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Hotel cos amp up management contract signings in 2024

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Hotel chains on signing spree for management contracts in 2024

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NEW DELHI

More than 100 hotel contracts are either in the process of being signed or have already been signed for 2024 as hotel management firms amp up their development pipelines. On the back of strong growth in the hospitality industry, hotel companies said they are looking to rapidly expand their hotel management arms with medium and large inventory hotels, by at least 20-30% over what they did in 2023.

The significant growth in the sector post the pandemic is driving the expansion in major hospitality companies such as Oberoi Hotels, The Lalit, Rad-

isson Hotel Group, Lemon Tree Hotels, Wyndham Hotels & Resorts, Accor and others.

The companies are targeting established tourist destinations like Goa and Rajasthan, as well as emerging markets in tier-II and tier-III cities.

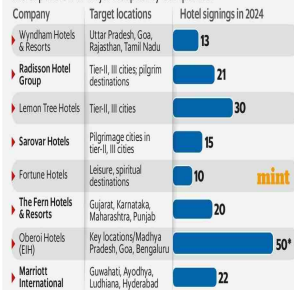
Instead of owning hotels themselves, hotel companies for some years now have turned to becoming more "asset light", where they manage other hotel owners' properties for a fee. This fee typically is 6-10% of a hotel's annual revenue. For example, a hotel generating ₹300 crore in a year would pay ₹18-30 crore to an operator for management services. These partnerships are often long-term, with most hotels signing contracts lasting 12-15 years.

Many hotels are looking to largely brand hotels that are new developments or greenfield projects for their pipeline as opposed to brand conversion projects, which would account for just 20-30% of the pipeline. For example, nearly two thirds of Lemon Tree's upcoming pipeline of 30 hotels, with over 2,000 rooms, is either new constructions or brownfield projects. The remaining are conversions.

Nikhil Sharma, market managing director for Eurasia for Wyndham Hotels & Resorts said the company in 2023 signed agreements with 17 hotels and inaugurated six of them. Another 13 are to follow this year. Radisson Hotel Group signed 21 hotels in 2023, too, and has signed 10 new

In the pipeline

The significant growth in the sector post the pandemic is driving the expansion in major hospitality companies.



properties over the year, targeting strategic expansion in tier-II and tier-III cities, said the company in a statement.

The Lalit has assigned a third-party company to help it grow management contracts. Its focus will be to open smaller,

mid-segment hotels with smaller inventories, called The Lalit Traveller, said Jyotsna Suri, chairperson and MD of Bharat Hotels Ltd which runs The Lalit brand. As for hotels owned by the company, it has a hotel nearing completion near the Sabarnati river in Ahmedabad and has also identified a location in Chitrakoot in Madhya Pradesh.

"We will look at growth not just for the sake of growth; we will grow with management contracts and with our own hotels," Vikramjit Singh Oberoi, managing director and CEO of EIH

Limited, said at a recently concluded event by the Hotel Association of India. "Our vision is to open 50 new hotels—big and

GROWTH STRATEGY

HOTEL companies for some years now have turned to becoming more "asset light"

UNDER this "asset light" model, they manage other hotel owners' properties for a fee

small—across the country and overseas by 2030." EIH's upcoming developments have a mix of owned and managed hotels, including a palace outside Khajuraho, Rajgir Palace in Madhya Pradesh, a jungle resort in the same state, and sites in Bengaluru and Goa. It has con-

tracts with and without equity in other locations, too. Delhi-based Naaz Hotel Consultants, a hospitality consultancy firm, facilitated about

eight management contract deals last year. This year, this number could go as high as 14-15, according to Ishaan Koul, the company's director.

"The domestic tourism industry has grown exponentially and hotel project feasibility studies have gone up too; more owners want their hotels to be professionally managed. They have realised the value of a hotel brand," Koul said.

Ajay K. Bakaya, MD of Sarovar Hotels and director, Louvre Hotels India, said: "We surpassed our projected openings by launching 10 hotels across eight cities in 2023 and added about 650 keys to our portfolio of 7,500 keys. We are confident of opening 15 hotels and are already working towards achieving this target."