

# INDIAN HOTEL INDUSTRY

---

Industry witnesses a strong bounce  
back in YTD FY2023

JANUARY 2023



## 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.*

*The possibility of further lockdowns cannot be ruled out, if there is another Covid wave. However, the severity and duration of lockdown/demand impact has been reducing with each wave. This is a positive for hotels.*



- ICRA estimates pan-India premium hotel occupancy at ~66-68% in 10M FY2023, similar to pre-Covid levels. Aided by healthy demand, the pan-India premium hotel average room rate (ARR) stood at ~Rs. 5,600-5,800 in 10M FY2023 and was only at a discount of 4-6% compared to pre-Covid levels. Some high-end hotels and leisure/gateway destinations saw the ARR spike to higher than pre-Covid levels over the last few 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).



- Although FTAs have been reasonably healthy in YTD FY2023, FTA recovery to pre-Covid levels could be some time away and domestic tourism will be the prime demand driver. The pace of recovery in FTAs over the next few months is expected to be weighed in by the challenging economic environment and discovery of new variants/surge in Covid cases or infectious diseases, if any.



- ICRA has a Stable outlook on the Indian hotel industry. About 95% of ICRA's ratings have a Stable outlook at present. There is improvement in the credit ratio since H2 FY2022 and upgrades have been higher than downgrades in 9M FY2023.



- Notwithstanding the potential impact on demand with further Covid waves, if any, ICRA expects the industry to return to pre-Covid levels on a full-year basis in FY2023. The demand will stem from sustenance of domestic leisure travel and MICE demand and increase in business travel. Hotels likely to report pre-Covid margins at 85-90% of revenues going forward. The revenues are likely to grow by 11% in FY2024 and improved operating leverage will support the margins further.



ICRA

## 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





***© Copyright, 2023 ICRA Limited. All Rights Reserved.***

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

**Thank You!**