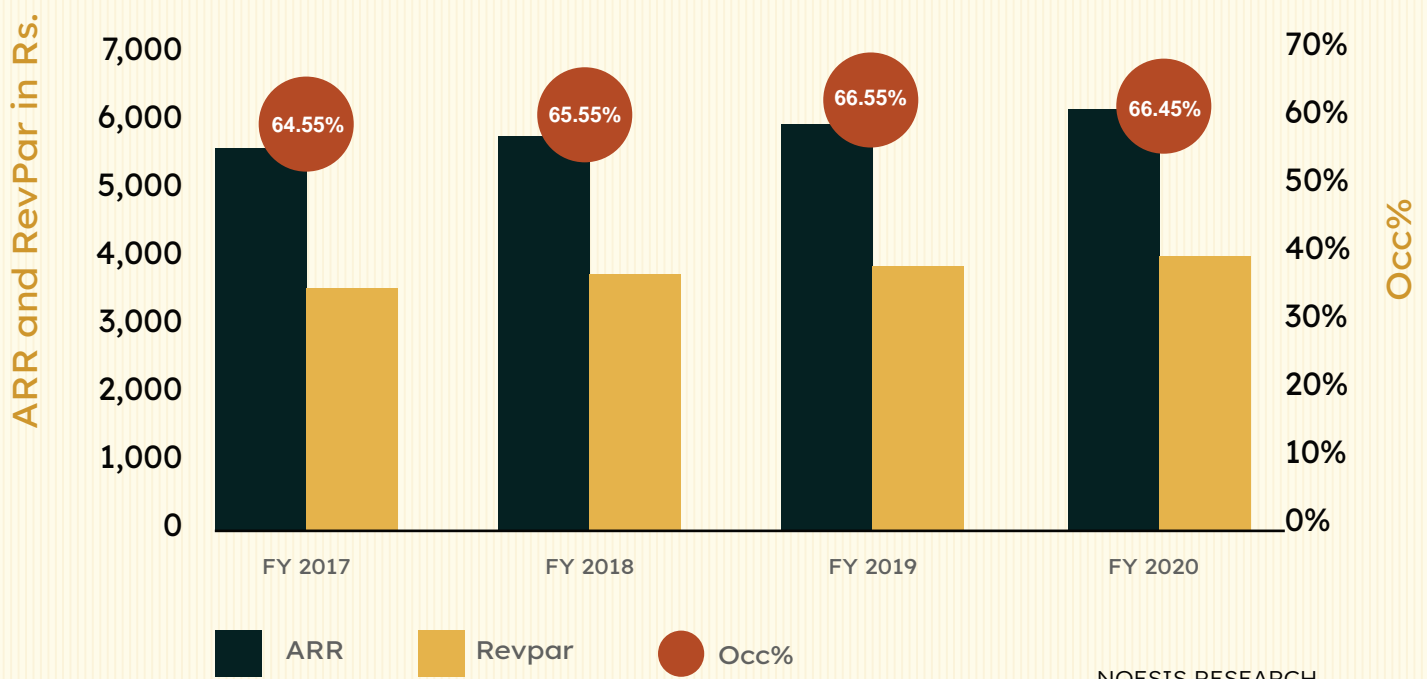
The growth of low-cost carriers

The growth of low-cost carriers made it more affordable for people to travel.

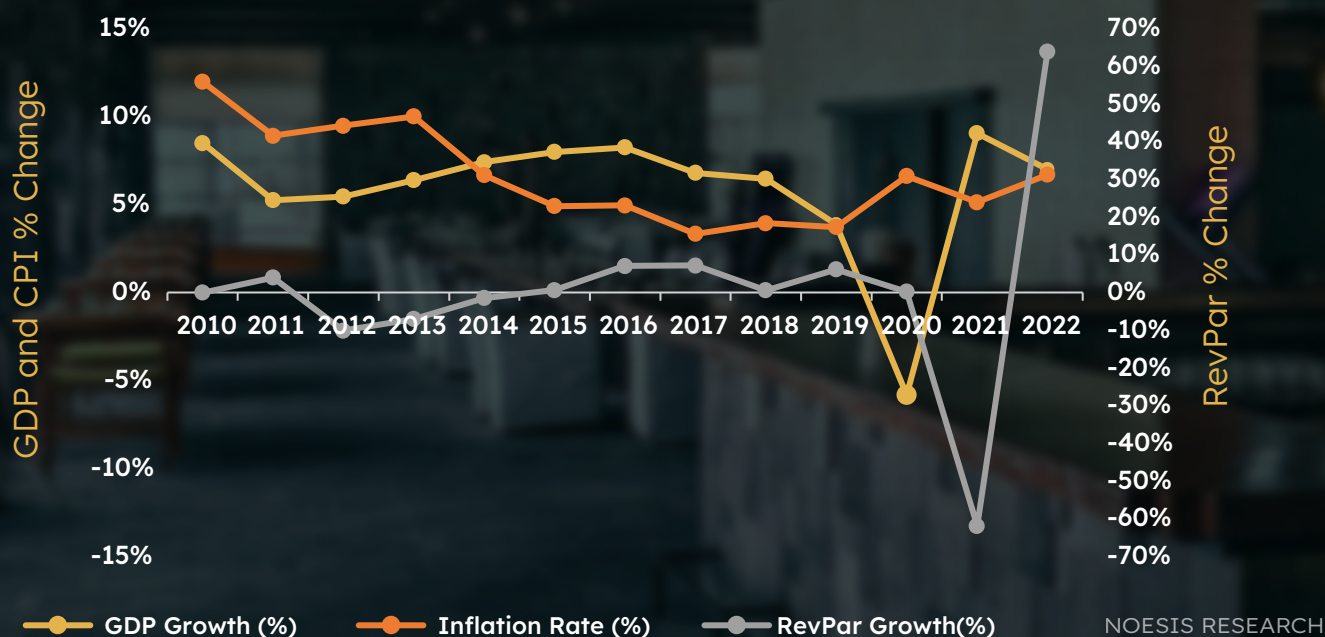
The development of new technologies

The development of new technologies, such as online travel agencies and mobile apps, made it easier for people to book travel and accommodations. The increasing popularity of domestic tourism. People were increasingly looking for unique and memorable travel experiences within India.

Chain Affiliated Hotel's Performance Pre-Covid Era



Hospitality Trend and the Indian Economy



The formation of the NDA government in 2014 marked the beginning of a recovery phase for both the Indian economy and the hotel industry from the economic crisis ripples that occurred in 2008. The NDA government implemented a number of economic reforms that helped to boost economic growth and create jobs. This, in turn, led to increased demand for travel and hospitality services.

With increasing GDP growth rates and consumer demand, the hotel industry began to rebound. The economy's growth rate of around 8% during this period was accompanied by a RevPAR growth of 5.5% in the hotel industry.

The Indian hotel industry between 2008 and 2016 experienced a ride closely linked to the economic phases the country went through. Global economic slowdown, policy paralysis, new government formation, recovery, and subsequent economic challenges impacted the industry's performance. The industry demonstrated resilience during recovery phases, benefiting from increased consumer demand and improved economic conditions. However, economic challenges and disruptions, such as demonetization, influenced the industry's growth trajectory. Overall, the hotel industry's performance mirrored the broader economic trends during this transformative period.

Hospitality | Impact of Covid

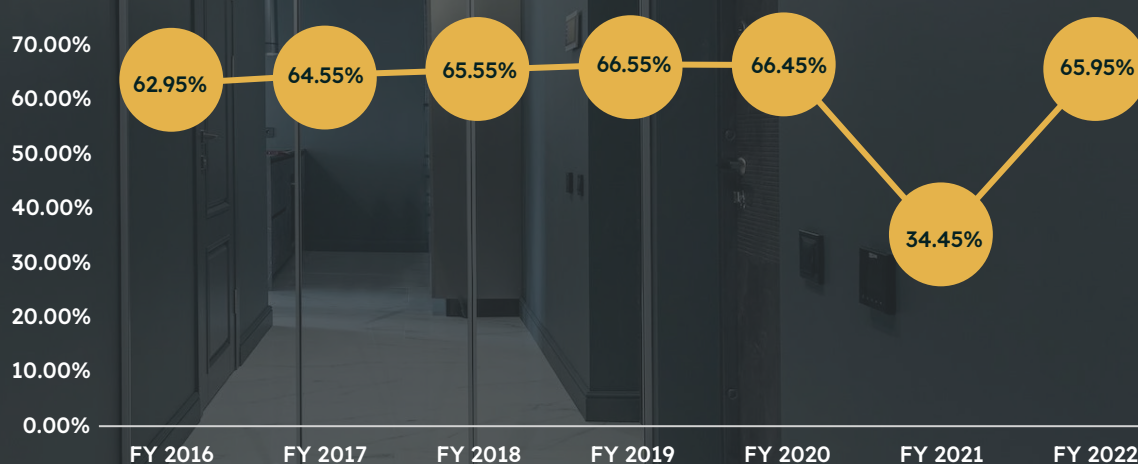


The COVID-19 pandemic has had a significant impact on the hospitality sector in India. A survey found that 60% of the operators believed that it would take upto 13 to 24 months for their portfolio to bounce back to 2019 RevPAR levels. The Indian hotel industry contracted by 47% in April-June 2020, as per data released by the National Statistical Office (NSO) on August 31, 2020. However despite estimates of various stakeholders, the sector gradually returned to pre-pandemic levels within 7-9 months post the lockdown.

The occupancy rate in hotels in India fell from 66% in FY2020 to 34% in FY2021 for chain affiliated hotels. The ADR for these chain-affiliated hotels in India fell from 6,117 Indian rupees in the first quarter of 2020 to 3,365 Indian rupees in the first quarter of 2021.

Chain Affiliated Hotel's Occ%

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The decline in occupancy and ADR was due to a number of factors, which includes:



The nationwide lockdown imposed in March 2020, which restricted travel and tourism. The fear of contracting COVID-19, which discouraged people from traveling. The economic slowdown, which led to a decline in disposable income.

Some additional details about the decline in occupancy and ADR in India

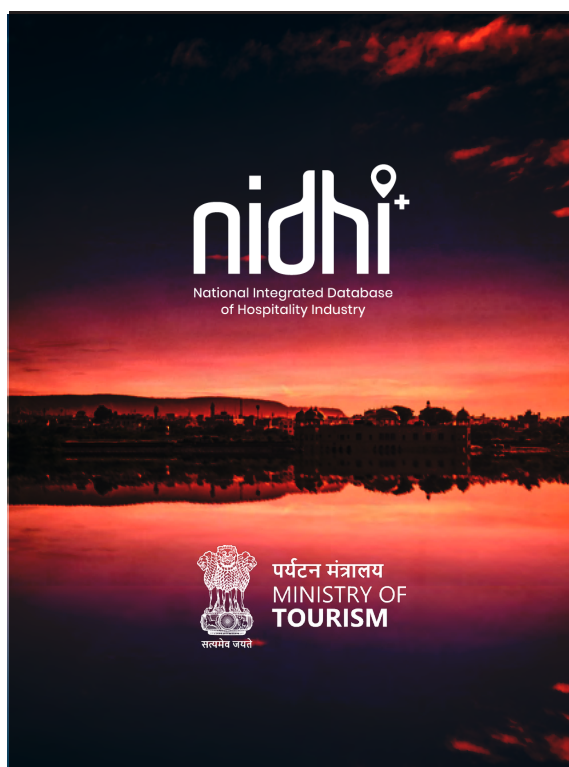


The decline was most pronounced in luxury hotels, with the occupancy rate falling from 72% in 2020 to 42% in 2021.

The ADR for luxury hotels also declined, from 12,400 Indian rupees to 8,600 Indian rupees. Midscale hotels fared better than luxury hotels, with the occupancy rate falling from 52% to 37% and the ADR falling from 4,000 Indian rupees to 3,000 Indian rupees.

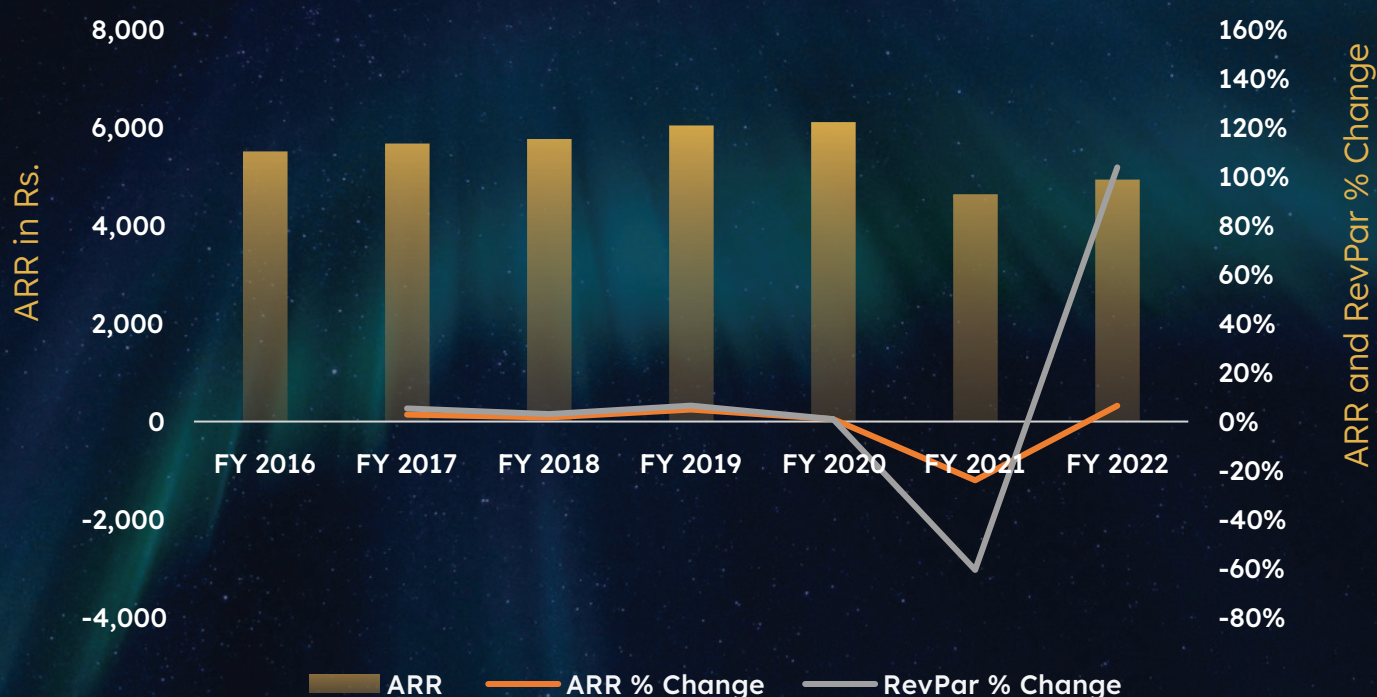
Economy hotels experienced the least decline in occupancy and ADR, with the occupancy rate falling from 42% to 35% and the ADR falling from 2,000 Indian rupees to 1,600 Indian rupees.

The Government of India Initiatives



The Indian hospitality industry has particularly accelerated with the government's renewed push to bring attention to the country's underexplored diverse ecosystem, vast heritage and culture. The Ministry of Tourism emphasised domestic tourism promotion and launched the Dekho Apna Desh initiative. The Ministry also announced various fiscal relief measures to revive the tourism sector after the pandemic. Centrally supported initiatives like The National Strategy for Sustainable Tourism and Responsible Traveller Campaign and the National Integrated Database of Hospitality Industry (NIDHI 2.0) have made travel and tourism even more organised and accessible.

Chain Affiliated Hotels ARR and Revpar with % Change

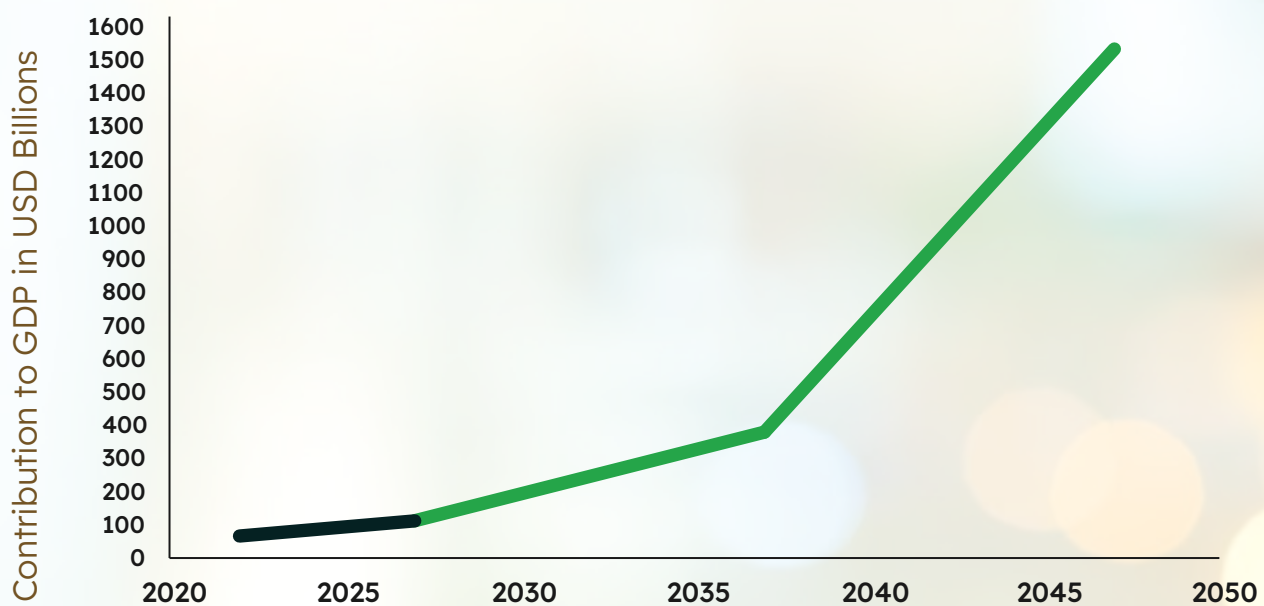


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Hospitality | Post-Covid Rebound

“ The hospitality sector contributes significantly to the global GDP. in India the direct contribution of the hotel sector in 2022 was \$40 billion to the country's GDP and could reach up to to \$68 billion by 2027 and \$1 trillion by 2047, according to 'Vision 2047 Indian Hotel Industry' from the Hotel Association of India and Benori Knowledge report, this demand primarily will be driven from domestic tourist visits, international arrivals and the needs of business travelers. ”

Hospitality Industry's Contribution to India's GDP (in \$ bn)



Source: Hotel Association of India and Benori Knowledge Report

The hospitality industry in India has been recovering at a steady pace from the COVID-19 pandemic. The occupancy rate in Chain-Affiliated hotels in India has increased from 34% in FY2021 to 67-69% in FY2023-2024. The ADR has also increased, from 3,365 Indian rupees in the first quarter of FY2021 to 6,200-6,400 Indian rupees in the first quarter of FY2024 showing a steep growth trajectory in terms of ARR which is higher than pre-covid levels.

The recovery of the hospitality industry is being driven by a number of factors, including:



The gradual easing of COVID-19 restrictions.



The increasing vaccination rate in India.



The growing popularity of domestic tourism.



The resumption of business travel.



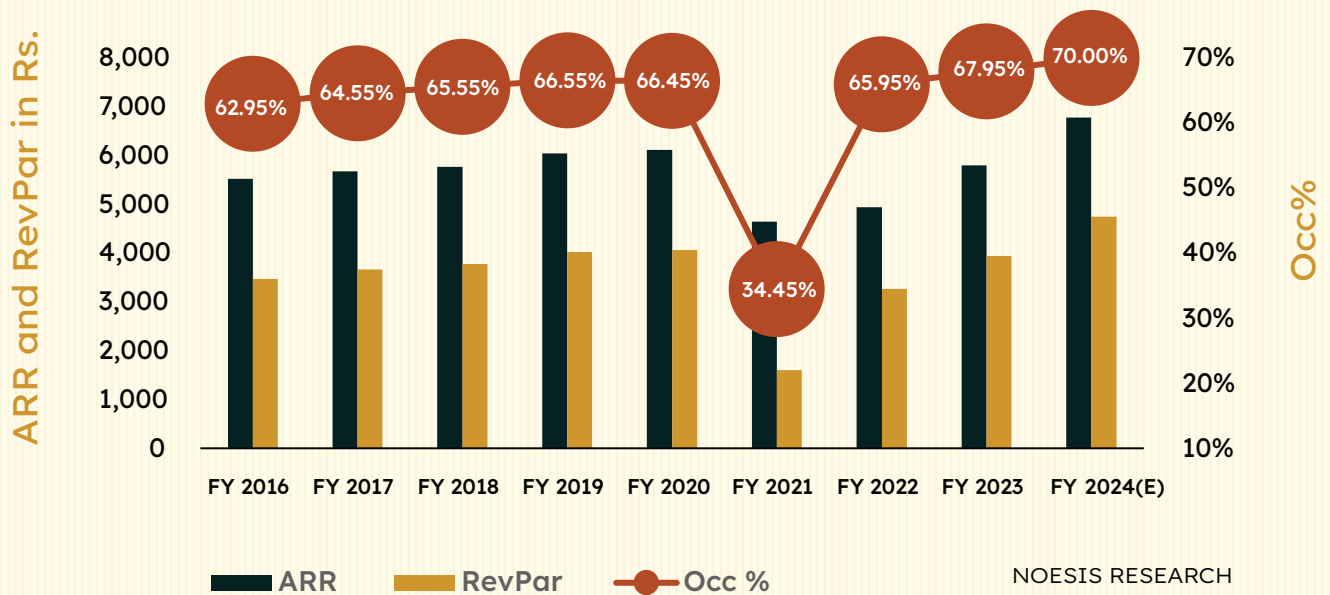
Other major events like the G20 Summit 2023, T20 IPL 2023 has been a significant contributor towards this growth trajectory and the upcoming ICC Cricket Men's World Cup will also add to the same.



The hospitality industry is expected to continue showing this steady growth in the coming years.

Despite the challenges, the hospitality industry in India is poised to demonstrate resilience and sustained growth in the upcoming years.

Chain Affiliated Hotels Post Covid-19 Rebound



Here are some specific examples of the recovery of the hospitality industry in India:



In the financial year 2022-23, the revenue per available room (RevPAR) in hotels in India increased by 89- 91% over the previous year.

The number of new hotel rooms added in India in the financial year 2022-23 was 166,000, an increase of 33% over the previous year.

The Indian hospitality sector is expected to attract investments worth \$2.3 billion over the next two to five years.

The recovery of the hospitality industry is a positive sign for the Indian economy. The industry is a major source of employment and revenue, and its growth will help to boost the economy as a whole.

Tourism and Hospitality in India



Foreign tourist arrivals in India have been on a steady rise in recent years, which reached a record high of over 10.9 million in 2019 this figure will be surpassed by the ongoing trend in 2023.

The top 10 source countries for Foreign Tourist Arrivals in India include USA(22%), Bangladesh(20%), UK(10%), Australia(6%), Canada(4.5%), Malaysia(1.9%), Singapore(1.9%), Germany(2%), Nepal(2.2%) and Sri Lanka(2.9%), whereas other countries constitute 26.3%.

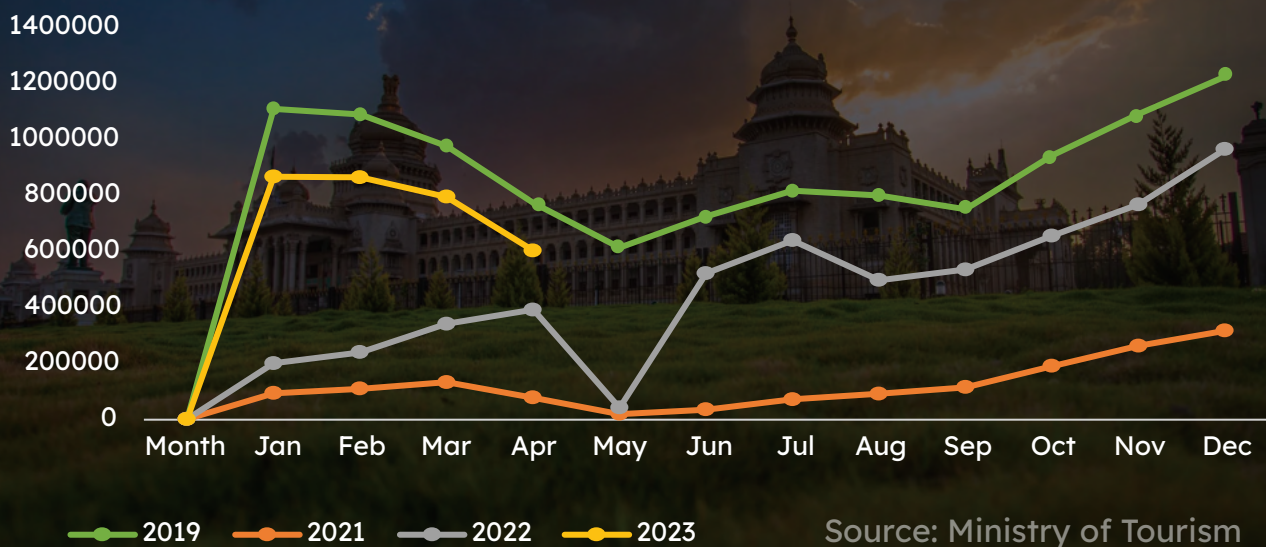
The total number of domestic airports in India are 123 and International airports stand at 35 for a total of 158 airports across the country.



Government of India has set a target to take the total number of airports in India to 220 by the year 2025 as travel rebounds.

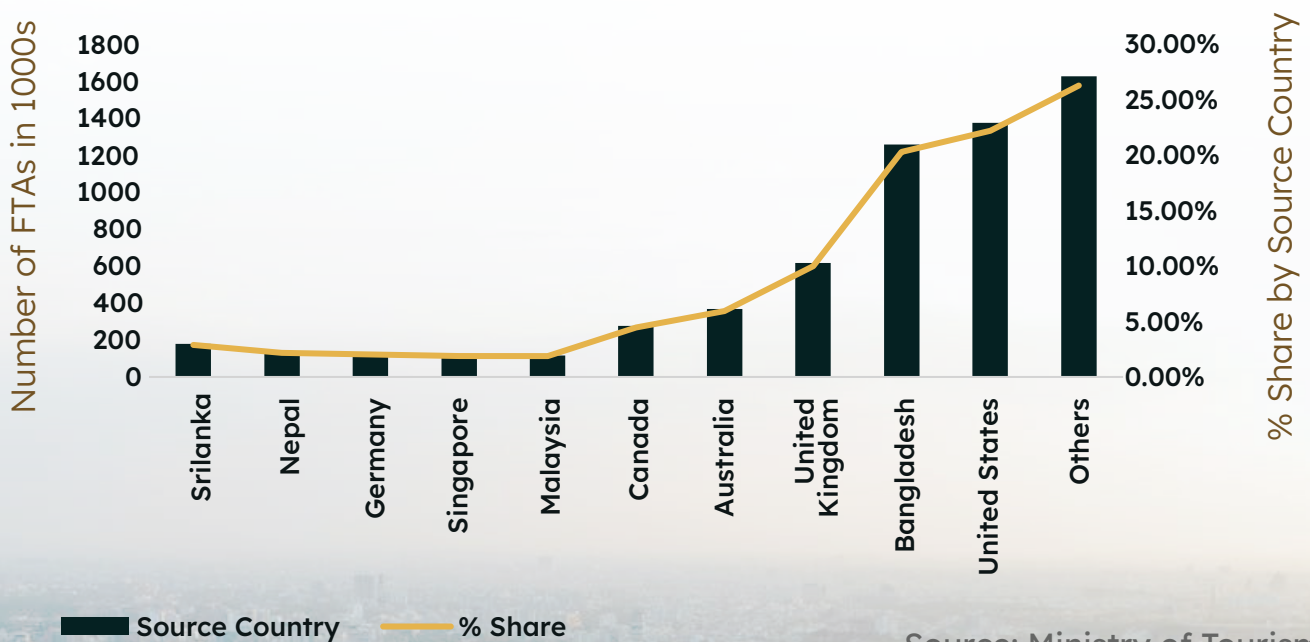
The Union budget 2022-2023 allocated US\$ 1.3 Billion for the civil aviation ministry and US\$ 50.4 million for the Ministry of Tourism.

Foreign Tourist Arrivals in India 2019 - 2023



Foreign tourist arrivals in India have been increasing steadily since the pandemic. In 2022, India received 6.19 million foreign tourists, a four-fold increase from the previous year. In the first half of 2023, the number of foreign tourists visiting India has increased by 106% compared to the same period in 2022. In 2023 so far the total number of Foreign tourist arrivals stands at 3.13 million in Jan'23-Apr'23 which is 166% higher than the same period in 2022. With the same trend continuing for the upcoming months of 2023 we can expect 16.40 million Foreign tourists arrivals for the year 2023.

Foreign Tourist Arrivals in India by Source country (in 1000s)



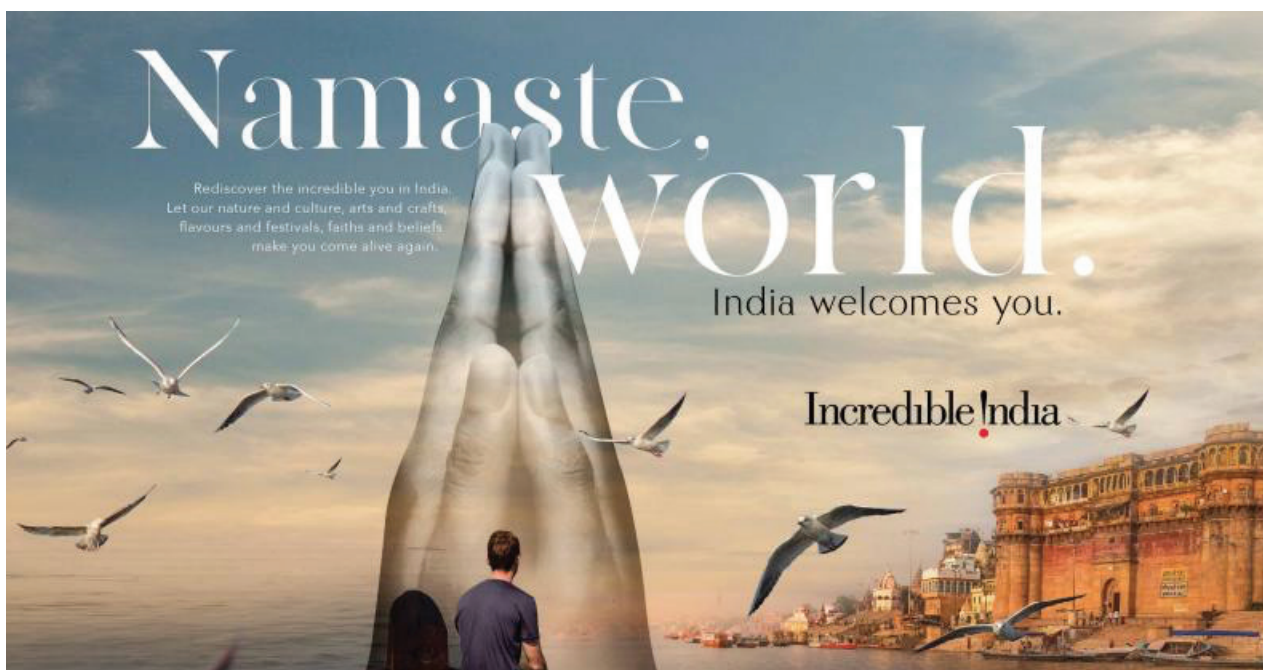
The increase in foreign tourist arrivals is being driven by a number of factors, including:

India is becoming increasingly popular as a tourist destination for a number of reasons, including its rich culture and history, its diverse landscapes, and its relatively affordable prices.

The resumption of business and leisure travel after the COVID-19 pandemic is also playing a role in the increase in foreign tourist arrivals to India. As people are able to travel more freely again, they are looking for new and exciting destinations to visit. India is a great option for business and leisure travelers alike, as it offers a variety of experiences to suit all interests.

The demand for Medical Tourism is also expected to grow at a healthy 19% CAGR during 2022-2032.

*Major events like the G20 summit 2023, The T20 Indian Premier League 2023, and the upcoming ICC Cricket Men's World Cup in 2023.



Source: Namaste World | Ministry of Tourism | Government of India

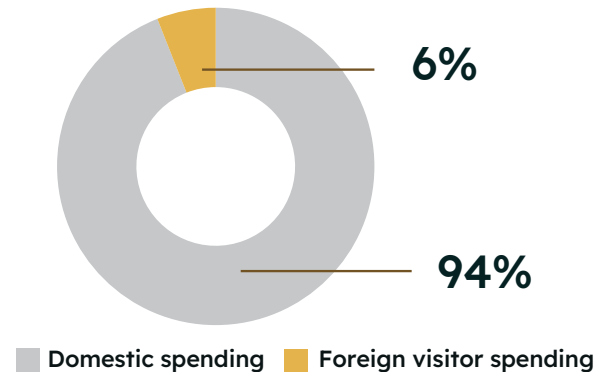
The government of India is also taking steps to promote tourism in the country. In 2022, the government launched the "Namaste World" campaign, which aims to attract more foreign tourists to India. The government is also providing subsidies to airlines and tour operators to make it more affordable for foreign tourists to visit India.

The tourism industry is expected to continue to grow in India in the coming years. With the right policies and investments, India can become a major tourist destination in the world.

"India has a robust domestic market which softened the impact of the economic slowdown to a great extent caused from the pandemic as compared with nations that relied largely on international tourists."

- GDP per capita of India in 2023 is at US\$ 2,600, and is expected to reach US\$ 3,010 by 2025.
- Household disposable income in India was at US\$2.38 trillion in 2022 and is expected to reach US\$3.12 trillion by 2025. (When disposable income in an economy increases, the households have more money to either save or spend, which naturally leads to a growth in consumption).

Share of Tourists by Expenditure in 2021 (%)



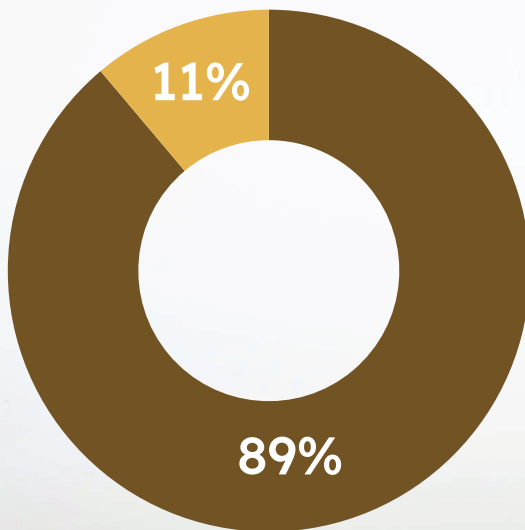
Source: Ministry of Tourism



The total number of domestic visitors in India in 2021-22 was 2,60,46,891, up from 1,31,53,076 in 2020-21, representing a 98% growth year on year. The states with the most domestic tourists are Tamil Nadu and Uttar Pradesh, with 317.91 million and 218.58 million visitors, respectively.

This robust domestic market can indeed help to soften the impact of fluctuations in international tourism, providing a level of stability for the industry. This is particularly beneficial in times of global uncertainty, such as during the COVID-19 pandemic, when international travel was severely restricted. The share of tourist by expenditure in 2021 was 6% by Foreign visitors and 94% by domestic travelers and by 2028 the share of tourist by expenditure is estimated to be 11% from domestic travelers and 89% from Foreign visitors.

The Indian government has been taking several initiatives to boost domestic tourism. Some of these include



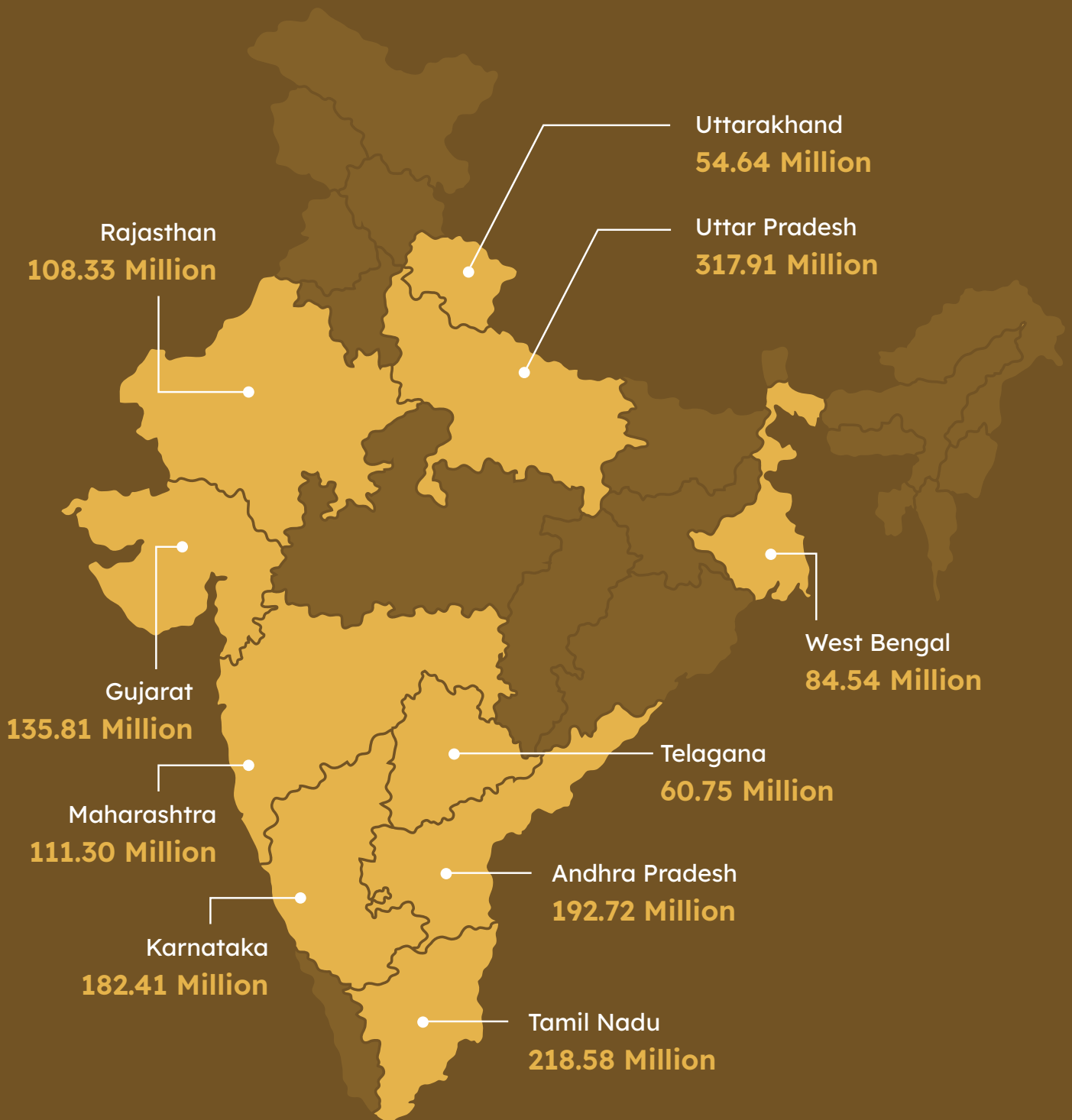
Expected share of tourists by expenditure 2028F (%)

- Domestic spending
- Foreign visitor spending

Source: Ministry of Tourism

- In the Union Budget 2022-23, US\$ 290.4 million has been allocated to the Ministry of Tourism.
- 50 Tourist destinations will be developed for providing a wholesome tourism experience under the 'Swadesh Darshan Scheme'.
- Around US\$ 30.25 million has been allocated for the PRASHAD Scheme aiming for the development of pilgrimage destinations in India.
- These efforts are aimed at boosting both the local and national economy and achieving the target of attracting 1 billion domestic tourists by 2025. It's an ambitious goal, but with these initiatives in place, it seems achievable.

The top states for domestic tourism in India in 2022 were



Source: Ministry of Tourism

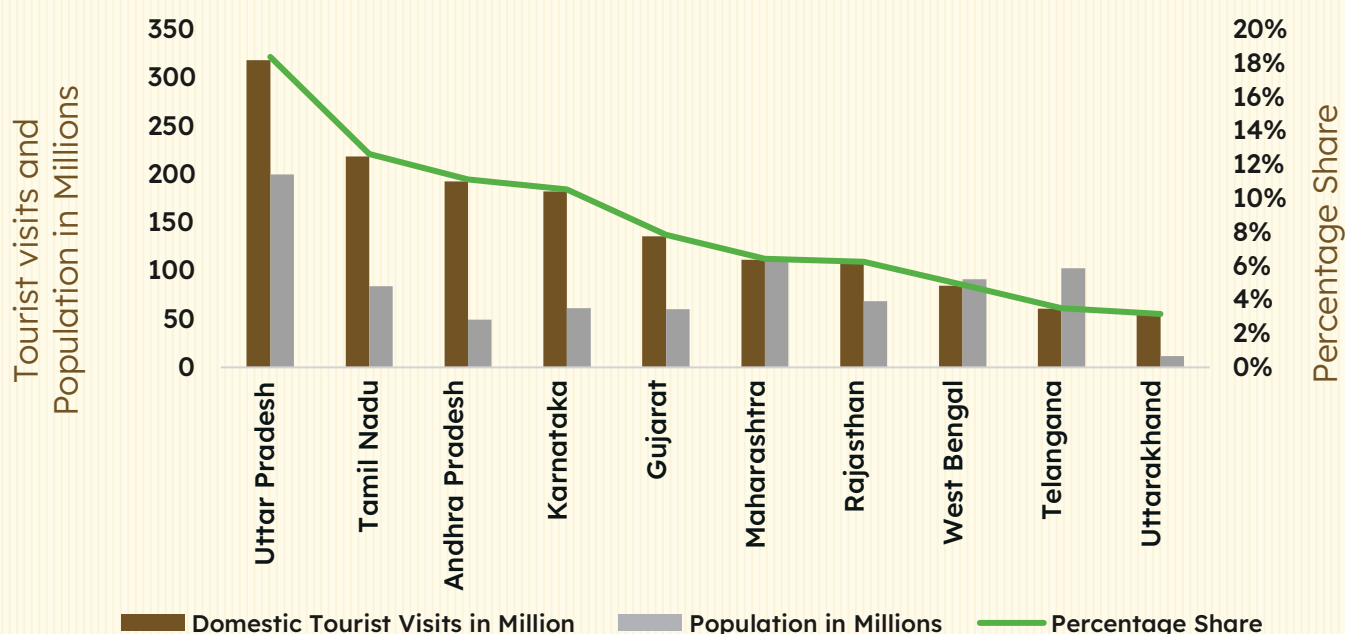


Hotel sector performance in India

The hotel sector in India is expected to grow at a CAGR of 16.98% from 2022 to 2030. This growth will be driven by a number of factors, including:

- The growing economy and rising disposable income of Indians.
- The rise in Foreign Direct Investments in the hotel and tourism sector.
- The government's focus on promoting tourism through policy support.
- The development of new tourist destinations.
- The investments in civil aviation and railways infrastructure.

Top Domestic Tourist Visits by State and Population in 2022





Occupancy

The occupancy rate for Chain-Affiliated hotels in India is expected to increase from 66% in 2022 to 75% in 2030. This increase will be driven by the growing number of tourists visiting India and the increasing demand for hotel rooms.

Average daily rate (ADR)

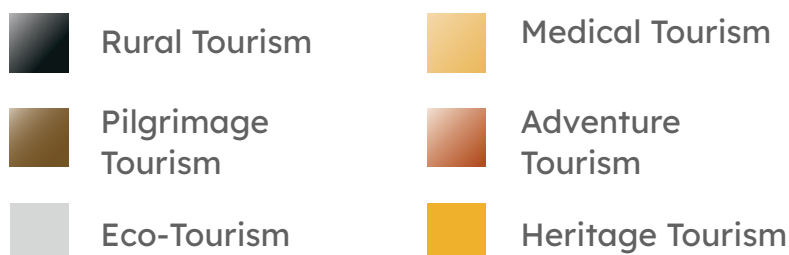
The ADR in hotels Chain-Affiliated hotels in India is expected to increase from INR 6,200-6,400 in 2023 to INR 8,000 in 2030. This increase will be driven by the rising cost of inputs, such as food and fuel and an estimated stable inflation rate of 3% given the RBI's stance to maintain inflation at 4% ($\pm 2\%$).

Revenue per available room (RevPAR)

The RevPAR in Chain-Affiliated hotels in India is expected to increase from INR 3,300 in FY2022 to INR 6,000 in FY2030. This increase will be driven by the increase in occupancy and ADR fueled by the growing Indian economy which is projected to reach a USD 6.7 trillion by 2030.

Growth in tourism and travels in India

The tourism and travel industry in India is expected to grow at a CAGR of 18%-19% from 2022 to 2030. This growth will be driven by the factors mentioned above, as well as the increasing number of business travelers visiting India.



Investment Landscape

“ Investments in Indian Hospitality to exceed US\$ 2.3 billion over the next 2-5 years. With around US\$ 400 million of investment expected in 2020-2023 time frame as investors flock to India's hospitality industry. India's fastest growing economy, global tourism potential and a significant under-penetration of branded hotel rooms represent a new opportunity and a strategic market.”



The hospitality sector in India has indeed been growing rapidly. In the financial year 2021, the foreign direct investment (FDI) equity inflow to the hotel and tourism industry in India was approximately 369 million U.S. dollars. This was a share of 2.21 percent of the FDI equity inflows into the service sector.

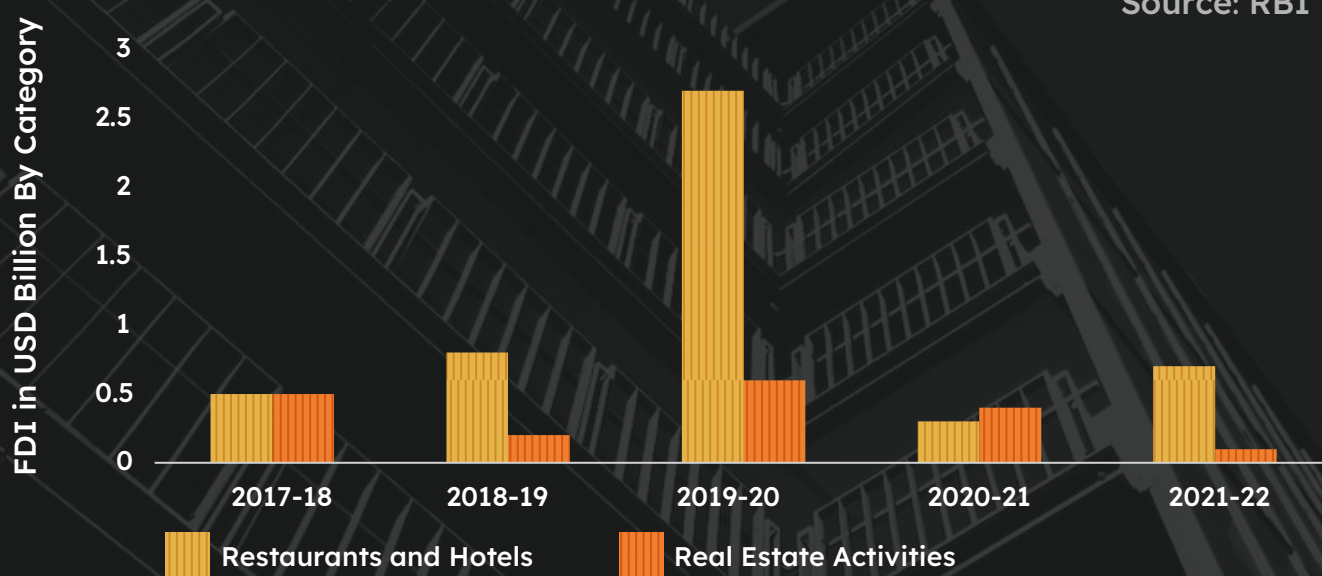
The government of India has taken several initiatives to promote growth in this sector. One such initiative is allowing 100% FDI under the automatic route. This has encouraged many international hotel chains to set up hotels in India.

The establishment of the National Tourism Board is another significant step taken by the government. This board is expected to facilitate comprehensive development in at least 50 selected destinations through a challenge mode process.

These initiatives, along with the increasing FDI inflows, are expected to continue driving growth in India's hospitality sector.

FDI into Restaurants and Hotels and Also Real Estate Activities

Source: RBI



The investment landscape in the hospitality sector in India is favorable for both domestic and foreign investors. The government has put in place a number of policies and initiatives to attract investment in the sector, such as:



Tax incentives

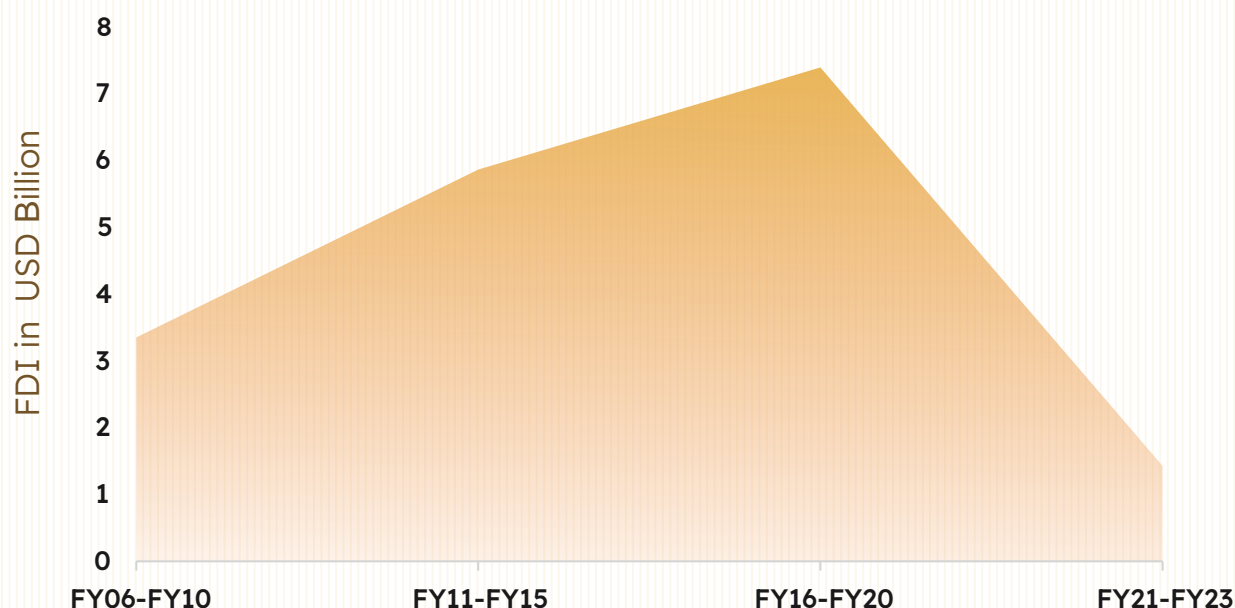
The government offers a number of tax incentives to investors in the hospitality sector, such as depreciation allowances, tax holidays, and investment allowances.



Infrastructure status

The government has given infrastructure status to the hospitality sector, which makes it eligible for a number of benefits, such as priority lending from banks and access to government land at concessional rates.

Foreign Direct Investment in Indian Hotel and Tourism Sector from FY16-FY23



Source: Department of Industrial Policy and Promotion (DIPP)
The FY18-FY23 figures are provisional

Advantages Of Investing In The Tourism Industry:



Diversification benefits

Investing in the hotel industry can help to diversify an investor's portfolio. Also by investing in hotels allows investors to gain exposure to an industry which is driven by travel, tourism, and leisure activities. With a view for long term growth prospects many investors are flocking to invest in hospitality assets which also provide with capital appreciation.



Tangible assets

The investment in tangible assets in the hospitality sector can provide with value addition, inflation protection, opportunities for acquiring undervalued assets and it also adds to your net worth.

Outlook on Leading Brands



The outlook for leading hotel and tourism brands in India is notably optimistic. India's rapidly growing middle class, coupled with an increasing appetite for travel among its citizens, and increasing disposable income presents a substantial domestic market for hotel chains in the country.

Additionally, India continues to be a prime destination for international tourists, thanks to its rich cultural heritage, diverse landscapes, and historical sites. As the country's infrastructure and connectivity improve, more regions are becoming accessible to tourists, further expanding the tourism landscape.

Prominent hotel and tourism brands are recognizing these opportunities and

investing heavily in India. They are not only expanding their presence in major metropolitan areas but also venturing into emerging tourist destinations. Moreover, with the evolving preferences of travelers, brands are adapting by offering unique experiences, wellness-focused amenities, and sustainable practices to cater to a discerning clientele.

The future for leading hotel and tourism brands in India appears promising, driven by the growing domestic and international travel demand, infrastructure development, and evolving consumer preferences. As these brands continue to innovate and expand their footprint, they are well-positioned to capitalize on India's vibrant hospitality and tourism sector.

The following key events in India will have a positive influence on the financial performance of hotels for Fiscal Year 2023-2024



The 2023 G20 New Delhi Summit which was the 18th meeting of G20. It was held in Bharat Mandapam International Exhibition- Convention Centre, Pragati Maidan, New Delhi on 9-10 September 2023. It was the first G20 summit held in India. This summit was a culmination of all the G20 processes and meetings being held throughout the year among ministers, senior officials and civil societies.

T20 Indian Premier League 2023 which was the 16th season of the Indian Premier League organized by BCCI. Held from 31-Mar- 2023 till 29-May-2023. The event was hosted across 12 cities in India i.e Chennai, Delhi, Ahmedabad, Kolkata, Lucknow, Mumbai, Dharmshala, Mohali, Guwahati, Jaipur, Bengaluru and Hyderabad.



ICC Cricket Men's World Cup 2023 (Upcoming) Which will be the 13th edition of the Cricket World Cup hosted in India. Beginning on 05-Oct-2023 and ending on 19-Nov-2023. This event will be hosted across cities that include Ahmedabad, Bangalore, Chennai, Delhi, Dharmshala, Hyderabad, Kolkata, Lucknow, Mumbai and Pune.

IHCL is the largest hotel company in India, with a portfolio of 260 hotels globally out of which 187 are operational and 73 are in the pipeline. Lemontree Hotels is the second largest hotel company in India, with a portfolio of over 90 hotels across India and abroad. EIH Ltd. is the third largest hotel company in India, with around 30 hotels and 2 cruises. Chalet Hotels is the third largest hotel company in India as per market capitalization, with a portfolio of around 9 hotels.



Lemon Tree Hotels ...

₹114.15

+₹26.40

↑ 30.09%



Indian Hotels Com...

₹412.00

+₹75.15

↑ 22.31%



Chalet Hotels Ltd

₹557.45

+₹190.45

↑ 51.89%



EIH Ltd

₹223.30

+₹27.35

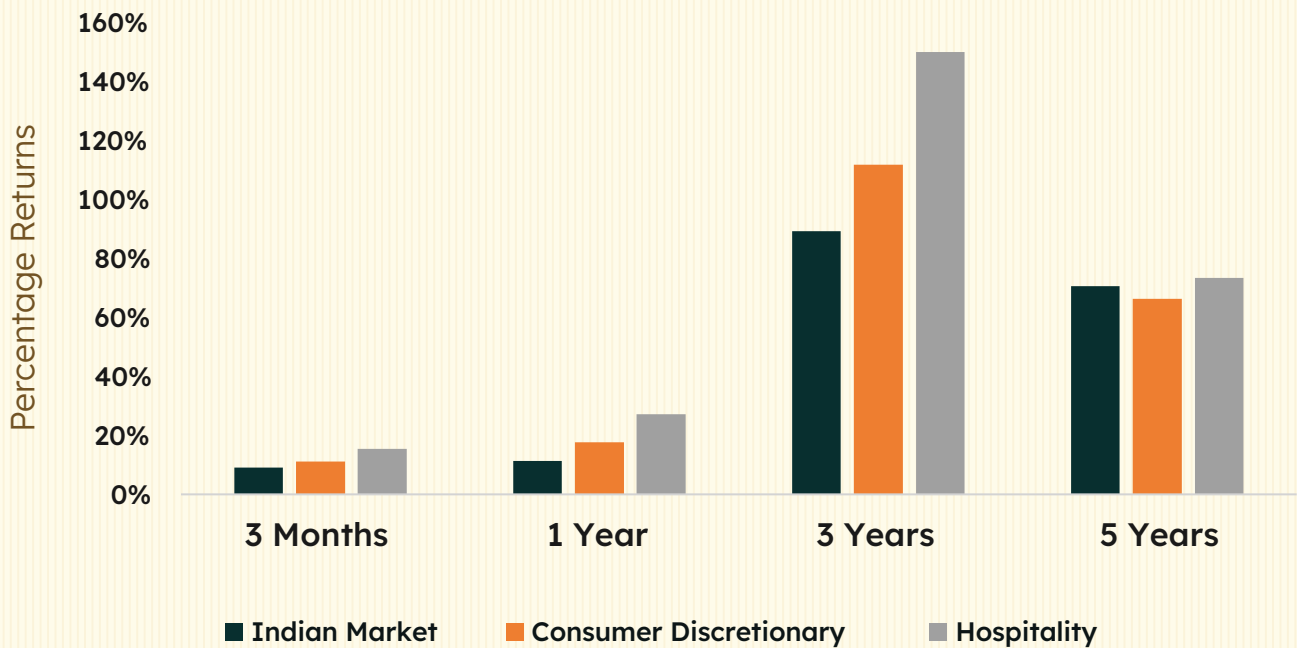
↑ 13.96%

1Y Returns Comparison (as on 29-Sep-2023)

These four companies are publicly traded and listed hotel companies, are all well-established and have a strong track record of performance. They are also well-positioned to benefit from the growth of the Indian economy and their performance is a leading indicator for the overall sector. A study on these companies gives a good projection and estimate about the overall hospitality sector performance.

The Indian hospitality sector has outperformed the Indian markets and the Consumer Discretionary sector over all time frames. This is likely due to the strong growth of the Indian tourism industry. Investors are most optimistic about the Hotels, Resorts and Cruise Lines industry, which is trading above its 3-year average PE ratio of 29.9x

Indian Equity Market Returns Comparison



Source: SimplyWall St

Valuation Price to Earnings as on Sept 2023

CONSUMER
DISCRETIONARY

32.86x

HOSPITALITY

96.1x

INDIAN
MARKET (SENSEX)

23.890x

Outlook on Leading Brands | IHCL



Market Cap

₹ 61,269 Cr

Current Price

₹ 431

Stock P/E

58.50

Book Value Per Share

₹ 56.2

Earnings Per Share

₹ 7.43 (as on 06-Sep-2023)

Hotels Portfolio

The company operates 260 hotels with a total inventory of 31,104 rooms. This includes 73 hotels with 9,467 rooms in the pipeline and 187 hotels with 21,637 rooms operational.

With a strong rebound in travel and tourism, the hospitality sector has seen a significant growth and in most cases the major leading brands have seen a sharp recovery in both ARR and Average Occupancy Percentage higher than the Pre-Pandemic levels. IHCL has seen a Room Income for Fiscal year 2023 higher by 88% from the previous year, an ARR of INR 13,736 and an average occupancy at 72%. ARR increased by 41% and average occupancy increased by 19%. In comparison with pre-pandemic levels of FY2019-20, room income was higher by 40%, ARR was higher by 28% and average occupancy was higher by 5% points. Business increased from overall all the segments.

Food and beverage income for the Fiscal Year 2022-2023 was higher by 93% from the previous year and 27% higher than pre-pandemic levels. Business from banqueting grew by more than 150% over the previous year while the restaurant business grew by approximately 60% over the previous year.

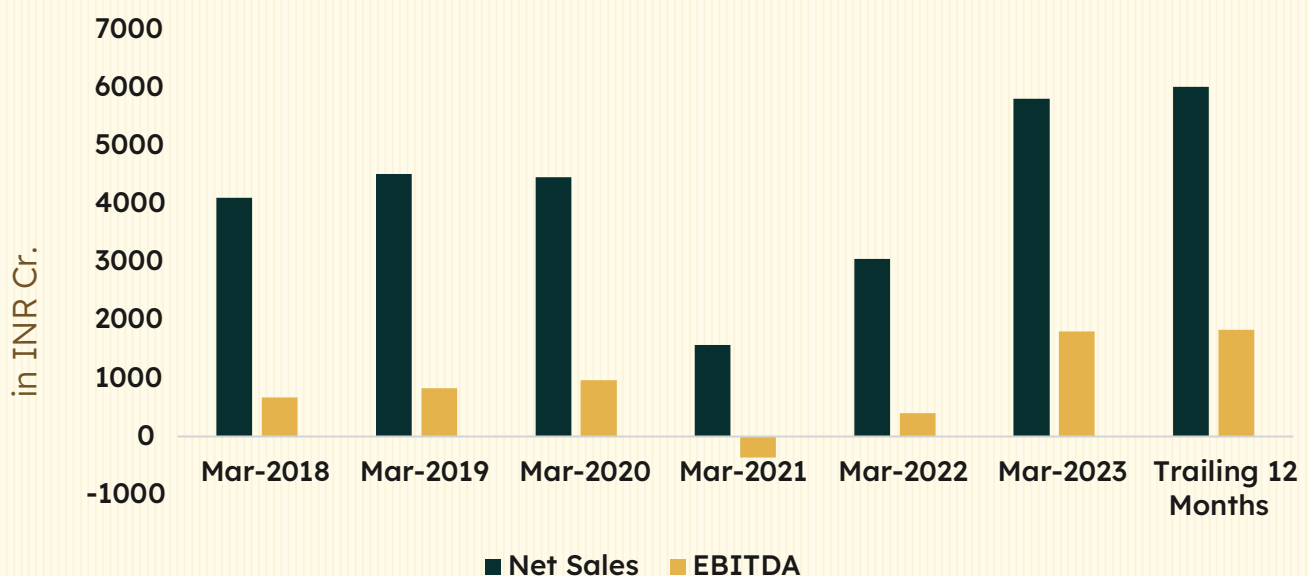


On a YoY Basis Net Sales in FY23 has not only surpassed the pre-pandemic levels but has also shown a steep increase in EBIT. With EBIT increasing from INR -1.30 Cr. in FY22 to INR 1,388.50 Cr. in FY23. For Q1FY24 EBITDA stands at INR 301.12 Cr.

up by 9% on a YoY basis. The upcoming quarters look promising with the rising demand for travel and tourism and the positive economic outlook. On a Trailing Twelve Month's basis IHCL is the first listed hotel company in India that has reached a milestone of reporting INR 1,015.90 Cr. in Profit After Tax.

The current EV/EBIT of the company is at 39x.

Net Sales and EBITDA in INR Cr.

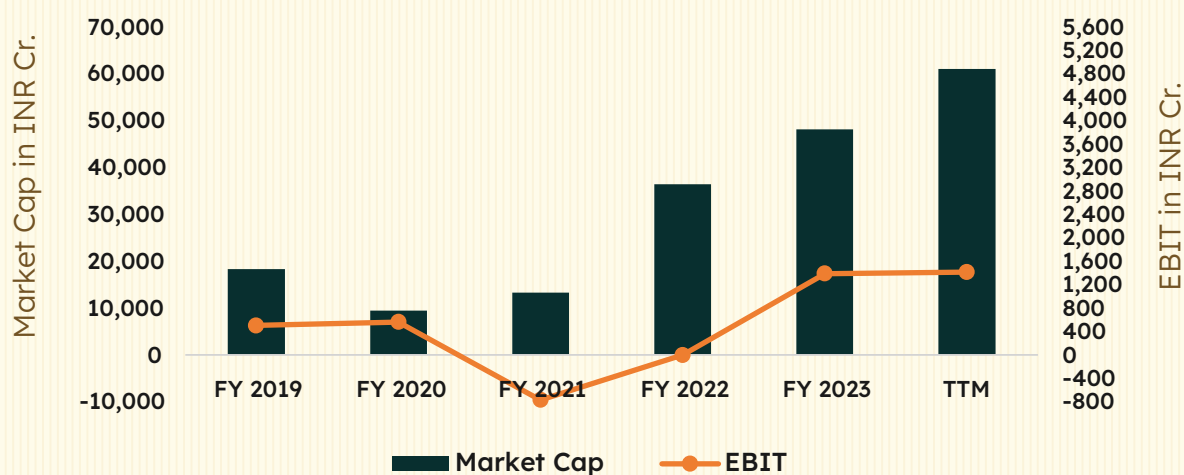


IHCL MARKET

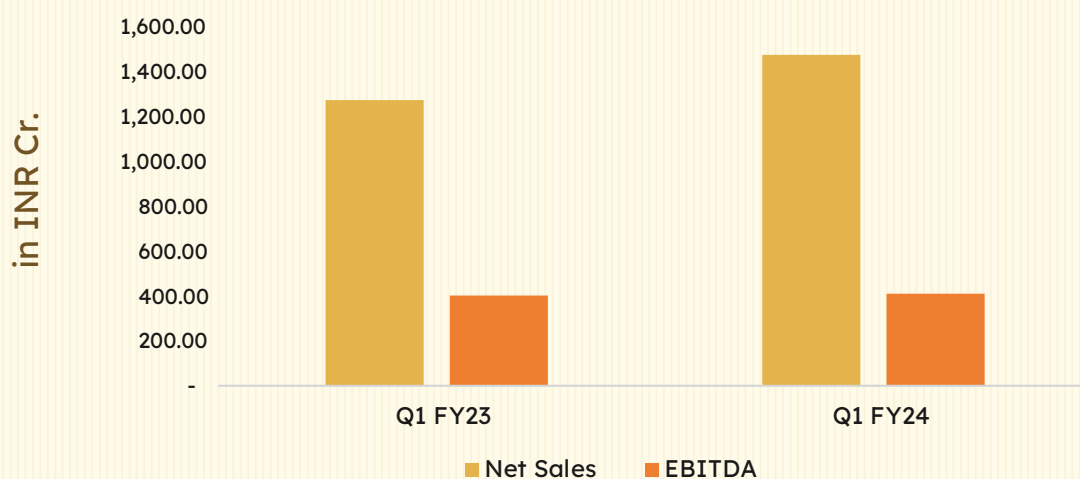
The Debt/Equity ratio has substantially decreased from 54% in FY19 to 4% in FY23 making the company nearly debt free. This also further reduces the finance cost for the firm and a reduced leverage ratio.

The demand in the hospitality sector will be driven by the major events in the year these includes the G20 Summit 2023, the matrimony seasons that lasts from October-December and the ICC Men's Cricket World Cup from October-November 2023. The Upcoming Quarters for Fiscal year FY24 looks promising in terms of revenue generation for the overall hospitality sector and luxury brands like IHCL are well positioned in the hospitality segment to benefit in terms of Occupancy and ARR driven by the strong demand and the economic outlook for the year.

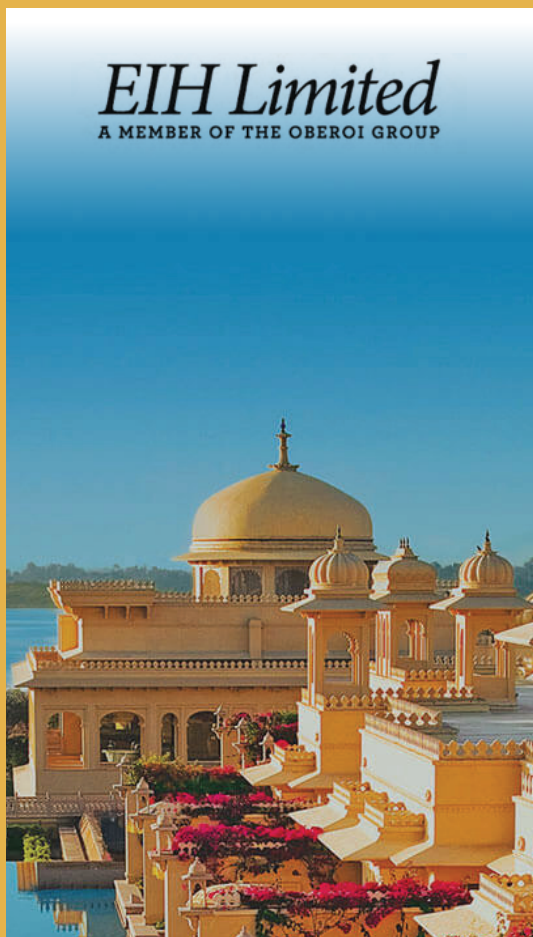
Market Capitalization and EBIT of IHCL Ltd. FY2019-TTM in INR Cr.



Q1FY23 Vs. Q1FY24 Net Sales and EBITDA in INR Cr.



Outlook on Leading Brands | EIH



Market Cap

₹ 15,931 Cr

Current Price

₹ 255

Stock P/E

39.4

Book Value Per Share

₹ 54.00

Earnings Per Share

₹ 5.69 (as on 06-Sep-2023)

Hotels Portfolio

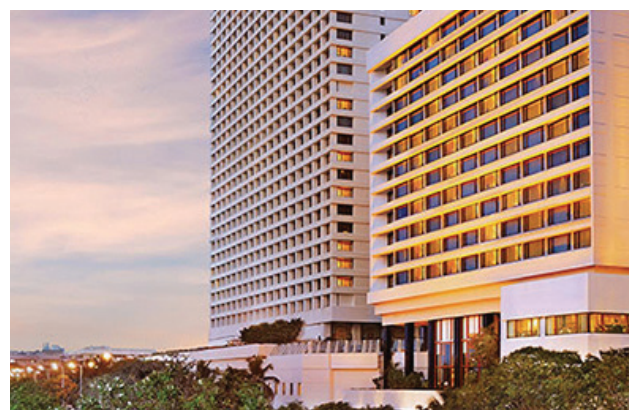
EIH Limited is the flagship company of the Oberoi Group operating hotels under the renowned names of Oberoi, Trident and Maidens.

Oberoi Hotels: 20 Hotels, 02 Cruises

Trident Hotels: 10 Hotels

Maidens Hotel: 01 Hotel

The premium positioning of the EIH Ltd. hotel brands is an added advantage for the increasing demand for quality hotel stays especially by the affluent travelers. In FY23 the hospitality sector saw a strong start in India with increase in occupancy percentage and ARR, along with full swing of MICE segment's demand. Net Sales for EIH saw a substantial growth of 105% for FY23 at INR 2,018.81 Cr. from INR 985.26 Cr. in FY22. EBIT increased by a whopping 400% up from a loss of INR 158.09 Cr. in FY22 to a profit of INR 473.30 Cr. in FY23.



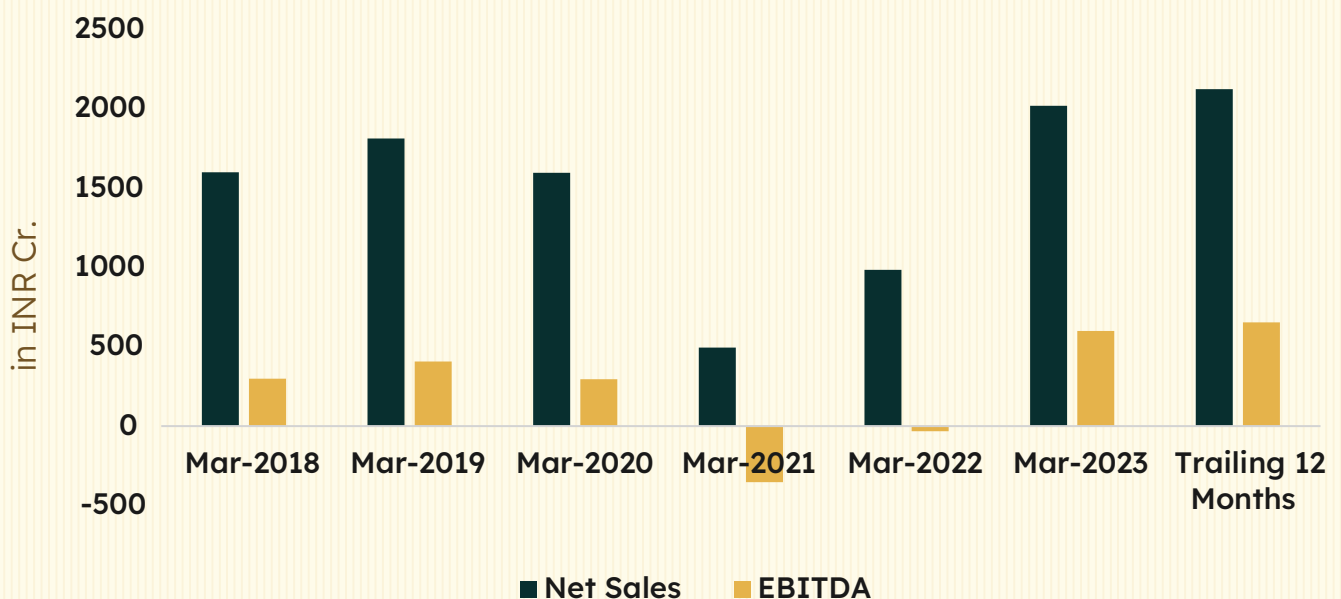


For Q1FY24 the company reported Net Sales of INR 498.10 Cr. a YoY growth of 26% from INR. 394.29 Cr. in Q1FY23. On the other hand EBITDA grew by 81% for Q1FY24 to INR 123.52 Cr. up from INR 68.15 Cr in Q1FY23.

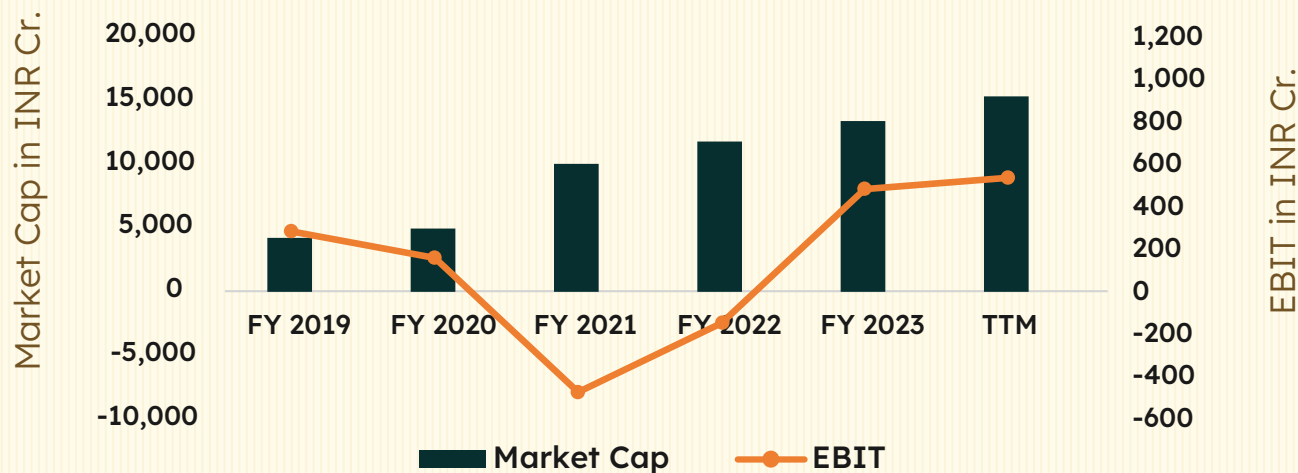
On a Trailing Twelve Months basis the company's EBIT stands at INR 526.24 Cr and EPS stands at INR 5.69. For FY23 the company reported the highest cash flow from operations at INR 614 Cr. of which INR 588 Cr. was profit from operations.

The current EV/EBIT of the company is 23x

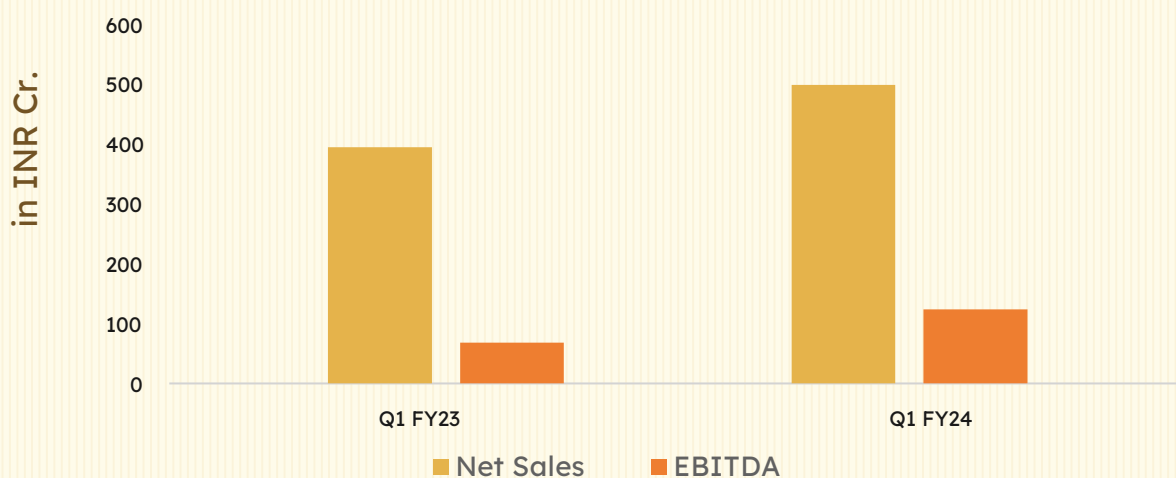
Net Sales and EBITDA in INR Cr.



Market Capitalization and EBIT of EIH Ltd. FY2019 -TTM in INR Cr.



Q1FY23 Vs. Q1FY24 Net Sales and EBITDA in INR Cr.



EIH Market

EIH is well positioned to report strong financial performance for FY24. Being one of India's leading luxury hotel company that is publicly traded, the company's Market Cap has increased from INR 10,031 Cr. in FY21 to INR 15,321 Cr. on a Trailing Twelve Month's basis. The company's ROE for FY23 is at 9.32% and Debt to Equity ratio has reduced from 17% in FY19 to 2% in FY23 this will further reduce the finance cost for the firm.

Keeping in mind the key events in 2023-24 mentioned earlier in the report. The demand for the hospitality sector will be at record highs with a positive impact on the financial performance of luxury hotel brands like EIH.

Outlook on Leading Brands | Chalet



Market Cap

₹ 11,440 Cr

Current Price

₹ 557

Stock P/E

55.00

Book Value Per Share

₹ 75.2

Earnings Per Share

₹ 11.9 (as on 06-Sep-2023)

Hotels Portfolio

Chalet Hotels Limited which is a part of the K. Raheja Corp is a leading asset manager and operator of high-end key hotels in metro cities in India. The company's portfolio includes nine hotels, with a total of 2,800 rooms:

- JW Marriott, Mumbai Sahar
- The Westin Mumbai Powai Lake
- Lakeside Chalet Marriott Executive Apartments Four Points by Sheraton Navi Mumbai
- The Westin Hyderabad Mindspace
- The Westin Hyderabad HITEC City
- Bengaluru Marriott Hotel Whitefield
- Novotel Pune Nagar Road
- The Dukes Retreat

Chalet hotels Ltd. has reported strong annual performance for FY23 with a operating turnover of INR. 1,128.47 Cr a 122.2% increase from FY22 and EBIT was reported at INR 335.50 Cr. compared to a loss of INR 21.22 Cr in FY22 a growth of 1681% annually. For Q1FY24 the company reported operating revenue of INR 310.77 Cr. a growth of 26% YoY as compared to INR 253.01 Cr. for Q1FY23. EBITDA for Q1FY24 increased by 9% to INR 78.81 Cr. from INR 72.17 Cr. in Q1FY23.

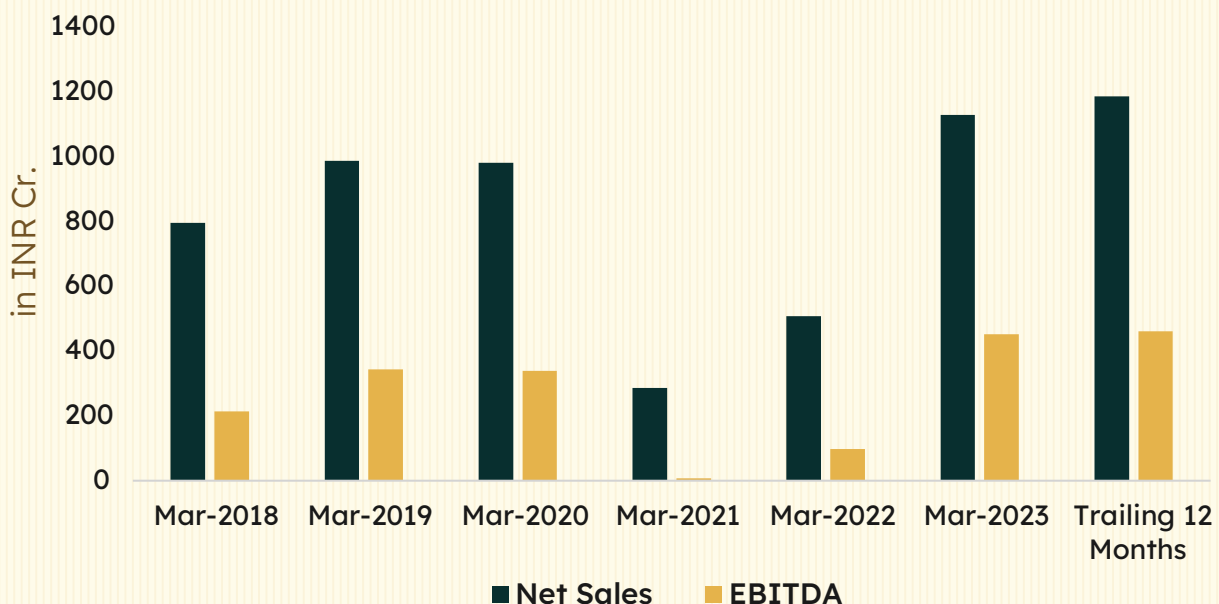


Chalet Hotels' strong performance is being driven by a number of factors, including:

The company's unique strategy of investing. The company identifies strategic locations in high-density business districts of metro cities with high barriers to entry and partners with leading hospitality chains such as Marriott and Accor. It operates as an active asset manager for hotels operated by these third parties.

Currently this company is trading at an EV/EBIT ratio of 36.4x

Net Sales and EBITDA in INR Cr.



Outlook on Leading Brands | Lemontree



Market Cap

₹ 9,135 Cr

Current Price

₹ 115

Stock P/E

73.6

Book Value Per Share

₹ 10.8

Earnings Per Share

₹ 1.57 (as on 06-Sep-2023)

Hotels Portfolio

Company operates a network of 93 hotels with 8,700 keys in operation. List of hotel brands running under Lemontree:

- Aurika
- LemonTree Premier
- LemonTree Hotels
- Red Fox By Lemontree
- Keys Prima By Lemontree
- Keys Select By Lemontree
- Keys Lite By Lemontree

As on 15-Sep-2023 Lemontree Hotels Limited share price hit a record 52-Week high of INR 125.50 a piece after the company announced that it had signed two new properties: Lemontree Hotel, Junagadh of 64 rooms and Lemontree Resort, Chitwan, Nepal of 35 rooms.

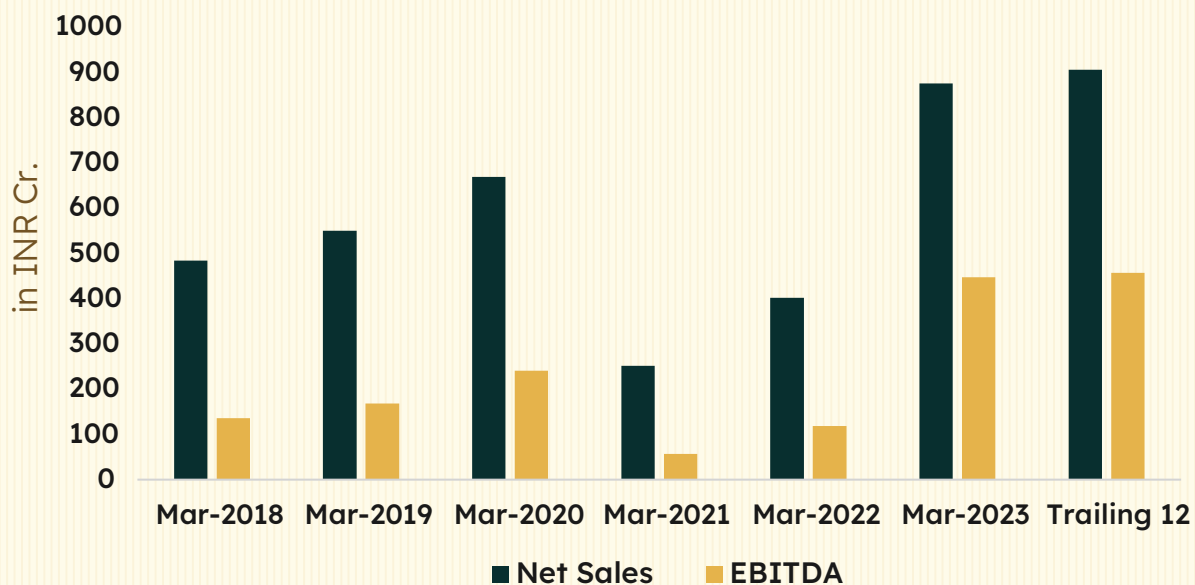
The company has posted a record EBIT growth of 2319% for FY23 at INR 350.97 Cr. up from INR 14.51 Cr. in FY22. On a trailing-12 months basis the company reported an EBIT of INR. 369.58 Cr. The company's Net sales were INR. 874.99 Cr. in FY23 which saw a growth of 117.5% from INR. 402.24 Cr. in FY22. On a trailing-12 months basis the company reported Net sales of INR. 905.22 Cr.



The growing demand for midscale hotel's segment will be an added advantage to Lemontree which has the largest number of branded hotel rooms in this category. Steady growth of business and leisure travelers has added to the strong performance of Lemontree Hotels.

The upcoming Quarters of Q2FY24, Q3FY24 AND Q4FY24 looks promising in terms of Occupancy and ARR growth for Lemontree Hotels as projected by many stakeholders.

Net Sales and EBITDA in INR Cr.



Hotel and Travel Company IPOs

IPOs

Below are some of the largest IPOs in the Indian Hospitality Sector in recent years.

Chalet Hotels which was one of the largest Issue size in the Indian hospitality sector of INR 1,641.18 Cr. for an Issue price of INR 280. The stock closed at INR 290.4 on the listing day of 07-Feb-2019 and is currently trading at INR 574.75 a gain of 102% in 4 years.

IPO Size in INR Cr.



Comapany Name	IPO Size in INR Cr.	Final Issue Price in INR	Current Share Price in INR (28 Sep 2023)	% Change in Price
Chalet Hotels Ltd.	1,641.18	280	559	99.64%
Lemontree Hotels Ltd.	1,038.68	56	122	117.86%
Shami Hotels Ltd.	1,370.10	126	150	19.05%

Lemon Tree Hotels Limited had the second largest issue of INR 1,038.68 Cr. in the hospitality segment for an issue price of INR 56. The stock closed at INR 71.6 on the listing day of 09-Apr-2018 and is currently trading at INR 115.65 as on 11-Sep-2023 a gain of 107% in 5 years.

As of today the upcoming IPOs in the Hospitality Sector in India are The Park Limited which has filed it's draft papers with SEBI to raise INR 1,050 Cr.

Also Oravel Stays Limited has filed it's draft papers with SEBI which is still pending approval.

YATRA the third largest online travel company in India opened for IPO on 15-Sep-2023 and it remained open for subscription till 20-Sep-2023, the price band for the IPO was INR 135-142 per share, the shareholders are looking to raise INR 776 Cr. The IPO comprised of a Fresh Issue of 4.24 crore share worth INR 602 Cr. and an Offer For Sale of 1.22 crore shares worth INR 173 Cr.



Yatra saw a successful IPO with a subscription of upto 1.66x times and was listed on 28-Sep-2023.

Samhi Hotels Ltd. has seen a strong IPO response from all the investors. Samhi's IPO was subscribed 5.57x times with Qualified Institutional Buyers outbidding their allotment size by upto 9.18x times on the final day of the bidding. Samhi Hotels Limited saw it's IPO open on 14-Sep-2023 with a price band of INR 119-126 and the company made it's debut on the exchanges on 25- Sep-2023 at INR 134.50 a premium of 7% to it's IPO price.

The IPO of hotels in India is a positive development for the sector. The IPOs will provide much-needed capital to the companies, which can be used to expand and improve their operations.





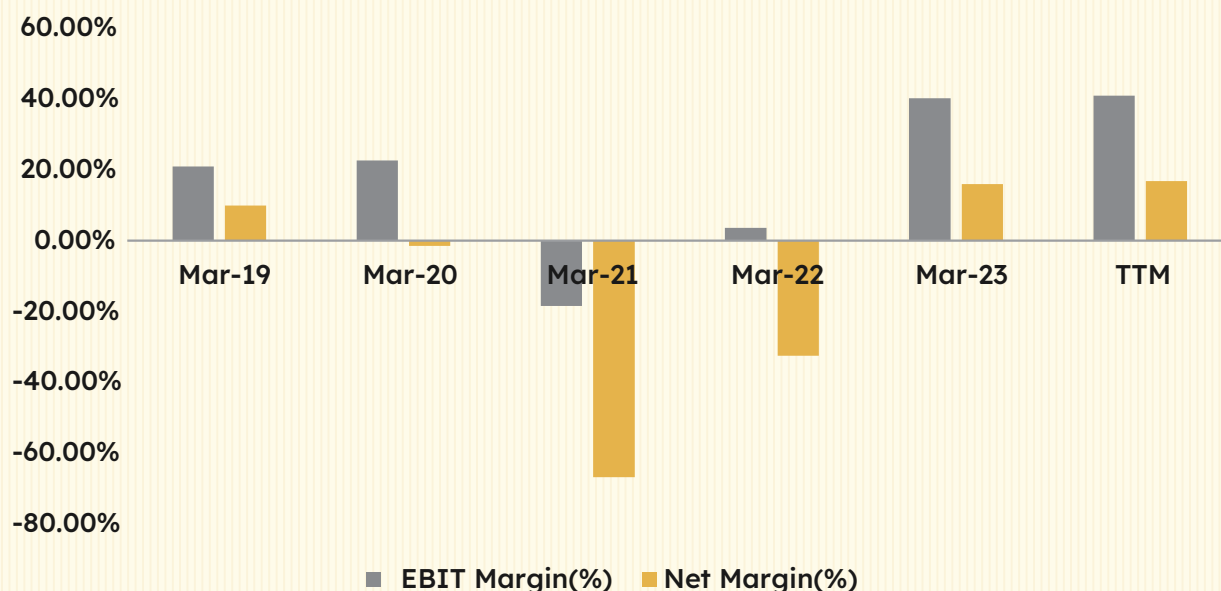
Case Study of Lemontree Hotel's IPO

Company

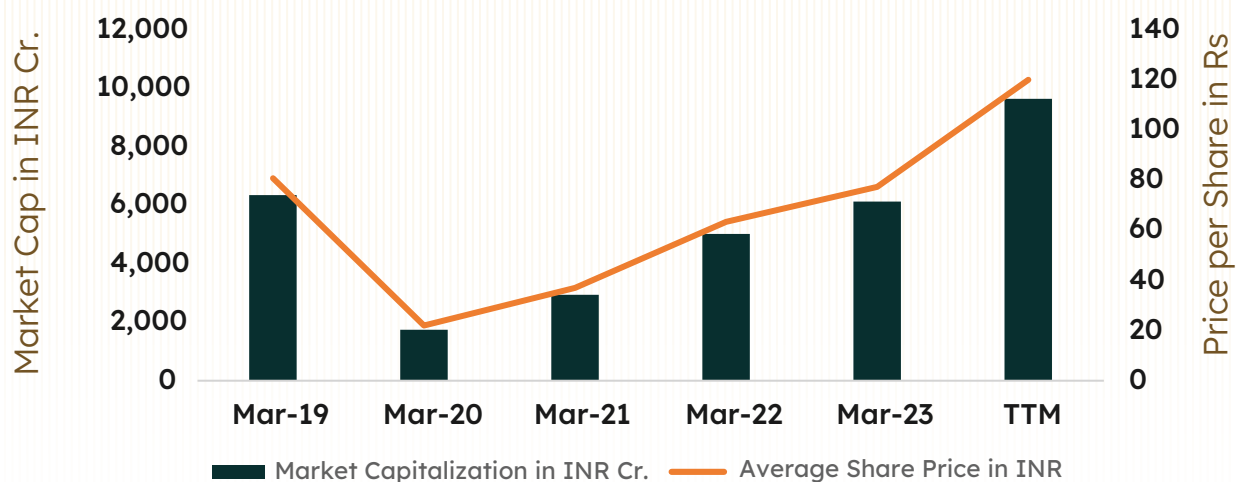
Lemontree Hotels Limited is a mid-sized hotel chain in India. It operates a portfolio of 93 hotels across 58 destinations in India and overseas.

Lemontree Hotels Limited which saw its IPO open in Mar-2018 was subscribed 1.19x times. The company was listed and open for trading on 09-Apr-2018.

Key Profitability Ratios for Lemontree Hotels



Lemontree Hotels Market Capitalization and Share Price



	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	TTM
EBIT Margin(%)	20.86%	22.58%	-18.39%	3.56%	40.11%	40.83%
Net Margin(%)	9.85%	-1.53%	-66.69%	-32.46%	15.90%	16.77%

Some of the key figures and numbers from the IPO

IPO Details:

The IPO was a main-board issue of 185,479,400 equity shares of the face value of INR 10 aggregating up to INR 1,038.68 Crores. The issue was priced at INR 54 to INR 56 per share.

As was stated by the company the IPO proceeds were to be used to fund the company's expansion plans, repay debt, and for general corporate purposes.

The stock listed at INR 61.60 a 10% premium over the issue price of INR 56. As of 26-Sep-2023 the company is trading at INR 115.40 a gain of 87% since it's listing day.

This IPO was specifically only an Offer For Sale (Without any fresh issue of Equity Shares by the Company).

The Selling Shareholders and Promoters Included

- Maplewood
- Palms International
- Mr. Satish Chander Kohli
- Mr. Raj Pal Gandhi
- RJ Corp
- Citron
- Whispering Resorts
- RKJ HUF
- Five Star
- Swift Builders

IPO of The Park Hotels

The Park

Apeejay Surrendra Park Hotels Limited 1,050 Cr. IPO Size

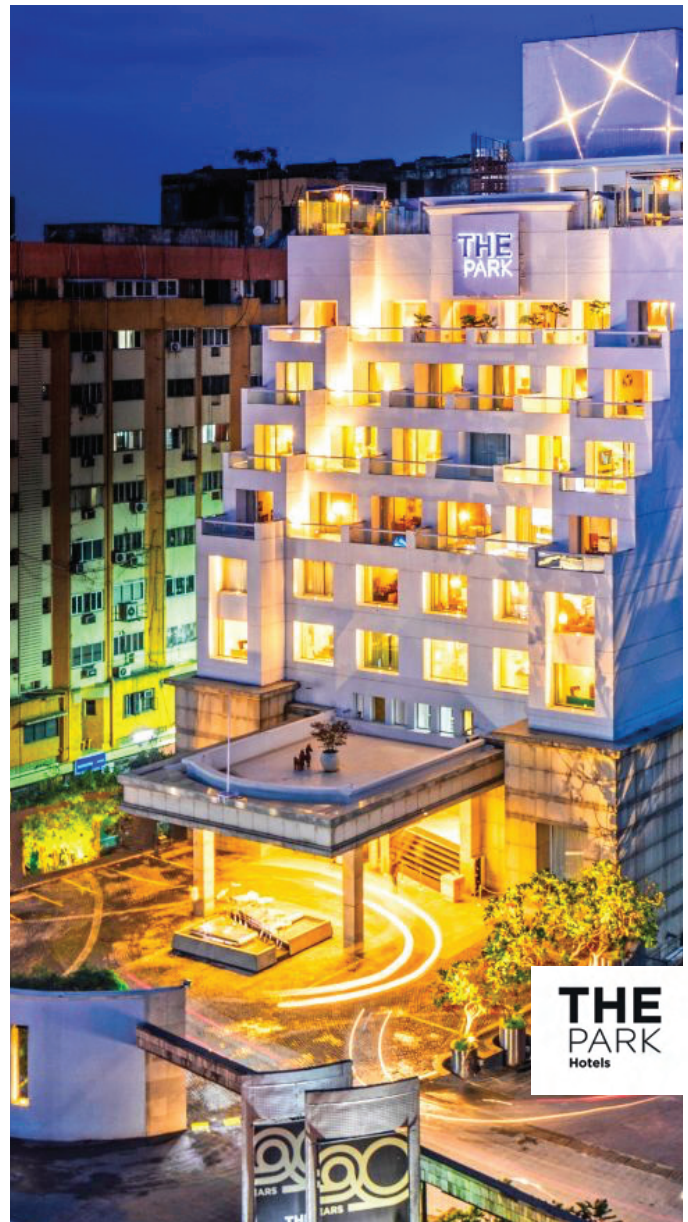
The Park Hotels which was launched in 1967 with the The Park Hotel Kolkata will have the third biggest Hotel IPO in the country after Chalet Hotel's INR 1,641 Cr. in Feb-2019. and Samhi Hotel's INR 1,370.10 Cr.

The Park Hotel's IPO will include a fresh issue of equity as well as an offer for sale of equity shares that will aggregate to an issue size of INR 1,050 Cr. Of which INR 650 Cr. is from fresh issue and INR 400 Cr. is from offer for sale from existing investors.

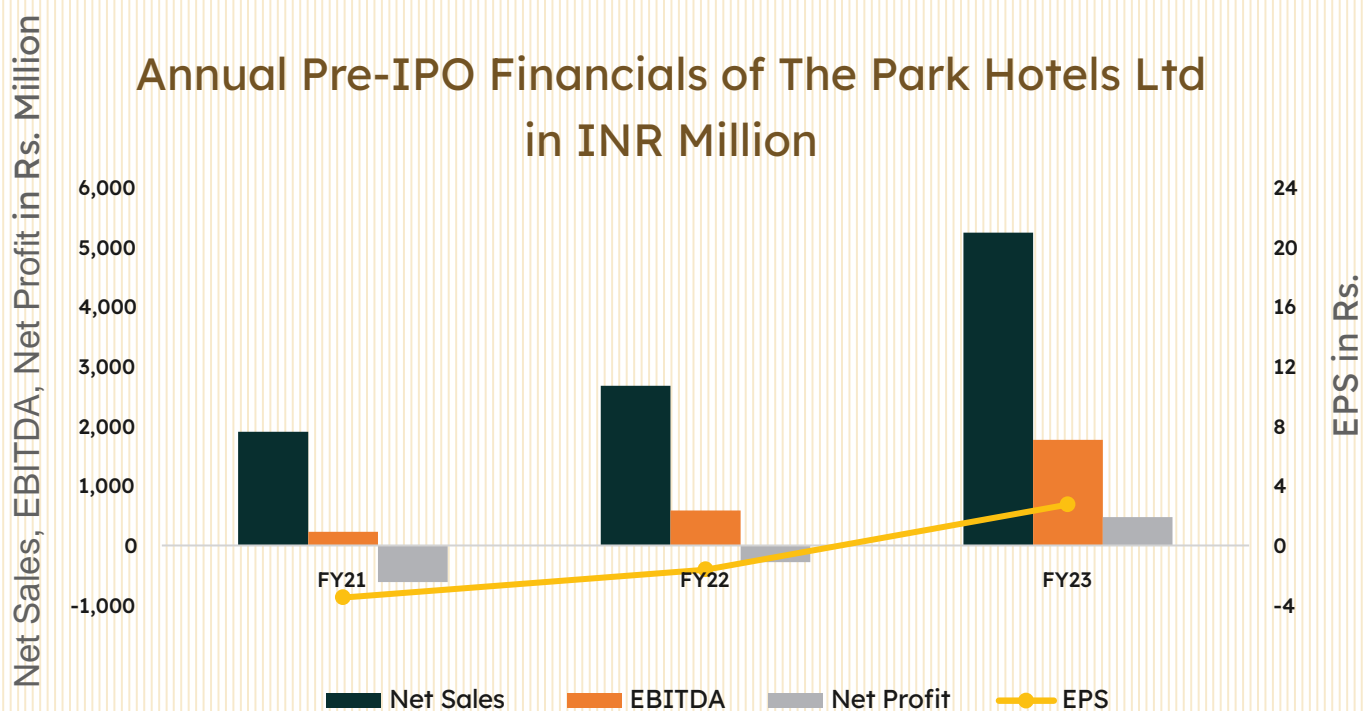
The company Apeejay Surendra Park Hotels Limited (ASPHL) had faced many delays due to the pandemic and pending regulatory approvals to finally bring the IPO to reality. The company is confident in the recovery era post the pandemic with it's expansion plans.

ASPHL operates 22 hotels and close to 2,000 rooms across all the major cities in India. Under the brand names of:

- *The Park*
- *Zone By The Park*
- *Zone Connect*



Source makemytrip.com/hotels/the_park_chennai



In Rupees Million	FY 21	FY 22	FY 23
Total Assets	12,803.39	12,751.76	13,617.90
Non Current Liabilities	5,292.57	5,311.08	5,836.88
Total Liabilities	7,441.37	7,668.46	8,063.28
Total Equity	5,362.02	5,083.30	5,554.62
Asset Turnover Ratio	0.15 x	0.21 x	0.40 x
ROCE	-1.18%	1.75%	11.21%
EBITDA Margin	11.91%	21.76%	33.74%
EBIT Margin	-7.91%	6.80%	24.34%
Interest Coverage Ratio	0.40 x	0.97 x	2.84 x
Net Profit Margin	-32.06%	-10.53%	9.14%
Number of Equity Shares Pre-IPO (In Millions)	174.66	174.66	174.66
EPS	-3.49	-1.61	2.74



The Pre-IPO Ownership structure of the company includes

Appejay Promoters and Group Companies - 64.12%

Great Eastern Stores Private Limited - 30.06%

RECP IV Park Hotel Investors and Co. - 5.82%

RECP IV Park Hotel Investors and Co is a mauritius based private equity vehicle owned by the global investment bank Credit Suisse.

As can be seen. The Park Hotels has performed well in recent years. Over the years the company has reported Net Asset Value Per Share as 30.70 in FY21, 29.11 in FY22 and 31.81 in FY23. The Park Hotels has shown consistent growth in its Net Sales, EBITDA, and Net Profit over the years. The company's financial performance is expected to remain strong in the coming years, as the hospitality sector in India continues to grow.

IPO of Samhi Hotels

Samhi

Samhi Hotels Limited Issue Size 1,370.10 Cr.



Samhi has a portfolio of 4,801-key rooms spread across 31 operating hotels in 14 of India's major urban consumer hubs, including Bengaluru, Hyderabad, National Capital Region (NCR), Pune, Chennai, and Ahmedabad.

The total IPO issue was for 108,738,095 shares aggregating upto INR 1,370.10 Cr. Of which the fresh issue was of 95,238,095 shares aggregating up to INR 1,200.00 Cr. and an offer for sale of 13,500,000 shares aggregating up to INR 170.10 Cr.



The price band was set for INR 119-126. Under the Offer For Sale which included selling shareholders namely Blue Chandra Pte Limited, Goldman Sachs Investments Holdings, GTI Capital Alpha Pvt Limited and International Finance Corporation.

The IPO reservation was 45% for Anchor Investors, 30% for QIB, 15% for HNIs, and 10% portion was reserved for retail. The IPO which was open from 14-Sep to 18-Sep 2023 saw a tremendous response. With QIB portion being booked 9.18x times, HNIs booked 1.29x times and Retail portion booked 1.17x times. The overall subscription rate was 5.57x times.

On 25-Sep-2023 the Samhi Hotels stock was listed and opened at a price of INR 143.30, closed at INR 150.00 and the price on this day reached a peak of INR 151.80.

Samhi Hotels Ltd

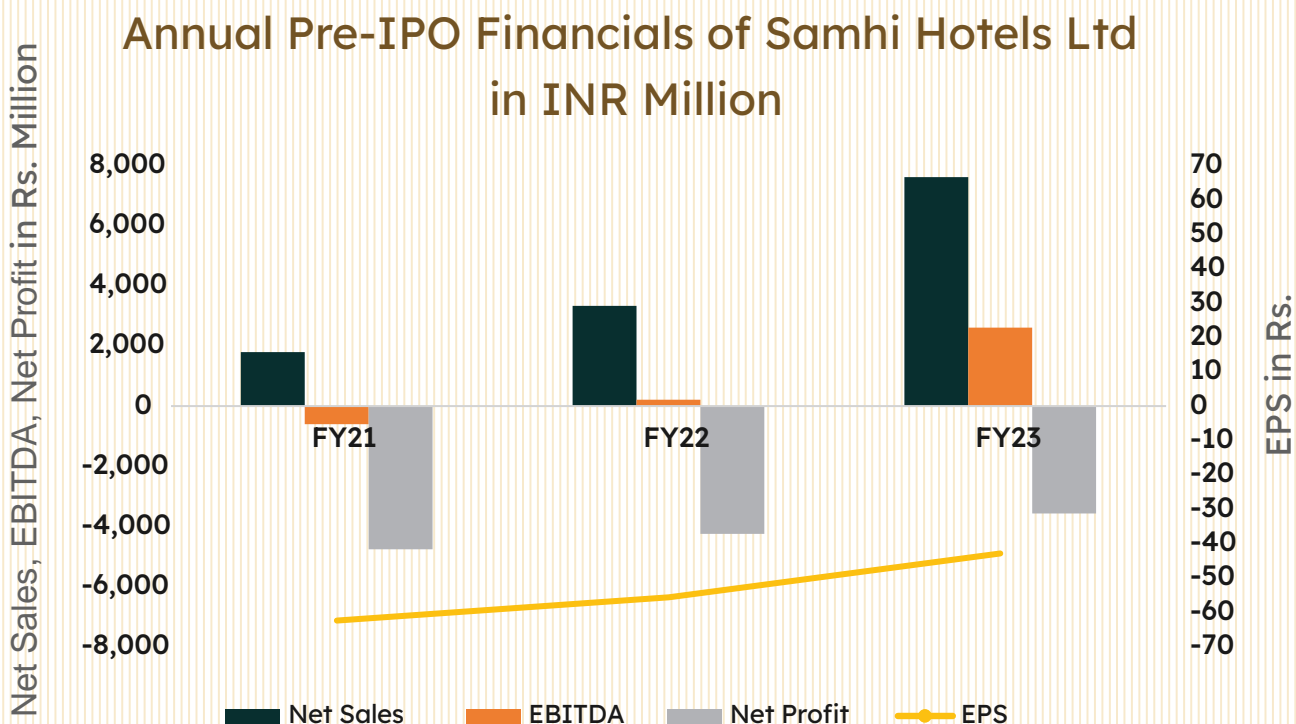
Market Cap: ₹ 3,199 Cr.

Enterprise Value: ₹ 5,811 Cr.

EV/EBITDA: 22.3x

EV /EBIT: 35.4x

(as on date 31 September, 2023)



In Rupees Million	FY 21	FY 22	FY 23
Total Assets	24,880.01	23,865.76	22,630.03
Non Current Liabilities	19,610.39	26,200.94	21,369.60
Total Liabilities	26,834.90	30,254.16	30,706.46
Total Equity	-1,954.89	-6,388.40	-8,076.46
Asset Turnover Ratio	0.07 x	0.14 x	0.33 x
ROCE	-9.71%	-3.98%	12.36%
EBITDA Margin	-33.31%	6.54%	34.22%
EBIT Margin	-95.68%	-23.66%	21.58%
Interest Coverage Ratio	-0.19x	0.06 x	0.50 x
Net Profit Margin	-265.81%	-127.54%	-46.99%
Number of Equity Shares Pre-IPO (In Millions)	76.27	76.27	83.34
EPS Pre-IPO	-62.47	-55.70	-42.93

Hospitality | Alternative Investments

REITS in the Indian Hospitality Sector



As of January 11, 2023, the three listed REITs in India, which are Mindspace REIT, Brookfield REIT, and Embassy REIT, had a combined market capitalization of over INR 62,000 crores. Embassy REIT, being India's first publicly traded REIT, has paid out over INR 68 billion in distributions since its listing as of the first half of FY23-2024.

Embassy REIT is currently the only one among these that has a portfolio of hotel assets. The introduction of a dedicated hotel REIT could indeed be a significant development for the Indian hospitality industry. It could potentially elevate investor sentiment for a sector that is in need of affordable capital.

However, this would require some regulatory issues to be fully resolved before such a dedicated hotel REIT can be launched in the country.

The emergence of hotel REITs could provide a new avenue for investment and growth in the Indian hospitality industry. It's an exciting prospect to look forward to!

There are over 500 real estate investment trusts (REITs) listed in the world, with a total market capitalization of over US\$ 2 trillion. These REITs invest in a variety of real estate assets, including office buildings, retail malls, hotels, and warehouses.

Why hospitality industry REITs don't exist in India?

There are a number of reasons why real estate and hospitality industry REITs don't exist in India. These include:



Lack of regulatory clarity

The regulatory framework for REITs in India is still evolving. The Securities and Exchange Board of India (SEBI) issued the first set of guidelines for REITs in 2014, these guidelines have been amended several times since then.



Tax structure

The tax structure for REITs in India is not as favorable as in other countries. For example, REITs in India are subject to dividend distribution tax, which can reduce their returns.



High capital requirements

REITs require a minimum corpus of INR 500 Cr., which is a high barrier to entry for many developers and investors.



Lack of awareness

There is still a lack of awareness about REITs among investors in India. Many investors are not familiar with how REITs work or the benefits of investing in them.

Despite these challenges, there is growing interest for REITs in India. The number of REITs listed in India has increased from one in 2019 to four in 2023. And, there are a number of other REITs in the pipeline.

REITs are a popular investment vehicle for both institutional and individual investors and they offer a number of benefits, including diversification, liquidity, and professional management.

Hospitality | Private Equity

Top private equity investors who invest in Hospitality Globally and India

10 Most Active Private Equity Investors in the global restaurant, hotel and leisure sector include:



Through Our Findings a number of Private Equity and VCs have invested in the Indian Hospitality.

The below Private Equity, UHNIs and Family Office Investors in Lemontree who sold their shares through OFS during the IPO

- Maplewood
- RJ Corp
- RKJ HUF
- Whispering Resorts
- Palms International
- Citron
- Five Star
- Swift Builders

The below Private Equity, UHNIs and Family Office Investors in The Park Hotels who are selling their shares through OFS for the upcoming IPO

RECP IV Park Hotel Investors Ltd | RECP IV Park Hotel Co-Investors Ltd

RECP IV Park Hotels Investor is a Mauritius based investment vehicle which is owned by Credit Suisse.

The below Private Equity, UHNIs and Family Office Investors in Samhi Hotels that sold their shares through OFS during the IPO

- Blue Chandra Pte. Ltd.
- GTI Capital Alpha Pvt Ltd
- Goldman Sachs Investments Holdings (Asia) Limited
- International Finance Corporation



In March 2019, Brookfield, a Canadian alternative asset management company, bought assets worth US\$ 560 million of India's well-known homegrown hotel brand, Hotel Leela Venture. This acquisition establishes Brookfield's presence in India's booming US\$ 210 billion hospitality sector.

Other private equity deals in the sector include Goldman Sachs Group Inc.'s investment in Delhi-based Azure Hospitality Pvt. Ltd, which runs the Mamago-

to and Dhabha by Claridges brands, and Gaja Capital Fund II picking up a stake in large restaurant chain, Massive Restaurants Pvt. Ltd.

India's hospitality sector is attracting significant foreign and private equity investment due to its fast-growing economy and global tourism potential.

(OFS: Offer For Sale)

Hospitality | HNIs & Family Offices

UHNIs, corporate businesses are said to lead hotels sector investment in the coming years.

The hospitality sector in India is expected to witness a major shift in ownership in the coming years. Traditionally, the sector has been dominated by real estate developers, who have built hotels as a way to diversify their portfolios. However, this is now changing, as more and more professionally managed businesses are entering the market. This trend is likely to continue in the coming years, as the hospitality sector continues to grow and evolve.

The following types of businesses will be the major players in the next phase of growth for the hospitality sector in India

Corporate houses

Many corporate houses are looking to diversify their investments, and the hospitality sector is seen as a good option. Corporate houses have the financial resources and the expertise to invest in the hospitality sector.

Private equity firms

Private equity firms are also investing in the hospitality sector, as they see it as a good way to generate high returns. Private equity firms have the financial resources to acquire and develop hotels and investing in hospitality assets adds diversification to their portfolio.

Ultra-high net-worth individuals (UHNIs)

UHNIs are also investing in the hospitality sector, as they see it as a way to generate passive income and diversify their portfolios. UHNIs have the financial resources to acquire and develop hotels, and they also have the desire to own a piece of the hospitality industry as these assets provide significant appreciation in value over time.



The next phase of growth for the hospitality sector in India will be driven by the following factors:

Growing economy

The Indian economy is growing rapidly, and this is leading to an increase in travel and tourism. This is creating a demand for more hotels, especially in the tier-II and tier-III cities.

Increasing disposable income

The disposable income of Indians is increasing, which is making them more willing to spend money on travel and tourism. This is also creating a demand for more hotels, especially in the mid-to high-end segment.

Growing middle class

The middle class in India is growing rapidly, and this is creating a demand for more affordable hotels. This is especially true in the tier-II and tier-III cities.

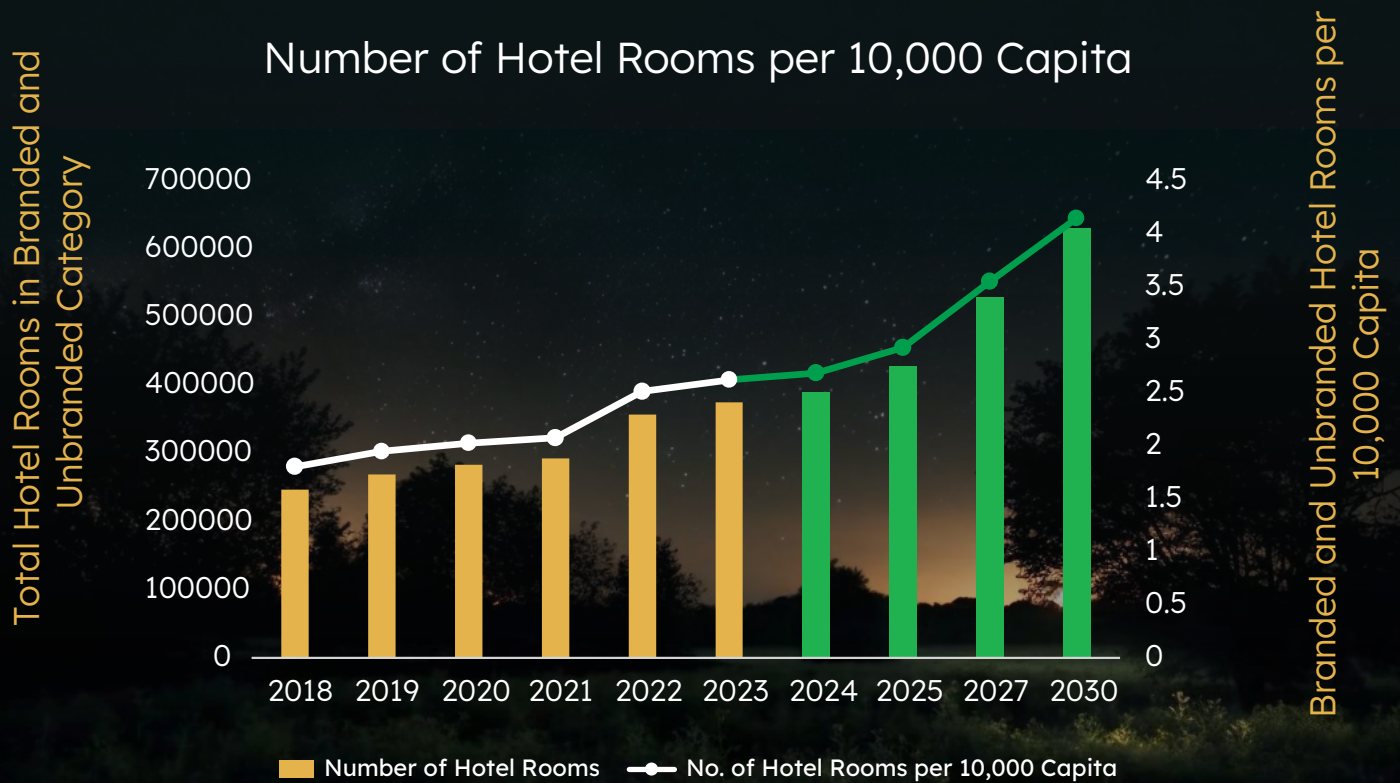
Rise of online travel agencies

Online travel agencies are making it easier for people to book hotels, and this is driving growth in the hospitality sector.



The hospitality sector in India will see a period of consolidation and innovation in the coming years as it becomes more professionalized, and there will be a greater focus on quality and service. The industry will be more diversified, with a wider range of hotel types and brands available to meet the needs of different segments of the market. Overall, the outlook for the hospitality sector in India is very positive. The sector is expected to grow rapidly in the coming years, driven by the factors mentioned above. This growth will create opportunities for both existing and new players in the market.

Unlocking Hidden Value(1)



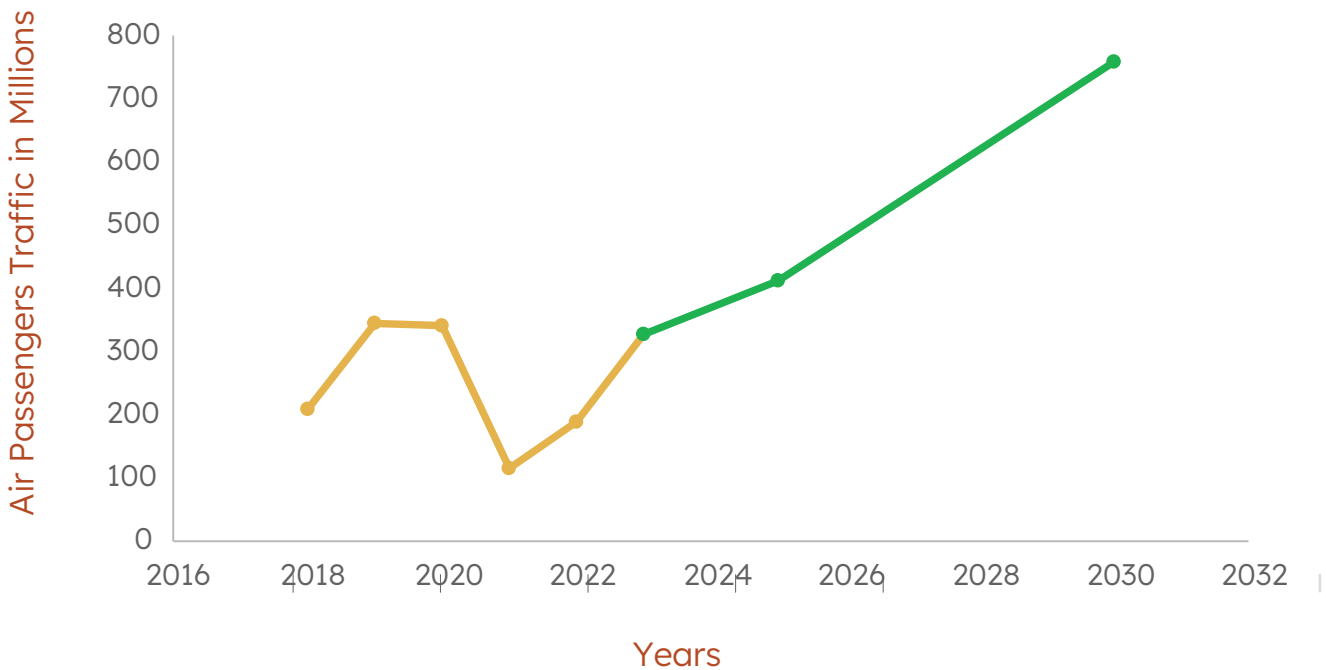
₹ Hidden Value (1)

Indian cities are most underpenetrated in terms of hotel room supply compared to their Asian counterparts. This means that there are fewer hotel rooms available per capita in Indian cities than in other Asian cities.

When comparing the hotel room supply in three key Indian cities (Delhi NCR, Mumbai, and Bengaluru) with seven other important cities in Asia (Bangkok, Jakarta, Shanghai, Beijing, Hong Kong, Singapore, and Tokyo) it is found that Indian cities are underpenetrated in hotel rooms supply in all parameters like hotel rooms supply to population density, air traffic handled, and in terms of availability of Grade A office spaces in these cities.

Hotel sector demand is directly related to air passenger traffic, population of the country and also national GDP. The number of people flying into a city is a good indicator of the demand for hotel rooms in that city. One possible explanation for this mismatch is that the growth of air passenger traffic in India has outpaced the growth of hotel room supply. This Family Offices could be due to a number of factors, such as the rise of low-cost carriers and the expansion of air connectivity to smaller cities.

AIR PASSENGER TRAFFIC (in Millions)



Another possible explanation is that the demand for hotel rooms in Indian cities is more concentrated in a few major cities, such as Delhi, Mumbai, and Bengaluru. This could be due to the fact that these cities are home to major business and tourist destinations.

The underpenetration of the hotel market in Indian cities presents an opportunity for investors and developers. With the right planning and execution, new hotels can tap into the

growing demand for hotel rooms in these cities.

According to sources like IATA and Ministry of Tourism and Airports Authority of India Air passenger's volume will increase to 412 million by 2025 and would be double the volume of 2019 by 2030 with nearly 758 million air passengers in India. This growing demand of air passengers is outpacing the supply of hotel rooms in every major city across India.



Hidden Value (2)

Automobile sales and passenger trains tickets will lead to an increase in demand for hotel room stays in India in the coming years.



Increased car ownership

As more and more Indians own cars, they will be more likely to travel for leisure and business. This will lead to an increase in demand for hotel rooms in destinations that are popular with tourists and business travelers.



Improved rail infrastructure

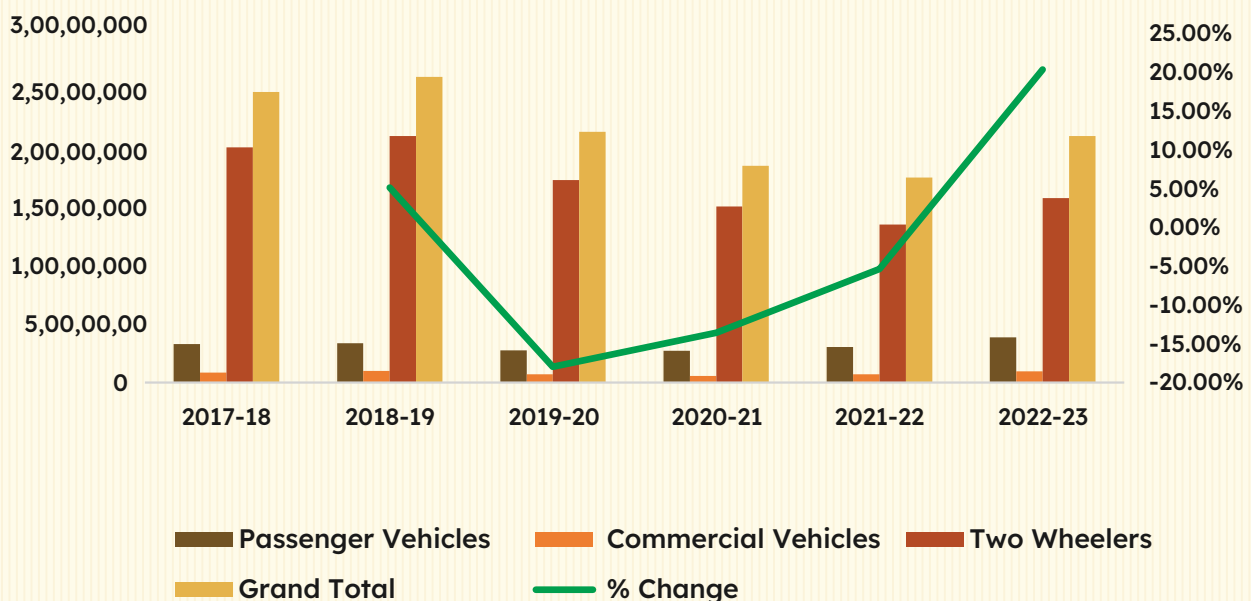
The Indian government is investing heavily in improving the country's rail infrastructure. This will make it easier and more affordable for people to travel by train, which will also lead to an increase in demand for hotel rooms in popular rail destinations.



Growing middle class

India's middle class is growing rapidly, and this is leading to an increase in disposable incomes. This means that more people will be able to afford to travel and stay in hotels.

Automobile Sales in India



The mismatch between hotel room supply and demand is likely to become more pronounced in the coming years. This is because the Indian economy is growing rapidly, and more and more people are traveling for leisure and business. Additionally, the government is investing heavily in improving the country's infrastructure, which will make it easier and more affordable for people to travel.

CURRENT SUPPLY < FUTURE DEMAND = HIDDEN VALUE(Investment opportunity)

Growing Railways Passengers Traffic in Lacs



Some specific steps that the hotel industry can take to address the mismatch between hotel room supply and demand:



Invest in new hotels in popular tourist destinations

This will help to increase the supply of hotel rooms and meet the growing demand from tourists.



Partner with other businesses in the tourism industry

This could help to create more value for guests and attract more visitors to the country.



Work with the government to develop policies that support the hotel industry

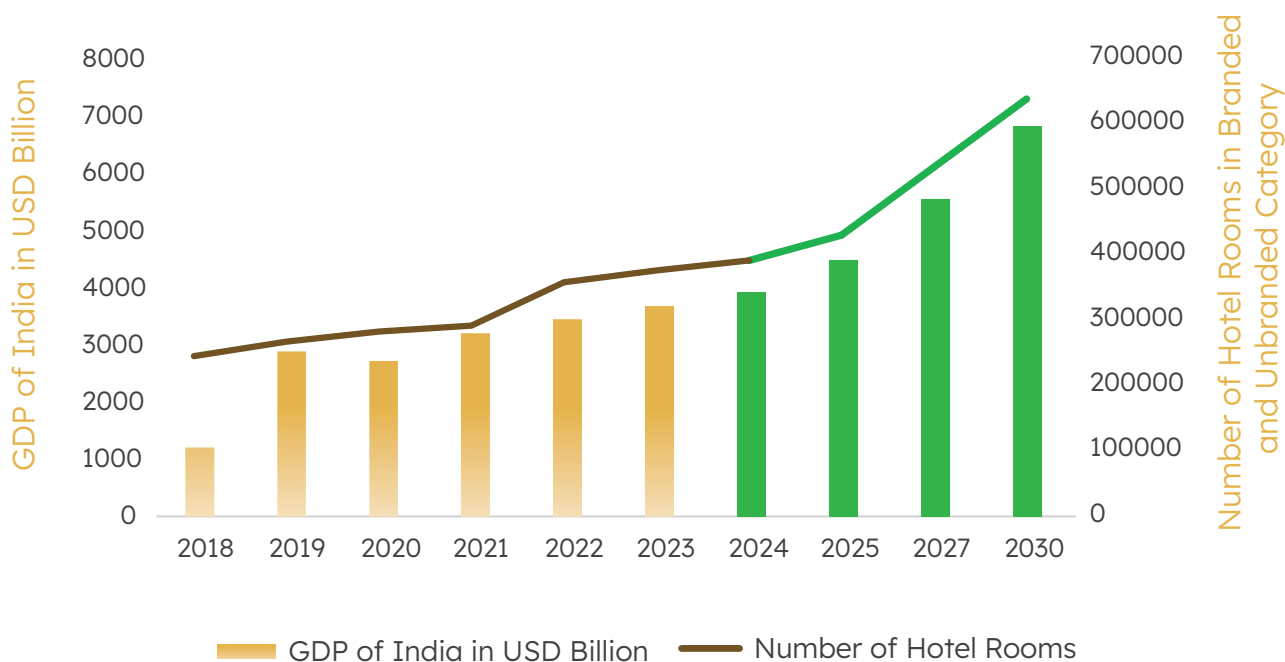
This could include providing tax breaks, subsidies, and other incentives to hotel developers.

₹ Hidden Value (3)

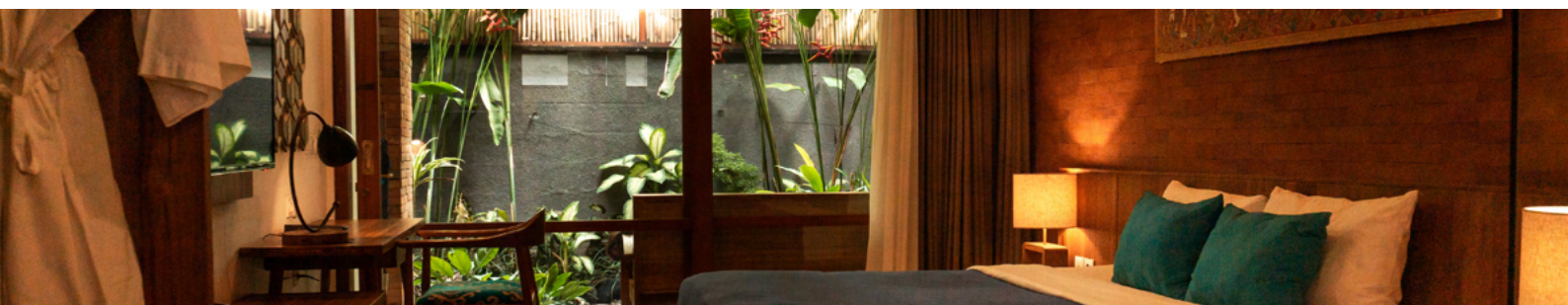
According to our analysis with the data and inputs taken on the overall economy of India keeping in mind the factors that include Urban Population, Air Passengers Traffic, GDP of India, and overall Population we have estimated that the Total Number of Hotel Rooms required in the country to keep up with the demand and growth of the economy will have to increase by a

compound annual growth rate of 6%-8% over the next few years. The total number of branded and unbranded hotel rooms in India stands at 3,75,000 in 2023. The total number of rooms required by 2025 will be 4,27,000, by 2027 it will 5,28,000 and by 2030 the total hotel rooms requirement will be 6,30,000 across India in the branded and unbranded category.

GDP Growth of India and Number of Hotel Rooms



That's an additional 2,55,000 hotel rooms required by the end of this decade. The rooms supply annually is growing by less than 2% indicating a lag in supply compared to economic demand. The Indian hotel industry is witnessing renewed growth and the demand is outpacing supply.



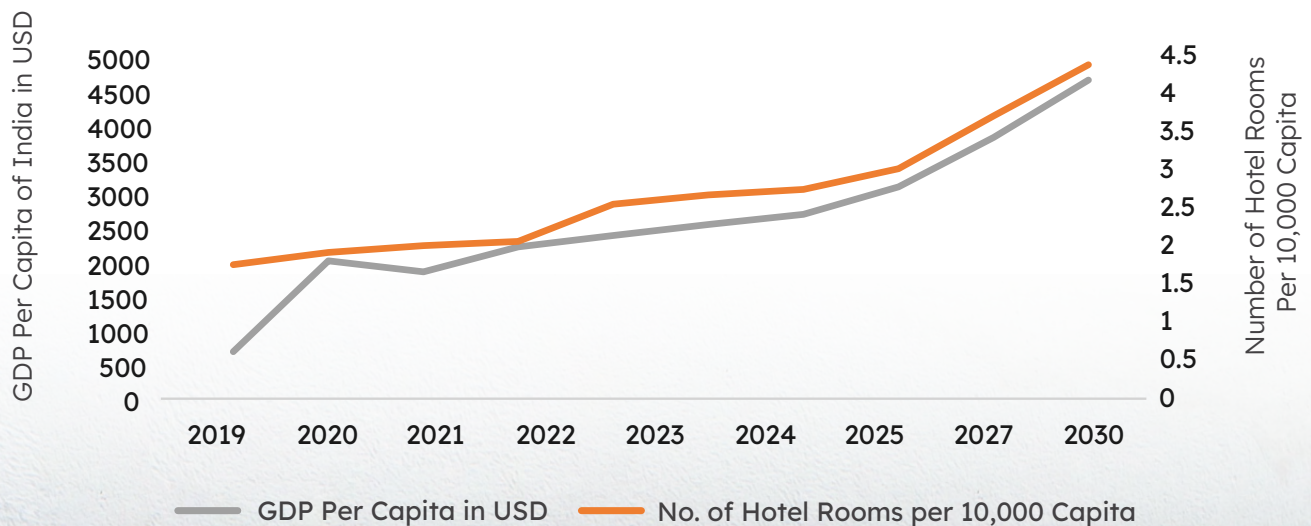
The strong economic outlook in India is also a positive factor for the hotel industry. This is because it will lead to increased disposable incomes, which will make it more affordable for people to travel and stay in hotels.

Overall, the Indian hotel industry is well-positioned for continued strong performance growth in the coming years. The growth of domestic leisure travel, the strong economic outlook, and the spread out supply of hotel rooms will all help to support the industry's growth.

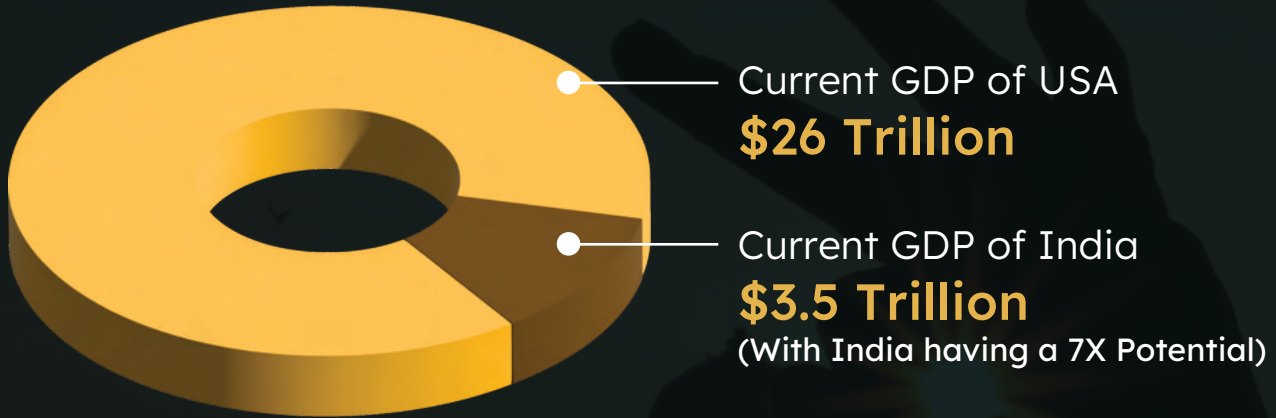
The impact of the gap between demand and supply in the short term could lead to increased prices, and higher occupancy rates. Increasing investment in hospitality hard assets now is important to meet the demand in the future. The gap between demand and supply for hotel rooms in India is likely to widen in the coming years, as the Indian economy continues to grow and more people travel for leisure and business along with the growing foreign tourists and the demand of domestic tourism in India.

This presents a significant opportunity for private equity firms, venture capitalists, high net worth individuals (HNIs), and family offices to invest in hospitality assets.

GDP of India Per Capita and Number of Hotel Rooms Per 10,000 Capita

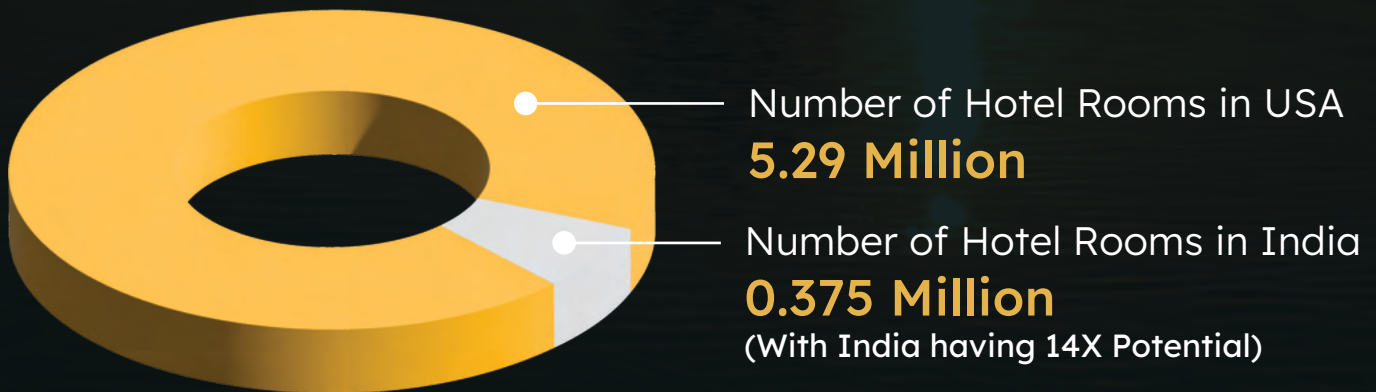


Growth Opportunity in India



Office Stock of USA
4,250 Million Sq. Ft

Office Stock in India
700 Million Sq. Ft
(With India having 6X Potential)



The Advantages of Direct Investing

Direct investing in hospitality refers to the purchase of hospitality assets, such as hotels, resorts, and restaurants, by individual investors or investment groups. This can be done through a variety of methods, including:

- *Buying a controlling stake in an existing hospitality business*
- *Developing a new hospitality property from the ground up*
- *Investing in a hospitality real estate investment trust (REIT)*

Higher potential returns

Direct investors have the potential to earn higher returns than indirect investors. This is because direct investors own a stake in the underlying asset, such as a hotel property. The value of this asset can appreciate over time, which can lead to capital gains for the investor. In addition, direct investors may also receive a share of the profits generated by the hotel.

Tax benefits

Direct investors may be eligible for certain tax benefits that are not available to indirect investors. For example, direct investors may be able to deduct the cost of the investment from their taxable income. In addition, direct investors may be able to claim depreciation on the asset, which can further reduce their tax liability.

Greater control

Direct investors have greater control over their investment than indirect investors. This is because direct investors are the owners of the underlying asset. They can make decisions about how the asset is managed, such as what type of hotel to build or how to market the hotel. Indirect investors, on the other hand, have less control over their investment. They are essentially buying shares in a company that owns the hotel, and they have no say in how the company is run.

More flexibility

Direct investors have more flexibility than indirect investors. This is because direct investors can sell their investment at any time, while indirect investors are typically locked into their investment for a certain period of time. This flexibility can be important if the investor needs to access their funds quickly.

The trend of hotel owners forming alliances with hotel chains is likely to continue in the future. This is because the Indian hospitality sector is becoming increasingly competitive, and hotel owners are looking for ways to improve their chances of success.



Here are some of the benefits that hotel owners can get from forming alliances with hotel chains:



Increased brand awareness and visibility

Hotel chains have a strong brand and reputation, which can help to attract more guests and lead to higher occupancy rates.



Improved operational efficiency

Hotel chains have a proven track record of managing hotels efficiently, which can help to reduce costs and improve profitability.



Access to a global distribution network

Hotel chains have access to a global network of distribution channels, which can help to increase the visibility of the hotel and drive bookings.



Shared marketing and promotional resources

Hotel chains can share their marketing and promotional resources with their partner hotels, which can help to save costs and reach a wider audience.



Access to training and development programs

Hotel chains can offer their partner hotels access to their training and development programs, which can help to improve the skills and knowledge of the hotel staff.

Capitalizing the Momentum

Direct investing in hospitality can be advantageous for a number of reasons, including:

Capital appreciation

The value of hotels can appreciate over time, which can lead to capital gains for investors. This is especially true in areas with strong tourism demand.

Cash flows

Hotels can generate cash flows from room rentals, food and beverage sales, and other sources. These cash flows can be used to pay down debt, reinvest in the hotel, or generate income for investors.

Real estate value

Hotels are typically located on valuable real estate, which can appreciate in value over time. This can provide investors with additional gains.

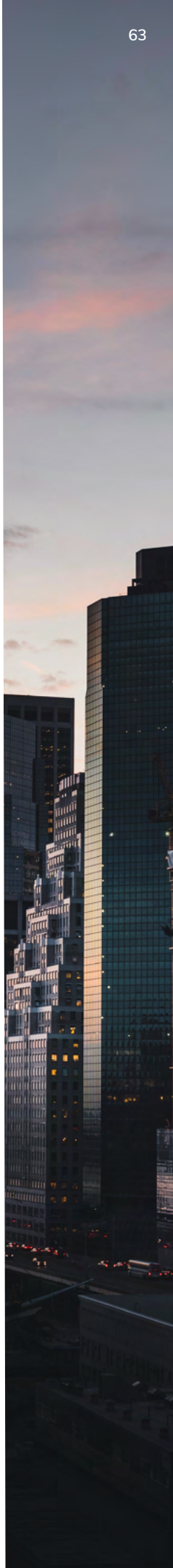
Operator control

Investors who own hotels have direct control over choosing the operator for their hotel. The alliance between a branded operator and a hotel owner creates more synergies and improves the efficiency of their hospitality business.

Net worth

Owning a hotel can boost an investor's net worth and provide them with a sense of accomplishment.

There are a number of ways that investors can capitalize on this growing momentum. One way is to invest in hotel development projects. Another way is to invest in hotel management companies. Investors can also invest in hotel REITs (Real Estate Investment Trusts).





Here are some specific examples of how investors can capitalize on the growing momentum in the Indian hotel industry:

Invest in hotel development projects

Investors can invest in hotel development projects by either partnering with hotel developers or by investing directly in the projects. This is a good way for investors to get exposure to the growing demand for hotel rooms in India.

Invest in hotel REITs

Hotel REITs are investment vehicles that own hotel properties. Investors can buy shares of hotel REITs to get exposure to the hotel industry without having to worry about the day-to-day operations of the hotels.



By investing in the Indian hotel industry, investors can capitalize on the growing momentum and generate attractive returns. Noesis Capital Advisor is the leading Hotel's Advisory in India that undertakes feasibility, valuation, transactions, mergers and acquisitions, we provide with the best Hotel Investment Advisory. To invest in Hotels you can contact our team.



Our People

Our team works with global network to ensure we are up to date on all market trends and best practice.

NANDIVARDHAN JAIN

Chief Executive Officer

+91 9223368382

nandivardhan.jain@noesis.co.in

VIJAY BHANDARI

Chief Operating Officer

+91 9910048637

vijay.bhandari@noesis.co.in

VIKRANT TAMBE

National Head – Transaction Advisory

+91 9920664006

vikrant.tambe@noesis.co.in

MUMBAI OFFICE

Kaledonia, A Wing, 1st Floor, 19 Sahar Road, Andheri (E) - 400 053, Mumbai, Maharashtra.

Phone: +91 22 6611 7926

BANGALORE OFFICE

1st Floor, Samrah Plaza, St Mark's Rd, Shanthala Nagar, Ashok Nagar, Bengaluru, Karnataka 560001.

Phone: +91 7700022404

GURUGRAM OFFICE

Ground Floor, Platina tower, Mehrauli-Gurgaon Road, A Block, DLF Phase 1, Sector 28, Gurugram, Haryana 122002

Phone: +91 9872899977

Acknowledgements

REPORT AUTHORED BY

Nandivardhan Jain (CEO)

Kiranraj Tanwar (Research Analyst)

NOTABLE CONTRIBUTIONS MADE BY

Vijay Bhandari (COO) and team

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Corporate Finance



Hotel Market & Financial Feasibility Studies



Hotel Transactions, Acquisitions and Disposals



Hotel Investment Analysis, Appraisal & Valuation Services

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