

# INDIAN HOTEL INDUSTRY

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Monthly Update

JUNE 2022



## 1 Demand Dynamics



## 2 Trend In Operating Metrics



## 3 Inventory Addition Over The Last Few Months



## 4 Credit Rating Movements



## 5 ICRA's Ratings In Hospitality



*Industry on an upward swing;  
expected to return to  
pre-Covid levels in FY2023*



- ICRA estimates pan-India premium hotel occupancy to be ~56-58% in Q1 FY2023. Pan-India premium hotel ARR stood at ~Rs. 4,600 – 4,800 in Q1 FY2023 and was only at a 16-18% discount to pre-Covid levels. However, a few high-end hotels and leisure destinations witnessed ARR spikes to higher than pre-Covid levels in the last few months.



- The demand recovery has been sharper than expected, and was aided by leisure, transient passengers, MICE/weddings and gradual pickup in business/diplomat travel and foreign tourist arrivals (FTAs). Some cities also witnessed traffic from specific events like the IPL.



- Commercial International flights have opened since March 27, 2022. Although FTAs have been reasonably healthy in Q1 FY2023, FTA recovery to pre-Covid levels could be a few months away and domestic tourism will be the prime demand driver.



- ICRA has a Stable outlook on the Indian hotel industry since March 2022, following the swift demand recovery and the expectation that the industry revenues and margins would reach pre-Covid levels by FY2023. About 55% of ICRA's ratings are on stable outlook currently.



- ICRA expects equity fund-raising/asset monetisation to support capital structure improvement for the industry players going forward. Debt metrics are expected to return to pre-Covid levels in FY2023, while RoCE is expected to remain sub cost of the capital, at least for the next few years.



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## Analytical Contact Details



**Shamsher Dewan**

*Senior Vice President and  
Group Head*

**K Srikumar**

*Vice President and Co-Group Head*

**Vinutaa S**

*Vice President and Sector Head*



shamsherd@icraindia.com

ksrikumar@icraindia.com

vinutaa.s@icraindia.com



0124 – 4545 328

044 – 4596 4318

044 – 4596 4305





ICRA

## Business Development/Media Contact Details



**L. Shivakumar**

*Executive Vice-President*

**Jayanta Chatterjee**

*Executive Vice-President*

**Naznin Prodhani**

*Head Media & Communications*



shivakumar@icraindia.com

jayantac@icraindia.com

communications@icraindia.com



022- 6114 3406

080 – 4332 6401

0124 – 4545 860





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