

INDIAN HOTEL INDUSTRY

Demand momentum sustains for the last several months

NOVEMBER 2022



1 Demand Dynamics



2 Trend In Operating Metrics



3 Inventory Addition Over The Last Few Months



4 Credit Rating Movements



5 ICRA Ratings In Hospitality



*Industry sustains healthy performance
in the last several months*



- ICRA estimates pan-India premium hotel occupancy to have touched ~64-66% in 8M FY2023 vis-à-vis 40-42% in 8M FY2022. Aided by healthy demand, the pan-India premium hotel average room rate (ARR) stood at ~Rs. 5,200-5,400 in 8M FY2023 and was only at a discount of 8-10% compared to the pre-Covid levels. A few high-end hotels and leisure destinations saw the ARR spike to higher than the pre-Covid levels over the last 6-9 months.



- The overall recovery has been better than expected, aided by recovery in leisure demand, pent-up demand from MICE (including weddings) and gradual pick-up in business travel and foreign tourist arrivals (FTAs).



- Commercial international flights have opened up since March 27, 2022. Although FTAs have been reasonably healthy in 8M FY2023, FTA recovery to pre-Covid levels could be a few months away and domestic tourism will be the prime demand driver.



- ICRA has had a Stable outlook on the Indian hotel industry since March 2022, following the swift demand recovery and expectations that the industry's revenues and margins would reach the pre-Covid levels by FY2023. About 94% of ICRA's ratings have a Stable outlook at present.



- ICRA expects the debt metrics for the industry 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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