

INDUSTRY REPORT – LUXURY, UPPER UPSCALE AND UPSCALE HOTELS



Hotel, Tourism and Leisure

4 February 2024

Mr. Varun Saraf
Chief Executive Officer
Juniper Hotels Ltd
Off Western Express Highway
Santacruz (East)
Mumbai 400 055

Dear Mr. Saraf,

We were retained by your Company to prepare an industry report comprising (a) an overview of the Indian hospitality industry, and (b) perspectives on the future outlook for the industry in general, with more specific focus on cities and markets in which the Company owns or operates hotels or intends to pursue projects in the medium term. Accordingly, this report concentrates on Luxury, Upper Upscale and Upscale Hotels in India. We understand that the Company intends to use data from this industry report in connection with the proposed Initial Public Offering of the Company.

We issued a report titled Industry Report – Luxury, Upper Upscale and Upscale Hotels (“Industry Report”) on 23 September 2023. Data from this Industry Report was used by the Company in the industry section of the Draft Red Herring Prospectus (“DRHP”) filed with the Securities and Exchange Board of India (“SEBI”) in connection with the proposed Initial Public Offering of the Company.

The Company has further requested us to provide an update to the Industry Report and intends to use data from this updated report for the industry section of Red Herring Prospectus (“RHP”) in connection with the aforementioned proposed Initial Public Offering of the Company.

The updated report is attached herewith. This report covers the following key aspects:

- Overview of the Indian hospitality industry including insights on market size, historical performance of key markets, and segmental composition with its impact on market-wide rates.
- Overview of impact of Covid-19 pandemic related challenges on the sector
- Overview of several key factors that impact hotel sector demand and performance
- Supply analysis of chain-affiliated hotels, with stress on segments that are relevant to the Company.
- Analysis of current demand and expectations of future demand
- Analysis on the future supply over the next four years and its impact on the overall performance.
- Future outlook for key cities / micro-markets relevant to the Company

In this report, we have examined various general and specific aspects relating to India's hospitality industry. The focus is on the Luxury, Upper Upscale and Upscale segments, as these are relevant to the Company; other segments are discussed only to the extent this is relevant to provide a more comprehensive overview of the industry. Hotel inventory and other data used for this report is as on 30 September 2023. We have updated this data based on information available to us as at 30 November 2023; we have not updated this for any events occurring after that date notwithstanding that in some cases the report may contain a comment on a material event after that date. Further, we have no obligation to update the information and our comments for changes and events that occur after 30 November 2023.

Information herein is based on our research and knowledge of the market; it is possible that corporate plans and other confidential information, which are not within our knowledge may provide an understanding that may be different from the statements and conclusions herein.

For sake of making the report meaningful, we have been selective in the data included herein; we have sought to avoid providing a mass of data that may be less comprehensible – however, it is possible that additional data may cause a reader to reach a different conclusion.

As is typical of such reports, our estimates / projections / outlook and statements that may be regarded as forward-looking statements cannot be guaranteed in any manner; these have, however, been prepared after conscientious research and analysis.

We shall be pleased to provide any further clarifications or assistance as may be required.

Thank you and with regards,

Yours truly,

For Crowe Horwath HTL Consultants Pvt. Ltd.



Vijay Thacker
Managing Director

DISCLAIMER

“Crowe Horwath HTL Consultants Pvt. Ltd. (CHHTL) does not accept any liability arising out of reliance by any person or entity on contents of its report, or any information contained in its report, or for any errors or omissions in its report. Any use, reliance or publication by any person or entity on contents of its report or any part of it is at their own risk. In no event shall CHHTL or its shareholders, directors or personnel be liable to any party for any damage, loss, cost, expense, injury or other liability that arises out of or in connection with this report including without limitation any indirect, special, incidental, punitive or consequential loss, liability or damage of any kind.

Our opinions are based on information available to us at the time of preparation of the report and economic, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. Should circumstances change significantly, or additional information become available, after the issuance of this report, the conclusions and opinions expressed herein may require revision. There is no requirement for CHHTL to update this report in any such circumstances. The statements and opinions expressed in this report are made in good faith and in the belief that such statements and opinions are not false or misleading. Recipients should make their own enquiries and evaluations they consider appropriate to verify the information contained in the Industry Report. This Industry Report does not purport to provide all of the information the recipient may require in order to arrive at a decision.

Forward-Looking Statements

This Industry Report contains estimates/projections/outlook and statements that may be regarded as forward-looking statements. These statements are based on a number of assumptions, expectations and estimates which, while considered by us to be reasonable, are inherently subject to significant uncertainties and contingencies many of which are beyond the control of ourselves or Juniper Hotels Limited (on whose behalf this report has been prepared) or which may reflect future business decisions which are subject to change. Recipients of this information are advised that the estimates/projections/outlook may be regarded as inherently tentative. Due to the subjective judgments and inherent uncertainties of statements about future events, there can be no assurance that the future results, or subsequent estimates/projections/outlook will not vary significantly from the estimates/projections/outlook and other statements set out in Industry Report.

This disclaimer must accompany every copy of this Industry Report, which is an integral document and must be read in its entirety.

HORWATH HTL CREDENTIALS

Horwath HTL India is a member of Crowe Global. Crowe Global is the eighth largest accounting and consulting network worldwide. Crowe Global member firms engaged in the field of consulting to the Hotel, Tourism and Leisure industry, under the name and style of Horwath HTL, are recognised as being the premier consultants to this industry, providing practical and well-reasoned professional advice to their clients.

The consulting experience of Horwath HTL India covers 150 Indian cities, towns and destinations and over 20 international destinations. Assignments have been undertaken for hotel chains, promoters, development companies, private equity investors, international lenders, including several major international and domestic hotel chains and their associates.

Our hospitality consulting practice has advised on significant and diverse projects and the principal services provided by us are market and financial feasibility studies, strategic planning for hotel chains, operator search and management contract negotiations, valuation of hotel companies and hotel properties, structuring financial bids, operational reviews, efficiency audits and service audits and systems design and reviews for hotels.

Abbreviations

Abbreviation	Full Form	Abbreviation	Full Form
AAI	Airports Authority of India	Mn	Million
ADR	Average Daily Rate	MoSPI	Ministry of Statistics and Programme Implementation
Bn	Billion	MOT	Ministry of Tourism, GOI
CAGR	Compound Annual Growth Rate		
CHHTL	Crowe Horwath HTL Consultants Pvt. Ltd.	NCR	National Capital Region
COVID	Coronavirus Disease	NRI	Non-Resident Indian
CY	Calendar Year	NCLT	National Company Law Tribunal
DIPP	Department of Industrial Policy & Promotion	Occ	Occupancy
DMRC	Delhi Metro Rail Corporation	PAR	Per Available Room
DoT, GOI	Dept of Tourism, Govt of India	Pax	Passengers
EBITDA	Earnings Before Interest Taxes Depreciation & Amortization	PPP	Purchasing Power Parity
ECB	External Commercial Borrowing	Q	Calendar Quarter
Eco	Economy Class	RevPAR	Revenue Per Available Room
E-Visa	Electronic Visa	RBI	Reserve Bank of India
F&B	Food & Beverage	RPD	Rooms Per Day
FDI	Foreign Direct Investment	SAARC	South Asian Association of Regional Cooperation
FHRAI	Federation of Hotel and Restaurant Associations of India	STR	Smith Travel Research
FTA	Foreign Tourist Arrivals	UDAN	Ude Desh Ka Aam Naagrik
FY	Fiscal Year	UK	United Kingdom
GDP	Gross Domestic Product	UN	United Nations
GOI	Govt of India	UNWTO	United Nations World Tourism Organization
GOP	Gross Operating Profit	UP	Uttar Pradesh
GST	Goods and Services Tax	UpMid	Upper Midscale Class
H1	First Half (6 months)	UpperUp	Upper Upscale Class
H2	Second Half (6 months)	Ups	Upscale Class
IHCL	Indian Hotels Company Limited	USA	United States of America
IHG	InterContinental Hotels Group	USD	US Dollars
IMF	International Monetary Fund	WEF	World Economic Forum
IT	Information Technology	WTTC	World Travel and Tourism Council
JHL	Juniper Hotels Ltd	YoY	Year-Over-Year
k	Thousand	YTD	Year to Date
Lux	Luxury Class		
MOU	Memorandum of Understanding		
MICE	Meetings, Incentives, Conferences & Exhibitions		
Mid	Midscale Class		

Industry Report – Upper Tier Hotels

1. Overview of Key Market Characteristics

Some key characteristics of India's hospitality industry, relevant for a better understanding of the market and more particularly the luxury, upper upscale and upscale segments (collectively 'upper tier segments'), are briefly set out herein.

- 1.1. As at September 30, 2023 India has 178k chain-affiliated hotel rooms, across segments. Supply at independent hotels is widely fragmented, with about 80% of midscale and lower positioning. (Note: 'k' represents numbers in thousands).

India's share of global tourism is limited, with Foreign Tourist Arrivals (FTA) between 10.2 million and 10.6 million for Fiscals 2018-2020 (source: Ministry of Tourism, Government of India). For 2019, India had only 0.73% of global tourist arrivals (source: Ministry of Tourism, Government of India and UNWTO World Tourism Barometer, January 2020). On the other hand, the domestic travel industry in India has been robust and continues to grow materially.

- 1.2. Chain-affiliated supply has evolved over the last two decades: (a) total rooms as at September 30, 2023 are nearly 7.5 times the Fiscal 2001 inventory; (b) rooms supply has greater balance across different segments, yet the luxury and upper upscale segments, as an aggregate, comprise 20% of total hotels and 35% of total rooms; (c) 74% of hotel rooms are now owned by entities other than hotel chains, as compared to 31% of hotel rooms as at Fiscal 2001; (d) changed developer and ownership patterns were essential to achieve large supply growth through diversified ownership and capital deployment which has in turn enabled growth of management contract and franchise structures that are particularly preferred by international chains; (e) international chains have increased their supply share from 21% in Fiscal 2001 to 47% as at September 30, 2023, and several domestic companies have diversified their portfolio and materially grown in size; and (f) guest preferences have evolved with greater use of hotels for weddings and events, greater appreciation of lifestyle and boutique hotel offerings, well-curated F&B experiences, leisure, recreation and entertainment.

- 1.3. The hotel sector has much to contribute to India's economy by way of GDP, asset and credit growth, employment, FDI, foreign exchange earnings and tax revenues. The multiplier effect of developing a new hotel is significant.

Per WTTC estimates, the overall travel and tourism sector contributed ₹15.7 trillion to India's economy in 2022, with expected increase to ₹16.5 trillion for 2023 and ₹37 trillion over the next ten years. The sector is expected to employ 39 million persons by end 2023.

Per Hotel Association of India's report on "Vision 2047- Indian Hotel Industry - Challenges & The Road Ahead", the GDP contribution of the hotel sector is estimated at USD40 billion in 2022, with projected increase to USD68 billion by 2027 and USD one trillion by 2047.

The need and demand for hotel rooms and hotel services will benefit from and, in turn support, growth orientated macroeconomic policies, economic development initiatives and investments across multiple sectors as India moves towards becoming the third largest global economy. Infrastructure and air/road access enhancements have also helped the growth of leisure and MICE travel, and will continue to enable further growth.

- 1.4. 11 states have granted industry status to hotels, enabling benefits such as industrial rates for energy, water, property tax incentives etc.; in some cases, the real flow of benefits is yet to

occur. Nationwide recognition of the hotel sector with industry status would be materially beneficial.

- 1.5. Fiscal 2023 was a year of strong business recovery and performances, coming out of the depths of the COVID-19 pandemic – several hotels reported record performances and gained materially in revenues and profits. Hotel owning companies benefitted from high EBITDA flowthrough in their income statements. The strong performance in spite of only partial recovery of foreign travel flow into India was enabled by a robust domestic sector with higher rate paying potential. Increases in business and leisure travel, weddings demand, staycations and MICE related travel have all been vital to hotel demand revival after the COVID-19 pandemic. Travel patterns normalised during the period April to September 23 which is also traditionally slower demand period. While occupancies were lower compared to the corresponding six months of 2022, ADR levels have further risen 16% at all India level, and by 10% to 16% for Delhi, Mumbai, Ahmedabad and Lucknow.
- 1.6. Beneficial aspects for the hotel sector include (a) increased use of hotels for leisure, weddings and social travel; (b) increased urbanisation and access to infrastructure creating new travel destinations and micro-markets for hotels; (c) changing demographics, with millennials and younger travellers seeking experiences and willing to spend on entertainment and recreation; and (e) evolving attitudes towards recreation, entertainment, wellness and lifestyle. A more fuller recovery and growth of inbound travel would be beneficial in the future.

2. India – Macro Economic Overview

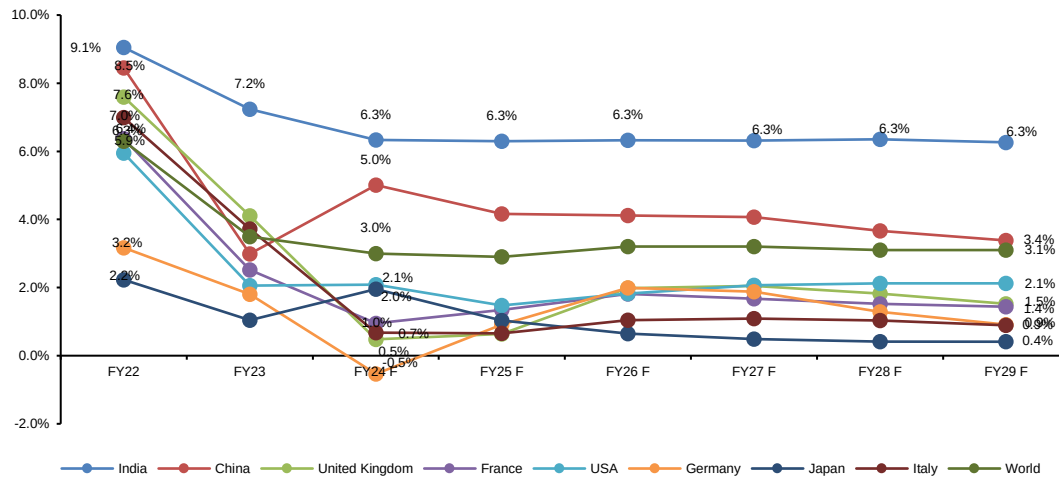
2.1. India GDP

In Fiscal 2022, India was the fifth largest global economy with Gross Domestic Product (GDP) at current prices of United States Dollars (USD) 3.18 trillion (Source: World Development Indicators Database, World Bank, January 15, 2023). India's economy grew by 9% in Fiscal 2022, against 5.8% decline caused by the COVID-19 pandemic in Fiscal 2021. The GDP growth for Fiscal 2023 is estimated at 7.2% (Source: National Statistics Office, Ministry of Statistics & Programme Implementation - MoSPI, Govt of India); latest International Monetary Fund (IMF) estimates placed this at 6.8%.

IMF's World Economic Outlook Report (October 2023) forecasts India's: (a) GDP growth at 6.3% per annum for Fiscal 2024 to 2029; and (b) per capita GDP to grow at a CAGR of 8.3% between Fiscals 2023 and 2028. IMF increased the GDP forecast for India from 5.9% in April 2023 to 6.1% in July 2023 and further to 6.3% in October 2023.

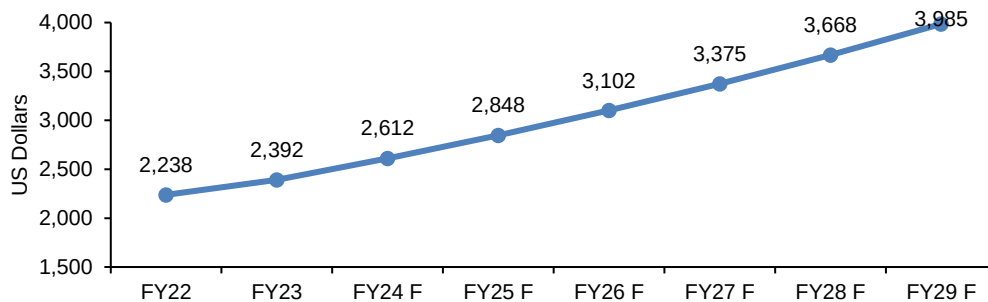
In its announcement on April 6, 2023, Reserve Bank of India (RBI) has projected the GDP growth for Fiscal 2024 at 6.5%. RBI's announcement on October 6, 2023 left the growth forecast unchanged at 6.5% for FY24 and has projected FY25 growth also at 6.5%. India is considered among the lead growth engines for the coming decade, in terms of GDP growth rate. 6-6.5% growth will be important for India's economy to hit the USD5 trillion mark.

Chart 1a provides the IMF forecast for GDP growth rate (at constant prices) for India and the top seven global economies through Fiscal 2029.

Chart 1a – India and Top 7 Global economies GDP Forecast


Source: World Economic Outlook, IMF, October 2023

Chart 1b provides the IMF forecast for India's per capita GDP.

Chart 1b – India Per Capita GDP Forecast


Source: World Economic Outlook, IMF, October 2023

The hotel industry would likely benefit from increased individual incomes, which can often lead to additional discretionary spending. This could benefit hotels with large function and event spaces and multiple F&B options.

2.2. Key Demographic Aspects

- Increased Urbanisation:** There is a clear and growing trend towards increased urbanisation. India's urban population increased from 27.8% in 2001 to 31.2% in 2011 and was projected to increase further to 34.4% in 2021. Urban population grew by 91 million between 2001 and 2011, and was projected to grow by 92 million between 2011 and 2021; corresponding rural population growth was 90 million and 60 million respectively. (Source: Census of India 2011 and Population Projections for India and States 2011 – 2036, July 2020)

Per United Nations' World Urbanisation Prospects Report (The 2018 Revision):

- a) In 2018, India had 461 million urban dwellers (11% of global urban population). This is projected at 543 million by 2025 (37% of the total population), becoming the second largest urban population globally after China.
- b) India currently has five megacities (urban agglomerations with population greater than 10 million) – Mumbai, Delhi NCR, Bengaluru, Kolkata and Chennai. Further, Ahmedabad and Hyderabad (presently with 7 to 9.5 million population) are expected to become megacities by 2030.
- c) Lucknow city population increased by 1.07 million in the years from 2011 to 2023, reflecting 38% growth to its 2011 population of 2.82 million.

JHL has hotels in two existing megacities and one prospective megacity. The aggregate population of cities in which JHL Group has hotels is 44 million (as at 2011), and projected at 78 million (by 2035).

Per Population Projections for India and States 2011 to 2036 Report (July 2020) of Technical Group constituted by the National Commission on Population under the Ministry of Health and Family Welfare: (a) Delhi's urban population is projected at 100% by 2036; (b) Tamil Nadu, Kerala, Maharashtra, Karnataka and Gujarat are expected to have more than 50% urban population by 2036. JHL Group has hotels in four of these states.

Cities/urban agglomerations with a population exceeding one million increased from 35 in 2001 to 53 in 2011. Cities and towns have expanded, often creating multiple micro-markets and business districts and new opportunities for hotels (source: Compiled from census data).

Urbanisation creates the need for jobs, thereby attracting investment and development of multiple business sectors, including manufacturing and services. Growth in business and business opportunities due to increased urban-led activity is evidenced by increase in air traffic, wider real estate activity, and the growth of hotels in several existing and newer markets in metro cities, primary and secondary cities and towns.

Increased urbanisation also causes cities and towns to expand their boundaries and create new hubs and micro markets within existing city areas. In turn, this creates need for additional infrastructure including opportunities for hotels. For example, the new financial district that was planned but yet to be developed at BKC, Mumbai in the late 1990s is now a major business hub. Similarly, the hotel district at Delhi Aerocity has been catalysed by growth needs of Delhi city and its expansion towards its boundaries with Gurgaon, and the privately developed international airport.

- Middle Class Population: "The Rise of India's Middle Class" Report published in November 2022 by People Research on India's Consumer Economy (PRICE) estimates India's middle class population at 432 million in Fiscal 2021, 715 million in Fiscal 2031 and 1,015 million by Fiscal 2047, moving ahead of USA and China within this decade. The middle class spans a wide economic segment, with sections of the middle class slowly graduating to the upper class due to attitudinal and lifestyle changes, creating demand potential for different services (rooms, F&B, functions, entertainment) at upper tier hotels. Per this report, average annual household disposable income is set to rise to about ₹2 million (USD 27,000) at 2020-2021 prices. Additionally, the report projects that the India's population will reach 1.66 billion by 2047, with the rich and middle class population being approximately 28% and 61%, respectively. Such growth will create major demand drivers for upper tier hotels in India.

- Young Population (15-29 years): Per Youth in India Report 2022, published by MoSPI:
 - a) The young population has increased from 223 million in 1991 to 333 million in 2011, 360 million in 2016, and 371 million in 2021 (27.2% of total population).
 - b) India is experiencing a demographic window of opportunity – a “youth bulge” (growth in youth as a share of total population) in the working-age population, expected to last until 2055.
 - c) The large working age population will require jobs, placing importance on employment creation – the hotel and tourism sector has substantial ability to create jobs, directly and as a multiplier effect, if the sector is sufficiently enabled. A large working population also carries enhanced discretionary spend capacity and propensity to spend on lifestyle aspects, which could benefit the hotel sector. Large format hotels with sizeable event spaces can be expected to benefit from larger business travel, business related events, conferences and seminars and more discretionary personal travel and spends arising from a larger working population.

3. Industry size – chain affiliated hotels

- The overview of supply and demand herein focuses on the upper tier segment in which JHL Group has its hotels.
 - Data is separately presented on all India basis, for Key Markets and for Select Markets. For this purpose, Key Markets comprise the six metro cities (Mumbai metropolitan area, Delhi NCR, Bengaluru, Chennai, Hyderabad and Kolkata), Ahmedabad, Pune, Jaipur and Goa – these are the top ten markets in India in terms of hotel room inventory.
 - Select Markets are markets where the JHL Group has an operational hotel – Mumbai metropolitan area, Delhi NCR, Ahmedabad, Lucknow, Raipur and Hampi. These hotels are:
 - Two luxury hotels – Grand Hyatt Mumbai Hotel and Residences, and Andaz Delhi
 - Four upper upscale hotels – Hyatt Delhi Residences, Hyatt Regency Ahmedabad, Hyatt Regency Lucknow and Hyatt Raipur
 - One upscale hotel – Hyatt Place Hampi.
 - In this report CAGR between a fiscal year (start year) and another fiscal year or 30 September 2023 (end year / date) is calculated from 31 March of the start year to 31 March of the end year or 30 September 2023, as the case maybe.
- 3.1. The analysis of hotel supply and demand principally deals with chain-affiliated hotels, i.e. hotels that are either (i) owned and operated by hotel chains, (ii) operated by hotel chains on behalf of other owners or (iii) operated under franchise from hotel chains. For this purpose all recognised international chains operating in India and domestic hotel chains that are generally considered as operating under common branding have been included; other domestic chains are considered if they have five or more hotels operating at least regionally in India. For clarity, groups with multiple hotels only within one state are not considered unless these are generally regarded as hotel chains by the market. Exclusions include hotel companies that primarily operate time-share facilities, one star hotels and hotels under aggregators (such as Oyo,

Treebo and FabHotels). Note that STR data from Calendar Year (CY) 2020 includes participating units of the aggregators; to the extent these units provided data for earlier periods, it is also included in the updated data available from STR for earlier periods.

3.2. Classifications: Industry terms for classifying, categorising and segmenting hotels (including serviced apartments) are explained below. Each segment will include entry-level hotels in that segment besides hotels that are more fully of segment standards.

- Luxury and Upper Upscale segment typically comprises top tier hotels; in India, these are generally classified as five star, deluxe and luxury hotels. Several brands classify themselves as luxury hotels, based on certain criteria (e.g. room size) without having the service standards and consistent guest profile typically associated with true luxury hotels.
- Upscale segment comprises hotels which are more moderately positioned and priced, generally with smaller room sizes than the top tier hotels. In India, upscale hotels are generally classified as four or five star hotels (typically carrying entry level five star quality).
- Upper Midscale segment comprises full service or select service hotels, typically with lesser public areas and facilities and smaller room sizes, which are more moderately positioned and priced than upscale hotels. In India, these would generally be classified as four star and sometimes three star hotels.
- Midscale segment typically are three star hotels with distinctly moderate room sizes, quality and pricing, and a lower standard of services; domestic brand midscale hotels often offer more services than select service international branded midscale hotels.
- Economy segment are typically two star hotels providing functional accommodation and limited services, being focussed on price consciousness.

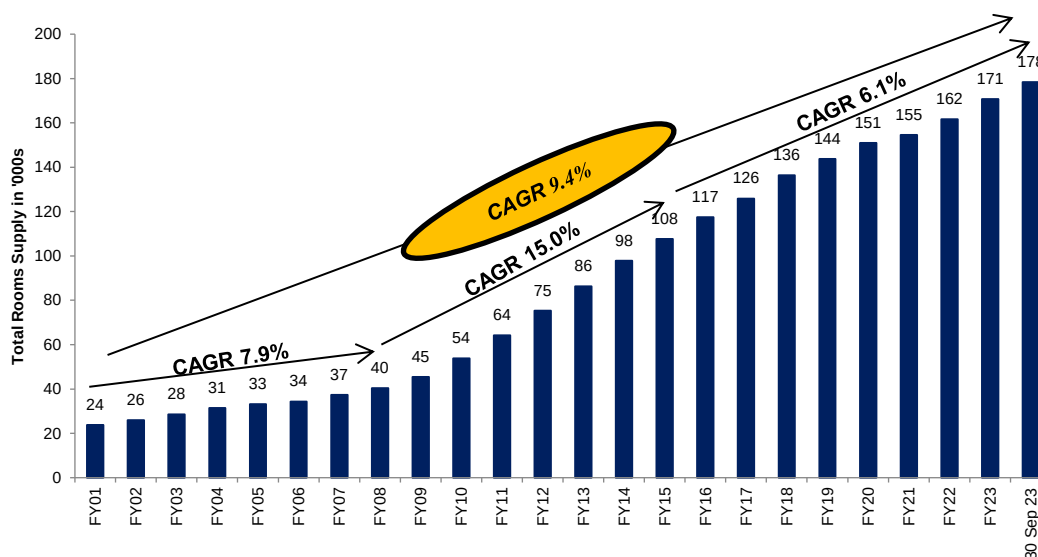
Segmental classification is essentially based on the intended positioning and overall rate structure of respective hotel brands; actual standards of individual properties may vary, but adjustment is not made on a subjective basis. If a chain has modified the positioning of a brand, such change would be reflected in current and previous period data.

3.3. This report does not cover independent hotels, except to the extent that some independent hotels may have participated in the collection of any reported data.

Other independent hotels have been excluded from our analysis due to (a) lack of sufficiently coordinated, reliable and consistent data for independent hotels; (b) increasingly challenged competitiveness of several independent hotels against growing presence of chain-affiliated hotels; (c) longer-term constraints on independent hotel growth as hotel chains grow into second tier markets and smaller towns; and (d) general reluctance of banks to finance large projects unless these have access to suitable chain marketing and management systems. We believe that an analysis based mainly on chain-affiliated hotels (while also competing with any independent hotels in the relevant catchment area) is adequate reflection of the overall market conditions.

- 3.4. Charts 2 and 3 reflect total Chain affiliated hotel supply and hotel room supply in the Luxury, Upper Upscale and Upscale segments.

Chart 2 – All India Chain Affiliated Rooms Supply

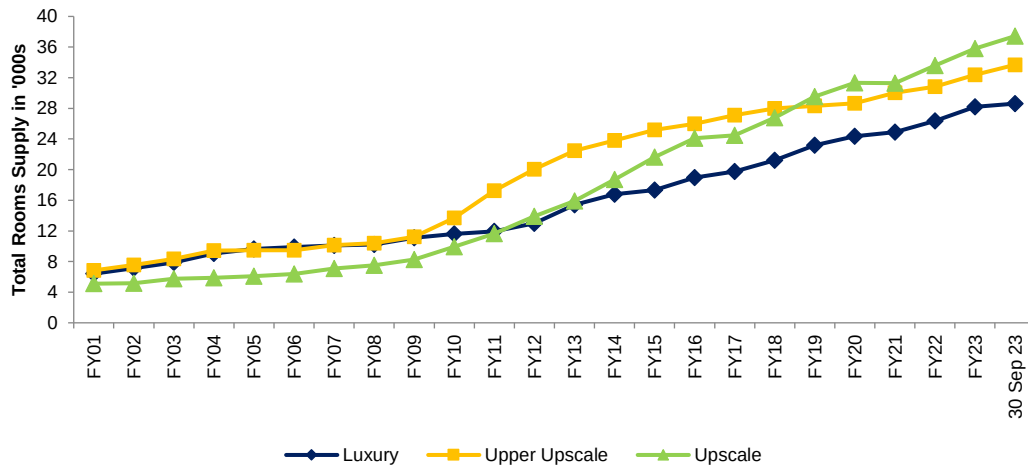


Source: Horwath HTL

Major supply growth occurred between Fiscals 2008 and 2015, fuelled by strong business conditions from Fiscal 2005 through initial months of Fiscal 2009 when occupancies and Average Daily Rate (ADR) were strong in most markets. On the other hand, declining demand and economic activity from Fiscal 2010 through Fiscal 2014 was not supportive of new development commitments, leading to slower supply growth for Fiscal 2016 to Fiscal 2023; this was exacerbated by the COVID-19 pandemic. Supply growth has picked up pace, buoyed by the strong demand conditions, with about 7,600 new rooms added between April 2023 and September 2023. The overall CAGR of 9.4% over a period of 22.5 years reflects material supply addition, although off a small supply base as at Fiscal 2001.

About 18,500 rooms were added in Fiscal 2010 and Fiscal 2011; about 43,500 rooms in Fiscals 2012 to 2015; about 43,000 rooms between Fiscals 2016 and 2020; and about 27,500 rooms between Fiscals 2021 and YTD September 2023 – a sharp decline due to the COVID-19 pandemic, and yet reasonable growth in spite of the pandemic.

Chart 3 – All India Chain Affiliated Rooms Supply – Luxury, Upper Upscale and Upscale Segment



Source: Horwath HTL

3.5. Segmental supply has evolved significantly since Fiscal 2001, as reflected in Table 1 below:

Table 1 – Segmental Composition (Inventory in 000s)

Category	Fiscal 2001	Fiscal 2008	Fiscal 2015	Sep 30, 2023	Fiscal 2027	CAGR Fiscals 01-08	CAGR Fiscals 08-15	CAGR Fiscals 15-Sep 30, 2023	CAGR Sep 30, 2023-27
Luxury	6	10	17	29	35	6.9%	7.8%	6.1%	5.8%
Upper Upscale	7	10	25	34	42	6.2%	13.5%	3.5%	6.8%
Upscale	5	8	22	37	52	5.7%	16.3%	6.7%	9.8%
Upper Midscale	4	7	20	32	44	9.7%	16.1%	5.9%	9.3%
M-E	2	5	24	46	65	17.1%	24.2%	8.2%	10.0%
Total	24	40	108	178	238	7.9%	15.0%	6.1%	8.6%
% of Total									
Luxury	27.0%	25.4%	16.1%	16.0%	14.6%				
Upper Upscale	28.8%	25.8%	23.4%	18.9%	17.8%				
Upscale	21.5%	18.6%	20.1%	21.0%	21.8%				
Upper Midscale	15.5%	17.4%	18.5%	18.2%	18.6%				
M-E	7.2%	12.9%	21.9%	25.9%	27.1%				

Source: Horwath HTL; Note: segmental composition also includes impact of changes in brand positioning

Supply composition has evolved towards greater segmental balance. Concentration of the Luxury and Upper Upscale segments ("Lux-UpperUp") has diluted substantially as upscale, upper midscale and Midscale-Economy ("M-E") hotels gained traction and wider footprint. A similar trend is broadly expected for the next three to five years, with Lux-UpperUp supply share continuing to gradually decline, with supply share gains for the Upscale and (M-E) segments.

Reduced share of Luxury inventory does not mean that the segment has lost relevance. 22k rooms have been added between Fiscal 2001 and end September 2023 and another 6k rooms

are in the pipeline through Fiscal 2027 – this segment is essential for the hotel sector and to draw high end international and domestic visitation and usage. The reduced supply share arises from the need to grow supply in other segments to serve a wider market reach; it also reflects the challenges of developing and owning luxury hotels in terms of land cost for the locations appropriate for a luxury hotel and high development cost. From a reverse viewpoint, these Lux-UpperUp limitations reflect the entrepreneurial risks taken by owners of hotels and the added value that existing hotels could carry as the economy grows.

In absolute numbers, the UpperUp and Upscale segments added about 27k rooms and 32k rooms respectively between Fiscal 2001 and end September 2023. The Upper Upscale segment lost its lead position beginning Fiscal 2019, as the widening supply outside the Key Markets is creating strong growth momentum for the upscale and upper midscale segments.

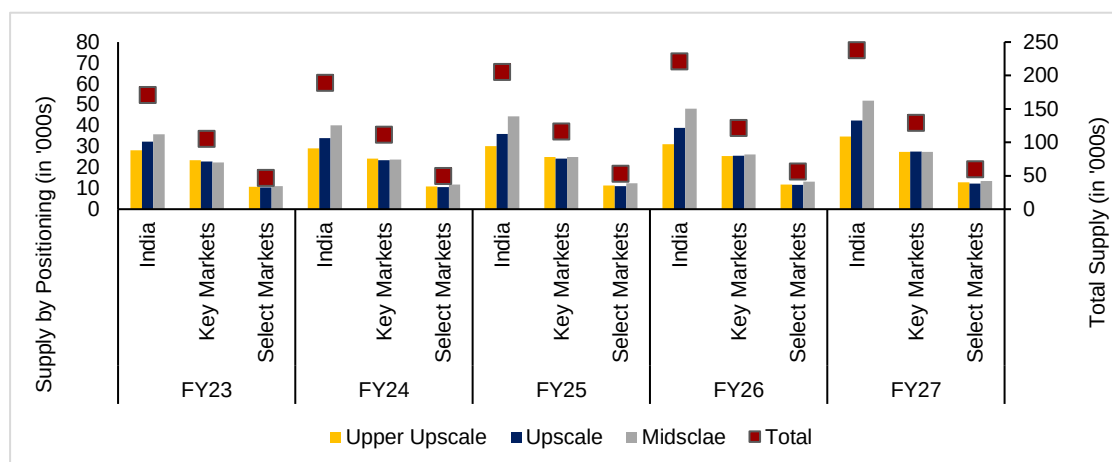
The need and importance of Lux-UpperUp hotels is reflected by its materially larger contribution to rooms revenue, due to its superior pricing and quality. Table 2 provides the revenue share for hotels for under different segments for CY2022.

Table 2 – Segmental – Supply and Revenue Share

Positioning	Supply Share	Revenue Share
Lux-UpperUp	35%	55%
Up-UpMid	39%	35%
M-E	26%	11%

Source: Horwath HTL

- 3.6. Increased supply share of upscale, mid-priced and economy hotels has a bearing on ADR comparisons between different periods. City-wide or market-wide comparisons of ADR between different periods must consider the impact arising from material changes in supply (and related demand) composition.
- 3.7. Supply growth includes changes due to conversion of hotels, with 6k rooms (net) added to chain affiliated supply between Fiscals 2015 to end September 2023 – about 28k rooms at independent hotels were converted into chain affiliated hotels; while about 22k chain-affiliated rooms were de-flagged.
- 3.8. Expected Supply to Fiscal 2027
 - 3.8.1 60k rooms are expected to be added between 1 October 2023 and 31 March 2027 – given the past track record of materialised supply being at a slower rate, actual inventory growth may be smaller. It is possible that growth may happen somewhat speedily if more conversions occur as these need a shorter lead time to fruition. Pipeline data included in this report is based on deals signed and announced as of November 30, 2023 by various chains.
 - 3.8.2 Chart 4 indicates the expected supply through Fiscal 2027, on an all India basis and for Select Markets and segments. Some supply may temporarily not be operational for some periods, e.g. during insolvency resolution processes or maintenance and renovation – such cases will be nominal in the overall context.

Chart 4 – Expected Supply (Inventory in 000s)


Source: Horwath HTL

About 25% of the new supply will be in the Luxury Upper Upscale segment; 24%, 20% and 31% in the Upscale, Upper Midscale, and Midscale Economy segments respectively. 65% of the new supply will occur in markets outside the Key Markets. Sizeable supply expansion outside the Key Markets and segmental spread of supply reflects increasing market maturity and potential for wider demand growth.

Supply pipeline includes JHL's planned expansion program at (a) Grand Hyatt Mumbai Hotel and Residences which will increase its inventory of 549 rooms and 116 serviced apartments (total 665 keys) to 842 rooms and 140 serviced apartments (total 982 keys); (with the increased inventory to be operational by mid Fiscal 2027) and (b) Hyatt Regency Ahmedabad (59 rooms added in October 2023).

Grand Hyatt Mumbai Hotel and Residences will continue to be the largest luxury hotel in Mumbai and India; combined with expanded function spaces (under way), the hotel will have enhanced capability to cater to multiple large events at the same time. Hyatt Regency Ahmedabad with addition of 59 rooms in October 2023 is the largest hotel in Ahmedabad (excluding the government owned The Leela, Gandhinagar).

3.8.3 Supply Pipeline – Select Markets

12.2k rooms (21% of new supply) are expected to be added between October 2023 to March 2027 in Select Markets – refer to Table 3:

Table 3 – Select Markets Pipeline

City	Luxury	Upper Up	Upscale	Others	Rooms '000 Total
Mumbai	1.0	0.7	1.0	2.1	4.8
Delhi	0.6	0.3	0.1	0.3	1.3
NCR areas	-	0.4	0.7	2.2	3.4
Ahmedabad	0.05	0.1	0.1	0.5	0.7
Lucknow	0.2	0.1	0.1	1.1	1.5
Raipur	0.15	0.0	0.3	0.0	0.5
Hampi	0.0	0.1	0.0	0.0	0.1
Total	2.0	1.7	2.4	6.1	12.2

Source: Horwath HTL

Comments:

- The last major supply growth phase for Mumbai was between Fiscals 2010 and 2013, with limited growth thereafter until about 1,250 rooms were added in Fiscal 2023. Meanwhile, the city continues to expand materially as a corporate, service sector and commercial centre and with added demand potential from the Jio World Centre and Nita Mukesh Ambani Cultural Centre (NMACC) located in Bandra Kurla Complex (BKC), the upcoming international airport at Navi Mumbai, improved connectivity within the metropolitan area by the upcoming coastal road, the trans harbour sea-link, and the metro services.
- About 71% of the supply growth in Delhi NCR will be at the upscale and lower positionings. Delhi NCR also continues to grow across various demand segments with further gains expected from two convention centres now available to the market.
- Lucknow is expected to add more midscale inventory; Ahmedabad will continue to have moderate share of Upper Upscale inventory (15% respectively, of total market supply).

3.9. Supply by Markets and Segments

The top ten markets (by size) have 60% supply share as of September 30, 2023; as compared to nearly 70% supply share at the end of Fiscal 2015. Hotel room supply across market categories is summarised in Table 4 below.

Table 4 – Supply Distribution (Inventory in 000s)

Market Category	Room Count (000)				Supply Share %			
	Fiscal 2001	Fiscal 2015	Sep 30, 2023	Fiscal 2027	Fiscal 2001	Fiscal 2015	Sep 30, 2023	Fiscal 2027
3 Main Metros	10	41	56	69	40.0%	38.3%	31.6%	28.9%
3 Other Metros	3	15	23	25	14.3%	14.3%	12.8%	10.6%
Other Key Markets	3	18	28	35	12.2%	16.9%	15.9%	14.7%
Other Markets	8	33	71	109	33.4%	30.5%	39.6%	45.8%
Total	24	108	178	238	100.0%	100.0%	100.0%	100.0%

Source: Horwath HTL

Comments:

- Supply at the three Main Metros is 2.5 times the Other Metros; other Key Markets have larger inventory than the Other Metros. Among Key Markets, supply growth over the next four years will mainly be at the three Major Metros [NCR (excluding Delhi), Mumbai and Bengaluru – 3.4k, 4.8k and 3k rooms respectively] and other Key Markets.
- Goa and Jaipur are the only two leisure destinations amongst Key Markets, with a combined inventory of 16k rooms. New supply will add about 5k rooms by Fiscal 2027.
- Supply spread to Other Markets is an important evolution of the industry with 63k rooms added between Fiscal 2001 and end September 2023 and another 38k expected to be added by Fiscal 2027.
- The Key Markets led supply creation between Fiscals 2001 and 2015. In the last eight years, increased urbanisation and improved air/road infrastructure have encouraged

supply creation in Other Markets enabling between 40% to 67% supply share for the Other Markets during this period. Hotels in Other Markets tend to be smaller and concentrated at the mid-priced and upscale levels.

- JHL has hotels in three of the Key Markets; associate entities of the Saraf group have sizeable upper upscale hotels in two other Key Markets – all hotels are under Hyatt branding and management.

Table 5 – Supply composition by Markets – chain affiliated hotel rooms

Table 5a – Room count by Segment and Market

Room Count ('000)	Luxury				Upper Upscale				Upscale			
	FY01	FY08	Sep 30, 2023	FY27	FY01	FY08	Sep 30, 2023	FY27	FY01	FY08	Sep 30, 2023	FY27
Top 3 Metros	3	6	14	16	3	5	13	15	2	2	12	14
Other Key Markets	2	3	10	12	2	3	11	13	0	2	11	13
Other Markets	1	1	5	7	1	2	10	15	3	4	15	24
Total	6	10	29	35	7	10	34	42	5	8	37	52
Select Markets	3	5	11	13	3	5	11	12	2	2	11	13

Source: Horwath HTL

Table 5b – Segment share by Market

Segmental Share	Luxury				Upper Upscale				Upscale			
	FY01	FY08	Sep 30, 2023	FY27	FY01	FY08	Sep 30, 2023	FY27	FY01	FY08	Sep 30, 2023	FY27
Top 3 Metros	55%	61%	48%	45%	48%	51%	37%	35%	38%	31%	31%	27%
Other Key Markets	34%	26%	35%	33%	30%	30%	32%	30%	7%	21%	29%	26%
Other Markets	11%	13%	16%	21%	22%	19%	31%	35%	56%	48%	39%	47%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Select Markets	48%	52%	38%	37%	45%	46%	31%	29%	34%	30%	30%	26%

Source: Horwath HTL

Comments:

- Over 40% of luxury supply between Fiscal 2001 and end September 2023 has occurred in the top three metros.
- Upper Upscale supply growth between Fiscals 2001 and end September 2023 has materially occurred in NCR (excluding Delhi), Bengaluru, Mumbai and Other Markets; Other Markets have over 50% share of new supply between October 2023 and Fiscal 2027, followed by Bengaluru, Jaipur, Delhi NCR, and Mumbai.
- In absolute terms, Upscale segment had the largest supply growth between Fiscals 2001 and end September 2023 with almost even growth across market categories – yet it has ceded supply share to other segments as travel needs have diversified, particularly in leisure markets and secondary cities. Among Key Markets, Bengaluru, Delhi NCR and Chennai have seen material upscale supply growth, while NCR (excluding Delhi), Bengaluru and Mumbai will see large supply addition between October 2023 and 2027.
- Change in supply composition for each of the main cities was inevitable considering the top-heavy nature of the market and modest supply levels in Fiscal 2001. While acknowledging the better segmental balance within cities, the impact on overall ADR levels in cities must be recognised – city-wide ADR will move downward, as a natural result of more mid-tier and lower tier hotels in the city.

3.10. Segmental hotel rooms inventory, as at end September 2023, in Select markets is in Table 6

Table 6 – Segmental Inventory in 000s at Select Markets – at end September 23

Market	Luxury	Upper Upscale	Upscale	(Rooms in '000s) Total Inventory
Mumbai	5.4	3.6	2.3	15.6
Delhi NCR	4.4	5.7	6.3	23.7
New Delhi	3.3	3.3	3.9	13.3
Ahmedabad	0.9	0.8	1.8	5.3
Lucknow	0.1	0.4	0.3	2.1
Raipur	0.0	0.1	0.3	0.6
Hampi	0.0	0.0	0.1	0.3

Source: Horwath HTL

Comments:

- Besides Grand Hyatt Mumbai Hotel and Residences being the largest luxury hotel in India, Hyatt Regency Lucknow and Hyatt Regency Ahmedabad are the largest upper upscale hotels in their respective markets; Lucknow and Hyatt Raipur is the only upper upscale hotel in Raipur.

3.11. **Supply Analysis by Size**

An analysis of hotels by size is summarised below:

Table 7a – Analysis by inventory size

Inventory Size	Hotels	%	Rooms (in 000s)	%
<100	1,184	65%	61.5	34%
100-250	531	29%	79.9	45%
250-400	84	5%	25.5	14%
400-500	16	1%	6.9	4%
500 +	8	0%	4.6	3%
Total	1,823	100%	178.4	100%

Source: Horwath HTL

Size analysis for the upper tier segments is presented below:

Table 7b – Upper tier segment analysis by inventory size (Rooms in 000s)

Inventory Size	Luxury		Upper Upscale		Upscale	
	H	R	H	R	H	R
<100	51	2.8	58	3.4	133	7.9
100-250	59	10.1	114	18.9	154	22.4
250-400	32	9.8	25	7.5	20	6.2
400-500	8	3.5	5	2.2	1	0.4
500 +	4	2.4	3	1.7	1	0.6
Grand Total	154	28.6	205	33.7	309	37.5

Source: Horwath HTL

Table 7c – Hotel Size by average number of rooms

Segment	Average Size as at 30 September 2023							
	All India	Chain-owned	Interglobe	Chalet	JHL	Triguna	Brigade	Other Pvt
Lux	186	167		588	533			158
Up Ups	164	133		351	163	270	230	147
Ups	121	113		232	119	237	160	109
Up Mid	85	110					201	74
Mid	58	71	182			250		50
Eco	70	93						53
Total	98	114	182	351	262	245	184	77

Source: Horwath HTL

Comments:

- The average rooms inventory per hotel, across all classifications is 98 rooms.
- Chain-owned supply includes several older hotels, including at leisure destinations, that have limited size. Chalet (one hotel) and JHL (two hotels) have materially larger inventory in the luxury space.
- Of the twelve luxury hotels with 400 rooms or larger inventory, five are chain-owned and seven are by private developers.
- The average size of luxury hotels in 2001 was 194 rooms. Grand Hyatt Mumbai Hotel and Residences planned before then, opened in 2004 as the largest hotel in India with a significantly larger size of 665 rooms and serviced apartments. As at 30 September 23, this hotel is the largest luxury hotel in India and will further re-emphasize its lead position after expansion of the hotel.

3.12. Foreign and Domestic Chain Affiliated Supply

Between Fiscal 2001 and end September 2023, foreign chains have gained material supply share through multiple brands and diversified hotel developer investment and ownership which suits the management/franchise model sought by foreign chains.

Table 8 – Foreign & Domestic Chain Affiliated Supply

	Fiscal 2001		Fiscal 2008		Fiscal 2015		Sep 30, 2023		Fiscal 2027	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Overall	80%	20%	73%	27%	55%	45%	53%	47%	53%	47%
Lux	100%	0%	80%	20%	66%	34%	66%	34%	63%	37%
Up Ups	60%	40%	56%	44%	36%	64%	27%	73%	28%	72%
Ups	91%	9%	76%	24%	41%	59%	37%	63%	37%	63%
Up Mid	74%	26%	81%	19%	67%	33%	52%	48%	47%	53%
Mid Eco	55%	45%	80%	20%	70%	30%	78%	22%	80%	20%

Source: Horwath HTL

Comments:

- Foreign chains now operate/franchise about 47% of the chain affiliated hotel rooms in India; their ownership share is very limited. Hyatt has invested in JHL but has several other hotels under management contract. Accor and Radisson have minority investments in joint ventures with different owners.
- Hyatt was among the international chains to establish an early presence in India with Hyatt Regency Delhi which opened in 1982. Hyatt was also among the first international hotel chains to invest in asset creation in India.
- Hyatt Place Hampi and Hyatt Raipur, were the first international chain affiliated hotels in their respective markets.
- Foreign chains expanded by aggressively pursuing management contracts, offering multiple brands in Luxury, Upper Up, Upscale and Up Mid segments, and supporting the development of hotels with larger rooms inventory and function spaces.
- Several domestic chains were initially asset heavy and have gradually shifted to an asset-light or hybrid model (combination of owned properties and management contracts). Domestic chains have added brand range and successfully positioned products and brands in the Upscale, Up Mid and M-E segments – these have enabled domestic chains to gain larger share of new supply in the Upscale, Up Mid and M-E segments since Fiscal 2015.

3.13. Supply Analysis – by Ownership

In this section, an overview of the ownership patterns of chain-affiliated hotels in India is provided. For this purpose, ownership includes hotels taken on lease.

- 3.13.1 Chain ownership of hotel rooms has materially reduced from about 69% share at end Fiscal 2001 to 26% share at end September 2023. Supply expansion in this period has largely occurred through private / institutional capital, with chain affiliation through management contracts and franchises.

Table 9 – Ownership Pattern – as at September 30, 2023

	Hotels	%	Rooms (000)	%
Chain Owned/Leased	401	22%	45.8	26%
Developer/Investor	1,422	78%	132.6	74%
Total	1,823		178.4	

Source: Horwath HTL

Hotels that have majority ownership/control with private developers are not considered as chain-owned. For clarity, hotels with investments by affiliate / group entity of Accor, Hyatt and Radisson are not considered as chain-owned as neither chain has controlling interest in the respective companies.

3.13.2 The ownership pattern is further analysed in Table 10:

Table 10 – Ownership Pattern by Category – as at September 30, 2023

Ownership Structure	Hotels	Rooms (in 000s)	Avg Size
Chain Owned	401	46	114
Major Private ¹	150	31	207
Other Private ²	1,236	95	77
Institutions	36	6	171
Total	1,823	178	98

Source: Horwath HTL

1 - Major private comprises group companies owning more than 500 rooms

2 - Other Private comprises Group companies owning less than 500 rooms

3 - Institutions comprises hotels where a majority is owned by institutional investors

Major private investors have invested in some large format assets; the average hotel size at over 200 rooms is reflective of the changed vision and opportunity in India. Thus, five of the hotels with over 500 rooms are owned by major private investors; similarly nine of fifteen hotels with 400 to 499 rooms inventory are owned by major private investors. On the other hand, several chains have also invested significantly in the mid-priced and economy segments where hotels typically have lesser inventory. Among institutional investors, SAMHI Hotels has the largest inventory with 4.8k rooms.

3.13.3 Several of the hotel chain entities and some developer/investor controlled entities are listed companies. Analysed on that basis, the ownership pattern emerges as:

Table 11 – Ownership by listed/unlisted companies

Ownership	Listed companies		Unlisted companies		Total	
	Hotels	Rooms (000s)	Hotels	Rooms (000s)	Hotels	Rooms (000s)
Hotel Chains	242	32.2	159	13.6	401	45.8
Developer / Investor	81	16.6	1,341	116.0	1,422	132.6
Total	323	48.8	1,500	129.6	1,823	178.4

Source: Horwath HTL

Listed companies comprise (a) hotel companies which are listed companies; and (b) other large listed companies which inter alia have a dedicated hotel portfolio. Listed companies which may inter alia own a hotel asset have generally not been included and are grouped in the table above under unlisted companies.

3.13.4 Table 12 summarises the hotel ownership of the top ten major private investors, who have developed or otherwise own hotel.

Table 12 – Ownership by Major Private Investors

Group Company	Hotels	Rooms (000s)	Remarks
Interglobe Hotels	20	3.7	JV with private shareholding
Chalet Hotels	8	2.8	Four cities – Listed Company
JHL#	7	1.8	Six cities
Triguna	7	1.7	JV with private and institution shareholding
Brigade Group	8	1.5	Part of Listed Company; five cities
Prestige Group	8	1.4	Part of Listed Company; substantial growing pipeline
Panchshil Group	7	1.3	Pune based – has institution ownership share
IHHR	8	1.2	Eight cities – owner and chain managed hotels
Embassy REIT	4	1.1	Hotels only in Bengaluru
Dangayach Group	4	0.9	Three cities – substantial growth pipeline
Total	81	17.5	

Source: Horwath HTL

increases to nine chain-affiliated hotels and 2.4k rooms, if other hotels developed and owned by Saraf group (one of the Promoters of JHL) are considered; all but one hotel are Hyatt managed.

Comments:

- JHL has the second largest geographic coverage and has the largest aggregate inventory of upper tier branded serviced apartments in Mumbai and New Delhi.
- The table above reflects that the top ten major private investors have only 13% share of guest rooms that are not chain-owned; the fragmented ownership structure points to a possibility of ownership consolidation in the future.

3.13.5 Table 13 summarises the top four owners of Hyatt group affiliated hotel rooms and apartments in India as of September 30, 2023. JHL owns 19.6% of Hyatt group affiliated hotel rooms and apartments in India and is by itself the largest owner by number of keys of Hyatt affiliated hotels in India.

Table 13 –Ownership of Hyatt affiliated hotel rooms and apartments (in 000s)

	Current Supply		Current + Pipeline as of Sep 30, 2023	
	Rooms ('000)	% of Hyatt affiliated rooms and apartments	Rooms ('000)	% of Hyatt affiliated rooms and apartments
JHL	1.8	19.6%	2.2	16%
IHHR	1.0	10.9%	1.0	7%
Piccadilly group	0.8	8.9%	0.8	6%
Saraf associate entities	0.6	6%	0.6	4%
Others	5.1	54.6%	9.4	67%
Total	9.4		14.1	

Source: Horwath HTL

The Saraf group (promoters of JHL Group) has had a pioneering role in hotel developments in India – it was part of a consortium that developed the largest private sector hotel in Delhi (Hyatt Regency, Delhi); Grand Hyatt Mumbai Hotel and Residences is the largest luxury hotel in India (with further expansion to nearly 1k rooms and serviced apartments); Hyatt Residences Delhi is the first large facility (129 keys) of upper tier serviced apartment hotels in Delhi; development / completion of the then largest Upper Upscale hotels in Chennai, Ahmedabad, Raipur and Lucknow, and the first chain affiliated hotel in Hampi.

- 3.13.6 Tables 14 and 15 below reflect the top five major private investors for Luxury hotels and Upper-Up hotels as at end September 2023.

Table 14 – Luxury Hotels and Rooms – Top 5 Major Private Investors

Major Private Investor	Hotels	Rooms (000s)
JHL	2	1.1
Ambience Group	2	0.9
Panchshil Group	2	0.6
Chalet Hotels	1	0.6
Prestige Group	2	0.6

Source: Horwath HTL

Table 15 – Upper Upscale Hotels and Rooms – Top 5 Major Private Investors

Major Private Investor	Hotels	Rooms (000s)
Chalet Hotels	5	1.8
IHHR	6	1.0
Piccadilly Group	3	0.8
JHL	4	0.7
Dangayach Group	2	0.6

Source: Horwath HTL

3.13.7 The top five hotel chains by hotel ownership are summarised in Table 16 below:

Table 16 – Top Five Chain Ownership as of September 30, 2023 – All segments

Chain	Hotels	Rooms	Remarks
IHCL	106	12.1	Listed Company
ITC	25	5.5	Hotels are a division of a Listed Company; demerger decision approved by the Company board in mid-August 2023
Lemon Tree	40	5.1	Listed Company
Oberoi Group	20	3.2	Listed Company
Bharat Hotels	14	2.3	Earlier listed; now delisted
Total	205	28.2	
% of total chain ownership	51%	63%	

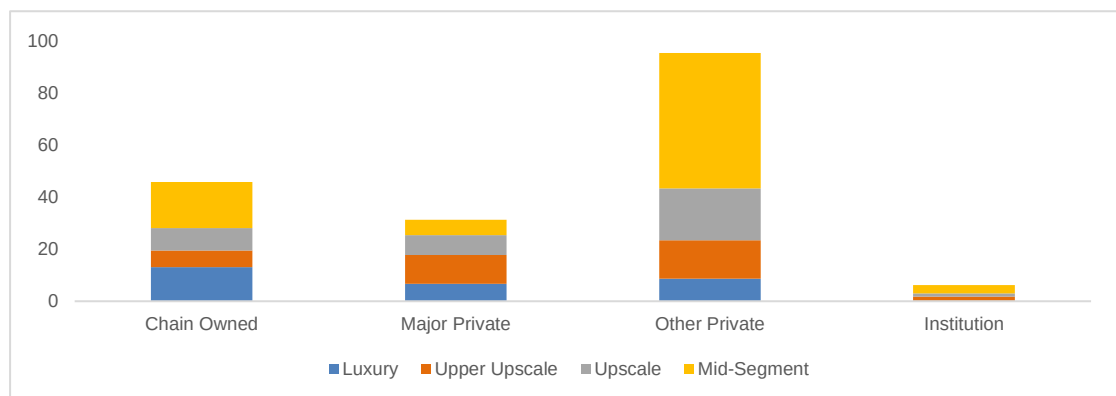
Source: Horwath HTL

Accor's minority investment in various hotels and Hyatt affiliated ownership share in JHL are not considered for the above table as neither of the chains have controlling interest in the entities. If these investments were considered under chain ownership, these chains would rank among the top ten chain owners in India and this would further skew the ownership pattern towards hotel chains.

3.13.8 Segmental Ownership

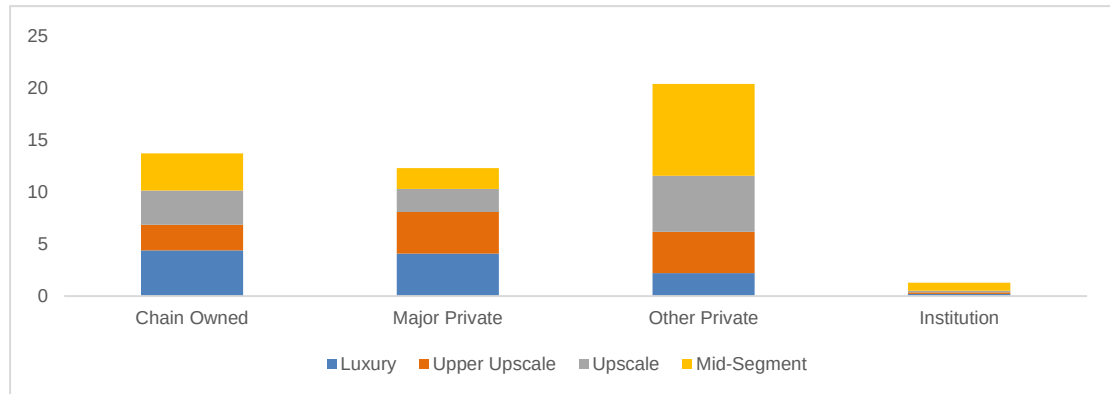
Charts 5 and 6 below reflect the segmental ownership composition across various owner categories, on all India basis and for Select Markets.

Chart 5 – Segmental Ownership – All India



Source: Horwath HTL

Chart 6 – Segmental Ownership – Select Markets'



Source: Horwath HTL

Comments:

- a. Select Markets (in aggregate) have 38%, 31%, 30% and 19% supply share of the all India Luxury, Upper Upscale, Upscale, and Other segments (Mid-priced and economy hotels) inventory.
- b. From an ownership share perspective, rooms inventory owned by hotel chains, major private investors, other private investors and institutional investors in Select Markets comprises 30%, 39%, 21% and 21% of all India rooms inventory owned by these ownership segments.
- c. Chains have the highest ownership share in the Luxury segment, in Select Markets and on all India basis. Chains also have sizeable share of M-E inventory; the largest M-E inventory rests with other private investors who hold more than three times the segmental chain owned inventory.
- d. About 61% of luxury inventory of major private investors is in Select Markets. 26% of luxury inventory of major private investors is in Select Markets (or 1/6th of all-India luxury inventory held by major private investors) is owned by JHL.
- e. Major private investors have the largest share of upper upscale inventory in Select Markets; 16% of this inventory is with JHL Group. On all India basis, major and other private investors hold about 75% of total upper upscale inventory.
- f. In terms of segmental average size of hotel (rooms per hotel) on all India basis, hotels owned by major private investors have larger hotels than chain owned hotels across all segments. The average size of luxury hotels owned by major private investors is 333 rooms (all India) and 408 rooms in Select markets; Grand Hyatt Mumbai Hotel and Residences with 665 rooms and serviced apartments is larger than the average size. For Upper Upscale hotels owned by major private investors, the average inventory of 218 rooms on all India basis is larger than the average size of chain owned hotels (133 rooms). However, in Select Markets the average size of chain owned upper-upscale

hotels is larger (304 rooms) than hotels owned by major private investors (266 rooms) in the same category.

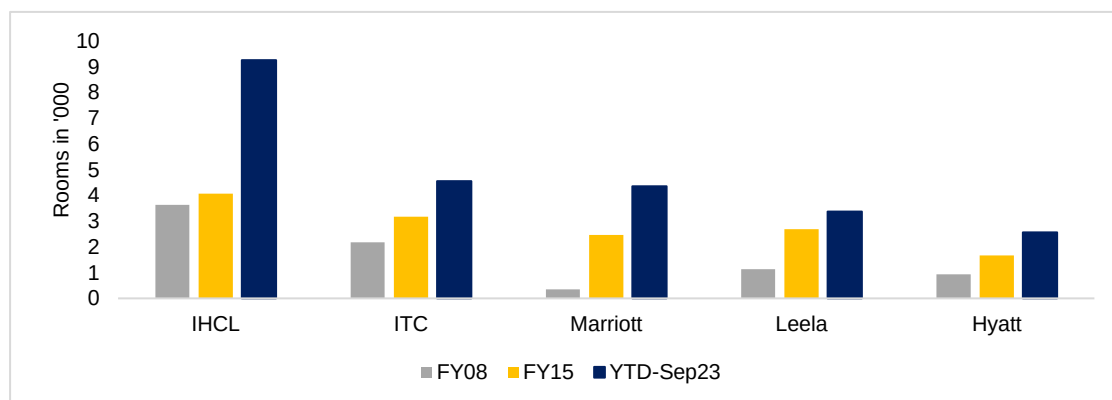
3.14. Supply Analysis – Hotel Chains

26 chains have each more than 1k rooms in India, with a cumulative share of about 91% of chain affiliated rooms.

Of these, six hotel chains – Marriott, IHCL, Radisson Hotel Group, ITC, Accor and Hyatt – each have 5% or greater inventory share by number of rooms; in aggregate, these chains have 50% share of total supply.

Chain-wise Inventory – Luxury, and Upper Upscale Segments

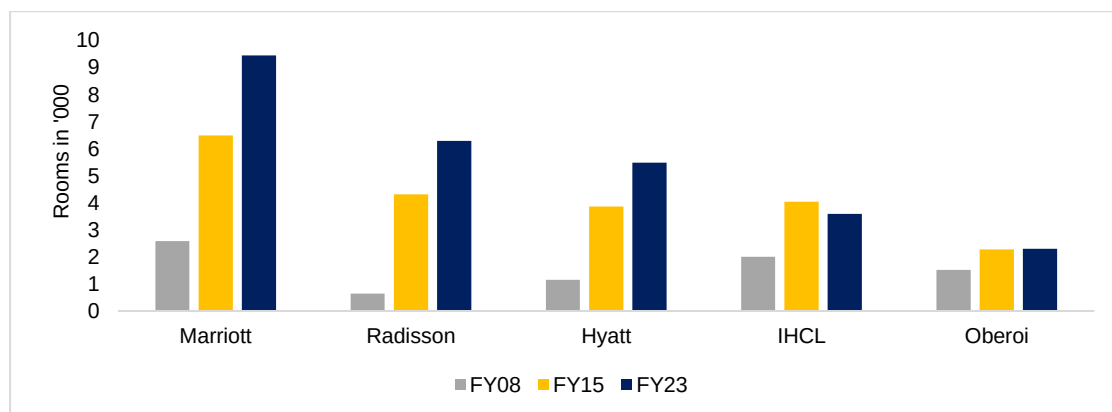
Chart 7 – Top five Chains – Luxury Segment (Rooms in 000s)



Source: Horwath HTL

As of September 30, 2023, 84% of total luxury inventory in India is concentrated in five chains. Combined with EIH Ltd (Oberoi group), the six chains own/operate 90% of total luxury inventory in India.

Chart 8 – Top 5 Chains – Upper Upscale Segment (Rooms in 000s)



Source: Horwath HTL

84% of total upper upscale inventory is controlled by five chains in India.

3.15. Future Demand

The estimates of future demand are based on demand achieved in Fiscal 2019, growth in domestic demand over Fiscal 2019 and gradual recovery in foreign demand. The estimates of the pace of recovery and subsequent demand growth are given in Table 17:

Table 17 – Demand Recovery/Growth estimates

Year	Projected Foreign Demand Recovery (relative to Fiscal 2019)	Projected Domestic Demand Growth (YoY starting over Fiscal 2023)	Projected Growth – Overall Demand (YoY starting over Fiscal 2023)
Fiscal 2024	87.5%	12.0%	15%
Fiscal 2025	100%	8.0%	9%
Fiscal 2026	115%	11.0%	12%
Fiscal 2027	130%	11.0%	11%

Comments:

- Foreign Demand – FTA recovery from the top ten countries (excluding SAARC nations) was at 66%. Recovery of 87.5% for Fiscal 2024 and full recovery in Fiscal 2025 has been assumed, material foreign arrivals through H1-FY24 due to G20 summit are a single major event based occurrence and we have not considered this as offering a stable long-term basis. A sizeable portion of foreign travel demand is from the IT sector which remains slow in parts, and unlike other sectors sizeable workforce is still working remotely. Hence the overall foreign travel recovery is expected to be gradual. Growth of 15% and 30% (over Fiscal 2019 demand) in Fiscal 2026 and Fiscal 2027 respectively has been assumed.
- Domestic Demand – Fiscal 2023 witnessed significant growth over Fiscal 2019 demand and this was driven mainly by pent-up corporate and MICE travel demand. Strong growth levels are expected to continue in Fiscal 2024 (and this is consistent with the experience for H1-FY24) and could slow down in early Fiscal 2025 for the elections. Growth in Fiscals 2026 and 2027 is assumed at 11%. Growth assumption is based on (a) long term CAGR of 9.8% between Fiscal 2008 and Fiscal 2023 and (b) further new supply is planned and expected to occur over the longer term which will enable future demand growth.

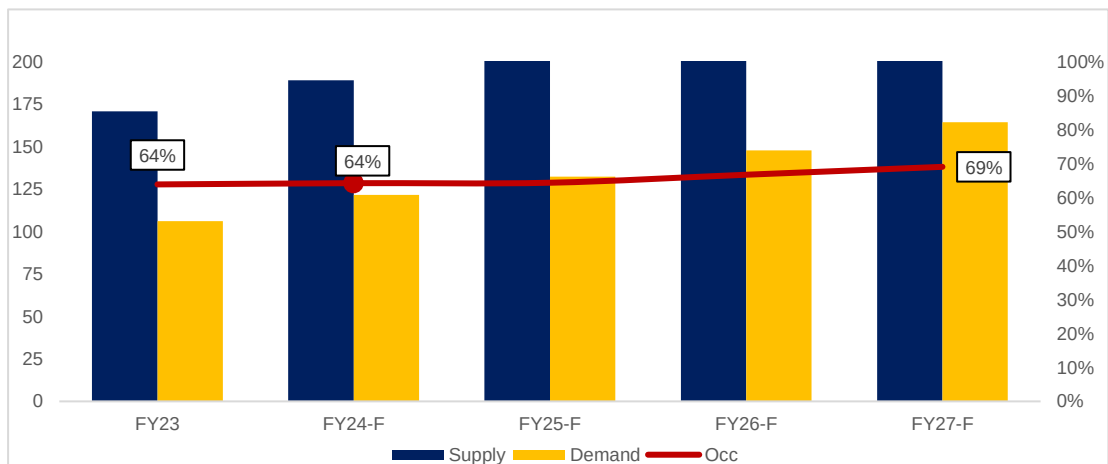
In Table 18, the supply and demand CAGR has been summarized:

Table 18 – All India - Supply and Demand CAGR

CAGR	Fiscal 2016 to Fiscal 2020	Fiscal 2023 to Fiscal 2027
Supply	6.5%	8.7%
Demand	8.3%	11.6%

Source: Horwath HTL

Based thereon, and with reference to the estimates of Future Supply described earlier, the occupancy estimates up to Fiscal 2027 are reflected in Chart 9.

Chart 9 – All India – Rooms Supply vs Demand – (Fiscal 2023– Fiscal 2027)


In Table 19, supply and demand CAGR (including estimated demand) for Mumbai, Delhi and Ahmedabad has been summarized

Table 19 – Supply and Demand CAGR – Mumbai, Delhi NCR and Ahmedabad

Market	Supply CAGR	Demand CAGR
Mumbai		
Fiscals 2016-20	2.1%	2.6%
Fiscals 2023-27	7.5%	10.7%
Delhi NCR		
Fiscals 2016-20	3.5%	8.2%
Fiscals 2023-27	4.7%	10%
Ahmedabad		
Fiscals 2016-20	3.1%	5.2%
Fiscals 2023-27	3.8%	8.5%

Based thereon, and with reference to the estimates of Future Supply described earlier, the occupancy estimates up to Fiscal 2027 for Mumbai, Delhi and Ahmedabad are reflected in Charts 10, 11 and 12.

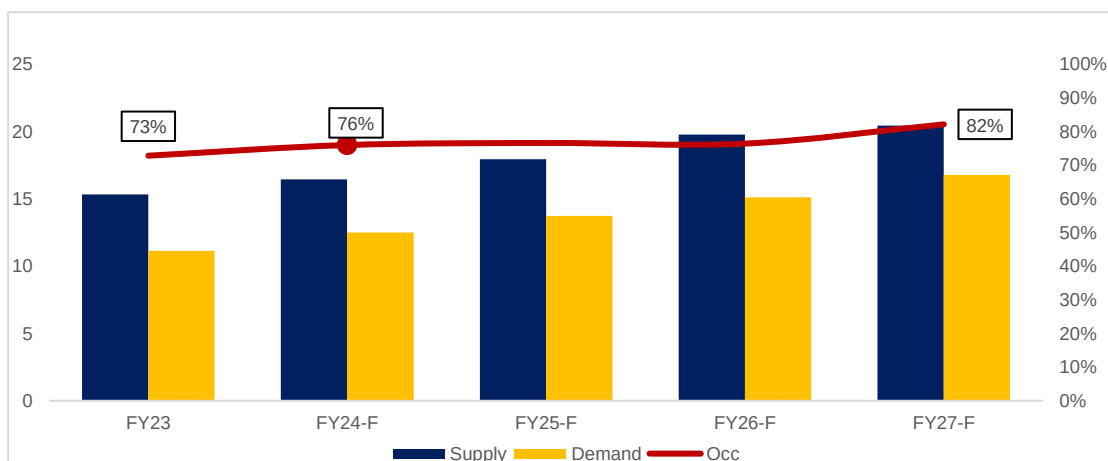
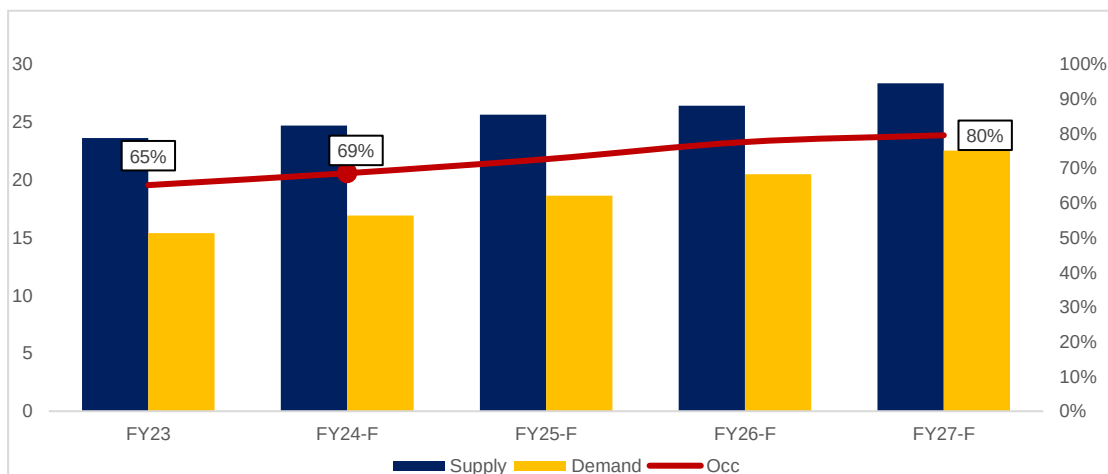
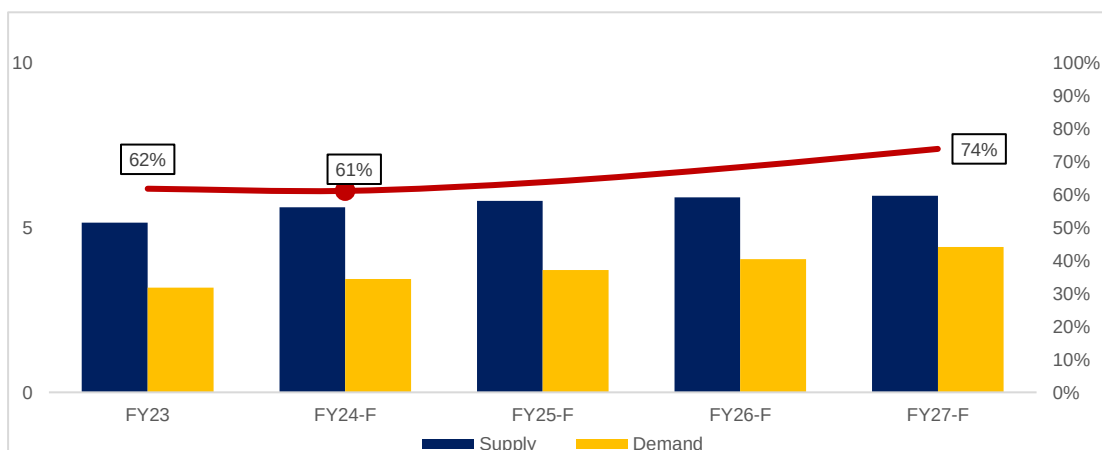
Chart 10 – Mumbai – Rooms Supply vs Demand – (Fiscal 2023– Fiscal 2027)


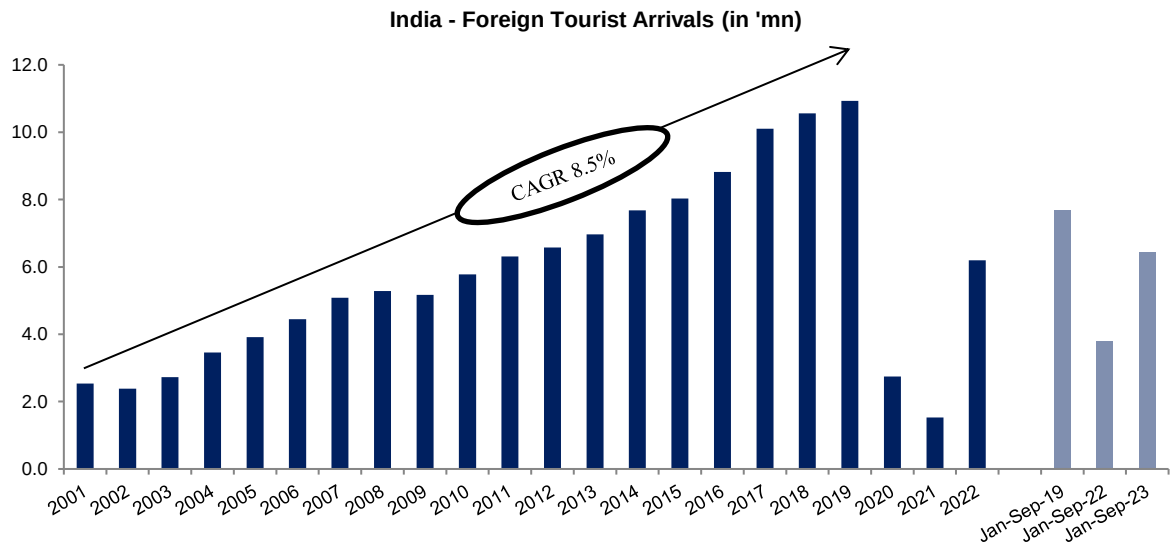
Chart 11 – Delhi NCR – Rooms Supply vs Demand – (Fiscal 2023– Fiscal 2027)

Chart 12 – Ahmedabad – Rooms Supply vs Demand – (Fiscal 2023– Fiscal 2027)


4. Overview of Key Impact Factors

In this section an overview of several key factors that impact demand for hotels, performance of the hotel sector and future development of the industry, is provided.

4.1. Foreign Tourist Arrivals (FTA)

FTA was reported at 10.1 million, 10.6 million and 10.9 million for calendar years 2017, 2018 and 2019 respectively (source: DoT, GOI), crossing the 10 million mark for the first time in CY2017. FTA for the aforesaid three years was about twice the FTA for CY2007-CY2009. After the COVID-19 period decline, FTA for CY2022 has recovered well to 6.2 million, particularly considering that the normally very busy months of January and February 2022 were slow due to the Omicron wave. Recovery has continued with FTA for January – September 2023 being 6.4 mn which is 84% of 2019 arrivals.

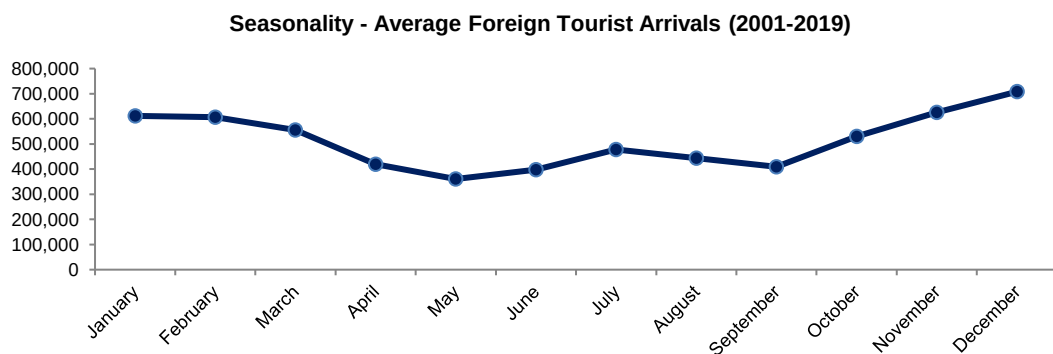
Chart 13 – India – Foreign Tourist Arrivals (mn)


Source: Ministry of Tourism, GOI

Cross-border travel is impacted by several factors including security, political and economic issues at the destination or in source markets. Thus, FTA declined in Fiscal 2009 due to the terror attacks in Mumbai on November 26, 2008 and the global financial crisis. Travel from Russia and Europe was impacted at different times due to economy related issues. Business failure of major tour operators in Europe materially constrained short-term demand in charter destinations such as Goa.

India's FTA numbers include arrivals from SAARC nations – these comprised 28.2% of total FTA for CY 2016 to 2021 (source: MoT, GOI).

Seasonality of FTA is reflected in Chart 14. The winter months are clearly preferred for travel into India, particularly for discretionary travel. Combined with stronger domestic travel across all segments in the winter months, H2 of any Fiscal Year is typically materially stronger than the performance for H1 of a Fiscal Year.

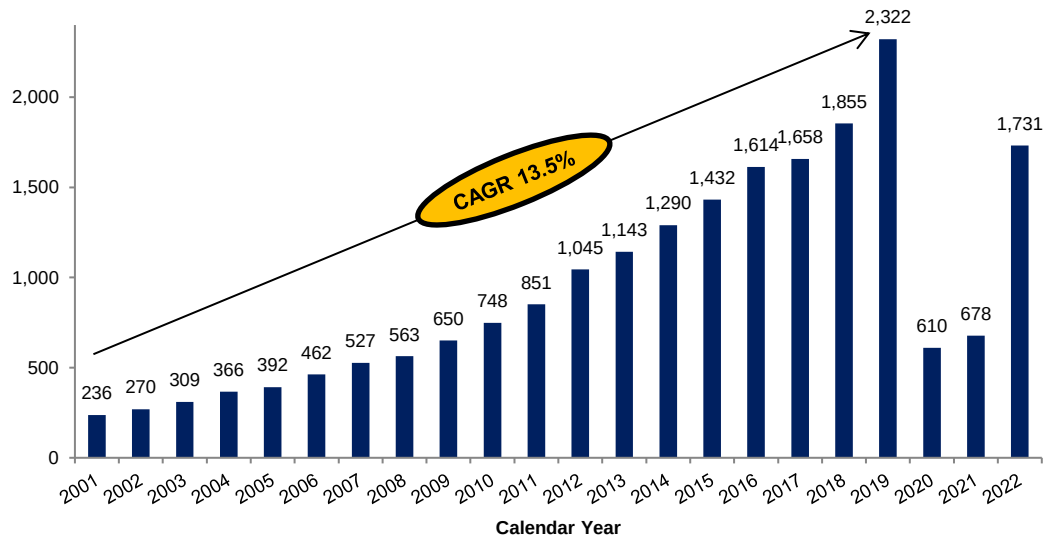
Chart 14 – FTA Seasonality (CY2001 to CY2019)


Source: MoT

4.2. Domestic Tourism:

Domestic travel visits grew at 13.5% CAGR between calendar years 2001 to 2019, based on provisional data for 2019 provided by MoT. Thus, domestic travel numbers have grown nearly ten times, from 236.5 million visits in CY2001 to 2.32 billion visits in CY2019. Domestic travel numbers for 2022 at 1.7 billion reflect a strong recovery of 75% over 2019.

Chart 15 – India – Domestic Tourists (mn)



Source: Ministry of Tourism (India)

Per estimates, about 2% of domestic visits result in hotel stays. This trend is gradually changing with the development of chain affiliated hotels, across varied price points, in second and third tier markets and pilgrim centres. Increase of hotel use during domestic visits, even for 0.5% of domestic visits, would provide 70% occupancy for about 50,000 new rooms.

In the pandemic period, domestic leisure, staycations, remote working from resorts and weddings demand were the mainstay of demand revival for the hotel sector; increased length of stay and material staycation demand helped occupancies in spite of lower visitation numbers. Domestic travel is expected to maintain strong growth, particularly as a large middle class population, young working population, and overall increased individual incomes drive more discretionary travel. The domestic sector has become a key demand generator, even prior to the pandemic, with leisure, recreation, weddings and MICE demand driving weekend and off-season occupancies and enabling hotels and resorts to achieve significantly higher occupancies. Multiple markets have benefitted from this – for example, city hotels in Mumbai, hotels and resorts in Goa and Varanasi, etc.

Changes in stay patterns for domestic visits will also arise as nuclear families have smaller homes and stays for family events will need hotel accommodation.

Table 20 below reflects the demand contribution by foreign and domestic visitors at different hotel segments.

Table 20 – Hotels – Domestic vs Foreign Guests

Composition (%)	Five Star Deluxe		Five Star		Four Star		All India Average	
	FY19	FY14	FY19	FY14	FY19	FY14	FY19	FY14
Domestic Guests	65.6%	51.9%	71.1%	76.5%	76.3%	63.3%	79.3%	75.6%
Foreign Guests	34.5%	48.1%	28.9%	23.5%	23.8%	36.7%	20.7%	24.4%

Source: India Hotel Survey 2018-19 published by FHRAI, Horwath HTL & STR; India Hotel Survey 2013-14 published by FHRAI & HVS

Comments:

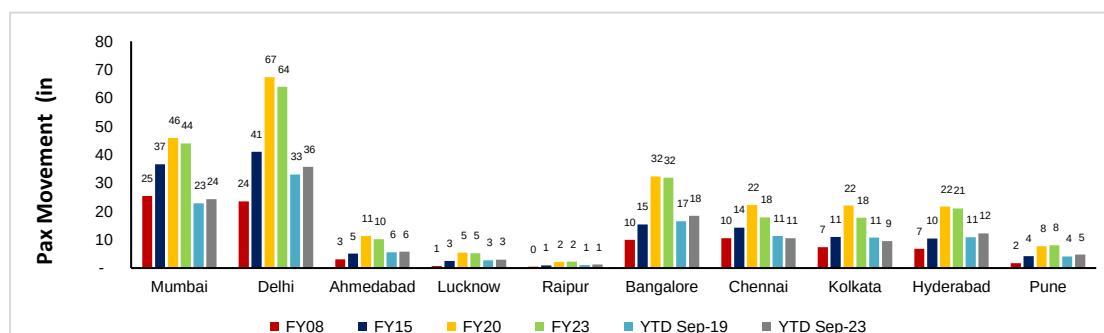
Five Star and Five Star deluxe hotels have greater demand share from foreign guests while the Four Star and lower hotels attract a larger share of domestic visitors. The seeming decline in relative share for foreign guests is due to a combination of factors such as (a) substantial domestic travel growth, compared to in-bound travel; (b) spread of hotels to second tier and other markets which have limited scope for foreign guests; and (c) MICE and weddings related demand growth predominantly from domestic guests.

4.3. Access Infrastructure

Better roads and airport infrastructure have enabled easier domestic and inbound travel, growth of established markets and development of newer markets including second and third tier cities and towns. Highway and expressway linkages between metro cities, regional cities and destinations, development of new airports, airport expansions and upgrades, and opening of several regional airports through UDAN initiatives have each widened the business, leisure, destination weddings and MICE location options. The benefit is seen at Key Markets and numerous other destinations, for example Dehradun, Rishikesh and hill stations in Uttarakhand and Himachal Pradesh, Hampi (gaining from Hubli airport and better highway connectivity to Bengaluru and Hubli), Varanasi, Indore, Udaipur, Jodhpur, Jaisalmer, Pushkar, Coorg, etc.

Air Traffic

Growth in air travel for Select Markets and some large business travel markets is summarised in Chart 16 below. Fiscal 2020 travel suffered a slowdown in inbound travel starting late January 2020, and due to the lockdown from March 25, 2020. However, most markets are close to complete recovery of air travel in Fiscal 2023 compared to Fiscal 2020.

Chart 16 – Pax Movement in million – Select / major airports


Source: Airports Authority of India (AAI)

Between Fiscals 2008 and 2020, passenger movement at the markets in Chart 16 above and on - all India basis grew at a CAGR of 8.5% and 9.5% respectively.

Table 21 – Pax Movement (Domestic & International) in million

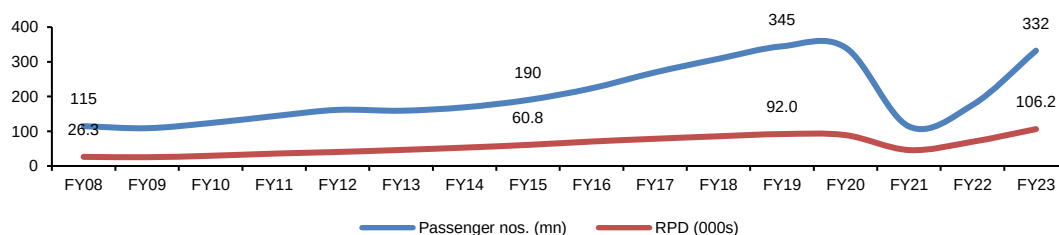
Year	All India	Key Markets	Key Market Share	Select Markets [#]	Select Market Share
Fiscal 2008	115	92	80%	53	46%
Fiscal 2015	190	145	76%	86	45%
Fiscal 2019	345	251	73%	137	40%
Fiscal 2020	341	244	72%	132	39%
Fiscal 2023	332	229	70%	127	39%
YTD Sep23	183	129	70%	70	38%
CAGR (FY08-19)	10.5%	9.5%		9.0%	
CAGR (FY15-23)	7.02%	5.9%		5.0%	

Source: AAI; # excludes Hampi since data not available

Comments:

- New Delhi airport is the only airport in India with four runways and is slated for further growth with a fifth runway and additional terminal capacities to be developed. It handled 59.5 million passengers in CY2022 and was globally ranked the ninth busiest airport for CY2022 (source: Airports Council International). The airport handled 65 million passengers in Fiscal 2023 and 36 million passengers from April to September 2023 which was 20% of all India passenger movement (18% of all India domestic and 27% of international passenger movement). The airport serves multiple flights within India and to 74 international countries. Private sector led expansion of the Delhi airport has also enabled the Delhi Aerocity complex to become a key hub for business travel, MICE and weddings demand (residential and non-residential).
- Ahmedabad airport is growing rapidly and Lucknow airport is under expansion to handle the major travel needs arising from investment and economic growth being pursued by the state government.
- Select Markets handle about 38% of total passenger traffic in India as of Fiscal 2023.
- There is significant overall air travel growth and this trend is expected to continue going forward as daily passenger numbers on all India level crossed 450k in May 2023.
- Chart 17 below indicates the movement of airline passenger movement and hotel room demand since Fiscal 2008. It shows that the ratio of hotel room demand to airline passengers movement for Fiscal 2023 was similar to Fiscal 2015 (32%), although Fiscal 2019 was lower at about 26.7%.

Chart 17 – Airline passenger movement vs Hotel rooms demand



Source: AAI (Air Traffic Data) and Horwath HTL (Rooms per day)

4.4. E-visa

E-visa scheme made available effective November 2014 has successfully enabled inbound visitors to come in with short lead-time. FTA using E-visas increased from 0.7 million in Fiscal 2016 to 2.86 million in Fiscal 2020.

4.5. Foreign Direct Investment (FDI)

FDI in the hotel and tourism sector has aggregated USD18 billion between Fiscals 2006 and 2023 as summarised in Table 22 below:

Table 22 – FDI in Hotel and Tourism

FY	FDI (USD mn)
Fiscals 2006-10	3,356
Fiscals 2011-15	5,865
Fiscals 2016-20*	7,395
Fiscals 2021- Sep 30,2023*	1,741

Source: DIPP; *Figures from Fiscal Years 2018 to YTD September 2023 are provisional

Prior to Fiscal 2006, FDI in the sector was limited and included Hyatt group's investment in JHL.

4.6. Barriers to Entry

4.6.1 Development of hotels in India faces several challenges, the principal among which are:

- a. Land: Availability of land at suitable locations for hotels, high land cost of available land, and limited development entitlements create limitations on hotel development, viability, and hotel size. Centrally located land parcels for upper tier hotels in Select Markets, particularly land parcels for hotels of the scale of Grand Hyatt Mumbai Hotel and Residences and Andaz Delhi, are difficult to obtain, and carry high cost and associated development risks. In turn, this limitation provides an added value benefit to established well-located hotels.
- b. Regulatory Approvals: Hotel projects require multiple regulatory approvals and licences before project implementation and prior to opening. The process is time consuming, with timing uncertainties and delays – the resultant longer time to hotel opening causes project cost escalations, significant additional interest cost, debt-service pressures, and project quality impact.
- c. Policy Changes: Policy changes by government can have a material impact on hotel development, operations and profitability. For example, (a) imposition of liquor prohibition; (b) substantial delay in completion of Delhi Aerocity hotels as security issues were not resolved in a time-bound manner; and (c) recent requirement for drivers' accommodation in Tamil Nadu.
- d. Bank Financing: Cost and availability of debt, shorter loan tenures (eight to ten years until 2015), and repayment structures which were inconsistent with the capital-intensive nature of hotels that typically need two to four years to stabilise operations. Bankers now provided extended tenures of 12 to 15 years which is more consistent with the industry needs and cash flow patterns.

- e. Availability of Equity Capital: Shortage of sufficient long-term equity capital is a significant constraint towards capacity creation, particularly a portfolio of hotels or large hotels, and funding working capital shortages. Funding needs are exacerbated by high land costs.
- f. Manpower Shortages: Availability of staff and managers with sufficient operating experience and skills pose service limitations for hotels. Increased use of technology and the larger talent pool of hotel chains will be sought.
- g. Brand Competition: In an environment where global hotel companies and brands can easily operate in India, the ability to create new hotel companies and brands is constrained by competitive pressure and more diversified backbone and management system needs for hotel companies. The international players, with a diversified portfolio, and global loyalty programs have established a strong presence in India.
- h. Increased Development Costs: Over the years, construction costs for hotels continue to increase due to inflationary factors and the impact of newer regulations concerning support areas and entitlements. The consequent increase in the overall cost of asset creation causes managements to seek higher revenues and yields to cover debt service and provide investment returns. In turn, this provides an advantage to existing hotels that carry a lower historical development cost.

4.7. Key Demand Drivers

Demand for hotels arises for various purposes. The key demand drivers are briefly described herein:

- 4.7.1 Business travel comprises inbound and domestic visitation for business related purposes. This includes travel on corporate accounts and by individual business travellers predominantly to business oriented locations. Demand is substantially between Monday and Thursday, slowing down towards the weekend or public holidays. Business travel also slows during vacation periods. Hotels located in Select Markets draw sizeable demand from business related travel.
- 4.7.2 Leisure travel is discretionary in nature and comprises long and short stay vacations, staycations within city hotels, weekend stays for recreation and entertainment, leisure attached to a business trip or to a trip for weddings and meetings. Greater affordability, changing attitudes towards lifestyle, and improved connectivity have encouraged staycations and weekend stays at hotels with good F&B, recreation and entertainment facilities. The ability to attract weekend leisure demand at city hotels is vital to high occupancy levels for city hotels.

Leisure demand arises from domestic and inbound travel; domestic leisure demand was a mainstay for the industry during and after the COVID-19 pandemic.

- 4.7.3 MICE – corporate, government, institution and association events (conventions, conferences, retreats, incentives and promotions, training programmes, customer-facing events, staff events etc.). Corporate and government demand is mainly during the working week or on Saturday; institution and association demand can be on weekends. MICE demand occurs through the year, barring the main holiday periods and the months from March through May. Large format hotels have been key to creating large MICE activity (domestic and international) in India; this can be further increased manifold once international convention centres are developed in Indian cities. These large convention centres also need supporting hotels; the shortage or absence of

sufficient supporting inventory benefits larger hotels that are located in proximity to the convention centre.

- 4.7.4 Weddings and social travel involve mainly destination weddings, residential and non-residential weddings and other social/celebratory events.

MICE and Weddings/social demand are important demand drivers for large format hotels such as Grand Hyatt Mumbai Hotel and Residences and Andaz Delhi; in turn, these large hotels also facilitate such demand to be created, and attracted to a city, and effectively served.

- 4.7.5 Diplomatic travel comprises government leaders and representatives of other countries, often accompanied by large trade delegations, and diplomats posted to India using upper tier hotels during the transition period.

- 4.7.6 Airline crew helps create a core of demand at hotels, albeit at significantly discounted pricing. Airlines also create limited demand for layovers due to significantly delayed flights.

- 4.7.7 Transit demand comprises persons on overnight transits during air or road travel to a domestic or international destination.

Each demand segment attracts domestic and inbound travel of varying measures, also dependent upon the hotel and destination character.

5. Operating Performance

- 5.1. Table 23 below provides a summary of operating performance of listed companies, that own 2k or more rooms, for Fiscals 2021-2023. and for half year ended 30 September 2023. Numbers for YTD September 23 are not comparable with full year numbers for fiscals 2021-2023 due to the duration of reporting period and because YTD September 23 comprises the summer and monsoon seasons which are generally much slower than the winter months comprised in a full year reporting.

Table 23 – Operating Performance - select listed Hotel Companies (₹ Mn)

Company#	Fiscal 2021			Fiscal 2022			Fiscal 2023			Sep 30, 2023		
	Revenue	EBITDA	%	Revenue	EBITDA	%	Revenue	EBITDA	%	Revenue	EBITDA	%
IHCL	17,399	-1,970	-11%	32,114	5,599	17%	59,488	19,435	33%	29,966	8,620	29%
ITC Hotels [§]	6,639	-675	-10%	13,477	3,466	26%	26,891	8,520	32%	NA	NA	NA
EIH Ltd.	5,470	-230	-4%	10,440	574	6%	20,964	6,750	32%	10,751	3,448	32%
Chalet Hotels Ltd. [§]	2,021	-213	-11%	4,100	661	16%	10,281	4,327	42%	5,666	2,352	41%
Lemon Tree Hotels Ltd.	2,650	745	28%	4,163	1,327	32%	8,786	4,511	51%	4,547	2,116	47%
Average	34,178	-6,664	-19%	64,292	8,967	14%	126,410	43,543	34%	50,930	16,536	32%

Source: Listed Company annual reports / quarterly reports

consolidated numbers unless otherwise stated; Revenue includes Other income

§ Company operates in multiple segments; revenue and EBITDA is only for the hospitality segment

6. Market Performance Analysis

In this section an analysis of the performance of hotels on all India basis and for Select markets is provided. Data is presented for the full market (comprising hotels of all positioning) and for segments of specific focus i.e. Upper Upscale, Upscale and Upper Midscale hotels. As data availability varies from market to market based on the extent of participation by hotels in different cities, data provided may cover different periods for various markets/segments.

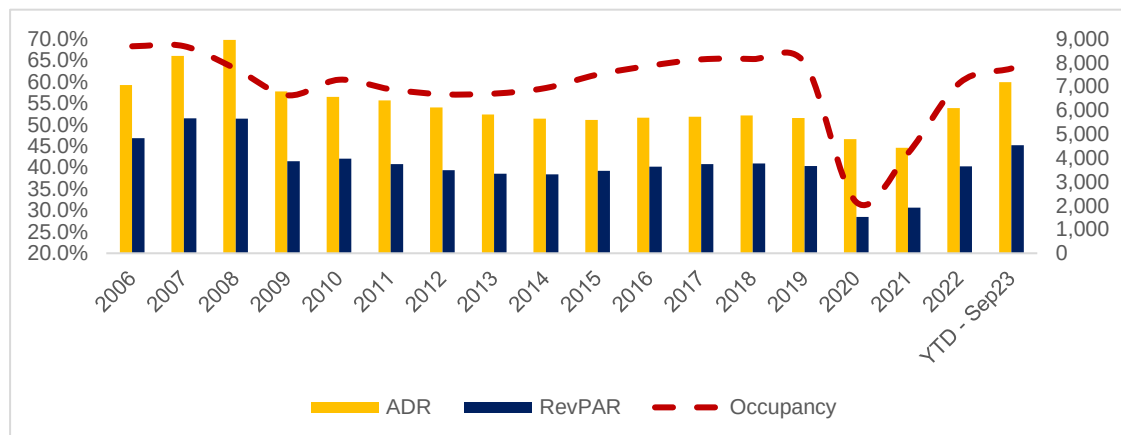
Data on occupancy, ADR and RevPAR is based on market reports available in public domain. The data in these reports is sourced from STR or other hotel consulting firms. To the extent data is sourced from STR, hotel classifications within individual segments are consistent with STR classifications. STR data is dynamic in nature, with changes occurring as newer participants join and provide data for current and past periods, or causing segmental data changes as segmental classifications of hotel chains occurs.

6.1. All India

The following information and charts are presented below:

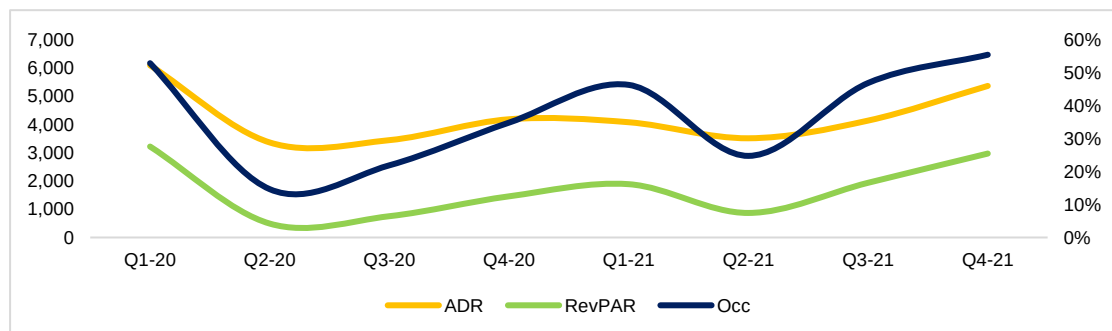
- Chart 18 shows all India performance of chain-affiliated hotels, across all segments, for the calendar years 2006 to YTD September 2023. This is effectively for several years in the pre COVID-19 period.
- Chart 19 provides all India quarterly performance for calendar years 2020 and 2021 reflecting the impact of COVID-19 on the sector and the recovery momentum.
- Chart 20 provides all India monthly performance from January 2022 reflecting the strong recovery and business growth through YTD September 2023, which was considered to be among the best performing years for the hotel sector.

Chart 18 – India Hotel Market Performance

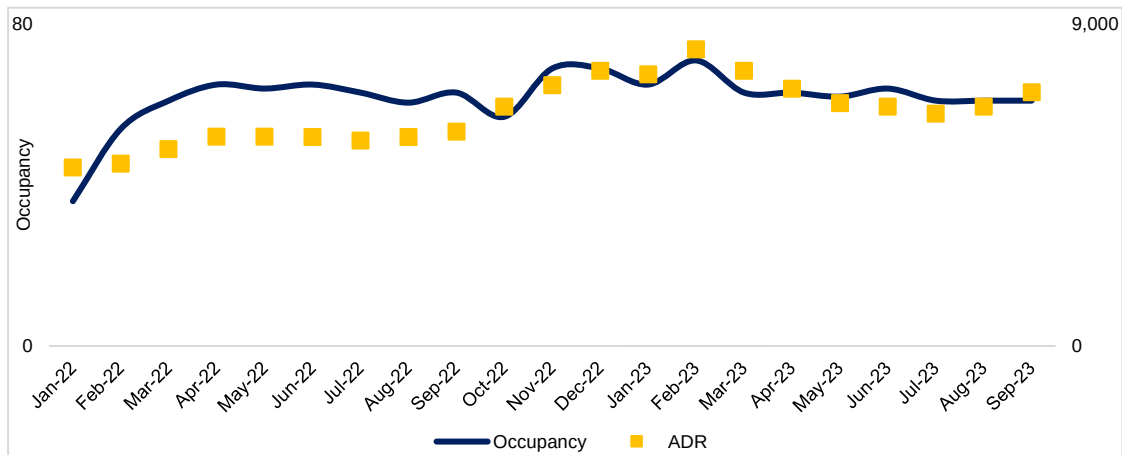


Source: Horwath HTL & STR

Chart 19 – India Hotel Market Quarterly Performance – 2020 and 2021



Source: India Hotel Review Market Report 2021 published by Horwath HTL & STR

Chart 20 – India Hotel Market Monthly Performance - January 2022 to September 2023


Source: Horwath HTL & STR

6.2. From a macro-perspective, the following elements emerge:

- a. The hotel sector had a difficult period from late CY2008, mainly because expected demand growth did not occur to match supply created in anticipation of demand growth. The economy and investment climate were not supportive of demand growth; security issues occurred in some years. During this period, supply growth was 44k rooms while demand grew by 25k rooms.
- b. Slowing occupancy invariably leads to softer ADR thereby impacting RevPAR levels. Rates were impacted by the dual factor of slower demand and occupancy generally, and diversification of supply profile so that wider options of quality and price points became available; this appealed well to the growing domestic demand.
- c. Rate revival often lags occupancy revival; rates are pushed higher only once hotel managements have greater confidence of business levels. Simultaneously, constraints on bookings push a reluctant demand side to pay higher room rates. Further, a positive business climate creates more positivity in travel and draws a wider profile of international and domestic business travellers – this also helps to improve the rate sentiment. Thus, limited occupancy revival in CY2010 was not supported by ADR growth.
- d. Demand pattern changes in favour of shorter booking lead times also create occupancy uncertainty among revenue managers, causing reluctance for stronger rates.
- e. Barring the impact from the COVID-19 pandemic, occupancy revived since 2015 as demand conditions improved and new supply had slowed. The upward trend in RevPAR up to December 2019 was materially occupancy led, with improved occupancy gradually enabling ADR increases.
- f. The COVID-19 pandemic was a major disruption with severe travel and operating restrictions, and material drop of occupancies and ADR – corporate, MICE, inbound, and crew travel reduced very materially. Recovery started in the late summer of 2020 and then gained momentum; recovery from wave two of COVID-19 was much more rapid enabling a strong H2-21 performance. The Omicron wave was disruptive between mid-December 2021 to February 2022 but has then given way to strong performance

through April 2023. However, the COVID-19 period also brought to bear different features such as strong leisure demand that benefitted Hyatt Place Hampi (due to the increase in domestic travel); the serviced apartments at the Grand Hyatt Mumbai Hotel and Residences were also a strong revenue generator.

- g. Occupancies between April 2023 and September 2023 were in the range of 61% to 63% except in June 2023 when it touched 64%. ADRs during this period have increased by 15% to 18% compared to corresponding period of 2022.
- h. Luxury Upper Upscale ADRs for CY2022 for Mumbai and New Delhi were the highest for those markets since CY2008 and CY2012 respectively. Luxury Upper Upscale ADRs for Mumbai and Delhi have continued to grow through YTD September 2023, by 25% and 37% respectively over CY2022, CY2022 Occupancy for Lucknow, at 61.8%, crossed CY2019 occupancy and further increased to about 65% for YTD September 2023. Market-wide ADR and Occupancy for Ahmedabad for CY2022 was the highest since CY2008 (in this period, supply grew from 624 rooms to 5,171 rooms). For YTD September 2023 while the occupancy for Ahmedabad was marginally below CY2022 occupancy, ADR during this period increased by about 16% as compared CY2022 ADR.
- i. Business recovery and gains are clearer when CY2022 performance is compared with 2019 performance on a 'same store' basis, i.e., considering CY2022 performance for the hotels that were operating in 2019 and participated in data reporting. On all India basis, the performance index shows up as:

Table 24 – Performance Index

	Occ	ADR	RevPAR
Q1	81%	84%	68%
Q2	111%	114%	127%
Q3	105%	116%	123%
Q4	101%	119%	120%
Full Year	99%	108%	108%

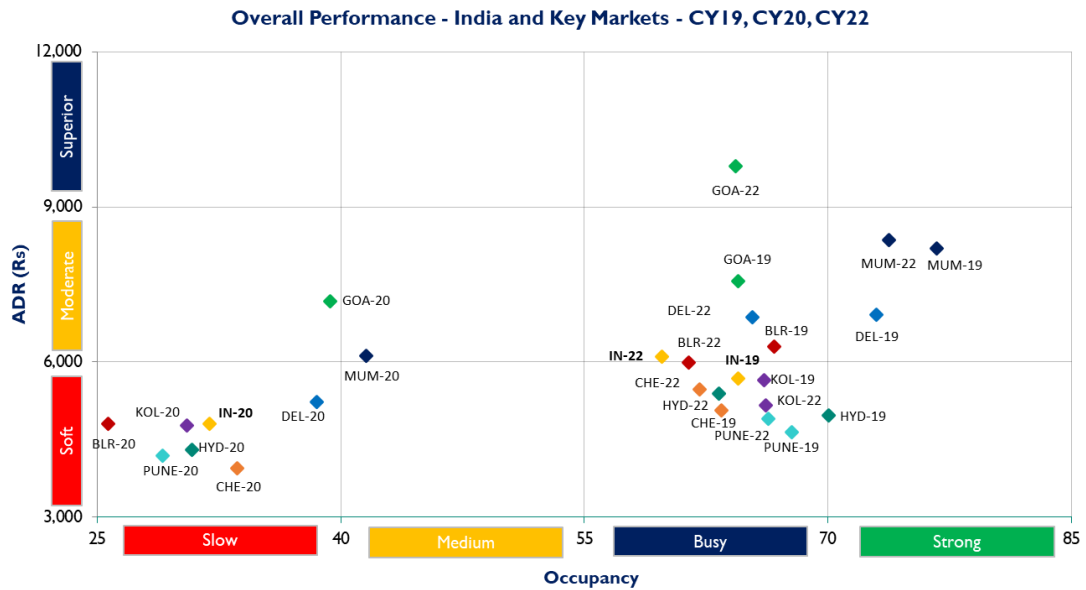
Source: STR

Comments:

- The January to March 2022 quarter was hampered by concerns around the Omicron wave; yet recovery levels were material.
- Recovery gained momentum from Q2-22 resulting in Occ, ADR and RevPAR growth over 2019 in each of the quarters from Q2-22 to Q4-22.

6.3. Performance of Key Markets

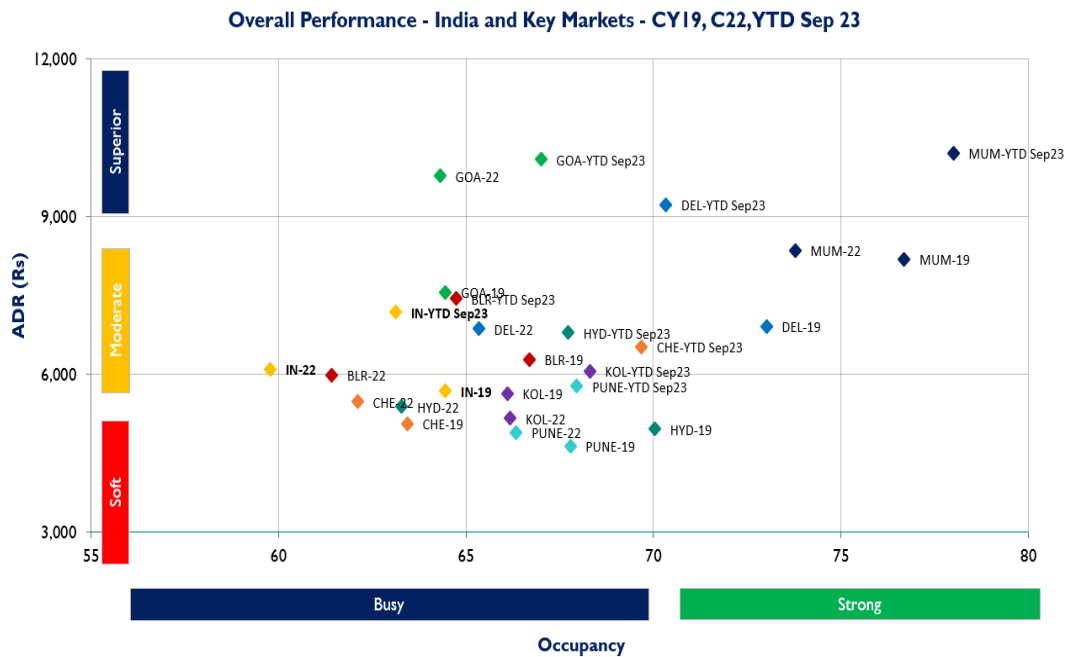
In order to provide a better understanding of the performance changes of certain key markets under normal operating conditions, presented below is the performance of these key markets for calendar years 2019 and 2020 compared with performance for calendar year 2022 and end September 2023.

Chart 21a – Overall Performance – CY19, CY20 and CY22


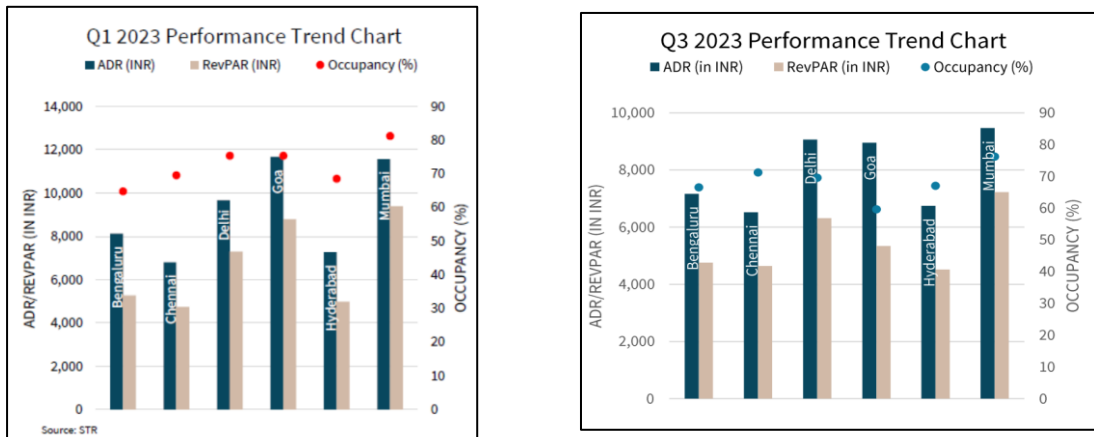
Source: Horwath HTL & STR

Comments:

- The severity of the impact from the COVID-19 pandemic is very visible, with CY2020 results bunched in the lower corner of the chart.
- In each year, Goa and Mumbai stand apart and Delhi is on the fringe of the larger bunch of cities.

Chart 21b – Overall Performance – CY19, CY22 and September 30, 2023


Source: Horwath HTL & STR

Chart 22 – Overall Performance – Certain Markets – Q1 2023 and Q3 2023


Source: STR

Comments:

- As at YTD September 2023, Delhi and Mumbai are the two markets in the strong occupancy zone.
- ADRs for Mumbai, Delhi and Goa have increased significantly since 2019. These are the three key markets in the superior rate zone.

7. Performance and Outlook for Select Markets

7.1. New Delhi

Performance Trends

Chart 23 – New Delhi Quarterly Performance – CY2021, CY2022 and YTD September 2023


Source: Horwath HTL & STR

Comments:

- Strong occupancy recovery in Q3-21 has then stabilised at around 70% since Q2-22. ADR recover was initially slow, though Q4-2022 achieved ₹ 8.7k ADR.

- CY2022 Lux Upper Up ADR at ₹ 8.7k was the highest for the city since CY2012; while occupancy of 69.2% was yet to fully recover to pre-COVID-19 levels, the impact was mainly from a soft Q1-2022 due to the Omicron wave of COVID-19.
- Q1-23 performance has remained strong, gaining also from higher inbound travel and the G20 related travel through Delhi. While summer occupancies in 2023 were lower than 2022 (2022 being a recovery of large pent-up demand), overall RevPar has grown by 6% in April-September 23 compared to this period for 2022.
- Staycations, weddings and social demand were the key initial demand segments; business travel and MICE have contributed more materially beginning in Q2-2022.

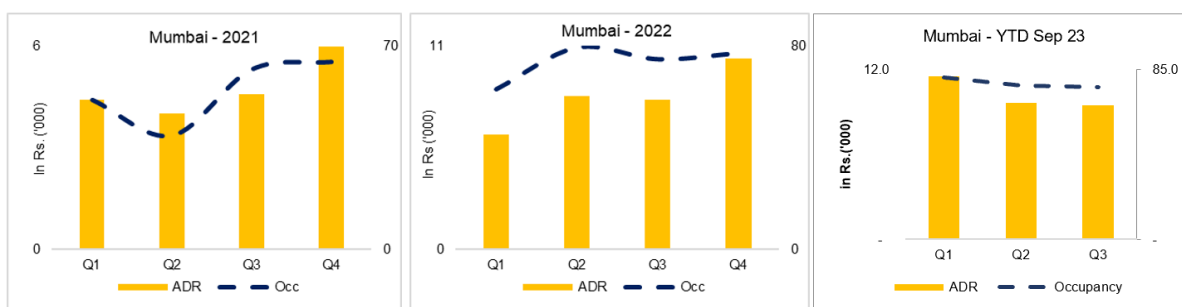
Outlook

- The Delhi market is expected to be in a positive mode with demand and rate growth creating higher earnings opportunities for hotels. Fiscal 2024 will benefit from G20 related events and travel, and the wider resumption of inbound travel. Additionally, the supply pipeline is only 1.4k rooms through Fiscal 2027, of which 1.2k rooms are in the Luxury Upper Upscale segment with openings only from Fiscal 2027.
- The capacity and positioning of the Delhi Airport will be an advantage in the medium and long term as the airport expands; some demand shift may occur as Jewar airport is commissioned (projected as Q4-2024), although this should not materially hurt Andaz Delhi and the upper tier hotels in Delhi. The completion of DMRC led convention centre on Dwarka Expressway and completed upgrade of Pragati Maidan will also create significant demand basis for MICE growth in the city. City hotels will continue to benefit from weddings and MICE demand.

7.2. Mumbai

Performance Trends

Chart 24 – Mumbai Quarterly Performance – CY2021, CY2022 and YTD September 2023



Source: Horwath HTL & STR

Comments:

- Mumbai bounced back strongly, achieving 73.8% occupancy and ₹ 8,363 ADR in CY2022; this ADR is the best after CY2010. The results were materially enabled by over ₹ 10k ADR for Lux Upper Up hotels with nearly 75% occupancy.
- Occupancies and ADRs in 2023 continued to remain strong resulting in 22% and 29% increase of ADR and RevPar for YTD September 23 over full year 2022. The summer

season was also positive, with 15% Revpar growth for April-September 2023 compared to corresponding period of 2022.

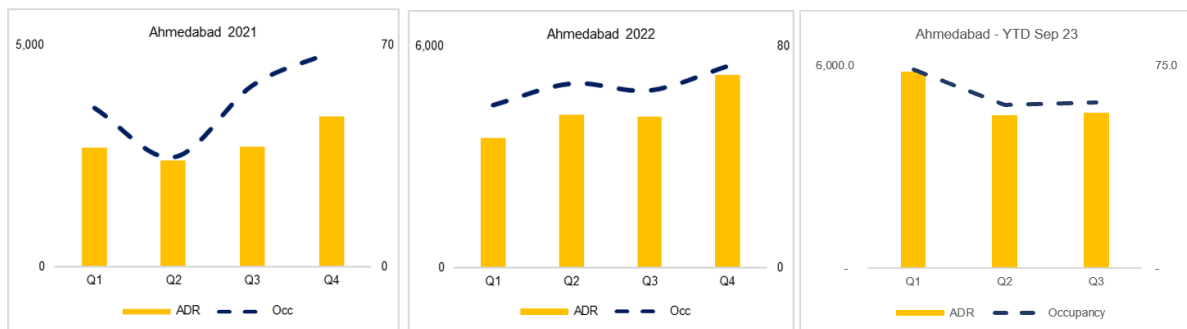
- Strong performance was seen across micro-markets, including south Mumbai, which expects a strong comeback once the Coastal Road is completed.

Outlook

- Demand is led by business travel, MICE, weddings and crew and was materially supported by social and leisure travel. Each of these are in growth mode.
- The supply pipeline comprises 4k rooms by Fiscal 2026 adding much needed capacity to a city that saw a burst of supply growth over ten years ago.
- New supply is reasonably expected to be absorbed by organic demand growth including increased inbound travel, major demand from the recently opened Jio World Convention Centre and NMACC, and the opening of Navi Mumbai international airport by the end of CY2024.
- New supply is largely in north Mumbai and will serve the needs of the continued growth of commercial activities in the area; BKC as an expanding financial district (10.7 million sq. ft. of commercial and 234k sq. ft. under development) and with the convention centre lacks sufficient hotel supply and will likely create material overflow demand to north Mumbai hotels. Thus, hotels in the vicinity of BKC, such as the Trident, Sofitel and Grand Hyatt Mumbai Hotel and Residences will benefit from the increasing business travel and large demand generation from the convention centre. Occupancy and ADR levels can expect to remain very positive. MICE and weddings demand and spends are also expected to remain positive over the next three to five years.

7.3. Ahmedabad

Performance Trends



Source: Horwath HTL & STR

Comments:

- The charts above exclude performance of The Leela Gandhinagar, among the three Lux Upper Up hotels serving the wider Ahmedabad market; if that hotel were included, the city-wide ADR levels would have been higher than reflected in the charts.
- 65.9% occupancy for CY2022 was the highest for the city in the last 13 years, while inventory grew by nearly four times in the same period. ADR of ₹ 4.3k was also close

to the highest for the city, and would have been so if Leela Gandhinagar was included. While separate data for the Lux UpperUp segment is not available, due to its limited size, the UpperUp Mid segment achieved nearly 70% occupancy in CY2022.

- Occupancy, ADR and RevPar for YTD September 23 were each higher than YTD September 22; in particular, ADR and Revpar grew by 27% and 31% respectively. The summer months (April-September) also reflected 3% Revpar growth for 2023 over 2022.

Outlook

- Ahmedabad hotels are in a positive business phase, as the state and the areas on the city's outskirts draw industrial investment and with continued push to grow the International Finance Centre at GIFT City near Gandhinagar.
- Expansion of the city's airport, completion of the bullet train project and other intra-state road developments will support greater MICE activity and some casual leisure/retail related travel. Weddings demand is expected to remain strong benefitting guest rooms and F&B demand.
- The central and state governments are taking significant initiatives for industrial and economic growth of Gujarat state. Ahmedabad is the largest city in Gujarat and a key city linked seamlessly with Gandhinagar, the state capital, and therefore serving as a hub to foster the state's economic growth. The city itself is expected to see the growth of manufacturing activities on its outskirts, commercial and residential zones, and sports related infrastructure with the aim of bidding for the Olympics for CY2036.

7.4. Lucknow

- The market has grown its inventory from 0.6k rooms in 2015 to 2.1k rooms as at the end of September 2023 with further growth to 3k rooms by Fiscal 2026.
- Gomti Nagar is a key demand hub in Lucknow which has led to growth in business travel to this micro-market.
- In CY2022, the city achieved 61.8% occupancy at a moderate ADR of ₹ 4k (moderate in the context of the growing relevance of the city).
- For the period April to September 2023 occupancies remained at CY2022 level. ADRs were about 8% higher than CY2022 and 12% higher compared to April to September 2022.
- Hyatt Regency Lucknow has 11% inventory share of the chain-affiliated supply in Lucknow and secured 151% RevPAR premium to the city average for CY2022.
- Lucknow is the state capital and largest city in Uttar Pradesh (UP). As per 2011 Census UP was the most populous state in India with 200 million people (13.7% of all India population). The population of UP has increased from 166 million in 2001 to 200 million in 2011 at a decadal growth rate of 20%.
- The UP government is actively pushing investments in the state, with MOUs signed for investments aggregating ₹ 33,500 billion in respect of projects to be executed over next few years; The state government's initiatives have led to Uttar Pradesh being

considered the next emerging business destination with a sector wise allocation plan for growth under a proactive state Government. Uttar Pradesh is expected to become a trillion dollar economy by 2027. Assuming even a moderate share of the MOUs translate into real projects, the city is poised for meaningful growth of its hotel sector performance.

7.5. **Raipur**

- Raipur is the capital of Chhattisgarh, with the state having been carved out from a larger Madhya Pradesh in the year 2000.
- Raipur is an industrial hub in Chhattisgarh and the main base to access the industrial towns of Durg and Bhilai. As an industrial centre, gaining strength from the mining related wealth and production activities in the region, the city has substantial wealth and also strong base of knowledge and literacy.
- Raipur airport serves the travel needs of the city and the wider areas around, including for access to parts of Odisha. The city is also well connected by rail and highways, both nationally and regionally.
- Plans to expand the commercial and industrial zones of the city have seen gradual implementation but are expected to pick up pace in line with nationwide push for manufacturing activities.
- Increased business travel, growing education, increasing wealth and lifestyle needs (including retail) auger well for the hotel sector in terms of demand and earnings from guestrooms, F&B (outlets and banquets) and other services.
- Raipur has about 650 rooms and increased supply of chain affiliated hotels (about 500 additional rooms up to Fiscal 2027) will actually help create a wider critical mass and demand protection for the city.

7.6. **Hampi**

- Hampi has the dual advantage of primarily serving as a leisure and MICE destination, backed on its world heritage-based attractions, and as a business destination on a wider regional scale. The proximity between Hampi, Vidyanagar (where Hyatt Place Hampi is located), Bellary and Hospet provide a wider reach for hotels that have the necessary features, facilities, character and branding.
- Bellary district is a hub for steel manufacturing and mining activities, with several large and mid-sized industrial units in the region.
- Better access infrastructure (Hubli and Bellary airports and upgraded highways) has been beneficial.
- Hampi had approximately 634k tourists in Fiscal 2019. Leisure demand enabled the hotels (including Hyatt Place Hampi) to register better occupancy, ADR and earnings since the pandemic. Fuller recovery of business travel will provide further benefit.