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# Hotels add record rooms, challenge now to fill them

Overall occupancy rate in organized hotels industry improved to 63.6% last year

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India's hotels industry staged a sharp revival in 2023, as people rushed out in revenge travel after being confined to their homes by the pandemic for months on end. India's organised hotels industry added a record 14,000 rooms in 2023, hospitality consultancy Horwath HTL Consultants said in a new report accessed exclusively by *Mint*. This year, it's expected to add even more—23,000 rooms.

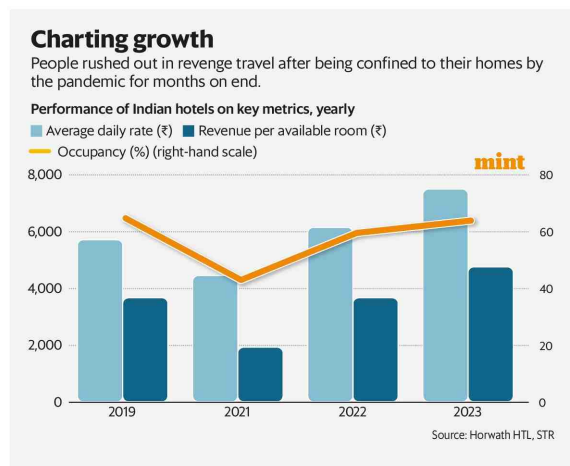
Among the newly-launched hotels last year was Lemon Tree Hotels' Aurika Mumbai Skycity, with close to 700 rooms.

The company opened the hotel in October and despite it being a very large-inventory hotel, it filled up fast. "Normally Dussehra and Diwali are lower periods for the entire industry, but the hotel was net Ebitda positive starting that quarter itself. It will be the most profitable hotel for the group next year," Patanjali G. Keswani, chairman and managing director, Lemon Tree Hotels, told *Mint*.

Currently, India has about 183,000 branded hotel rooms, which Horwath expects will increase to 250,000 by 2027. These hotels are also charging higher rates, mostly by serving up guests seeking the comforts of upscale and luxury rooms.

There might be a niggler, though. Filling up those rooms could prove challenging.

"We gained a very tangible intangible—recognition and amplification of the sector's economic relevance and capacity, at the highest levels," said Vijay Thacker, partner and chief executive at Horwath HTL Consultants. "But



supply and demand must grow in tandem."

The flow of international travellers—including those who can afford to pay higher room rates, despite their stronger currencies against the rupee—has remained sluggish. India had only about 6.19 million international tourists in 2022, down from the peak of about 10 million in 2019, as per the latest data available from the ministry of tourism. Domestic tourists in 2022 were 17.31 million.

In effect, domestic tourism has emerged as the main engine of hotel demand. But only about 2% of domestic travellers opt for hotels, preferring homestays similar to Airbnb, guest houses, or standalone, less expensive hotels that aren't a part of the organised sector.

Overall, the occupancy rate in India's organised hotels industry improved to

63.6% last year, from 59.6% in 2022 and 43.1% in 2021—both pandemic years. It fell just short of 2019's 64.5%, the highest occupancy since the pre-recession period of 2007-08.

In the big cities, the picture is less rosy. Occupancy remained below pre-pandemic levels in New Delhi, Bengaluru, Gurugram, Hyderabad, and Pune.

"We've seen a 12% growth in our overall topline. Our luxury hotels have grown much more at 15%. Our Corbett, Varanasi, and Rishikesh properties have been performing very well. However, we are cautiously optimistic about FY25," said Vibhas Prasad, director at Leisure Hotels Group, which owns several hotels that The Indian Hotels Company Ltd-owned Taj Hotels runs. "The sheen may be coming off in terms of the consumption story."

Businesses are also bracing for some

drop in room rates due to various factors. Last year, India hosted the G20 summit and the ICC Men's cricket world cup, both mega events that gave a boost to India's hotels industry.

"It may change due to elections in the summers and the complete resumption of long-haul international travel," said Prasad. "A lot of supply is coming in and a huge brand conversion movement is happening."

Leisure Hotels Group has slated 10 new hotel openings this year, of which some are brand conversions and others are greenfield projects. The tough task of boosting occupancy is somewhat offset by the higher rates the hotels have been able to charge.

The industry's average daily rate (ADR) per room soared to a record ₹7,479, higher than even 2019's ADR of ₹5,684, as per Horwath's report, largely benefiting from an increase in the supply of luxury and upscale hotels.

ADR refers to the average amount of money a hotel earns per occupied room per night—a key metric to gauge a hotel's financial performance.

Unsurprisingly, 55% of the domestic hotel industry's overall room revenue share comes from the luxury and so-called 'upper upscale' segment. About 34% comes from the upscale and midscale segments, and 11% from the middle and economy segments.

The big tourist markets are also contributing to the higher room rates.

Room revenue share in leisure markets such as Goa, Jaipur, Udaipur, Uttarakhand and Himachal Pradesh almost doubled, from 8.5% in 2019 to 16.9% in 2023.

Hotels in Udaipur commanded an average room rate of ₹15,500 a night, while those at Goa charged ₹10,700. Mumbai, not a leisure market, followed with an average rate of ₹10,600 a night.

**14,000**  
rooms added in 2023 by organized hotels industry

**₹7,479**  
Average daily rate charged per room, as per the report