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STABILITY IN EARNINGS Average room rate expected to grow 5-10% and occupancies by 2-3% in the next fiscal year, say analysts

Improving Corporate Travel to Help Boost Hotels' Fin Health

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ET Intelligence Group: After a recovery in leisure travel in 2022, there has been an improvement in corporate travel and rise in meetings, incentives, conferences, and exhibitions (MICE) events. This should provide stability in earnings for hotels. According to industry estimates, the average room rate (ARR) in 2022 improved by 8-10% compared with the pre-Covid levels. It is expected to increase further. Analysts expect a growth of 5-10% in ARR and 2-3% in occupancy for FY24. At present, the ARR and occupancy rate for the sector are estimated to be ₹7,300-7,500 and 67-68%, respectively.

A large part of the demand for ho-

tels comes from corporate or business travellers. In 2023, political events such as the G20 and Shanghai Cooperation Organization (SCO) summits are likely to further boost corporate travel. For leisure travel, analysts expect demand to sustain due to the rise in short-distance trips, bespoke experiences which involve exploring the uniqueness of a location through local food and culture, and 2023 Cricket World Cup.

Besides, the demand for rooms is expected to grow by 10-15% annually in the next four years, which is likely to surpass the 2-3% expected growth in addition of rooms. Given these factors, cost-efficient hotels such as Indian Hotels and Lemon Tree Hotels are estimated to record 33-45% YoY growth in EPS in FY24.

Checking In

Trend in average room rates (₹) of hotels

Quarter	Category	
	Business	Leisure
Q3FY21	4,900	6,800
Q4FY21	4,750	6,900
Q1FY22	4,700	6,850
Q2FY22	5,800	7,560
Q3FY22	5,900	8,500
Q4FY22	6,250	8,800
Q1FY23	7,375	9,240
Q2FY23	7,449	9,425
Q3FY23 E	7,970	10,085

Source: IICI Direct Research; E: estimated