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MARC Insights Hospitality Industry Overview

February 2024



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Hospitality Industry Overview

Hospitality Industry in India

Hospitality industry comprises mainly of:



Food and Beverage



Travel and tourism



Recreation



Hotels

Hotels can be further segmented into:

By type:

Chain hotels

Independent hotels

By Segment:

Luxury

Upscale

Midscale

Economy

India is recognized as a destination for **spiritual tourism** and attracts tourists for healing and rejuvenation. India offers geographical diversity, attractive beaches, 42 World Heritage sites, 10 bio-geographic zones, 106 national parks, and 573 sanctuaries.

An increasing number of international sports events, trade fairs, and exhibitions are expected to contribute to the inflows of international tourists and domestic tourist movement.

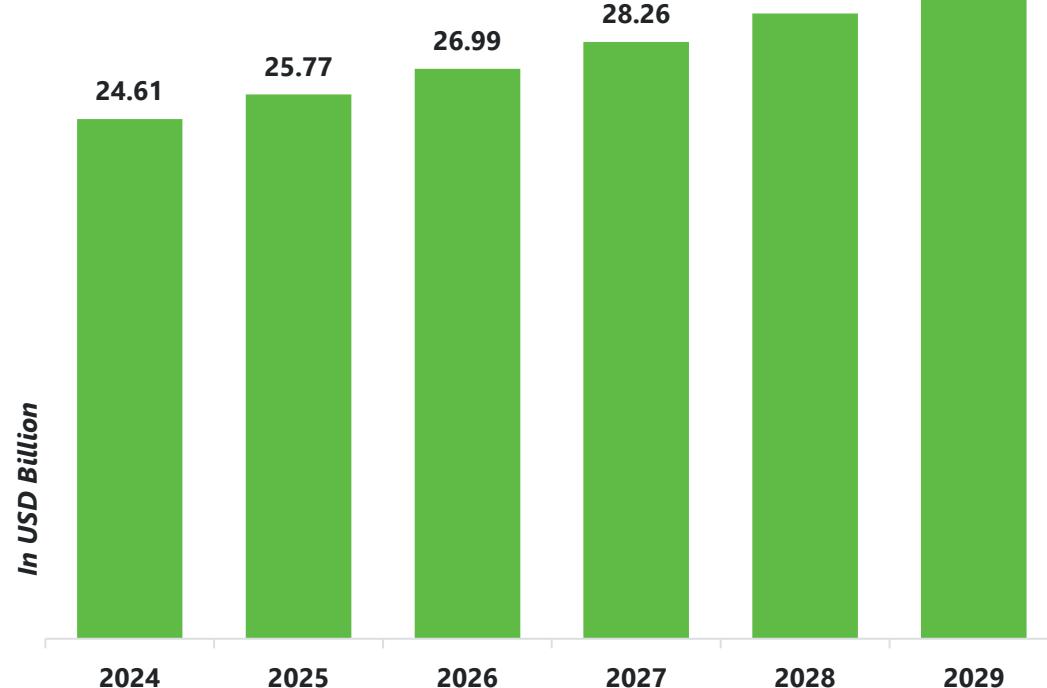
Source: [UNESCO](#), [wienvis](#), [wii.Gov.In](#)

Market Size and Growth Drivers

Industry Growth



4.73% CAGR
(2024-2029)



Source: [mordorintelligence](#)

**7.5%
GDP**

The Hospitality Industry is witnessing a healthy growth in India

Growth Drivers

- Technology as a Core
- Prioritizing sustainability
- Experiential travel based on health and wellness
- Impact and Influence of social media

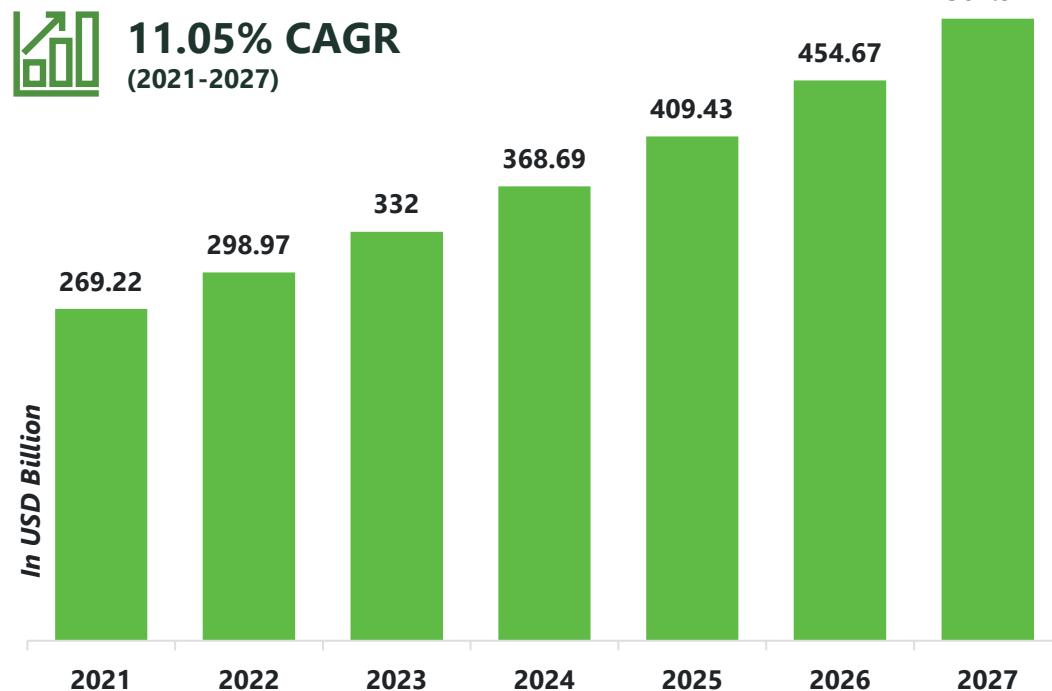
Source: [hotelierandhospitality](#)

- India is a part of the top 100 clubs on Ease of Doing Business (EoDB) and ranks 1st in the greenfield FDI ranking globally and to strengthen the cruise tourism sector.
- Government of India has selected Chennai, Goa, Kochi, Mangalore and Mumbai ports to develop them as cruise tourism hubs.

Food and Beverage Industry Overview

Food and Beverage Industry

Industry Growth



About two-thirds of India's retail market and **3%** of its GDP are produced by the food and beverage sector. With a CAGR of 11.05%, the Indian food and beverage market is projected to grow to over **USD 504.92 billion** by 2027.

Growth drivers:

- Rapid urbanisation
 - Growing working age population in India
 - Changing lifestyle and food habits of the surging generation
 - Increasing Household consumption rate
-
- F&B in hotels across India is becoming a key revenue driver and contributing anywhere between 35 and 50 per cent to overall revenues.
 - Hotels try to maintain their food costs at around 28 to 35 percent but additional costs such as labour and heat, light, power (HLP) increase the spends.

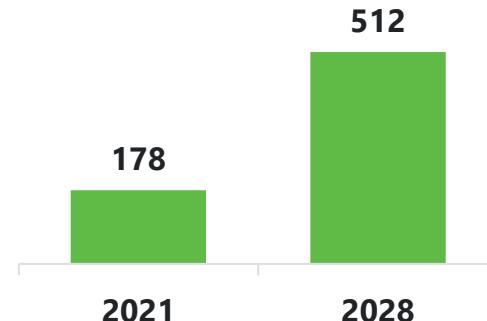
Source: [maximizemarketresearch](#)

India Tourism Statistics

Tourism Statistics

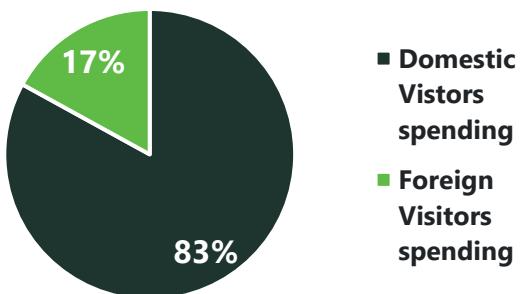
Rising contribution to India's GDP (USD Billion)

The GDP growth of Indian travel and tourism industry is expected to record an annual growth rate of **10.35%** between 2019 and 2028 to reach **US\$ 512 billion** in 2028.

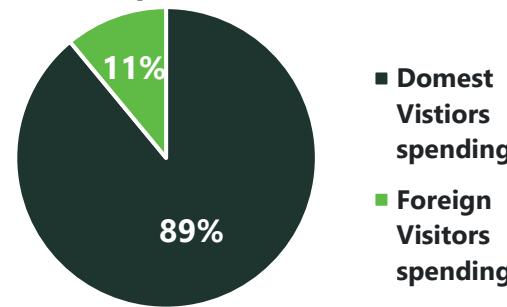


Source: [ibef, statista](#)

Share of Tourist by expenditure (2019)



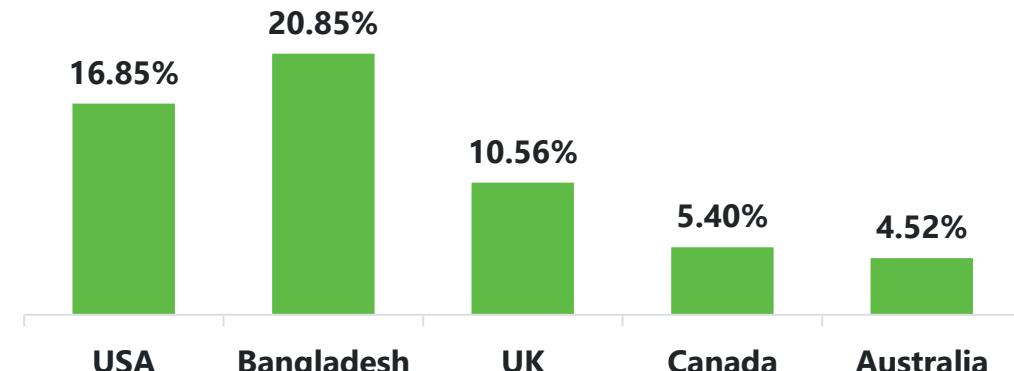
Expected share of tourists by expenditure (2028)



Domestic travel is anticipated to increase to **US\$ 405.8 billion** by 2028.

Source: [India Tourism Statistics Report, 2023 , business-standard](#)

Foreign Tourist arrivals in India from top 5 countries in 2023



Source: [tourism.gov](#)

Total number of tourist arrivals in 2019-2023

Year	Domestic Tourist Arrival (DTA)	Foreign Tourist Arrival (FTA)
2019	2,321.98 M	10.93 M
2020	610.21 M	2.74 M
2021	677.63 M	1.52 M
2022	1731.01M	6.44 M
2023		7.24 M

Leading States in Tourism

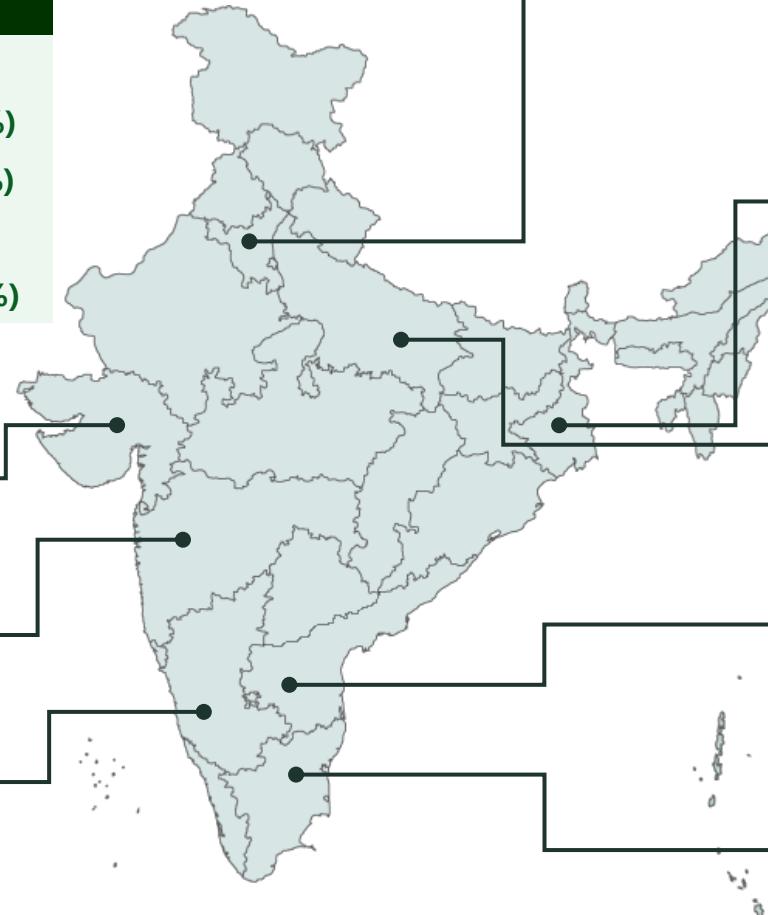
*Percentage share of tourists by states 2022

Domestic tourists	Foreign tourists
Uttar Pradesh (18.37%)	Gujarat (20.70%)
Tamil Nadu (12.63%)	Maharashtra (17.60%)
Andhra Pradesh (11.13%)	West Bengal (12.08%)
Karnataka (10.54%)	Delhi (9.50%)
Gujarat (7.85%)	Uttar Pradesh (7.56%)

Gujarat
Domestic – 135.81 million tourists
International – 1.78 million tourists

Maharashtra
Domestic - 43.5 million tourists
International – 1.51 lakh tourists

Karnataka
Domestic – 182.41 million tourists
International – 72 thousand tourists



Delhi

Domestic - 10.6 million tourists
International – 10.82 million tourists

West Bengal

Domestic - 115.3 million tourists
International – 1.04 million tourists

Uttar Pradesh

Domestic – 317.91 million tourists
International – 0.65 million tourists

Andhra Pradesh

Domestic – 192.72 million tourists
International – 27 thousand tourists

Tamil Nadu

Domestic – 218.58 million tourists
International - 60 thousand tourists

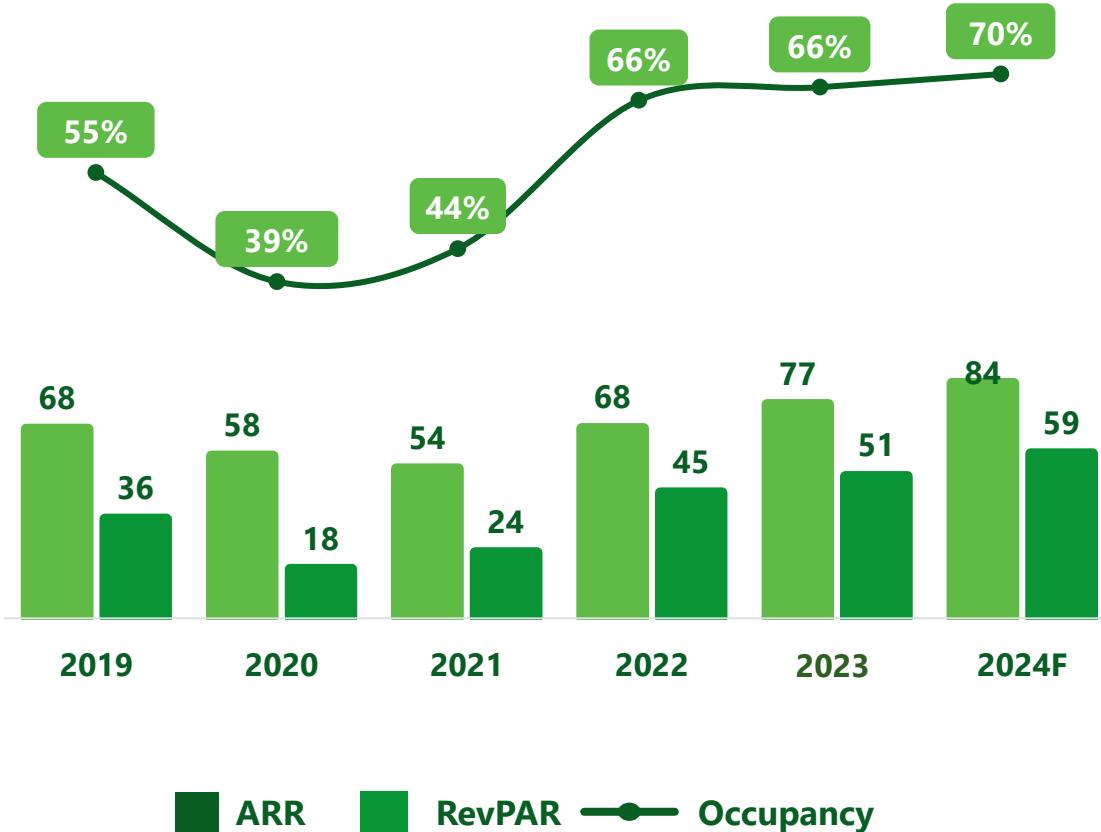
*2022 data is estimated by applying all India growth rate for 2022/20 on 2020 data.

Source: [India Tourism Statistics 2023, Government Of India](#).

Hotel Industry Overview

Hotel Industry Overview

Industry KPIs (in USD)



- In FY23, the Hotel Industry in India closed with a national wide **Occupancy** of **66%** (the **second highest** in a decade) with **ADR** of **USD 82.87** and a consequent **RevPar** of **USD 51**.
- **Average Room Revenue** is at atleast **45%** higher and **RevPar** is atleast **22%** higher in North of India.

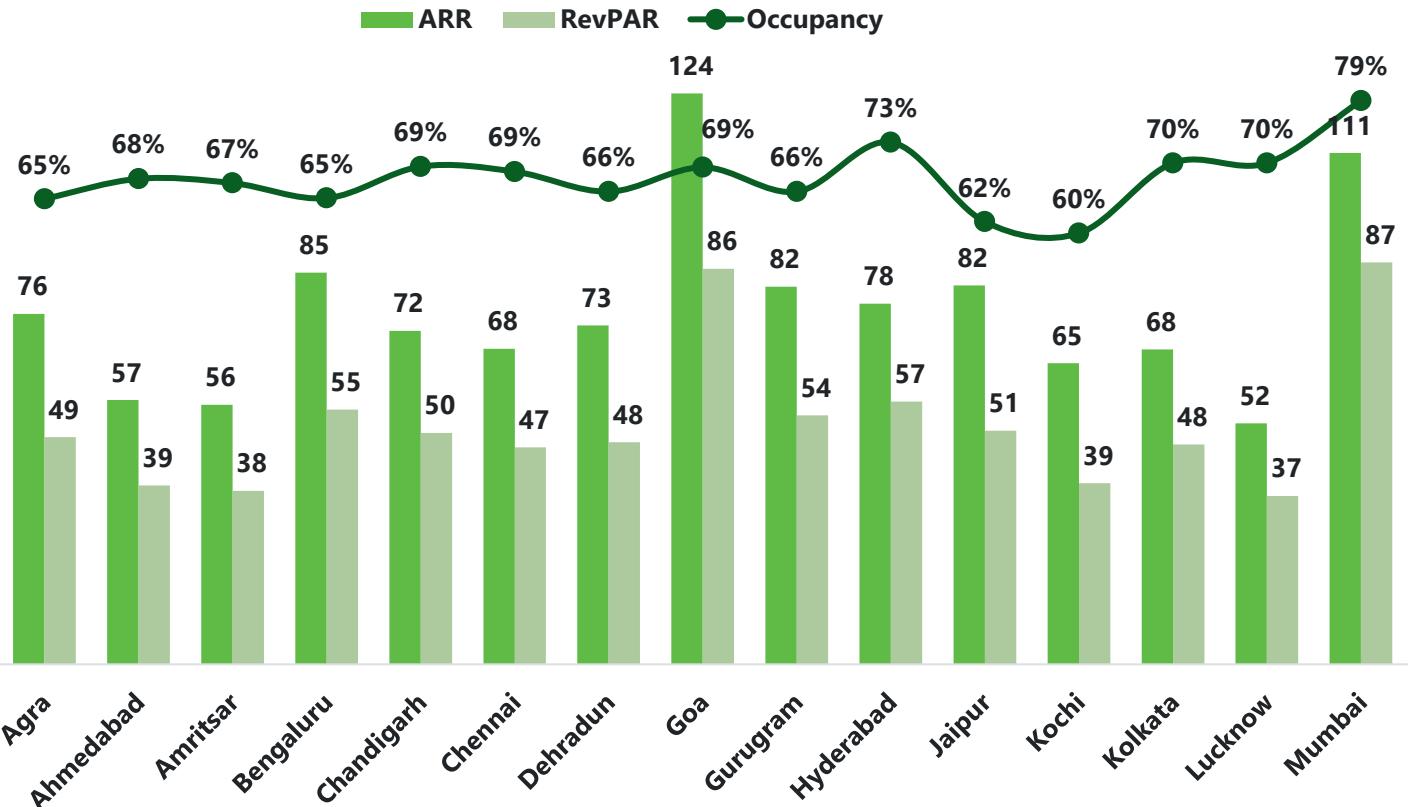
5.4%
CAGR

India Hotels Market revenue is projected to reach **USD 9.13bn** in 2024. Revenue is expected to show an annual growth rate (CAGR 2024-2028) of 5.4%, resulting in a projected market volume of **US\$11.27bn** by 2028.

*F in the graph refers to forecasted

Regional Performance of Hotels

By major cities FY22-23 (in USD)



All the figures are in INR

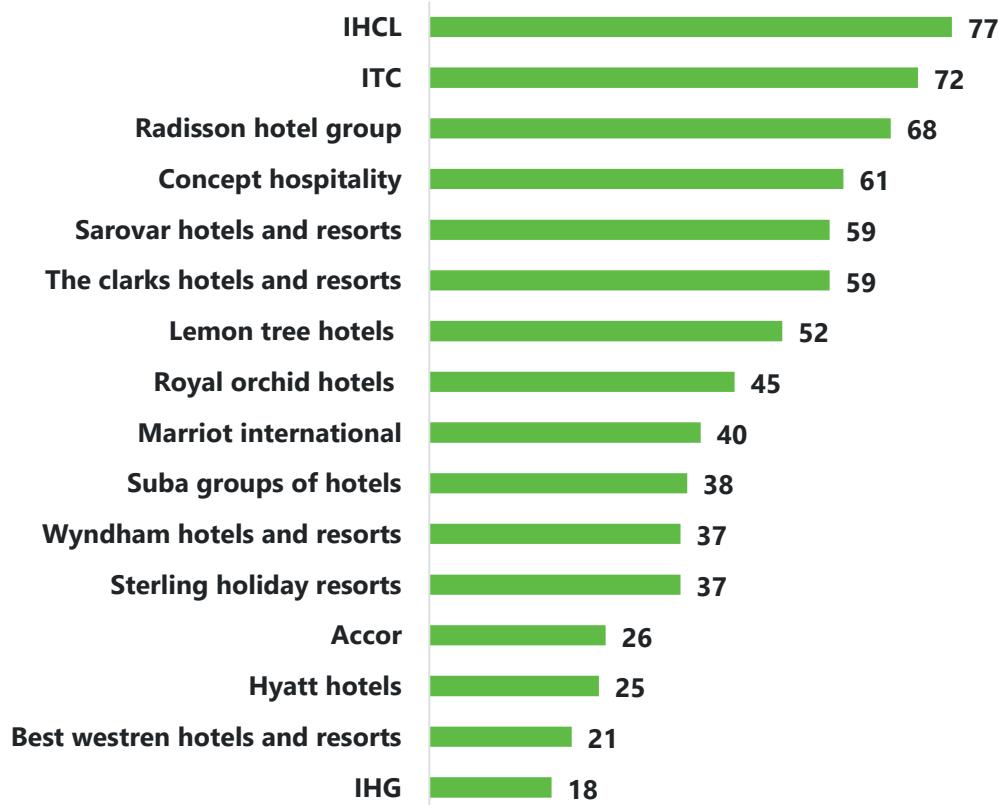
ARR(average room rate), RevPAR(revenue per available room)

Source: [Hotellivate Trends and Opportunities Report 2023](#)

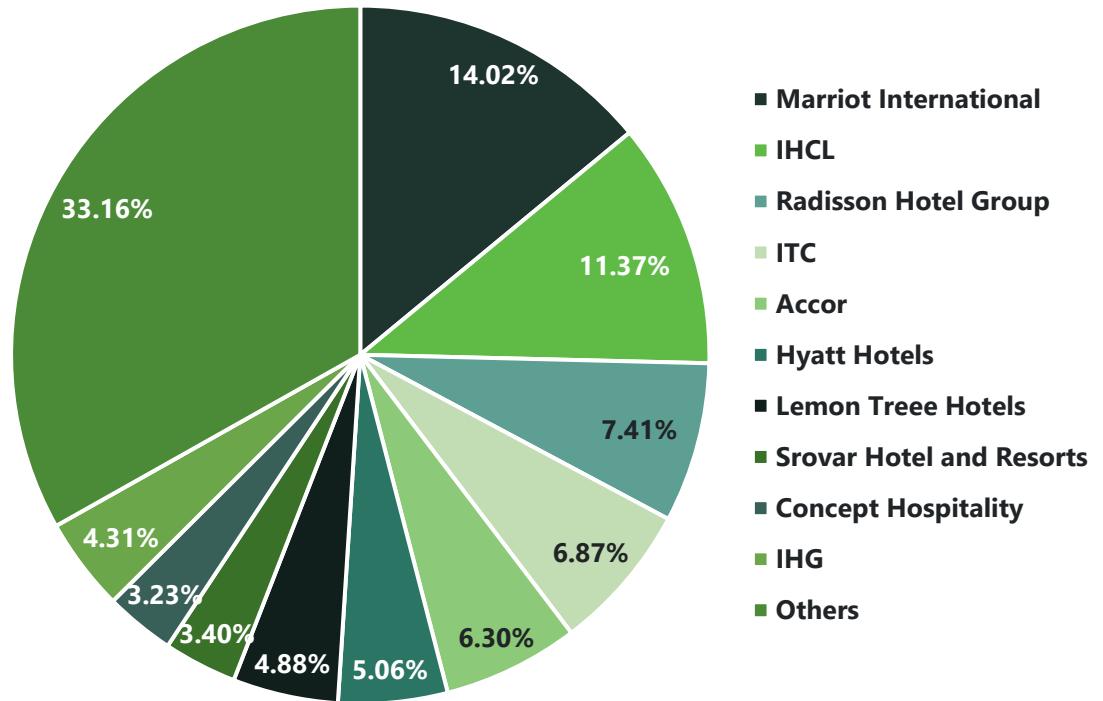
- All major regions have witnessed an increase in RevPAR in 2022/23 over 2021/22. Moreover, most markets have seen their highest-ever ARR and RevPAR of the past decade.
- This growth is on account of the return of corporate travel, increased reliance on retail and best available rates (BAR) for corporates and MICE (Meeting, Incentives, Conferences and Exhibitions)
- The highest occupancy rates were observed in the regions of Mumbai (79%) and Hyderabad (73%).
- Conversely, Kochi had the lowest occupancy of 60% due to seasonality.
- Similarly Goa had the highest ARR and Mumbai had the highest RevPAR.

Best Performing Hotels

Top 15 Brands by City presence in FY23



Hotel brands by percentage share of existing inventory 2023



Source: *Hotellivate Trends and Opportunities Report 2023*

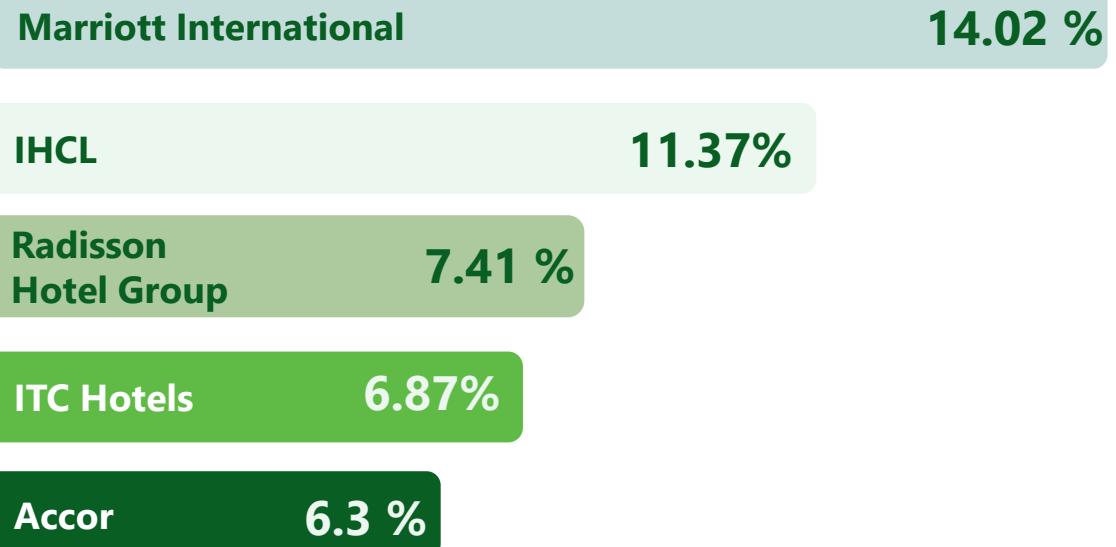
Growth Drivers and Major Players

Reasons for Growth of the Industry

- In 2023, India's hospitality industry experienced significant growth, fueled by an increasing number of business travelers, particularly in the IT sector.
- The Indian government's relaxation of investment policies allowed 100% foreign direct investment in tourism, hotel, resort, and recreational facility projects.
- A resolution in the Lok Sabha aims to establish 80 new airports by 2025, creating a demand for 25,000 additional hotel rooms and boosting the hospitality sector.
- The GST council's rate cuts from 28% to 18% for upscale hotels and from 18% to 12% for mid-scale hotels are expected to drive growth in the Indian hotel industry.
- Government initiatives include significant investments in road and rail networks, along with plans to privatize airports in Tier 2 and Tier 3 cities, improving connectivity to unexplored tourist destinations.

International Hotel chains are increasing their presence in India, and it accounts for **50%** share in the **Tourism and Hospitality Sector** of India in the year **2023**.

Top hotel brands by percentage share of existing inventory in India



Source: *Hotellivate Trends and Opportunities Report 2023*

Hospitality Industry Trends

Rise in Alternative Accommodation

Demand for alternative accommodation like **hostels, campsites, vacation rentals, and chalets** is skyrocketing, with Average Daily Rates (ADR's) and booked room-nights growing at double the rate of traditional hotels. Weekend bookings in top leisure and business cities like **Varanasi, Goa, Bengaluru, and Delhi** have surged 4 to 5 times higher in 2023 compared to 2022, indicating a significant shift in travel preferences.

Guest House



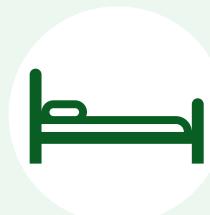
Guest House in hospitality industry refers to accommodation establishment that provide temporary lodging to guest. These establishment are smaller in scale compared to hotels and often offer a more homely and personalized experience.

Glamping Tents



Glamping tents has become a popular choice for travellers seeking immersive and nature-based experience without sacrificing comfort. It also offers various recreational activities and amenities, such as hiking, wildlife experience, spa etc.

Lodges



Lodges are often characterized by their modest facility and services, focusing on providing a comfortable place to stay at reasonable price.. It has been popular among budget-conscious travellers who prioritize affordability and practicality.

Villas



Villas have become a popular accommodation option in hospitality industry, offering a luxurious and private experience for travellers. These are spacious and well-appointed properties often come with amenities such as private pool, gardens, and personalised services.

Source: [Hoteltalk.in](https://hoteltalk.in)

Key Trends in Hospitality Industry (1/2)

Bleisure



A travel that combines both business and leisure, by not committing to one purpose solely. People on a bleisure trip, will typically add some extra days to their business trip in order to relax. This is often due to the fact that they have conveniently travelled to a holiday destination as part of their business trip.

Sustainability



Application of sustainable practices in hospitality and hotel operations and compliance with environmental, social and governance (ESG) principles for their business to follow environmentally, socially and culturally sound practices.

Personalisation



A process of tailoring content, messages, offers, and services to suit a guest's lifestyle, preferences, and requirements. It aims to enhance customer experience and create a long-lasting, meaningful relationship between the client and the brand.

Smart hotels



A Smart Hotel is a hotel equipped with disruptive technologies such as Artificial Intelligence and IoT (Internet of Things), changing of temperature, turning on electronic appliances and equipment's, digitalised systems, etc

Key Trends in Hospitality Industry (2/2)

Staycation



Stay-at-home vacations that include a variety of activities that can be done in the comfort of one's own home. It may include transportation to and from local excursions, dining, and attractions

Workation



Working vacations are becoming a popular corporate travel trend as employees strive for a work-life balance. Employees are more likely to have a chance to explore new places while fulfilling day-to-day obligations.

Co-working Spaces as an amenity



In a new era of hospitality, hotels are redefining the concept of "work from anywhere" by offering amenities that cater to the needs of today's modern workforce. Marriott, Hilton, and Intercontinental Hotels Group (IHG) are examples of hotels that implemented co-working spaces.

Subscription Based Models



Subscription-based revenue model, which became popular during the rise of remote working, has made its way to the big brands, which are offering remote workers flexibility to travel to different hotel locations of the brand, without any additional charges

Technological Trends in Hospitality Industry

Online booking and reservations



Many hotels, resorts, and vacation rental properties now have their own websites and online booking systems, allowing customers to easily book and pay for their stays.

Room automation



Some hotels and resorts have implemented technology that allows guests to control lighting, temperature, and other aspects of their room using a mobile app or in-room tablet.

Automated check-in and check-out



Some hotels and resorts have implemented self-service kiosks or mobile check-in options, allowing guests to check in and out of their rooms without interacting with front-desk staff.

VR and AR:



Some hotels and resorts are using virtual and augmented reality technology to give customers a virtual tour of the property before they book a place, or to enhance the guest experience during their stay.

Shifting Landscape of Hotel Management Model

Shifting Landscape of Hotel Management Model

Hotel Management Agreement

Hotel brand/operator will be responsible to manage the hotel by providing supervision, direction, and expertise through conventional methods and measures. It will fundamentally take over the operations of the hotel for and on behalf of the hotel owner for a fee.

Example: OYO

Hotel Franchise Operation

The franchise agreement is a legal license agreement between the hotel brand and the hotel owner that give hotel owner the rights and obligations to operate the hotel under the franchisor's brand in exchange for fees. Example: JW Marriott

Source: [OYO](#), [JW Marriott](#)

	Owner		Brand	
	Pros	Cons	Pros	Cons
Hotel Management Agreement	No experience required for the day-to-day operations	No control over the operating structure	Quality control and more influence on long-term CAPEX plans	Increase of responsibilities and intensive resources
	Access to brand's distribution and operational tools	Payment of fee	Lower market risks	Quality standardization challenges
	Save time and resources	No control/approval rights over brand standards	Fee earnings	Conflict of interests
Franchise Agreement	Full control over operation	Higher responsibilities and risks	Lower resource requirement	Dependent on owner's finances and expertise
	Quality Control	Royalty Fee	Lower market risk and no operating risks	Risk for brand reputation
	Quickly drives demand	No control over brand reputation	Long-term fee-based income	Less control over CAPEX

MARC's Industry Forecast

MARC Forecast

1. Revival Of The Hospitality Industry

Domestic leisure travel growth

Govt. push towards infra

Resumption of business travel

Weddings and social events

2. Sustainability Trends In Hospitality

Using renewable energy

Reducing waste

Eco friendly materials at Weddings and social events

3. Focus on the millennial generation

440 Million

Millennials are around **34%** which is **440 million** of the country's population.

75%

Millennials will become the primary breadwinners and will account for **75%** of the workforce by **2030**.

Most millennials are tech savvy, well connected with the internet and use OTAs to book or plan their vacation.

Their to do list include recreational activities like adventure sports, nature trails, local experiences.

Many reputed hotels have jumped on the bandwagon adapting to the millennial customer's needs and creating customised experiences.

Financial Analysis

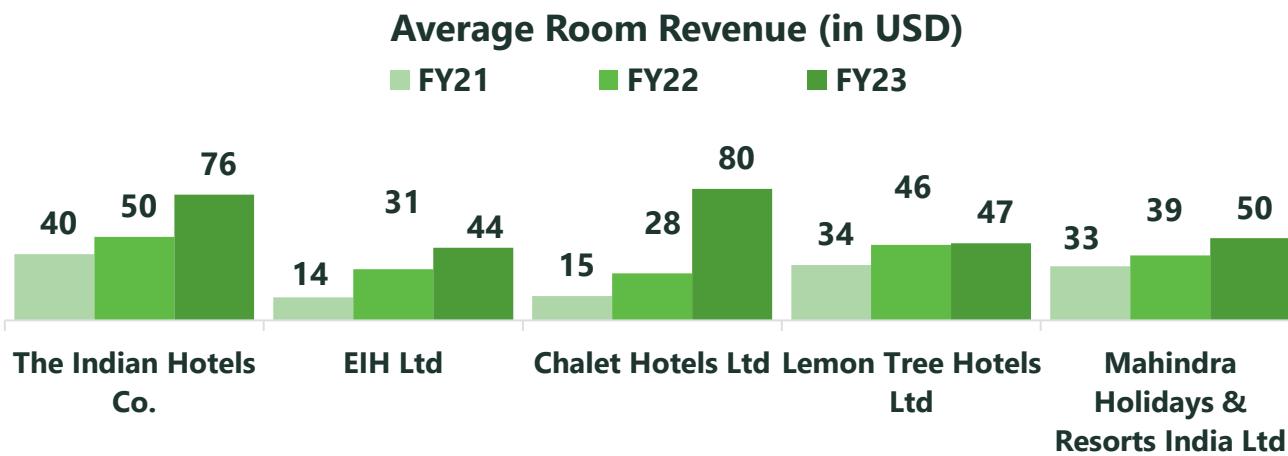
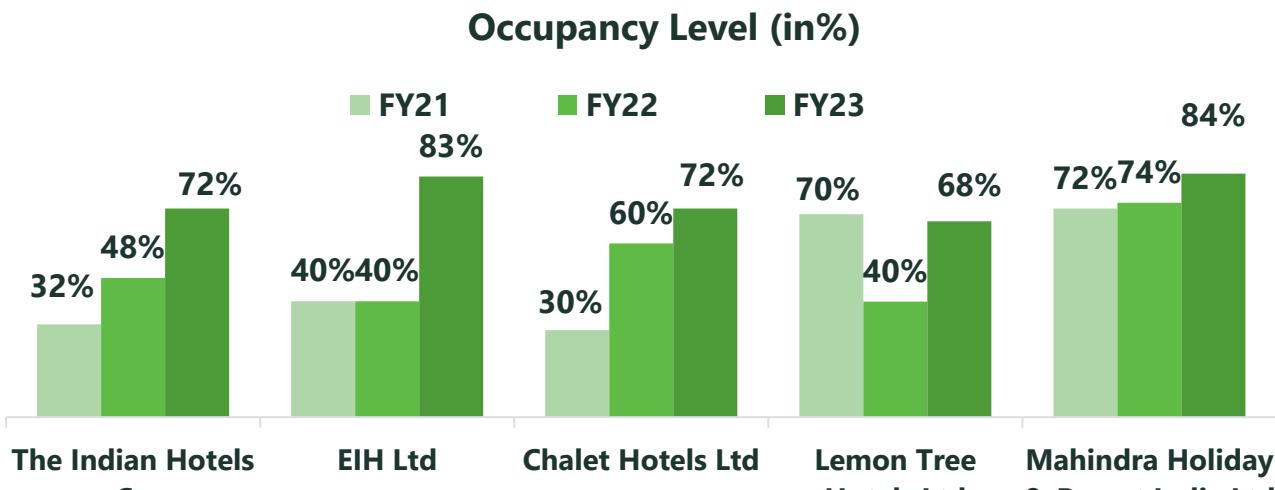
Leading players in India- KPIs in comparison

These top five leading players in the hospitality industry in India are considered based on their **extensive presence, market share, brand reputation, and significant contributions** to the hospitality sector in India over the years.

Particulars	IHCL THE INDIAN HOTELS COMPANY LIMITED	Club Mahindra	EIH	CHALET HOTELS	lemon tree HOTELS
Revenue (in USD million)	718	317	253	142	106
Occupancy	72%	84%	83%	72%	68%
ESG Score	55	53	48	52	53
ARR (in USD)	76	50	44	80	47
No. of Employees	35,186	4,116	8,297	2,544	8,000
Room Inventory	29,000 Rooms	4,940 Rooms	4,935 Rooms	2,894 Rooms	9,700 Rooms

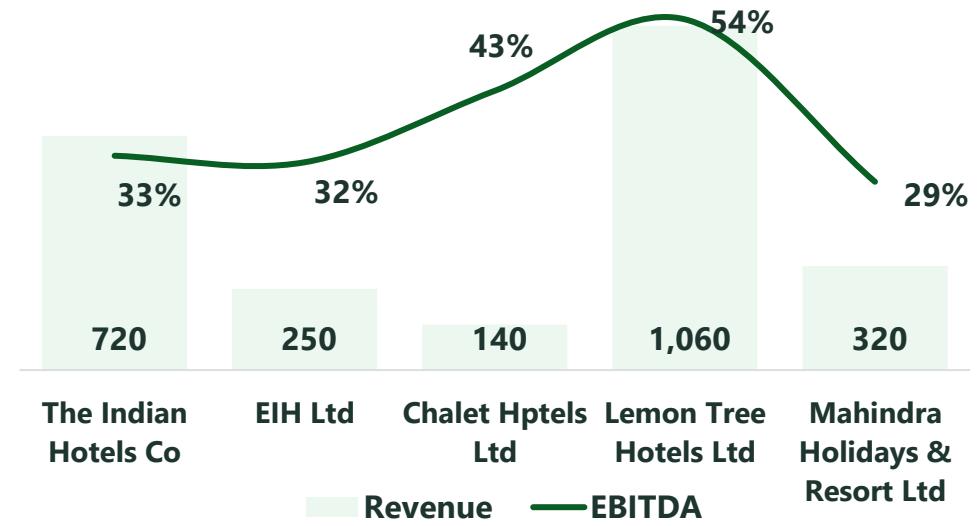
Source: Annual Reports FY23 & MARC Analysis

Competitors Analysis



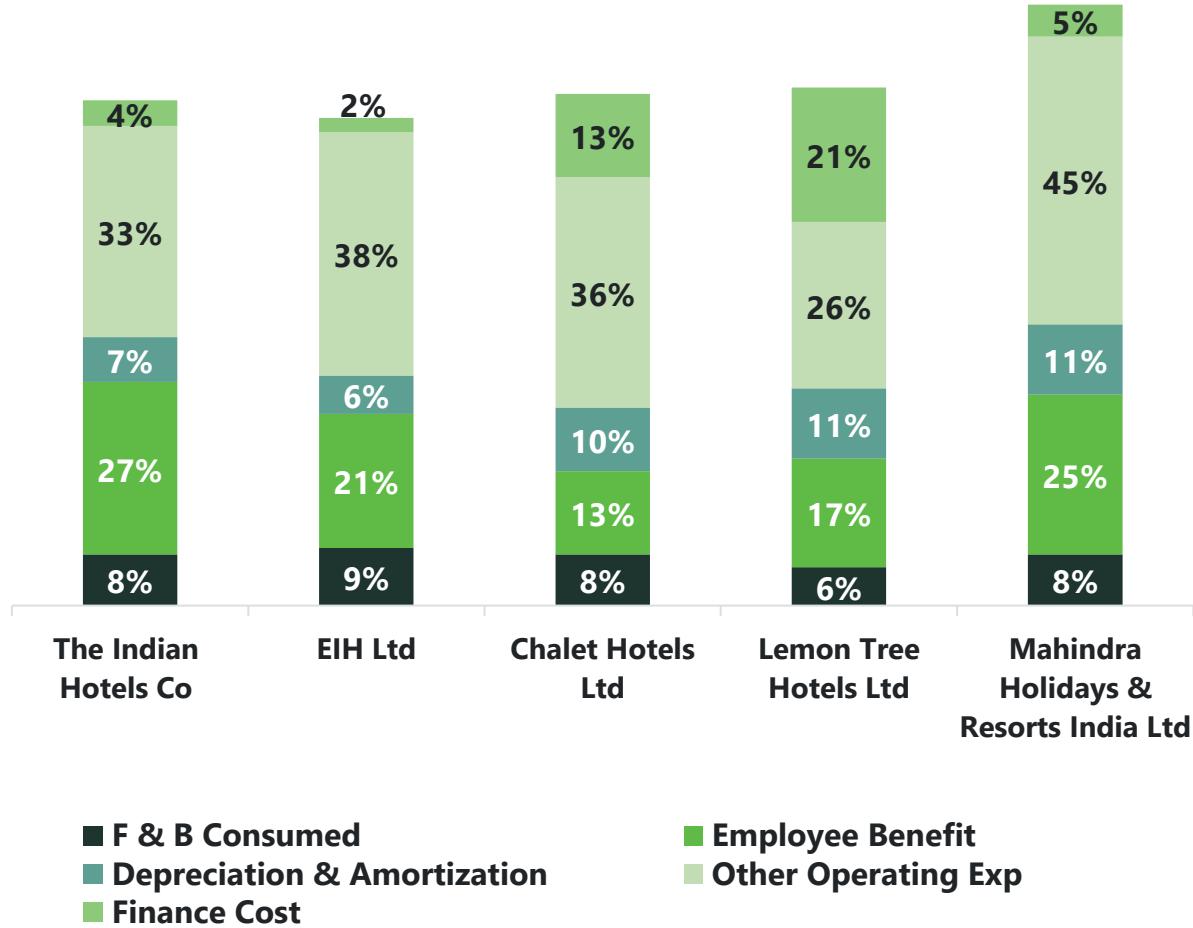
Source: Annual Reports FY23 & MARC Analysis

Profitability Analysis (in USD Million)



- It has been observed that the occupancy rates of all 5 hotels in FY23 stood between the range of **68% - 84%**, with Lemon Tree being the lowest.
- The Industry Standard for EBITDA in the hospitality industry is **17% to 30%**. **Lemon Tree Hotels Ltd** is having the highest EBITDA margin of **54%** compared to other hotels.
- Chalet Hotels** had the highest Average Room Revenue of **USD 80** compared to **EIH** whose ARR stood at **USD 44**.

Cost Analysis



Following inferences have been drawn for the period under review (FY23):

- F & B Consumption for **EIH Ltd** stood at **9%** being the highest amongst all the competitors, whereas **Lemon Tree Hotels Ltd** had the lowest F & B Consumption of **6%** in comparison.
- Employee Benefit expenses for **The Indian Hotels Co** stood at **27%** being the highest amongst all the competitors due to an increase in salary and number of staff, however **Chalet Hotels Ltd** stood at **13%**.
- Depreciation & Amortization for **Lemon Tree Hotel Ltd** and **Mahindra Holidays & Resorts India Ltd** stood at **11%** being the highest amongst all the properties, however **EIH Ltd** had a lower Depreciation & Amortization of **6%**.
- Other Operating Exp for **Mahindra Holiday & Resorts India Ltd** stood at **45%** being the highest amongst all the competitors. This increase was due to increase in rooms from FY22 to FY23, and an increase in repairs and maintenance, laundry expenses and advertisement expenses.
- Finance Cost for all 5 hotels stood between 2% to 21% with **Lemon Tree Hotels Ltd** being the highest amongst all the properties.

Source: Audited Financial Statements FY22-23

Profit & Loss Snapshot

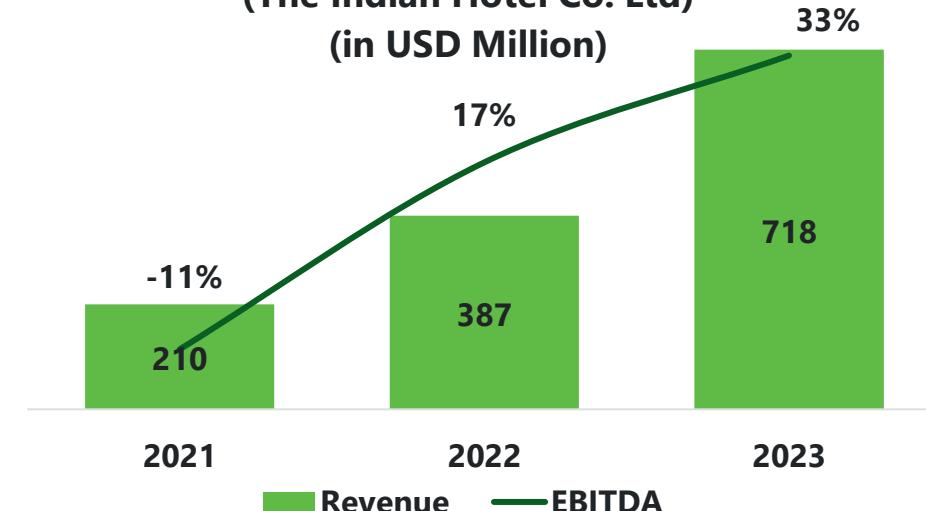
P&L Snapshot (The Indian Hotel Co.Ltd)

Particulars (in USD Million)	Actuals			Common size		
	FY21	FY22	FY23	FY21	FY22	FY23
Revenue From Operations	210	387	718	100%	100%	100%
F&B Consumption	17	31	57	8%	8%	8%
Expenses						
Employee Benefit Expenses	108	139	191	51%	36%	27%
Travel Agents Commission	4	8	16	2%	2%	2%
Licence Fees	7	10	23	3%	3%	3%
Power and fuel	21	27	37	10%	7%	5%
Repairs & Maintenance	12	18	25	6%	5%	3%
Other Expenses	63	86	134	30%	22%	19%
EBITDA	-22	68	235	-10%	18%	33%

Revenue – EBITDA Comparison

(The Indian Hotel Co. Ltd)

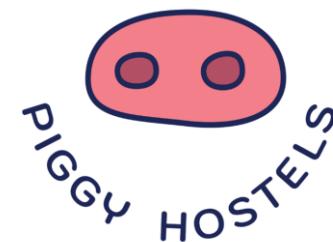
(in USD Million)



- In FY21, the company witnessed a significantly lower revenue and a negative EBITDA margin of -10% due to the impact of the COVID-19 pandemic. The increase in revenue in FY23 was driven by strong domestic demand and changing consumer behaviour, such as combining business and leisure, more weekend travel or working out of a destination.
- EBITDA margin grew from 17% in FY22 to 33% in FY23 on account of higher Revenue per available room (RevPar) in all group hotels, better asset management and portfolio premiumisation.
- F&B consumption as a % to revenue has remained stable at 8% despite increasing revenue signifying efficient expense allocation.
- Travel agent's commission doubled from USD 8 million to USD 16 million due to increased business operations and increase in number of customers.

Source: Audited Financial Statements FY22-23

Our Clientele





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Contact



+91-9359628675



contact@marcglocal.com



www.marcglocal.com



2nd floor, CMM bldg. Rua de Ourem,
Panaji Goa 403001