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Special Supplement

Economic & Sectoral Review

Hospitality Bags Packed and Ready to Go

India's hospitality sector is a rapidly growing market with a significant impact on the economy and tourism. The industry offers a unique blend of traditional living and modern advancements, providing a wide range of accommodations from grand palaces and world-class hotels to budget inns, boutique hotels, yoga ashrams and homestays. The market size of India's hospitality industry is projected to reach USD 24.61 billion in 2024 and is expected to grow to USD 31.01 billion by 2029, at a CAGR of 4.73 per cent during the forecasted period of 2024-29. India allows 100 per cent foreign direct investment (FDI) in the hotel and tourism sector through the automatic route.

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Over the last four fiscal years (2020-2023), the sector has attracted over 25 per cent of the total FDI, amounting to USD 4.36 billion. This foreign investment is a key driver of the industry's growth, supporting its expansion and global competitiveness. This growth is further fuelled by a mix of domestic and international players, operating across both the organised and unorganised segments. The sector's diversity and the increasing interest of people to engage in tourism contribute significantly to its continued success and global recognition. Additionally, the ease of planning travel packages has further sparked interest among potential tourists.

Financials

The Indian hospitality sector recorded an average sales growth of 11.64 per cent in H1FY25. Among the key players, Samhi Hotels led with a remarkable growth of 26 per cent, followed by Lemon Tree Hotels and Juniper Hotels, both achieving 24 per cent growth. The sector's median sales growth stood at 9 per cent, indicating steady performance across the board. The sector experienced notable variations in PBIDT growth during H1FY25.

The average growth was 10.55 per cent, driven by extremes like Samhi Hotels with an 88 per cent increase and India Tourism Development Corporation (ITDC) with a -40 per cent decline. However, the median growth stood at 4 per cent, highlighting a more grounded sector-wide trend. Of the 11 companies analysed, 27 per cent reported negative PBIDT growth, showcasing a mixed financial performance across the industry. PAT growth in H1FY25 showed a wide range of performance.

Indian Hotels Company led the sector with an impressive 118 per cent growth, followed by Samhi Hotels at 110 per cent. The average PAT growth across the sector stood at 9.27 per cent



while the median growth was 8 per cent. On the lower end, Chalet Hotels, Lemon Tree Hotels and Apeejay Surrendra Park Hotels posted single-digit growth, reflecting subdued performance. Additionally, over 36 per cent of the companies in the sector reported negative PAT growth, indicating uneven recovery within the industry.

Outlook

India's hotel sector is on a growth trajectory, with revenues forecasted to rise by 7-9 per cent in FY25, following strong growth of 14-16 per cent in FY24. Premium hotel occupancy rates are set to reach 72-74 per cent in FY25, marking a decade-high, up from 68-70 per cent in FY23.

Average room rates (ARR) for premium hotels are expected to climb to ₹7,800-8,000 in FY25 compared to ₹7,200-7,400 in FY24. Similarly, the revenue per available room is anticipated to close in on the record levels last seen in FY08.

Hotel room supply is projected to grow at 4.5-5 per cent annually in the coming years, but demand is likely to grow faster, creating a favourable environment for the industry. Driving this growth are factors like an increase in domestic travel, a booming wedding season with 48 lakh weddings expected this year, and a resurgence in business travel and events such as conferences and exhibitions. Additionally, the aviation sector's growth, with a record 5 lakh domestic passengers in a single day, is boosting hotel demand.

The branded hotel segment is seeing rapid expansion, with 33,407 new rooms added across 333 projects by October 2024, a 45 per cent year-on-year growth. Smaller cities, including Tier II, III and IV towns, accounted for over 75 per cent of these additions, highlighting emerging opportunities in these markets. Though occasional challenges in occupancy persist, rising room rates, increased investments and a focus on untapped regions indicate strong potential for the Indian hospitality sector in the years ahead.