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Indian Hotel Industry – Performance review

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Overview

The Indian hospitality industry along with tourism continues to be one of the key segments driving the growth of the services sector in the Indian economy. Currently, Indian economy ranks 6th in the world in terms of GDP as of FY19 as per IMF (2019 estimates). Travel and tourism sector contributes about US$ 247 billion (y-o-y growth of 6.7%) as per World Travel & Tourism Council's (WTTC), providing employment to about 42 million persons. Also, travel & tourism is the 3rd largest foreign exchange earner for the country. As of 2018, India ranks 3rd as per WTTC travel and tourism power ranking[1].

In the study, CARE Ratings has analysed the Indian hotels & tourism industry for the past 25 years to see the changes it has gone through and to understand the major factors affecting the industry in terms of demand and pricing. The industry has been viewed in comparison to other regions such as US, Europe, Middle East, Asia Pacific, etc to assess the performance

Sections covered in the report

- History of the industry
- Concepts used
- Operating models
- Inventory position – Existing & upcoming
- Performance of major markets
- City-wise performance
- World Tourism & India
- India Tourism – Domestic & Foreign
- Challenges faced by the industry
- Emerging market trends
- Financial performance
- Investment scenario
- Taxes & policies
- Covid-19 impact and outlook

[1] WTTC travel & tourism power ranking looks at absolute growth of 185 countries across 4 main travel & tourism indicators – GDP, visitor exports, domestic spending and travel & tourism capital investment

Table 1: Indian Hospitality & Tourism Industry – The History

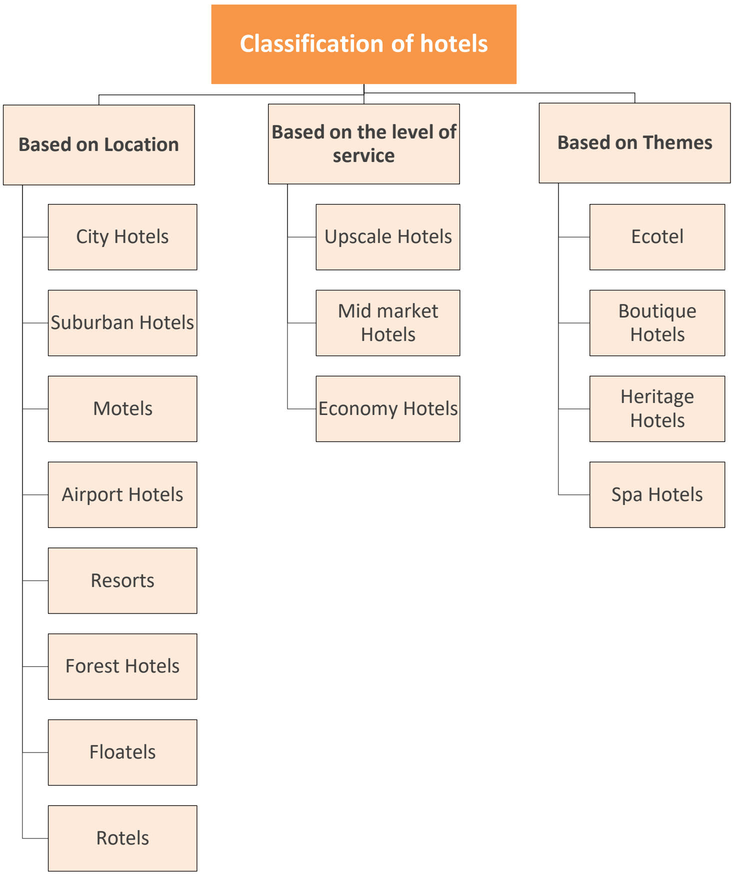
Late 1800	Hotel industry in India started off with developing clusters of hotels in locations that were frequented by the British and the Indian aristocracy during the period
1830	Spence's Hotel, Calcutta (Now Kolkata)
1841	The Great Eastern Hotel, Calcutta (Now Kolkata)
1876	The Rugby, Matheran
1900	The Taj Mahal Hotel, Mumbai
1930	The Grand, Calcutta
1935	The Cecil Hotels, Shimla and Murree (Now Pakistan)
1936	The Savoy, Mussoorie
1935 - 1947	No hotel development, India got independence
1956	Tourism was recognized as an engine for country's economic growth
1966	India Tourism Development Corporation (ITDC) was set up as a corporation under the Indian Companies Act of 1956
1967	The government created the Ministry of Tourism and Civil Aviation separating it from the Ministry of Transport and Shipping
1967 - 1975	Franchising' picked up in India, marking the beginning of the systematic planning, designing, decorating and furnishing of hotels in India. Training of managerial and other personnel was one of franchisee benefits
1975	ITDC acquired its first hotel in Chennai and launched its hotel business. The hotel was rechristened 'Hotel Chola'
1975 - 1977	Using Indian expertise and inspired by the slogan 'Be Indian, Buy Indian', 3 Welcome Group Hotels commissioned operations in the country
1978	Welcome Group hotels, however, adopted the Sheraton system and used the services of expatriates for the purposes of upgrading staff training and installing Sheraton operating system without a management contract
1982	India agreed to host the Asian Games, another boost to the tourism industry
	The Indian government approved the National tourism policy and outlined country's tourism development objectives
1986	Tourism was officially recognised as an 'industry' by the government making it eligible for several government incentives
	However, most of the hotels built post this were not planned well and lacked standardization and character failing to facilitate operations. Alarmed by this sudden proliferation of hotels in tier II locations, the Department of Tourism (DoT) made it mandatory for new hotel projects having 10 or more sellable rooms or having a minimum carpet area of 120 sqft per room to seek prior approvals from the government's Hotel and Restaurant Approval and Classification Committee (HRACC)
1987	After a critical evaluation, the government permitted an Indian firm to franchise 3- and 4-star hotels in India to support the emerging group of entrepreneurs with sufficient means to build and run small and medium sized (3 & 4 star) hotels and extend the benefits of appropriate technical planning, international standards of comfort, assured hygienic services, and a focus on customer satisfaction
1991	Tourism was made a priority sector for the foreign direct investment, making it eligible for automatic approvals of hotels with up to 51% of the equity being provided by a foreign partner
1996	A National Strategy for the Development of Tourism was announced advocating the creation of an Advisory Board for Tourism Industry & Trade
1998	The tourism industry was given the status of 'Export House' which made its stakeholders such as the hotel owners, tour operators and travel agents, eligible for various government incentives leading to entry of various international hotel chains in the country
2002	The government formalized a new 'National Tourism Policy', in order to take advantage of the liberalized economic regime in India and the economic developments in the world

Classification of Hotels in India

With the aim to provide and maintain contemporary standards of facilities and services, the Ministry of Tourism has a voluntary scheme for approval of Hotel Projects categorised under 5 – Star, 4 – Star, 3 – Star, 2 – Star, 1 – Star and Heritage (Basic). The classification is valid for the period of 5 years, and the same can be renewed upon expiry.

The Indian Hotel Industry can be further broadly classified under 3 major heads:

Chart 1: Classification of Hotels



Source: CARE Ratings

Other Emerging Concepts

Timesharing industry

- A timeshare is a form of vacation ownership of property. Units may be on a partial ownership, lease or a 'right to use' basis where the sharer has no claim to the ownership of the property. The concept of 'timeshare' as an innovative way for increasing holiday choice became popular in Europe in the 1960s. Under this concept, the use and costs of running the property (hotel) are shared among the owners.
- Instead of booking a resort every year for a week or two, or purchasing a property, timeshare offers buyers the ability to buy rights of occupancy in a property, usually in multiples of a week, for a set period. After purchasing their holiday time and using it, they can pass it to their friends and relatives, or rent it out.

The industry offers various purchase options to meet consumers' requirements for vacation variety and flexibility.

1. Fixed-week: The most common type of timeshare where units are sold for use during a fixed week of the year.
2. Floating week: This could be any week during a certain season of the year.
3. Rotating or flex-week: Under this, in an attempt to give all owners a chance for best weeks, the weeks are rotated forwards or backwards through the calendar, so in year 1 the owner has week 25, then in year 2 the owner has week 26 and week 27 in the week after that.
4. Points Program: Annually, the program gives the owner the points equal to the level of ownership and the owner has the flexibility to use these points as currency to make their travel arrangements.

Timeshare owners have the option to holiday in different resorts if the memberships are affiliated to an exchange company. Resort Condominiums International (RCI) and Interval International are the major players amongst the existing exchange companies.

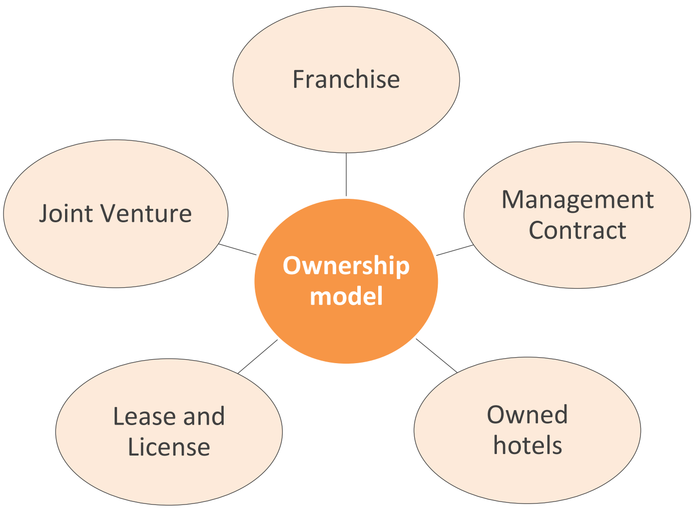
Service Apartments

- Service apartments are fully furnished apartments available for short-term or long-term stay providing all the luxuries of a premium hotel such as room service, laundry service, fitness centre, etc. and have larger rooms and more space at a far more competitive rate. The apartments are usually equipped with full kitchens, Wi-Fi and other in-house amenities.
- These apartments are ideal for people who do not have to stay for long durations to set up a home but also long enough to want to live a normal life while experiencing luxuries of a 5-star hotel. Also, no rental deposits are required in this case unlike ordinary residential leases which typically binds people for a year or and involve an 11 month rental deposit.
- Business professionals, executives who may be on local or international work assignments (project related) are frequent users of this facility. However, they are available to general public as well.

Although this concept is picking up in some business destinations, we at CARE Ratings do not see it becoming a threat to the demand for existing premium segment hotels, as the average length of stay (ALOS) in hotels is still lower at 2-3 days and are preferred over service apartments.

Operating models

Chart 2: Operating models



Source: CARE Ratings

Classification of Customer segments

1. Business traveller

- The business traveller is a businessman or a corporate executive travelling for business purposes. This segment includes corporates, both domestic and foreign. This practice is on a rise due to the economic upswing in India. It can also be attributed to the increased business opportunities internationally.
- The business travellers can be divided into two categories based on their duration of stay; first, the business traveller who travels for a short duration. These travellers come mostly for a meeting or a conference. They are time-conscious and willing to be price-insensitive. Such customers are ready to pay higher price in exchange for flexibility of being able to book a room at the last minute.
- The other category is the business traveller who travels for a mid-to-long-term duration. They travel mostly for working on a project. Such customers may or may not have a pre-planned journey; therefore, they may or may not be price sensitive. Nowadays, such people prefer serviced apartments.

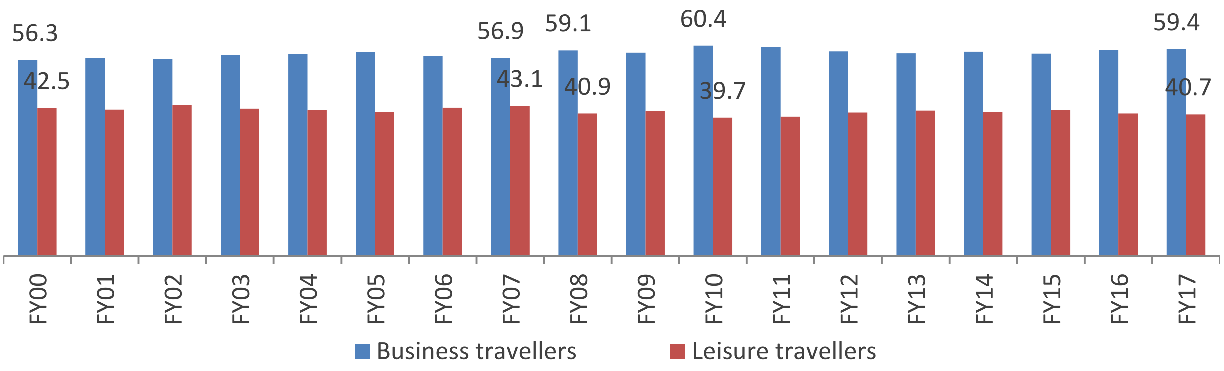
2. Leisure travellers

- The leisure traveller could either be a foreigner or a domestic traveller whose primary purpose of visit is holiday or site seeing. Among non-business foreign tourists, the primary motivation for visiting India is largely cultural attraction followed by conferences and conventions, tourist attractions like beaches, wild life, hill resorts, etc.
- Usually, leisure travellers are part of a package run by a tour operator. Their duration of stay varies from short to medium term. Such customers are price-sensitive and are willing to give up some flexibility for the sake of a more inexpensive room.
- Most of these travellers are domestic travellers. Due to growing economy and rising income levels, the number of such travellers is increasing.

3. Airline Cabin Crew

- Airline cabin crew forms another important segment because of the repetitive and guaranteed nature of the business that they provide.
- Usually, these are a part of an annual contract whereby, in return for a fixed rate, a certain number of rooms are provided on demand for cabin crews with discount rates in the range of 40% and 50% and represents a low-yield segment for hotels in general.

Chart 3: Share of Business & Leisure travellers (% share in volume terms)

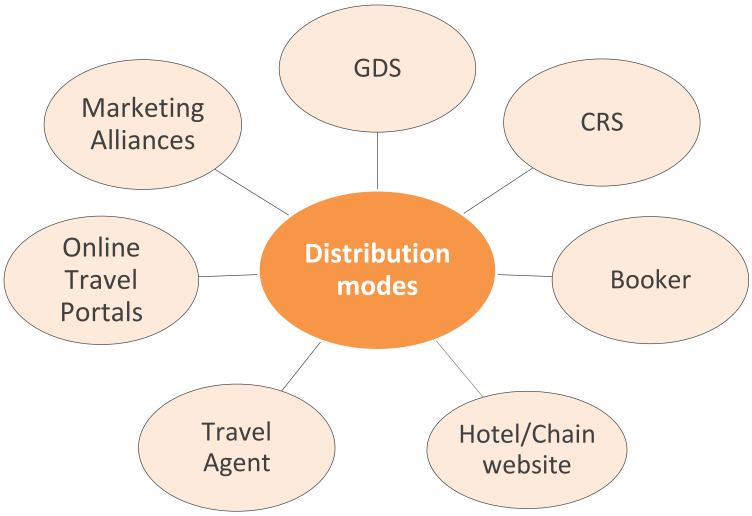


Source: Ministry of Tourism, CMIE

- In volume terms, both business and leisure segments have been witnessing stable growth over the years. However, after witnessing strong growth of over 450% y-o-y during 2008, the business travellers were impacted registering a sharp decline of about 50% on a y-o-y basis in 2009 led by the Lehman financial crisis that affected the world economy
- Leisure travel was slow during the period as well but declined sharply during 2010 by over 53% y-o-y post which both the segments witnessed y-o-y double-digit growth between 2010 and 2012 pointing towards an improvement in demand mainly for the business segment with the economies bouncing back. Also, the 'Incredible India' campaign was extended during 2008 and 2009 for the purpose of promoting domestic as well as foreign tourism in the country.

Distribution channels

Chart 4: Distribution channels



Distribution channel	FY05 (% share)	FY17 (% share)
CRS	3.9	3.9
GDS	1.7	1.9
Booker	54.7	45.5
Hotel/chain website	4.6	8.0
Travel Agent	21.2	17.9
Online Travel Portal	3.7	15.1
Marketing Alliances	10.2	7.6

Source: FHRAI, CARE Ratings

1. **Global Distribution System (GDS)**

- A GDS is a network operated by a company that enables the electronic reservation systems between the travel service providers (hotels, airlines, car rental companies, etc) and the travel agencies (travel agents and the public) to provide and avail travel related services.

2. **Centralised reservation system (CRS)**

- The CRS is a computerised system that stores and distributes information to carry out transactions related to air travel, car rentals, hotel bookings and other related services through which reservations can be made.

3. **Booker/Hotel representative**

- The travel manager, executive assistants working directly with the hotel/chain that are the link between the traveller and the service provider (hotel/ airlines, etc) usually make corporate bookings.

4. **Tour agent/Travel agent (booking via GDS/CRS)**

- A travel agent is someone who provides travel and tourism services to the public on behalf of the suppliers such as activities, airlines, car rentals, cruise lines, package tours, etc. Some agents besides dealing with the ordinary tourists also have a separate department looking after the corporate/business travellers.

5. **Online Travel Portals**

- Online travel portals have increasingly become one stop shop for all the travel related services with the emergence of e-commerce. These are websites dedicated to travel related transactions such as flight ticket bookings, hotels and travel packages. Again, these travel websites are connected to GDS/CRS systems that enable them to offer lowest rates prevalent in the distribution network.

6. **Marketing alliances**

- Hotels are often associated with marketing alliances. Such alliances provide the hotels get direct access to the online reservation network, promotions and the internet coverage.

Industry characteristics

The industry can be classified as business and leisure destinations from the point of view of the hospitality sector. It should be noted that the two are not mutually exclusive as some locations have a fair mix of business and leisure travellers. The demand dynamics are quite different for both the segments.

Cyclicality

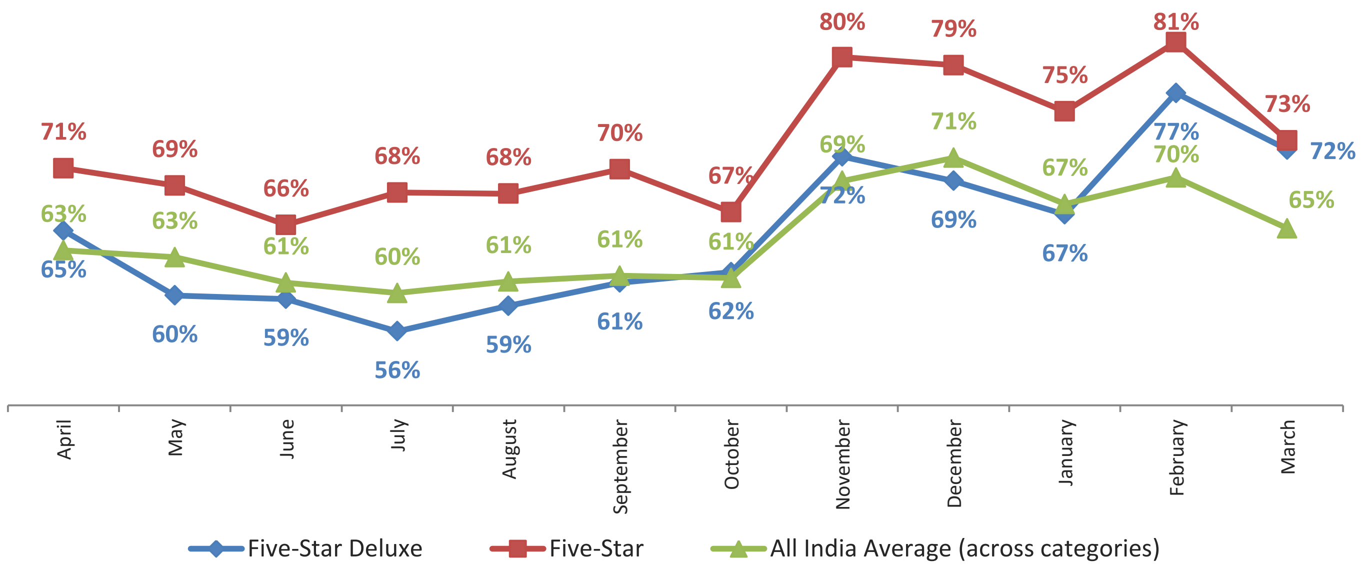
The hospitality industry is cyclical in nature. i.e., during positive cycles the industry witnesses periods of sustained growth and sees healthy average room rates (ARRs) and occupancy rates (ORs). Until the economy goes through a downturn or if there is excess supply, the trend continues. When recession sets in, the ORs begin to decline followed by the ARRs. For example, during the year 2009 & 2010, the ORs witnessed a sharp drop of about 1,000 basis points (10%) after witnessing stable growth of about 300 basis points during 2006, 2007 and 2008 respectively. Similarly, ARRs witnessed a sharp decline of about 4% and 16% y-o-y during 2009 & 2010 respectively. In the recovery phase, ORs starts to move up and eventually the ARRs also start to increase.

While the macro-economic factors affect the business destinations (RevPARs– revenue per available room, growth is sensitive to the macro-economic indicator such as the nominal GDP, inflation, lending rates, etc), the leisure destinations show a greater sensitivity to non-economic factors such as terror attacks, health related travel warning, etc. (decline in FTA in FY09 was largely on account of the Mumbai terror attacks on November 26, 2008 and the swine flu linked travel advisories). Consequently, the average RevPARs of 11 major cities had registered a decline of about 16.3% in FY09 and 16% in FY10. While in FY11, with higher growth in nominal GDP and an increase in FTAs post-recession, these 11 major cities recorded an average increase of about 2.2% in RevPARs. Similarly, due to increased domestic and international trade activities and various initiatives taken by the government during FY16, the number of foreign travellers in the country has increased. This has been reflecting in the overall RevPARs in India that registered a CAGR growth of over4% between FY14 and FY19.

Seasonality

The hotel industry demand is seasonal in nature. Though the peak season for both business and leisure destinations is the same (January – March), during the remaining year both demonstrate different behaviours. While the business destinations maintain constant ORs (5-10% lower than Jan-Mar period) from April – November. However, in December, a sharp correction is witnessed in the business destinations as it coincides with the international holiday period. Leisure destinations on the other hand register lower ORs during May - October period, while the occupancy rates improve in December on account of holiday season.

Chart 5: Seasonal nature of hotels industry in India (Occupancy rates - %) FY19



Source: FHRAI

Average length of stay (ALOS)

The demand for hotel rooms in business destinations is usually concentrated around weekdays, i.e., the ORs are generally lower on weekends. The ALOS for business hotels is usually in the range of 2-2.5 nights with low levels or double occupancy (fewer occasions where more than one person shares the room). While the hotels in leisure destinations the ORs are higher during the weekends and have ALOS of around 2-3 days. The occurrence of double occupancy is also typically higher in leisure destinations.

Existing Inventory

The upscale segment of the hotel industry in India is highly organized and concentrated in few key cities. The total number of 'keys' (rooms) in the top 11 key cities covered by CARE Ratings is estimated at 94,544 as at the end of FY19. Of this, about 53% of the room inventory is concentrated in NCR, Bengaluru and Mumbai.

The existing room supply for the country grew by 5.4% y-o-y in FY19 totaling to 133,359 rooms (as of March 31, 2019). This considers the 5,132 new rooms that entered various markets in H2 FY19, as well an expansion of the existing properties that are operational for less than 6 months.

Looking at the major markets analyzed in this report, Bengaluru, with the second largest number of inventory in the set, saw the highest increase in supply (13.4%) in FY19, followed by Chennai (8.9%) and Goa (6.9%). Post the recession in FY09, demand in cities like Bengaluru, Chennai and Pune witnessed an uptick led by increasing demand from the business segments mainly from IT, Auto, BFSI sectors thereby attracting huge investments in these cities by the hotel industry. Inventory increased by about 18% CAGR in Pune and about 15% CAGR in Bengaluru and Chennai each between FY10 and

FY15. NCR witnessed a huge increase as well largely led by higher inventory in Gurgaon and Noida. Also, leisure demand increased for Jaipur and Goa leading to about 14% and 10% growth in inventory during the period. However, post FY15; the industry faced a situation of over supply thereby hurting the ARRs during the period. The total upcoming supply therefore witnessed a slower growth of about 5.7% CAGR between FY14 and FY19 vis-à-vis a double-digit growth of about 12% CAGR witnessed between FY10 and FY15.

Table 2: Existing inventory (Major cities and across categories – Only branded)

Sr no.	City	Existing inventory at the end of			Y-o-y Growth	CAGR FY07 – FY19
		FY07	FY18	FY19		
1	New Delhi *	7,990	21,855	21,974	0.5%	8.8%
2	Bengaluru	2,414	12,594	14,287	13.4%	16.0%
3	Mumbai	7,402	13,524	13,687	1.2%	5.3%
4	Chennai	2,442	9,061	9,863	8.9%	12.3%
5	Hyderabad	1,868	6,846	6,965	1.7%	11.6%
6	Goa	2,450	6,386	6,828	6.9%	8.9%
7	Pune	777	6,353	6,460	1.7%	19.3%
8	Jaipur	1,388	5,352	5,613	4.9%	12.3%
9	Kolkata	1,354	3,652	3,742	2.5%	8.8%
10	Ahmedabad	519	3,393	3,000	-11.6%	15.7%
11	Agra	1,336	2,256	2,125	-5.8%	3.9%
	Total	**29,940**	**91,272**	**94,544**	**3.6%**	**10.1%**
12	Other Cities	9,345	35,293	38,815	10.0%	12.6%
	Total	**39,285**	**1,26,565**	**1,33,359**	**5.4%**	**10.7%**

Note: *NCR includes New Delhi, Noida and Gurugram
** Other cities includes all other hotel markets across India
Source: Hotelivate

Table 3: Top Brands in Hotel Industry in India

Domestic Hotels	International Hotels
Bharat Hotels Ltd	Accor
EIH Ltd	Swissotel Hotels & Resorts*
Hotel Leelaventure Ltd	Four Seasons Hotels Inc
Taj Hotels Palaces Resorts Safaris	Intercontinental^
ITC Ltd	Best Western Hotel
Neesa Leisure Ltd	Hyatt
Pride Hotels	Carlson Rezidor
Park Hotels	Berggruen Hotels
Lemon Tree Hotels	Hilton Hotels
Sarovar Hotels & Resorts	Wyndham Hotels
Royal Orchid Hotels	Choice Hotels
Concept Hospitality	Marriott International
	Starwood Hotels & Resorts**

Note: *Swissotel has been taken over by Accor, ^Six Continents was renamed Intercontinental,
**Starwood Hotels & Resorts has been acquired by Marriott International
Source: CARE Ratings

Upcoming Supply

The future supply landscape is ever-changing and subject to several external forces and macro-economic factors, delay in government approvals, cost overruns, etc, that may often delay project openings. It is noteworthy that the pipeline for proposed supply totaled 114,466 rooms back in FY08 – the highest in a decade, whereas in FY19 it contracted significantly to just 50,170 rooms

Table 4: Proposed Branded Hotel Rooms across Major Cities and Categories (FY19 – FY24)

	Existing Supply (FY19)	Proposed Supply*	Increase in Future Supply	Luxury	Upscale	Upper-Midmarket	Mid-market	Budget
Agra	2,125	582	27%	0.0%	34.4%	0.0%	45.4%	20.3%
Ahmedabad	3,000	2,006	67%	31.0%	19.9%	25.3%	5.3%	18.4%
Bengaluru	14,287	4,620	32%	15.2%	26.1%	20.0%	23.2%	15.5%
Chennai	9,863	393	4%	28.0%	0.0%	26.2%	30.5%	15.3%
New Delhi	14,730	805	5%	0.0%	30.6%	10.6%	25.1%	33.8%
Gurgaon	5,866	1,808	31%	0.0%	33.3%	19.7%	20.7%	26.2%
Noida	1,378	981	71%	0.0%	26.5%	54.0%	7.3%	12.1%
Goa	6,828	2,068	30%	0.0%	28.2%	23.5%	25.5%	22.8%
Hyderabad	6,965	728	10%	0.0%	31.9%	13.7%	22.8%	31.6%
Jaipur	5,613	2,601	46%	8.3%	55.7%	26.6%	9.4%	0.0%
Kolkata	3,742	1,724	46%	28.4%	9.5%	25.4%	18.6%	18.2%
Mumbai	13,687	4,816	35%	32.9%	9.3%	35.4%	5.0%	17.5%
Pune	6,460	796	12%	24.9%	19.6%	25.0%	26.9%	3.6%
Other cities	38,815	26,242	68%	5.2%	19.1%	26.7%	29.6%	19.4%
Total	133,359	50,170	38%	10.5%	21.9%	26.2%	23.3%	18.1%

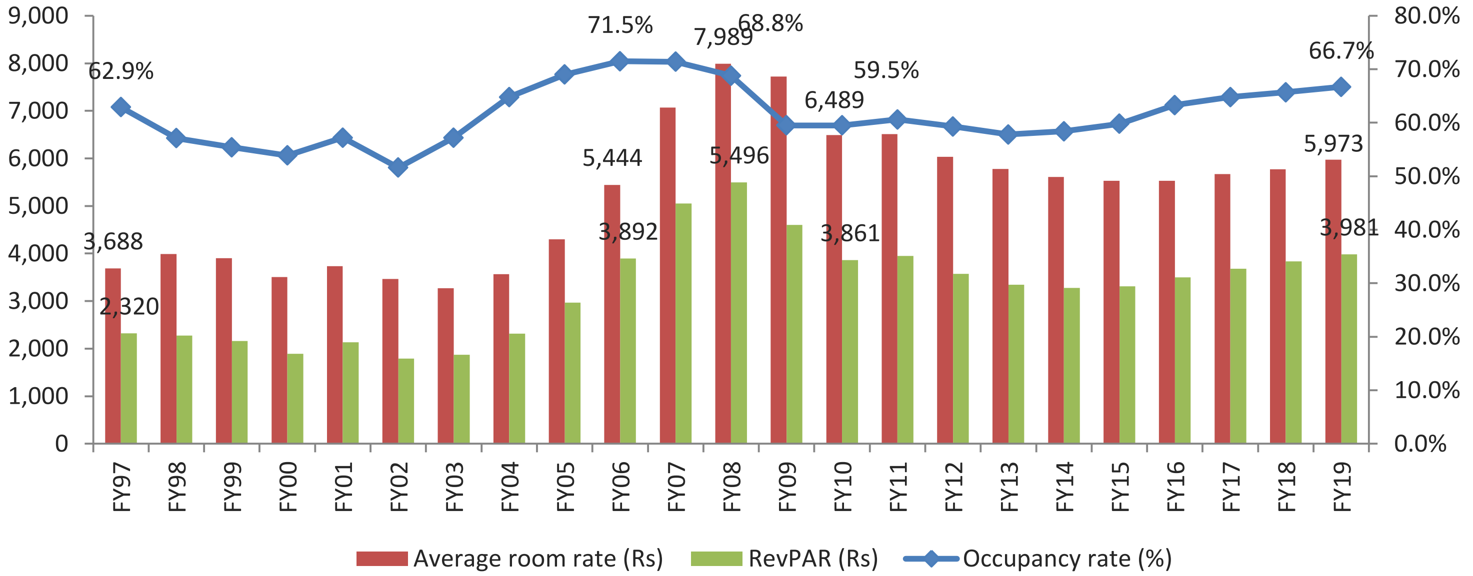
Note:*Proposed Supply includes 5,132 rooms which have been open for less than six months, and therefore, not included in the existing supply
Source: Industry, Hotelivate

Performance of major markets in India (11 cities)

The overall average Occupancy rates (ORs) increased by only about 100 basis points y-o-y during FY19 in 11 major cities in India. ORs increased from 65.7% in FY18 to 66.7%% in FY19 on back of increased demand mainly from domestic travelers for business and leisure activities. Of this, leisure spending by domestic travelers accounted for about 95% of the total contribution to India's direct travel & tourism GDP 2018. Foreign tourist arrivals witnessed slower growth during FY19 on back of slowdown in major global economies during the year and foreign visitor spending accounted for just about ~13% of the total spending during the year. However, the average room rates (ARRs) increased by about 3.6% during the same period to Rs 5,973 per day on back of increased demand and limited supply additions during the year. This increase in ORs and ARRs led to the all India RevPAR performance of major markets to record a growth of about 3.8% over the preceding fiscal and reach Rs 3,981 per day in FY19. This rate was last achieved in the year FY09.

During FY07 and FY09, the Indian Hotel Industry witnessed the best performance amongst the years under consideration. However, the financial crisis during 2008 restricted the domestic as well as international tourism (both business as well as leisure) and impacted the domestic hotel industry in terms of occupancy as well as the room rates. The Mumbai terror attack in 2008 further impacted the tourism in the country which can be seen in the charts below. Post this, huge investments in the tourism sector were made by the government as well as industry players so as to attract demand for the sector as well as promote safety of the travellers (chart 18). Also, Post the recession in FY09, demand in cities like Bengaluru, Chennai and Pune witnessed an uptick led by increasing demand from the business segments mainly from IT, Auto, BFSI sectors thereby attracting huge investments in these cities by the hotel industry. Inventory increased by about 18% CAGR in Pune and about 15% CAGR in Bengaluru and Chennai each between FY10 and FY15 **which led a decline in overall ARRs by over 3% while the ORs remained largely stable at ~59% during the period due to oversupply**. NCR witnessed a huge increase as well largely led by higher inventory in Gurgaon and Noida. Also, leisure demand increased for Jaipur and Goa leading to about 14% and 10% growth in inventory during the period. The total upcoming supply therefore witnessed a slower growth of about 5.7% CAGR between FY14 and FY19 vis-à-vis a double-digit growth of about 12% CAGR witnessed between FY10 and FY15.

Chart 6: Performance of Hotels – Overall average



Source: Hotelivate, FHRAI, HVS, CMIE

Occupancy rates (OR):

ORs for 2 star and 3 star hotels witnessed the sharpest growth of about 370 and 230 basis points y-o-y during FY19. This was followed by 5 star D hotels that registered a growth of about 200 basis points. 4 star hotels witnessed a lower growth of only 60 basis points y-o-y a while ORs of 5 star hotels remained largely stable and witnessed only a marginal increase of about 10 basis points on a y-o-y basis.

Chart 7A: Occupancy rates (%) – Premium category

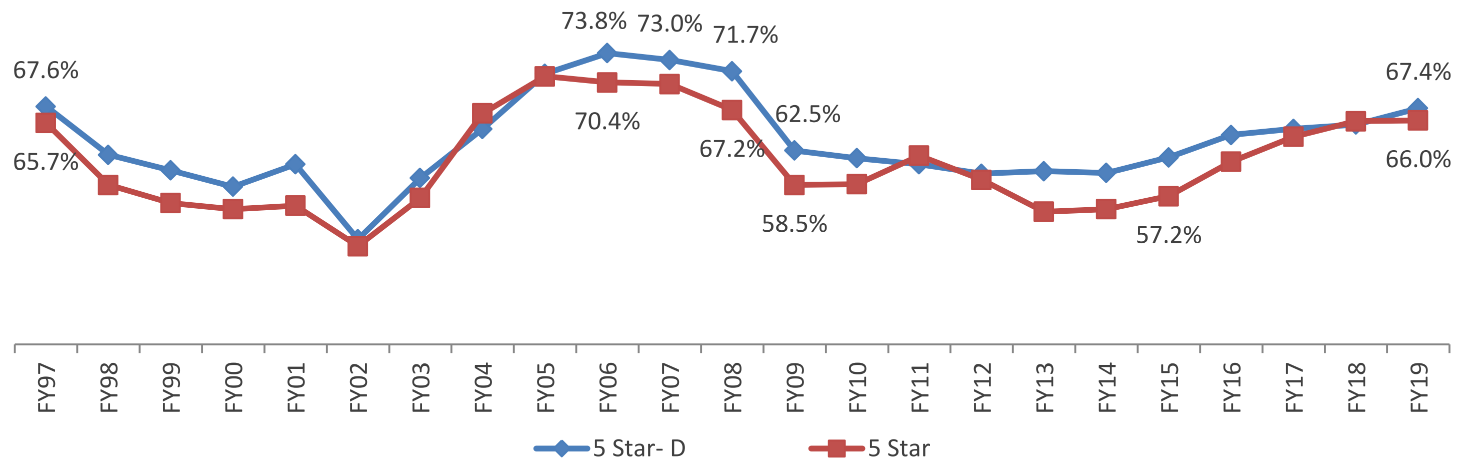
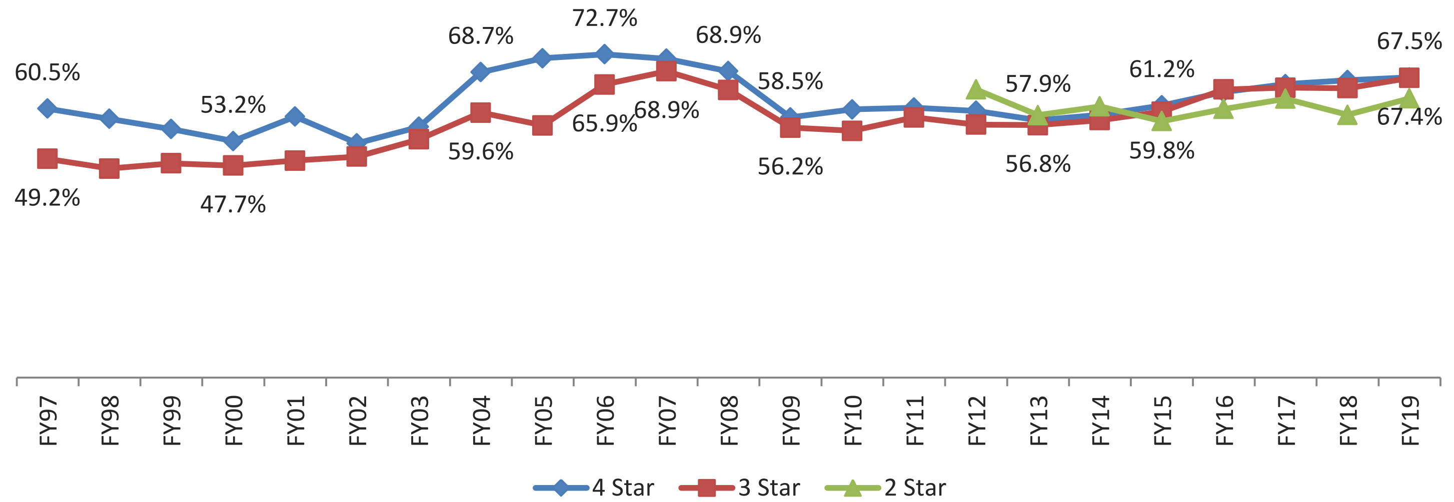


Chart 7B: Occupancy rates (%) – Mid-market & Budget category

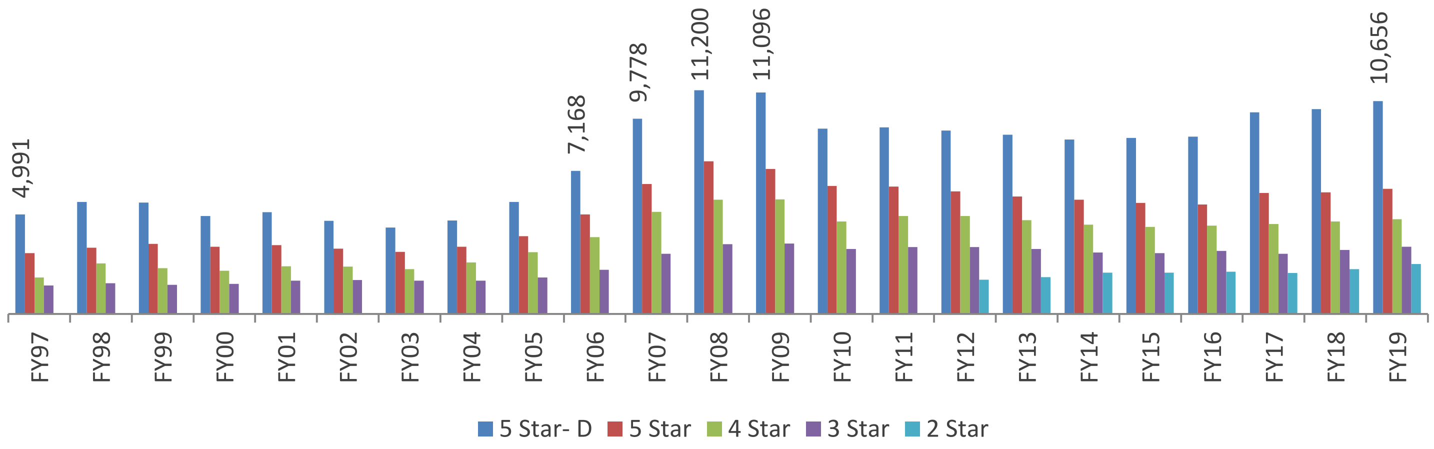


Source: Hotelivate, FHRAI, HVS, CMIE

Average Room Rates (ARR):

Similarly in case of average room rates, 2 star hotels witnessed the maximum growth in the group increasing by over 11% y-o-y during FY19. This was followed by 3 star hotels that registered a growth of about 5.1% y-o-y in FY19. 5 star and 5 star D hotels recorded a growth of 3.9% and 3% y-o-y each in average room rates. 4 star hotels, however, registered the lowest growth about 2.3% y-o-y in the group during the year. This may be attributed to the gradual escalation of commercial activity in Tier II and Tier III cities as well as increased domestic travel.

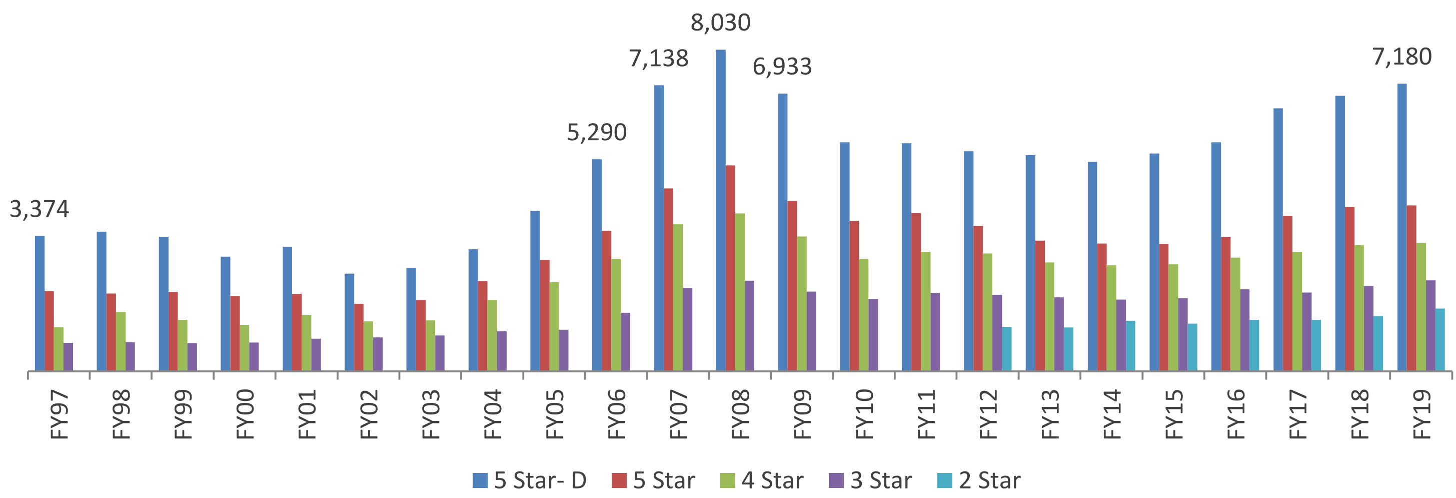
Chart 8: Average room rates (Rs per day) – category wise



RevPAR:

Each star category witnessed a y-o-y increase in RevPAR in FY19, with the 2 star category leading the pack, recording a sharp growth of 14% during the year. The improvement in RevPAR across all star categories can be attributed to both occupancy and average rate.

Chart 9: Revenue per available room (RevPAR) (Rs per day) – category wise



Source: Hotelivate

The expected future inventory in 11 major markets (across categories - only branded) is lower at around 50,170 rooms for the next 5 years (FY19 to FY24). Therefore, as historically witnessed with increasing demand on back of improvement in economic activities and lower room additions, ***we expect the industry to sustain the average room rates (ARRs) going forward and grow at an average of 3.5-4.5%% per annum. Also, we expect the occupancy to inch up to an average of about 68-70% by the end of FY22 compared with 66.7% in FY19.***

However, during Q4 FY20 and H1 FY21, the operational parameters (Occupancy rates – ORs & Average room rates – ARRs) of the hotel players are expected to get adversely impacted led by the spread of the pandemic Covid-19 and the consequent lockdown in the country as well as many other countries. Tourism, both foreign as well as domestic is expected to get impacted for short to medium term period.

City-wise performance – FY19

1. **Mumbai**

- Business travellers account for about 80% of the total room demand in the city.
- Mumbai's hotel market once again outpaced all other major markets across country and recorded the highest occupancy (77.1%) as well as highest average room rates (Rs 8,096 per day), further consolidating its position as the best performing hotel market in terms of RevPAR too. This was primarily backed by strong growth in corporate travel from industries such as BFSI and IT/ITeS along with an upswing in meetings, incentives, conferences and exhibitions (MICE) demand in major commercial hubs such as BKC, Powai, Goregaon and Airoli, CBD Belapur in Navi Mumbai and the promising growth in the Extended-Stay segment – have favourably impacted Mumbai's hotel market
- In terms of future supply, Mumbai is expecting an addition of about 4,816 rooms by FY24. Of this, about 33% supply is expected in the luxury space while the remaining is mostly in the upper-mid-market and budget category.

2. **Bengaluru**

- Business travellers constitute about 80-85% of the premium segment room demand in Bengaluru. BFSI and PSU companies mainly account for room demand in CBD area while Whitefield and Electronic city areas have demand from IT/ITeS companies
- Hotels in Bengaluru witnessed a surge of 5.2% in market wide RevPAR in FY19, driven mainly by the higher room rates during the year. The city's hotels exhibited an increase of about 9% y-o-y in average rates and reached Rs 6,339 per day. The fact that the resilient market performance was accompanied by a 13.4% y-o-y growth in supply bodes well for the city that is expected to add approximately 4,620 rooms in a phased manner over the next 5years.

3. **NCR**

- Business travellers account for about 70-75% of the demand while the remaining comes from the leisure travel demand. Demand mainly comes from the BFSI and PSU segments in Delhi while in Gurugram, IT/ITeS, BPO and telecom sector drive demand. Hotels in Noida region majorly cater to demand from IT, BPO and consumer durables companies. Aerocity district caters to demand from corporates, MICE activities and transient clients. Social events – marriages also contribute to the room demand in NCR. The demand previously catered to by the unorganised sector in the area has been absorbed by the branded mid-market and budget hotels located within the district.
- NCR is home to the largest branded hotel market in the country. New Delhi continued to record a y-o-y growth of about 8.5% y-o-y in RevPAR despite opening of two large hotels (an addition of about 470 keys), while Gurugram and Noida witnessed a growth of over 5% and 25% respectively in FY19 after declining in FY18 due to supply pressure.
- NCR is expected to witness an addition of about 3,594 rooms in the next five years, with maximum rooms (~1,800) expected in Gurugram alone.

4. **Chennai**

- 85% of the room demand in Chennai comes from business travellers.

- Demand in CBD area comes mainly from BFSI and PSU companies, IT/ITeS companies drive demand in the OMR region. Proximity to electronics and the auto industry players in and around the Sriperumbudur area, makes hotels near airport area attractive for business travellers
- It also enjoys demand from other major business sectors including manufacturing, port and port-related activities, the government and embassies, etc along with a growing MICE demand base owing to the recent expansion of room inventories including large-scale meeting facilities in the city
- Despite an increase of about 9% in supply in FY19, the market continued on its path to recovery with room rates registering a y-o-y growth of about 3.7% y-o-y and recorded the highest RevPAR growth of about 7% in last 12 years.
- Going forward, only about 400 rooms are expected to be added to Chennai market in the next 5 years.

5. Pune

- Demand from business travellers account for about 90-95% of overall demand in the city for premium hotels.
- In addition to serving as a manufacturing hub in Western India, the city has developed into an important IT/ITeS centre. Availability of large commercial floor plates along with a young and educated workforce has driven the rapid development of the city. Proximity and ease of connectivity to Mumbai, the country's financial capital, has also helped the city
- In the past few years, a staggering increase in room supply resulted in a downward spiral in both occupancy and average rate performance which overshadowed the y-o-y double-digit growth in demand, and questioned the strength of the market
- However, the silver lining is that the slowdown in new supply coupled with the robust and continuous increase in demand has helped the city's hotels perform well in terms of occupancy. Occupancy rates registered a slower expansion of about 200 basis points during FY19 largely due to subdued performance of auto industry and restricted travel during the year. Average room rates, however, witnessed an increase of about 7% y-o-y leading to a sharp growth of about 10% y-o-y in RevPAR during the year.

6. Ahmedabad

- The city has lately attracted substantial investments and industries. Ahmedabad market witnessed healthy RevPAR growth of over 10% led by about 10% y-o-y higher average room rates during FY19 on back of number of new commercial and industrial developments taking place both within the city and on the outskirts, generating demand mainly for commercial, extended-stay and MICE segments. Occupancy rates, however, remained largely stable and witnessed a negligible growth of about 30 basis points during the year
- With the city hosting multiple mega events and festivals, a large amount of leisure demand is also generated
- Around 2,000 rooms are expected to be added to the Ahmedabad market by FY24.

7. Hyderabad

- About 85-90% of premium segment hotel demand comes from business travellers led by MICE activities in the HITEC city.
- CBD area room demand is primarily dominated by business travel segment from sectors such as BFSI and PSU companies while the Hitech city caters to demand from IT/ITes.
- Corresponding to the rebound in commercial activity, the Hyderabad hotel market witnessed an expansion of about 400 basis points in occupancy rates and the average rates increased by about 6% y-o-y in FY19. With opening of Grade-A commercial spaces and major global conglomerates setting up office in HITEC city, demand has been on the upward trajectory

- 730 rooms are expected to be added to the existing supply between FY19 and FY24.

8. Kolkata

- About 75% of room demand for premium segment comes from business travellers.
- Kolkata is driven primarily by commercial activity emanating from PSUs, PSBs, manufacturing, IT/ITeS, engineering, medical activity and the telecom industry
- In FY19, Kolkata witnessed negligible change of about -0.9% y-o-y in average room rates, while the RevPAR remained unchanged. Post the increase in room supply in the last few years, the city ORs managed to be over 70% and the average room rates reached Rs 5,853 per night
- The MICE activities has been the major contributor of incremental demand with its connectivity to domestic as well as international destinations, improved infra and shift of demand from unorganised to branded hotels supporting the demand in the city.
- Kolkata market is expected to add about 1,700 rooms between FY19 and FY24

9. Jaipur

- Popularly known as the 'Pink City' and an integral part of the Golden triangle itinerary, Jaipur's rich culture and its spectacular forts, palaces, and havelis continue to attract tourists from all over the world, making it one of the top leisure destinations in the country.
- Lately, the city has become a major MICE destination, primarily known for its destination weddings and large scale conventions
- In FY19, the city witnessed about 5% growth in room supply. Despite the increase in supply, the city average room rates reached Rs 5,296 per night (5% y-o-y increase) while ORs remained largely stable at 67.9% (y-o-y expansion of about 50 basis points). In line with the ORs and ARRs, RevPARs registered about 5.4% y-o-y growth during the year.
- Going forward, about 2,600 rooms are expected to be added to Jaipur hotel market in the next 5 years

10. Goa

- Goa continued to exhibit largely stable average room rates of Rs 7,912 per night during FY19 (the second highest after Mumbai), Occupancy rates reached 71.8% during the year (expansion of about 200 basis points) leading the RevPARs to witness an increase of about 2.4% y-o-y.
- However, Goa continues to face competition from beach destinations in South and Southeast Asia
- The up-tick in the occupancy can be attributed to the improved domestic leisure travel and the booming MICE (wedding business).
- Recently, Goa's position as the most preferred getaway spot in India has been impacted on back of various measures taken by the government such as banning alcohol consumption on the beaches to imposition of long list of 'dry days'. Marginal shift in demand to travel destinations like Sri Lanka, Istanbul and Thailand (comparable in terms of costs) has been witnessed in the past couple of years
- The proposed Mopa Airport is further expected to make significant demand contribution
- Going forward, about 2,068 rooms are expected to be added to Goa market by FY24

11. Kerala

- Room demand in Kerala is driven by both leisure and business travellers, each accounting for 50% share

- Kochi is known as the commercial capital of Kerala comprising of shipbuilding and port operations, chemicals, spices, construction, fertilizers and IT industries. Also, large oil corporations such as Indian Oil Corporation, Bharat Petroleum and Hindustan Petroleum have plants located at Irumpanam, a suburb of Kochi
- Trivandrum comprises of industries such as IT and medical
- Apart from this, leisure travellers also drive room demand in Kerala
- Demand in the state was affected due to health advisories in May 2018 followed by severe floods and airport closure during August-September 2018. Also, the ripple effects were felt for a few months post that with hotels being shut for maintenance work caused by unusual flooding while demand moved to neighbouring destinations such as Sri Lanka, Thailand, etc.

12. Agra

- Room demand is usually driven by leisure travellers
- Any macroeconomic conditions have an impact on demand in tourist destinations such as Agra where FTAs constitute majority
- In FY19, OR registered an expansion of over 120 bps to reach 67 %, city's highest in over 20 years. Also, despite competition from the branded mid-market segment, the room rates witnessed an increase of about 7.7% y-o-y to average at Rs 5,726 per night. This higher occupancy/demand translated into a growth of over 9% in RevPARs during the year.
- In FY19, the city continued to witness decline in the FTAs, which was cushioned by the increase in DTAs led by introduction of the Gatimaan Expressway, Yamuna Expressway and the Agra-Lucknow Expressway, improved rail-road connectivity to NCR, Lucknow and neighbouring cities that has increased the demand from MICE segment and individual domestic leisure travellers.
- Going forward, only about 580 rooms are expected to be added to Agra market by FY24

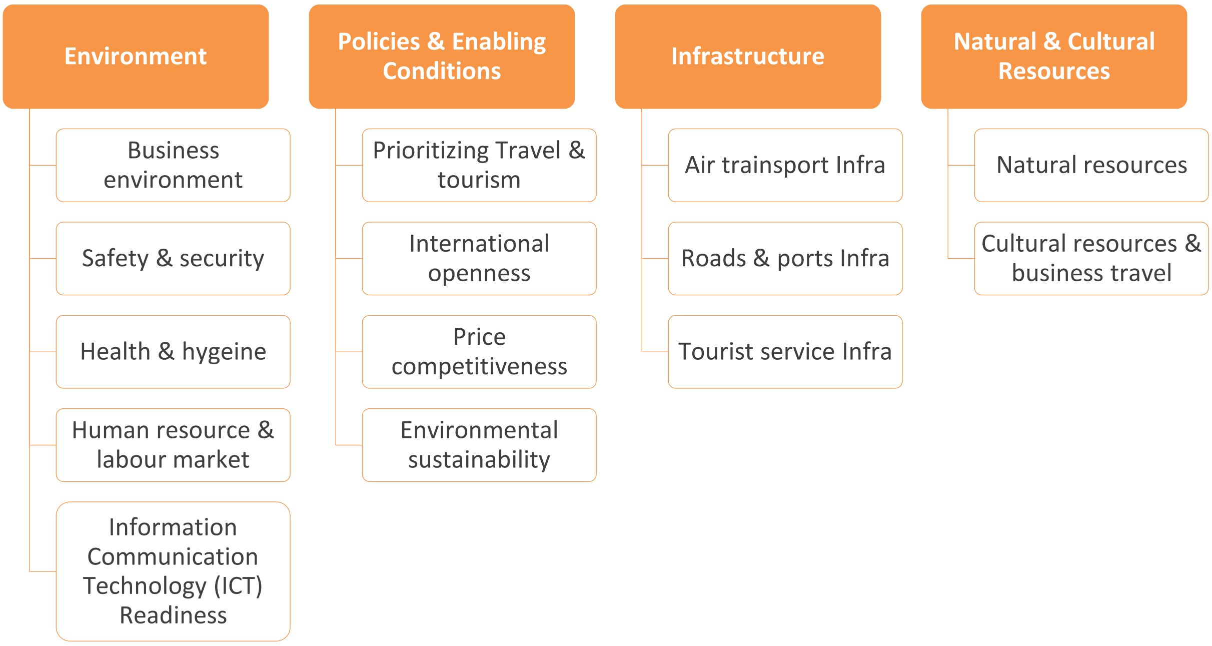
Citywise performance – At a glance

City	ORs	ARRs	RevPAR	Demand drivers
Agra	67.0%	5,726	3,835	Leisure destination Macro-economic conditions impact demand as FTAs constitute majority
Ahmedabad	63.9%	4,578	2,926	Demand comes from commercial, extended-stay and MICE segments, multiple mega events and festivals also generates leisure demand
Bengaluru	66.0%	6,339	4,185	~80-85% business demand Major business clusters - CBD, Whitefield and electronic city Major industries - IT/ITeS, BFSI & PSU
Chennai	65.0%	5,045	3,280	~85% business demand Major business clusters - CBD, OMR Major industries - BFSI, PSU, IT/ITeS, manufacturing, ports & related
New Delhi Gurgaon NOIDA	72.5% 68.8% 60.0%	7,026 6,346 6,100	5,091 4,364 3,662	~70-75% business demand Major business clusters - Gurugram, Noida, Aerocity Major industries - BFSI, PSU, IT/BPO, consumer durables, Auto
Goa	71.8%	7,912	5,679	Largely known for leisure demand, beaches, cuisines, etc faces competition from beach destinations in South India and Southeast Asia Government has banned alcohol consumption on the beaches and imposed a long list of 'dry days' which is impacting demand

Hyderabad	70.3%	5,217	3,668	~85-90% business demand Major business clusters - HITEC City, CBD Major industries - BFSI, PSU, IT/ITeS
Jaipur	67.9%	5,296	3,597	one of the top leisure destinations in the country Forts, havelis, palaces and rich culture. Major MICE activities - destination weddings and large scale conventions
Kolkata	70.8%	5,853	4,143	~75% business demand major industries - PSUs, PSBs, manufacturing, IT/ITeS, engineering, medical activity and the telecom
Mumbai	77.1%	8,096	6,241	~80% business demand Major business clusters - BKC, BKC, Powai, Goregaon and Airoli, CBD Belapur Major industries - BFSI, IT/ITeS, Gems & Jewellery
Pune	69.9%	4,807	3,359	~90-95% business demand Proximity to Mumbai, availability of large commercial floor plates Major industries - IT/ITeS, Auto, manufacturing, warehousing

World Tourism & India

Chart 10: Factors affecting Tourism



Source: World Economic Forum

Global Travel & Tourism (T&T) GDP grew by about 3.9% during 2018, outperforming the global economy that grew by 3.2% during the year. Below table provides a country-wise contribution of T&T to GDP during the year.

Table 5: Travel & tourism industry contribution to GDP country-wise - 2018

	2018 T&T Contribution To GDP (US$ Bn)	2018 T&T GDP Growth (%)*	Domestic Spend, % Share Of Total, 2018	International Spend, % Share Of Total, 2018	Leisure Spend, % Share Of Total, 2018	Business Spend, % Share Of Total, 2018
United States	1,595	2.2	81.2	18.8	71.3	28.7
China	1,509	7.3	85.8	14.2	81.4	18.6
Japan	368	3.6	82.5	17.5	68.5	31.5
Germany	345	1.2	85.2	14.8	83.1	16.9
United Kingdom	311	1.0	84.4	15.6	65.9	34.1
Italy	275	3.2	76.2	23.8	79.1	20.9
France	266	4.1	65.7	34.3	80.5	19.5
India	247	6.7	87.2	12.8	94.8	5.2
Spain	211	2.4	44.8	55.2	88.5	11.5
Mexico	209	2.4	85.2	14.8	94.1	5.9
Australia	154	3.2	76.1	23.9	84.4	15.6
Brazil	153	3.1	93.8	6.2	87.9	12.1
Canada	111	2.9	76.3	23.7	63.7	36.3
Thailand	110	6.0	19.8	80.2	90.6	9.4
Turkey	96	15.0	38.6	61.4	87.4	12.6

Note: Growth cells highlighted in green when it is above global T&T GDP growth of 3.9%

Source: World Travel & Tourism Council

1. For developed countries they are more dependent on business while for India it still continues to be leisure. This is expected to increase as income levels go up and people go for quality living
2. Most countries are domestic oriented but those like Spain, Thailand, turkey, France and Italy are foreign travellers oriented.

In 2017, international tourist arrivals (ITA) worldwide registered a growth of 6.8% y-o-y, as compared to a growth of 3.7% during the preceding year. The ITA stood at 1,323 million in 2017, 1,239 million in 2016 and about 1,195 million in 2015. **France** continued to maintain the top position in terms of the arrivals in 2017, followed by **USA, Spain, China, Italy, UK, Germany, Mexico, Thailand and Turkey**. These top 10 countries accounted for over 41.6% share in the total international tourist arrivals. In terms of regions, Europe accounted for the highest tourist arrivals of over 671 million, growing by over 8.4% y-o-y in 2017, followed by Asia & the Pacific region with 323 million tourists, Americas with about 2017 million tourists, Africa with 63 million tourists and the Middle East with 58.2 million tourists.

In terms of international tourism receipts, USA, Spain, France, Thailand, Italy, UK, Australia, Germany, Macao (China) and Japan occupied the top 10 positions during 2017 accounting for a share of about 48% of the total world tourism receipts.

Table 6: India's Share in ITA & Tourism receipts

	International Tourist Arrivals (in Million)				World Tourism Receipts (in US$ Billion)			
Year	World	India	India's share	Rank	World	FEE in India	India's share	Rank
2000	683	2.7	0.4%	50	475	3.5	0.7%	36
2001	683	2.5	0.4%	51	464	3.2	0.7%	36
2002	703	2.4	0.3%	54	482	3.1	0.6%	37
2003	691	2.7	0.4%	51	529	4.5	0.8%	37

2004	762	3.5	0.5%	44	633	6.2	1.0%	26
2005	803	3.9	0.5%	43	680	7.5	1.1%	22
2006	847	4.5	0.5%	44	744	8.6	1.2%	22
2007	894	5.1	0.6%	41	857	10.7	1.3%	22
2008	917	5.3	0.6%	41	939	11.8	1.3%	22
2009	883	5.2	0.6%	41	853	11.1	1.3%	20
2010	948	5.8	0.6%	42	931	14.5	1.6%	17
2011	994	6.3	0.6%	38	1,042	17.7	1.7%	18
2012	1,039	6.6	0.6%	41	1,117	18.0	1.6%	16
2013	1,087	7.0	0.6%	41	1,198	18.4	1.5%	16
2014	1,137	13.1	1.2%	24	1,252	19.7	1.6%	15
2015	1,195	13.3	1.1%	24	1,217	21.0	1.7%	14
2016	1,239	14.6	1.2%	26	1,239	22.9	1.8%	13
2017	1,323	15.5	1.2%	26	1,332	27.3	2.1%	13

Source: Ministry of Tourism, UN World Tourism Organisation

As can be seen in the above table, India ranks 26th in terms of the international tourist arrivals in the world as of 2017, up from ranking 50th in the year 2000. Also, in terms of world tourism receipts, India's rank has improved to 13th in 2017 from 36th in the year 2000. Factors such as government push to tourism, initiatives like 'Incredible India' promoting the country's vast culture and safety, adoption of e-visas and visa on arrival, significance of medical tourism, rupee depreciation leading to comparatively weaker currency for international tourists have enabled the country to make its position in the World tourism. While the 'Incredible India' campaign was initiated in the year 2002, post the recession period and the Mumbai terror attacks in 2008-09, the government increased its allocation to the tourism industry and appointed ambassadors to promote the safety and the culture in India to attract tourists that were affected during the period. Various states such as Madhya Pradesh, Gujarat, Uttar Pradesh, Tamil Nadu, North east cluster, etc have come up with their own promotional campaigns to attract both foreign as well as domestic tourists. Also, states have their own websites promoting the states and highlighting their architectural infrastructure, heritage sites, accommodation support, travel guides, events in the states, etc thereby easing the process of planning and information gathering.

India Tourism

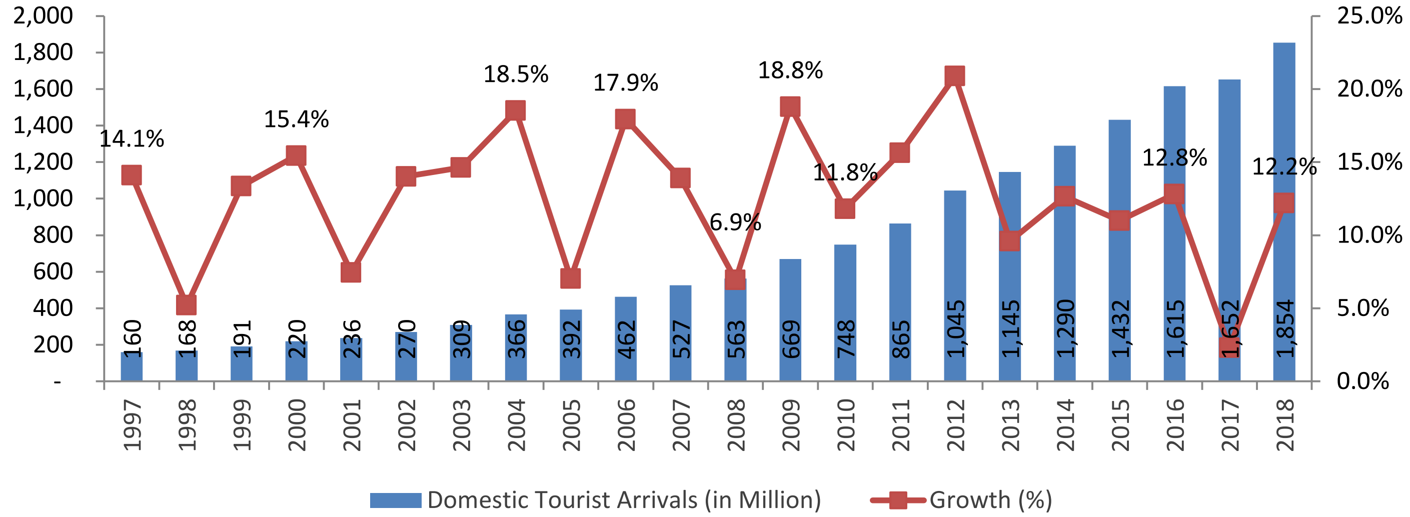
A. Domestic Tourists

Domestic tourist arrivals (DTA) are the tourists within India who travel to different places both for business and leisure purposes. The domestic tourist arrivals grew by a marginal 2.7% y-o-y from 16,136 lakhs in 2016 to 16,575lakhs in 2017.In CY18, DTAs witnessed a sharp double-digit growth of about 12% y-o-y to 18,549 lakh travelers. The growth in the domestic tourist arrivals can be attributed to the, rising disposable income, popularizing weekend culture, the eagerness to spend amongst the youth, government campaigns, introduction of low-cost airline services, connectivity by rail and road as well as by air to smaller cities, increased trade and growing service sector. The travel to religious places like the Golden Temple, Vaishno Devi and Tirupati amongst many and travel to leisure destinations like Goa, Shimla, Agra, Kerala, Jaipur etc. also are the key growth drivers for hotels in the upscale category. Coupled with this, marriage at traditional locations amongst the rich and the royal families is also a key growth driver for the upscale and heritage hotels in India, especially in Jaipur, Jodhpur and Udaipur.

Cities like Mumbai, Bengaluru and Delhi hosts both, business and leisure tourists but the share is skewed towards business travellers. However, Tamil Nadu receives mostly leisure and medical tourists. Uttar Pradesh which boasts of the Taj Mahal is a preferred destination for the leisure tourists. Tamil Nadu, Uttar Pradesh and Karnataka witnessed highest DTA flow during CY18.

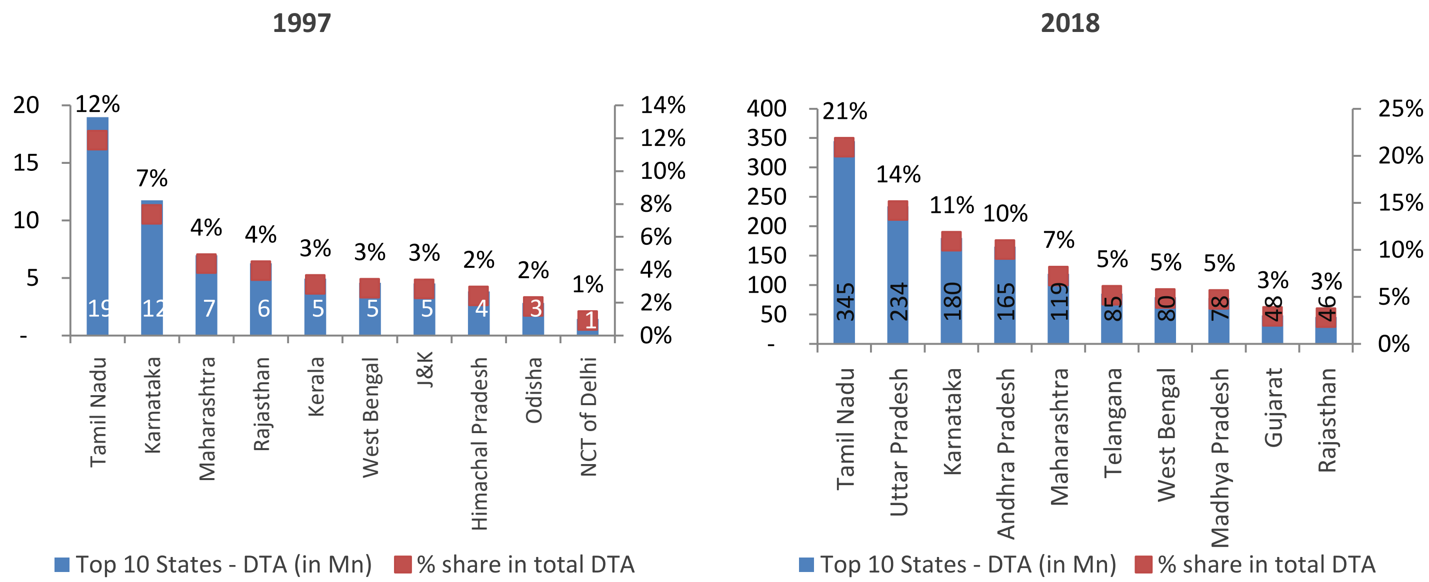
Domestic travellers continue to be the majority generators of room night demand in India. It is imperative to highlight that the domestic spending accounts for about 87% of the overall spending as contribution to India's direct travel and tourism GDP as of 2018, while foreign visitor spending accounts for the remaining 13%, in terms of leisure spending, the segment accounts for about 95% of the share while business spending accounts for meagre 5%. *Going forward, with the rise in spending by domestic travellers, domestic demand is also likely to grow at a healthy pace.*

Chart 11: Trend in DTAs



Source: Ministry of Tourism, CMIE

Chart 12: State-wise DTAs



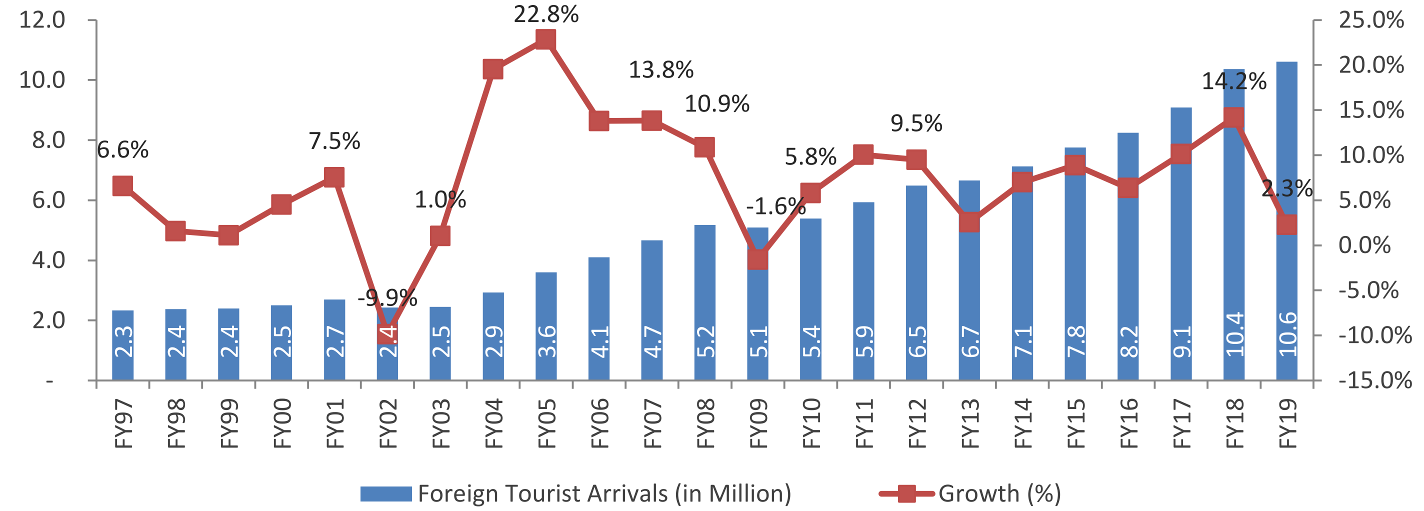
Source: Ministry of Tourism, CMIE

While Tamil Nadu retains its position in terms of DTAs, Madhya Pradesh, Gujarat, Uttar Pradesh, Telangana and Andhra Pradesh have witnessed an increased number of tourists in the state followed by the state government initiatives and promotions highlighting the vast cultural experiences the states have to offer. Over the years, these states have increased spends on tourism promotion in order to attract the visitors from various parts of the country as well as the world.

B. Foreign Tourists

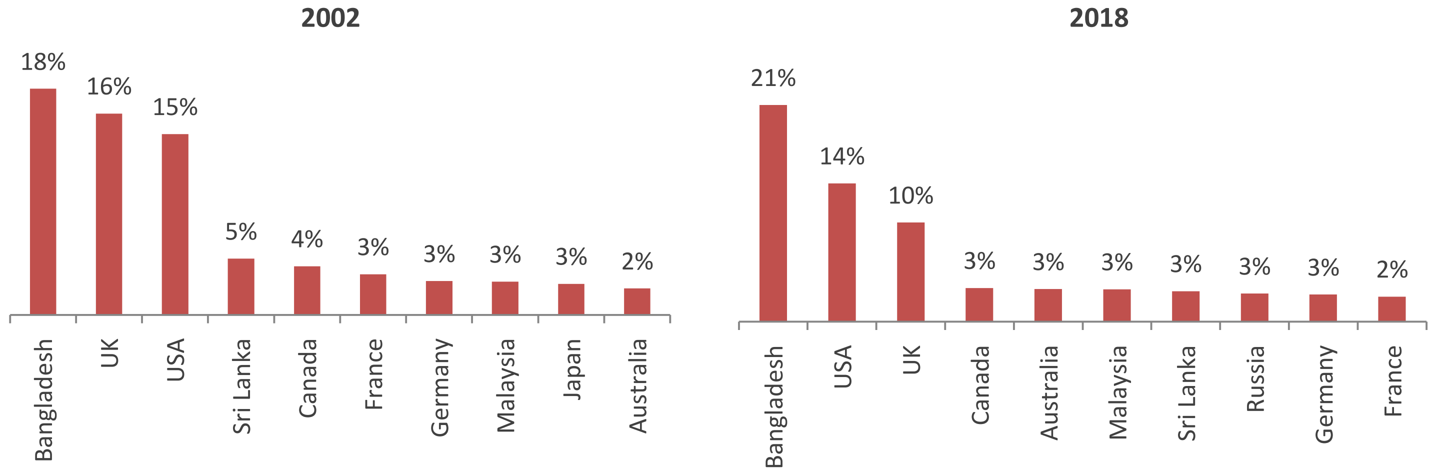
Foreign tourist arrivals (FTA) are the tourists that come and stay in India for a period exceeding 24 hours. Of the Top 10 countries, tourists from Bangladesh accounted for about 21% while from USA and UK accounted for approximately 14% and 10% respectively of the total foreign tourists flowing into India in CY17. Of the Top 10 states, Punjab has seen the highest growth of about 68% in FTA arrivals followed by Goa and Uttar Pradesh. Tamil Nadu witnessed highest FTA arrivals, although y-o-y growth was only 3% due to high base effect followed by Maharashtra where the y-o-y growth was about 9%**.**

Chart 13: Foreign tourist arrivals



Source: Ministry of Tourism

Chart 14: FTAs in India – Nationality wise (% share)



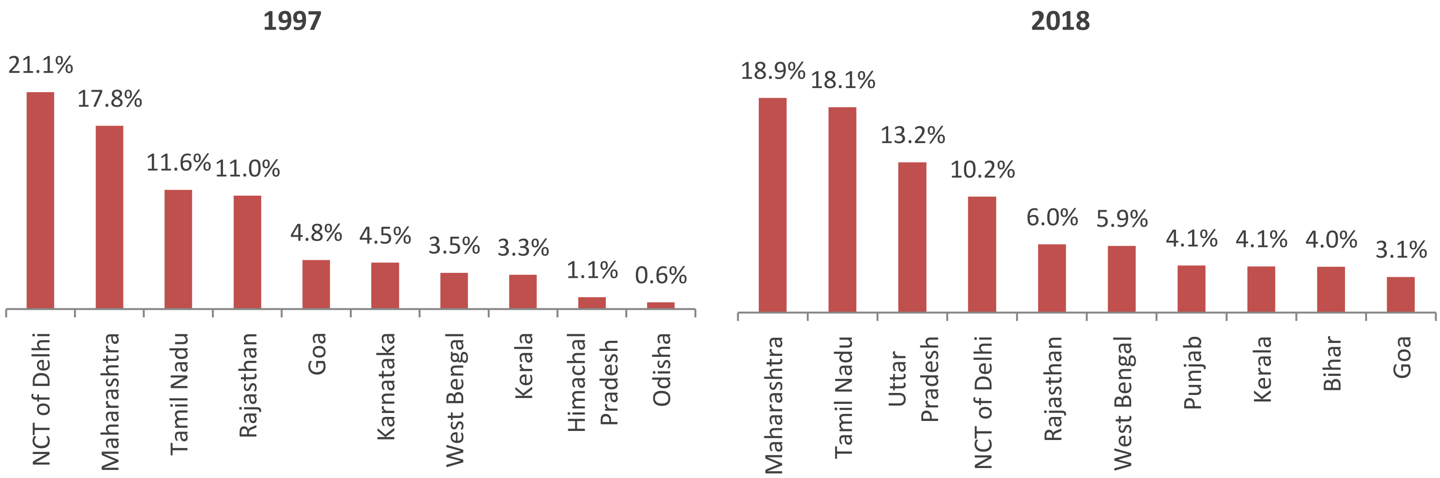
Note: Top 10 Countries

Source: Ministry of Tourism, CMIE

Top 10 countries in terms of FTAs in India remains largely stable with the some shares changing between 2002 and 2018. While Bangladesh continues to hold the largest share for India at about 21% in 2018, up from 18% in 2002, share of USA & UK together stands at about 24% as of 2018, down from about 31% during 2002. Other countries have largely maintained their shares in the Indian tourism except for Japan that no longer holds a position in the top 10 countries. Russia accounts for about 3% share of the FTAs in India

On a y-o-y basis, the FTAs in CY18 increased by just about 2% y-o-y to 10.6 million. This has been the slowest growth since FY09 largely due to weakness in the major global economies during the year. However, various Government of India (GoI) initiatives such as introduction of e-visa in November 2014, development of rail & road infrastructure, along with promotion of medical and cruise tourism has supported the growth of FTAs in the country. In June 2016, the Indian government approved 150 countries under the Visa on Arrival scheme to attract additional foreign tourists. Electronic tourist authorisations, known as E – Tourist Visa, launched by the Government of India have resulted in increase in number of tourist visa issued in the country. The facility has been extended to citizens of 166 countries, as of December 2018. Tourists through e-visa registered an increase of about 180% during 2014-2018 period to reach about 2.4 million tourists as of 2018. In 2019 (Jan-May), 1.2 million tourists have arrived through e-visa facility. (Source: IBEF).

Chart 15: State-wise FTAs



Note: Top 10 States

Source: Ministry of Tourism, CMIE

Foreign exchange earnings (FEEs) (in rupee) increased by 9% y-o-y in CY18 while in dollars, FEEs increased by about 4.1% from $27,448 billion to $28,562 billion. The lower growth in dollar terms can be attributed to about 5% y-o-y depreciation of rupee against the dollar during the period.

The FTAs are expected to reach a level of 12-13 million by CY20, the key growth drivers for growth in FTAs flowing into India include increasing international trade, multinational companies setting up their operations in India, strong share of India in the global IT/ITeS sector, increasing number of airports and airline connectivity with all prominent locations across the globe and increasing tourism campaigns by the Government of India both at the central and state level.

COVID – 19 Impact on tourism

Perhaps the most visible and immediate impact of Covid-19 is seen in the hotel and tourism sector in all its geographical segments - inbound, outbound and domestic and almost all verticals - leisure, adventure, heritage, MICE, cruise and corporate. Given various travel restrictions imposed by the Indian Government as well as Governments across the globe, forward bookings for various conferences and leisure travel bookings to foreign destinations have already been cancelled. In India, most of the summer holiday bookings have been cancelled (about 40-50% most of which was to states of Kerala, Rajasthan and Goa) impacting the domestic tourism. The impact on the inbound and outbound passengers is expected to be most severe in the next couple of quarters.

India's total foreign tourist arrivals (FTA) stood at 10.9 million and the foreign exchange earnings (FEE) stood at Rs 210,971 crore during 2019 with Maharashtra, Tamil Nadu, Uttar Pradesh and Delhi accounting for about 60% of FTAs. However, now with travel restrictions in India for over 80 countries and most of the flights of major airlines being suspended along with lockdown in states of India till March 31, 2020, the Indian domestic as well as foreign travel and tourism industry is expected to witness a sharp negative impact in 2020.

Table 7: Foreign tourist arrivals (FTA) (in million)

Month	Foreign Tourist Arrivals (in Mn nos.)			Foreign Exchange Earnings (in Rs. crore)		
	2017	2018	2019	2017	2018	2019
January	1.0	1.0	1.1	16,135	17,755	18,079
February	1.0	1.0	1.1	15,790	17,757	17,912
March	0.9	1.0	1.0	14,667	17,222	16,125
April	0.7	0.7	0.8	14,260	15,620	17,061
May	0.6	0.6	0.6	12,255	12,753	13,541
June	0.7	0.7	0.7	12,971	14,398	15,963
July	0.8	0.8	0.8	14,796	16,976	18,191
August	0.7	0.8	0.8	13,811	16,492	17,817
September	0.7	0.7	0.8	13,840	15,150	16,791
October	0.9	0.9	0.9	14,213	14,701	17,043
November	1.0	1.0	1.1	16,528	16,584	19,831
December	1.2	1.2	1.2	19,381	19,474	22,617
Total	**10.1**	**10.6**	**10.9**	**1,78,647**	**1,94,882**	**2,10,971**
Growth rate (%)	14.8%	4.4%	3.2%	15.9%	9.1%	8.3%

Source: Ministry of Tourism

Assuming the impact to be about 50% during January and February 2020, while the impact being higher at about 70% during March 2020 post the suspension of international flights and about 100% during Q2 2020 (April – June 2020) on the overall foreign travellers with travel advisories being put out, the Indian tourism industry is expected to book revenues of Rs 69,400 crore during H1 2020, a y-o-y loss of over 30% during the period. During H2 2020, assuming the virus impact subsides, we expect FTAs to still be lower affecting the FEEs by about 50% to reach Rs 56,150 crore vis-à-vis Rs 112,300 crore during H2 2019. **Therefore, for the year 2020, the industry is expected to book a revenue loss of Rs 125,550 crore, loss of over 40% y-o-y**

Challenges faced by Hotels in India

1. **Government approvals and licenses**

- Major issues for most of the industries in India are related to multiple windows of clearances, even for the hotel industry. Hoteliers face regulatory constraint at every step in the process of development of hotels beginning from land acquisition stage (for which laws differ from state-to state) to approval by various ministries & association on various matters.

- A company requires approximately 100 clearances for setting up an upscale category hotel in India. The clearances have to be taken from multiple government bodies. It is tedious and a time-consuming process.

2. Land availability and cost issues

- The process of identifying new land parcels as per the requirement for hotels is a tedious task in India. Compared to international standards, where land costs accounts for 15-20% of the total project cost, in India this is often in the range of 40-50%. This is also one of the reasons for low development of budget & mid-market hotels in comparison to upscale luxury hotels as budget hotels with lower average rates are unlikely to become viable with such high land cost. As a remedy to the problem, hoteliers have started mixed-use development projects comprising hospitality, commercial, residential and retail components.

3. Human Capital

- Indian hotels face the continued challenge of shortage of trained employees, especially at the manager and supervisor levels. Most of the companies are falling short of skilled employees for their hotels. Major reason for this shortage is absence of organized training and educational institutes for development of skilled employees like in aviation and other service sectors. Only few major Indian players like Taj, Oberoi and ITC have set up their training institutes with a few international brands like IHG, Carlson etc. Also, hotel and catering management institutes approved by All India Council of Technical Education (AICTE) is less than adequate and much of the talent graduating each year is unsuited for direct employment in the industry due to lack of required skills.
- Retaining the workforce even through training and development in the hotel industry is a tedious task as attrition levels are too high. One of the reasons for this is unattractive wage packages. Though the industry has been growing at a fast pace, hotel management graduates opt to join other sectors like aviation and catering services where they are paid higher.

4. Management Contract related issues

- Performance clause in management contracts is one of the most debated clauses between owners and operators of the hotel. It is most often the only clause that provides a window for an owner to terminate the management contract with the brand. However, unlike in other industries where a client has the choice to reject/ discontinue a product/ service if he/she is dissatisfied with the performance, hotel owners do not enjoy such a privilege and in turn have to pay a hefty termination fee to disengage with the operator.
- Also, owners are seldom informed/ involved in the hotel operations. Non-involvement of owners in hotel operations and lack of transparency can result in a gap for desired objectives. Such non coordination between owners and operators pose a threat to the industry.

Emerging market trends

Indian Online Travel Market

India's total internet subscribers' base as of FY19 stood at about 563 million compared with meagre 14.8 million as of FY97. The penetration of internet stands at over 40% which is comparatively lower than developed markets like the United States and the United Kingdom but is growing at a much faster rate. India's e-commerce market was worth about $2.5 billion in 2009, it went up $38.5 billion in 2017. Approximately about 75% of this is travel related. Also, as per the telecom regulator

TRAI, at the end of December 2019, India had 1,172 million wireless subscribers. With this increased emergence of smartphone in India, providing an easy access to internet and various applications, it is readily becoming a major source of travel bookings including hotel bookings.

Online Travel Market has always been predominantly known for Air Ticketing followed by Rail Ticketing. However, with the infusion of global travel brands, increased number of internet savvy people and large number of new hotel openings by various national and international brands at different domestic locations, online hotels and package bookings has emerged as a prospective opportunity for both online travel companies and hoteliers. In addition to online air ticketing, online hotel bookings has become a major revenue contributor to the online travel company in the recent past.

Going digital

The Indian Ministry of Tourism has started using social media to promote tourism sites throughout the country. It joined Facebook in January 2013. 70% of all 4 and 5 star hotels in first tier cities in India had established their presence in social media by August 2013. Leading Indian airline Jet Airways put social media at the centre of its marketing, involving 10 different departments in its social media activities targeting consumers.

A considerable increase has been seen across all star categories in reservations using Online Reservation Systems, hotel/chain websites and Chain CRS (central Reservation System), with the All-India average increasing from meagre 10.3% in FY13 to 31.2% in FY18. At the same time, Direct Enquiries or reservations made through Hotel Representatives, Travel Agents and Tour Operators (still accounting for about 50% of the total reservations) have declined significantly over the past few years. In keeping with the growing importance of maintaining a positive and impactful online presence, hotels have redirected their marketing efforts towards digital marketing mediums. Hotels are now using their Hotel Website to reach customers where marketing media measures such as Pay per Click increased to 17.4% in FY18 and Promotions have gone up to 75% in FY18 vis-à-vis 67.3% in FY13.

Also, for payments, cash sales accounted for the largest share of about 42% during FY05 while credit card sales stood at about 32.5%. In FY18, credit card sales accounted for the largest share in the all India average with about 37.5%, up from 32% in FY05, followed by cash sales at 27.6% as of FY18. Credit sales (other than cards) stands at about 19.3% (vis-à-vis 23.9% in FY05) while ETF (Electric Fund Transfer) accounts for about 15.7% as of FY18 vis-à-vis a negligible share of about 1.5% in FY05. **While there no evidence of generating higher demand, use of electronic payments method or plastic money method have significantly increased in the last few years with easy availability of credit, improved standard of living, technological upgradations thereby improving the overall efficiency of the industry.**

Financial Performance

CARE has analysed the basic revenue and cost structure of the organised hotel industry in India based on 53 companies. After declining by about 2.4% in FY18, net sales (revenue) of the industry witnessed a y-o-y growth of about 3.5% in FY19. Revenue registered a marginal CAGR growth of about 0.5% for the 3 year period between FY17 and FY19. While the hospitality industry demand slowdown was generally due to slowdown in the economy during FY18, the decline in net profits was largely led by one company in the set that recorded an exceptional loss during the year. However, during FY19, demand for hospitality industry improved on back of demand from domestic travellers and increased MICE activities during the year. Also, with GST implementation and processes in place, the industry sentiment remained optimistic.

Table 8: Industry Sales and Margins

53 companies	Rs crore			Growth rates (%)	
	FY17	FY18	FY19	FY18	FY19
Net sales	9,931	9,691	10,030	(2.4)	3.5
Operating Profits	2,405	2,276	2,313	(5.3)	1.6
Operating Profit Margin (%)	24.2	23.5	23.1		
Net Profits	416	178	423	(57.4)	138.3
Net Profit Margin (%)	4.2	1.8	4.2		

Note: The industry margins are based on the financial results of 56 listed hotels, restaurants and resorts

Source: AceEquity

Revenue and Cost structure of Hotels

Revenues in hotels can be classified under three broad headers - room revenue (revenues received as room tariffs), food & beverages (F&B) revenue and other revenue. While the room revenues are a direct function of room rates and occupancy rates, the F&B revenues comprise revenues from restaurants and banquets/convention centres. Other revenues mainly consist of income from auxiliary services provided by the hotel such as laundry, spa services, telephone services and transport. In terms of expenses, employee cost is the largest cost component for hotels.

Room revenue:

The total room revenue for a property can be calculated as:

Room revenue = Room nights sold * Average room rate,

Where, Room nights sold = No. of rooms * Occupancy rate *No. of days (Time period)

Generally, the revenues from rooms constitute about 50 – 55% of total hotel revenues.

F&B Revenues:

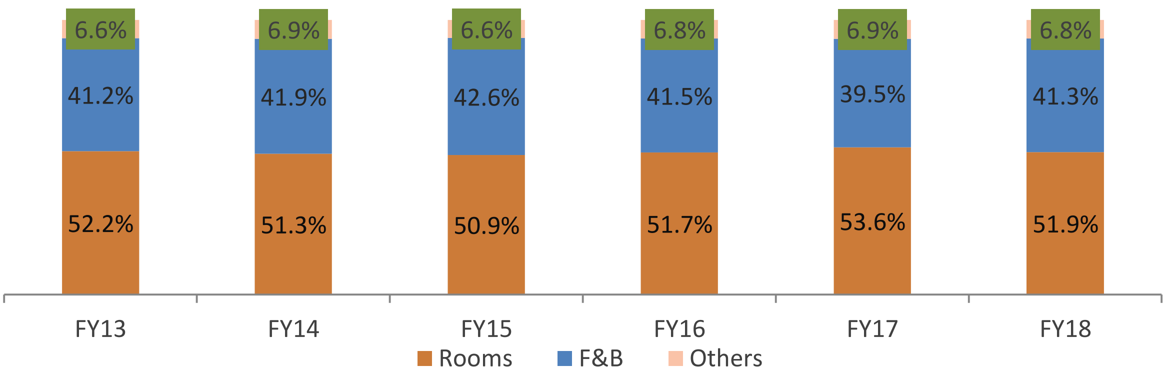
It includes revenues from restaurants and banquets. Usually the revenues from F&B division are about 35-40% of the total hotel revenues. It depends on various factors such as occupancy rates of the property, size of banquets and conferences, connectivity and technology in the banquet area, hotel location, etc

Other revenues:

Other revenues include revenues from telecom services, spa services, dry cleaning and laundry services and transport facilities offered by the hotel. These revenues usually constitute about 10-15% of the total hotel revenues.

In FY17, the Rooms Revenue witnessed an increased contribution of 53.6% y-o-y to the total revenue. On the other hand, contribution from Food & Beverage and Banquets declined to 39.5% from 41.5% recorded in FY16. The contribution of the other operating departments has remained range-bound for the past few years.

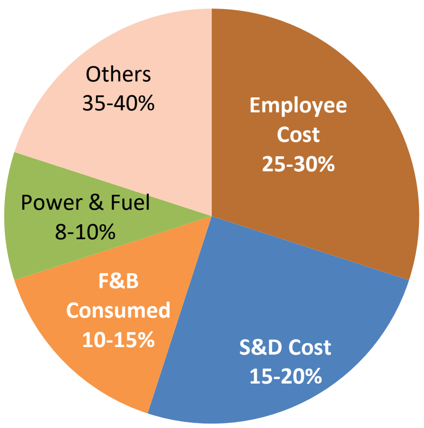
Chart 16: Revenue structure



Source: FHRAI

Employee costs are one of the largest cost components of the hotels accounting for about 25-30% of the total expenditure. Hotels therefore have large fixed costs and marginal costs per additional guests are comparatively low. Selling & distribution (S&D) costs account for about 15-20% of the operating costs which includes advertising expenses and marketing costs. Power & fuel account for 8-10%. Also, the F&B consumes about 10-15% of the costs on an average. Other operating costs account for the remaining 35-40% of the costs that include the repairs and maintenance, travelling expenses, etc. among others.

Chart 17: Cost Structure

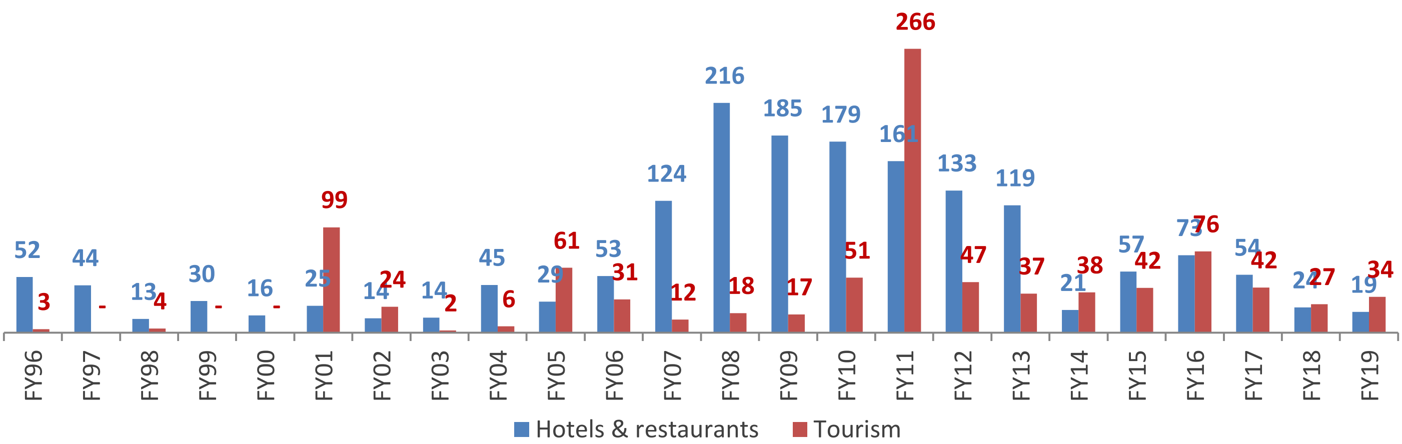


Source: AceEquity, CARE Ratings

Investments

In term of investments in travel & tourism, India is the third largest globally with an investment of US$ 45.7 billion in 2018, accounting for 5.9% of national investment. (Source: IBEF). In 2011, to attract both foreign as well as domestic tourists post the recession and the Mumbai terror attacks that affected demand in the country, the government made huge investments in its 'Incredible India' campaign to highlight safety and security in the country as well as building the favourable infrastructure for the industry.

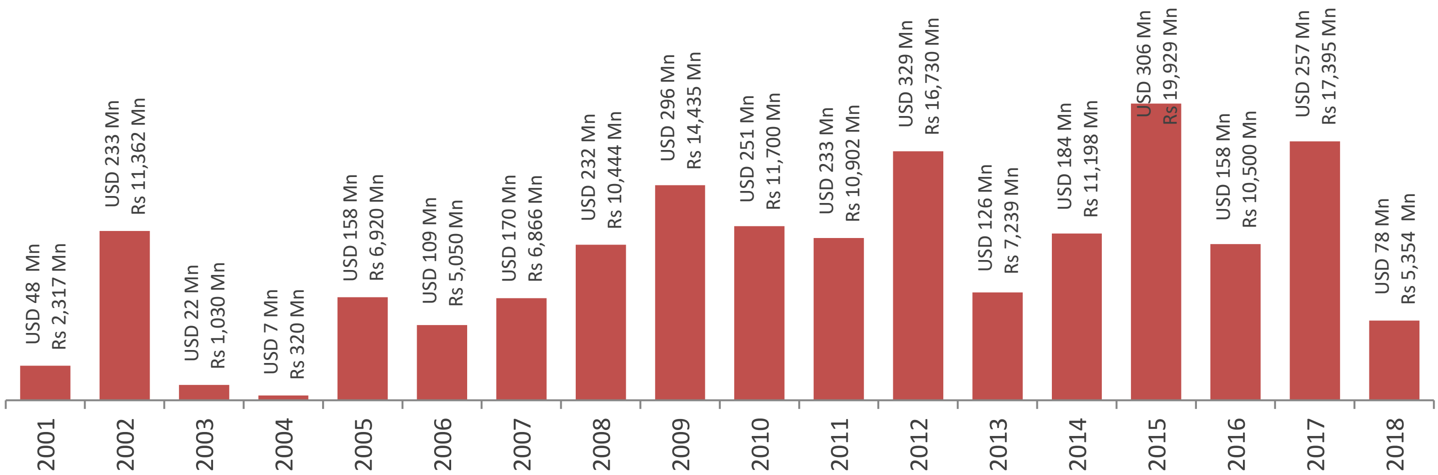
Chart 18: Investments in the Sector (Rs Billion)



Source: CMIE

The Insolvency and Bankruptcy Code, 2016 (IBC) has had the biggest impact on hotel asset sales since the year 2001, which witnessed the disinvestment of 13 hotels of India Tourism Development Corporation (ITDC). While the disinvestment laid the road for the hotel transactions market in the country, the IBC restricted the volume of sales having a short-term impact on the industry after having peaked in 2015. The hotel transaction volumes contracted in 2018 to its lowest since 2005 in dollar terms however; in Indian Rupee terms the total volume recorded was about 6% higher than that in 2005.

Chart 19: Indian Hotel Transactions (Volume) – 2001 – 2018



Source: HVS, FHRAI

- In Union Budget FY21, an allocation of Rs 3,150 crore to the Ministry of Culture and Rs 2,500 crore building tourism infrastructure and for promotion and publicity has been made. Also, the Finance minister proposed develop 5 archaeological sites into Iconic Tourism destinations with onsite Museums to enhance visitor's experience (both domestic & foreign travelers), setting up of a Tribal Museum in Ranchi (Jharkhand) and setting up of Maritime Museum in Ahmedabad which is expected to increase tourism and benefit the room demand in those locations
- Proposal has also been made to establish an Indian Institute of Heritage and Conservation under Ministry of Culture, providing knowledge in disciplines such as museology and archaeology in order to provide trained man-power

- The tourism and hospitality sector is among the top 10 sectors in India to attract the highest Foreign Direct Investment (FDI). Under the automatic route, 100% FDI is allowed for tourism and hospitality industry in India, subject to applicable regulations and laws
- Also, 100% FDI is allowed in tourism construction projects, including the development of hotels, resorts and recreational facilities in India
- Ministry of Tourism launches Audio Guide facility App called Audio Odigos for 12 sites of India (including iconic sites)
- During the period April 2000-June 2019, the hotel and tourism sector attracted around US$ 12.99 billion of FDI, according to the data released by **Department for Promotion of Industry and Internal Trade (DPIIT)**.

GST implications on Hotel industry

In September 2019, the GST Council lowered the tax to 18% from the earlier 28% on hotel rooms with a tariff above Rs 7,500. Rooms with tariffs between Rs 1,000 and Rs 7,500 will now attract 12% tax rate from the earlier rate of 18% and rooms with tariff below Rs 1,000 have been exempt from any GST

Table 9: Revised GST rates for Hotels and Restaurants (Applicable as of October 1, 2019)

Services	Pre GST Regime		Post GST Regime
	Central Taxes	State Taxes	
A/c or non a/c restaurant (standalone or chained)			5%^
Restaurant located within a hotel with room tariff over Rs 7,500	15% on service component^^	12.5% for food bill 20.0% for alcohol bill	18.0%*
Accommodation in hotels, guest houses, etc. where room tariff is less than Rs 1,000 per day	-	-	Nil
Accommodation in hotels, guest houses, etc. with room tariff between Rs1,000/- and Rs 7,500/- per day	9%	10%	12.0%^
Accommodation in hotels, guest houses, etc. where room tariff is above Rs 7,500/- per day	9%	10%	18.0%^

Note: ^Without input tax credit
*With input tax credit
^^ Considered to be 40% of the bill amount + service charges.
Source: CBEC

The GST on restaurants in 5 star and luxury hotels continues to be 18%, with a provision of input tax credit. Food & beverages form 30-40% revenue for 5 star hotels.

With GST rates now at 18% for premium hotels (room tariff above Rs 7,500 per day), average room rates are expected to improve going forward, as the industry had seen some moderation in FY18 for 5D & 5 star hotels post initial implementation of GST rate of 28% for such hotels.

- Under GST regime, the overall tariffs for premium hotels (four star and above) may see a decline, which may have further positive impact on the demand which had seen a pick-up in the last financial year.

- Further, the practice of bundling of meals with room tariffs may see a decline, especially for 4starand above category hotels, as higher tariffs above the stipulated levels of Rs 7,500 per day may attract higher tax rates.
- Hotels having centralized registration will have to get registered in each state whether providing hotel services on own account or through agent (franchise)
- The biggest relaxation for the industry is the ease of compliance for the industry as there would be no different taxes for the different services provided by the industry.
- GST would benefit the industry by the input credit system by reducing the overall tax flow for the industry, as earlier they did not have the option to set-off the taxes already paid on inputs of the industry.
- Also, the slashing of GST on restaurants to 5%, it is expected to have a positive impact on the footfalls and increase the propensity of dining out

Concluding remarks & Outlook:

- In terms of ORs, after witnessing growth between FY97 and FY08, occupancy rates declined for all cities in FY09 and FY10 led by the macro-economic factors that were affected due to the financial crisis and the Mumbai terror attacks that jeopardised the tourism in the country during the period. Due to increased investments in marketing and higher demand from businesses as well as leisure demand in the region, hotel markets in Pune, Ahmedabad, Hyderabad, Jaipur, Mumbai, Bengaluru and Agra witnessed a positive growth during the period between FY11 and FY19 while Goa, Kolkata, New Delhi and Gurgaon witnessed slower growth during the period. Noida and Chennai markets witnessed a decline in ORs during the period.
- ARRs, on the other hand witnessed higher growth between FY97 and FY09, post which most of the cities went in for expansions and supply increased. However, with increased supply, competition increased as well which lead to a decline in ARRs between FY09 and FY16. The average room rates have witnessed a marginal uptick between FY17 and FY19 on back of lower supply additions in the market as well as increased demand, foreign as well as domestic.
- In terms of tourism, the growth rates have been quite inconsistent over the last 25 years. However, during the major events in FY09, the country did witness a decline both in domestic as well as foreign travellers led by the financial recession that impacted the world economy. Further the terror attacks in Mumbai jeopardised the international as well as domestic tourism in India.
- With government efforts to promote India as a safe tourism destination and initiatives like 'Incredible India' promoting the country's vast culture and safety, adoption of e-visas and visa on arrival, significance of medical tourism, rupee depreciation leading to comparatively weaker currency for international tourists have enabled the country to make its position in the World tourism. India ranked 26th in terms of the international tourist arrivals in the world as of 2017, up from ranking 50th in the year 2000. Also, in terms of world tourism receipts, India's rank has improved to 13th in 2017 from 36th in the year 2000.
- Hotel industry revenues stood at Rs 10,030 crore as of FY19 (3.5% y-o-y growth vis-à-vis FY18). Hotels which derives higher share of revenue from foreign passengers and food & beverages segment will be the worst affected. **Cost-cutting measures are the need of hour.** Hotel entities which will be quick in trimming down the unnecessary costs and implement various efficiency improvement measures will be able to cut down the damage better. Employee costs are one of the largest cost components of the hotels accounting for about 25-30% of the total expenditure.
- Hotel sector is characterized by long gestation period. Hotel entities with recent expansions or groups with a higher portfolio of new assets compared to mature assets will face additional heat on their already weak financials. With high debt repayments and squeezed profitability, **these entities may witness tightening in their liquidity and credit profile**. **Furthermore, hotels need to revisit their capex plans as the Covid-19 impact is expected to derail the future growth.**

- **While certain demand is expected to be impacted on account of the ongoing Covid-19 concern, India is also expected to benefit from it as demand for MICE from other Asian countries is expected to be diverted to India to some extent, benefits of which will be seen only be seen post FY21**
- On back of marginally positive sentiments for the domestic tourism and MICE led by social and industrial activities, **we expect the momentum to pick up going forward and the industry to register a growth of about 3-5% in revenues for FY20-FY21.**
- The expected future inventory in 11 major markets (across categories - only branded) is lower at around 50,170 rooms for the next 5 years (FY19 to FY24). Therefore, with increasing demand on back of improvement in economic activities and lower room additions, **we expect the major markets in the industry to sustain the average room rates (ARRs) going forward and grow at an average of 3.5-4.5% per annum. Also, we expect the occupancy to inch up to an average of about 68-70% by the end of FY22 compared with 66.7% in FY19.**
- **Accordingly, the hotels industry is expected to see an increase in room revenue at the rate of about 6-8% CAGR over the next 3 years.**
- The sector continues to face several challenges in terms of complex regulatory environment and inadequate tourism infrastructure.
- Goods and Services Tax (GST) has been implemented from July 1, 2017, with the aim of replacing the indirect taxes on all goods and services. In September 2019, the GST for hotel accommodation with room tariff above Rs 7,500 has been revised to 18% from the earlier rate of 28%. Rooms with tariffs between Rs 1,000 and Rs 7,500 will now attract GST of 12% while that below Rs 1,000 have been exempt from any GST. Accordingly, we at CARE Ratings believe that the effective tax rate is expected to provide some impetus to the hotel industry in terms of average room rates going forward.

Annexure

Hotels - Star Category Classification

Criteria	1 & 2 Star	3 Star	4 Star	5 Star & 5-D	Comments
General					
24 hour lifts for buildings higher than ground plus two floors	N	N	N	N	Mandatory for all hotels. Local laws may require a relaxation of this condition. Easy access for differently abled guests
All floor surfaces clean and in good shape	N	N	N	N	Floor may be of any type
Parking facilities	D	N	N	N	Should be adequate in relation to the number of rooms & banquet / convention hall capacities. Exclusively earmarked accessible parking nearest to the entrance for differently abled guests
Guest Room					
Minimum size of bedroom excluding bathroom in sq. ft.	120	130	140	200	Single occupancy rooms may be 20 sq. ft. less. Rooms should not be less than the specified size.
Air-conditioning - % of Rooms	25%	50%	100%	100%	Air-conditioning / heating depends on climatic conditions & architecture. Room temp. Should be between 20cto 28c.
Suites	D	D	N	N	2% of room block with a minimum of 1 suite room
Minibar/Fridge	D	D	N	N	All 3 Star hotels shall have the facility of a mini fridge and all 4 Star, 5 Star and 5 Star deluxe shall have the facility of mini bar with effect from 1.4.2014. Contents must conform to local laws
Shelves/Drawer space	N	N	N	N	Necessary for hotels of 1, 2 & 3 Star category to have a wardrobe.
Wardrobe with minimum 4 clothes hangers per bedding	N	N	N	N	In 1 star or 2 star hotels this may be without doors
Sufficient lighting, 1 per bed	N	N	N	N	
A 5 amp earthed power socket	N	N	N	N	
A bedside table and drawer	N	N	N	N	1 per two twins and two for a double bed.
Opaque curtains or screening at all windows	N	N	N	N	All 4 Star, 5 Star and 5 Star deluxe hotels shall install blackout curtains by 1.4.2015

TV - cable if available		N	N	N	Mandatory for 3*, 4*, 5* and 5* Deluxe category and TV must have remote. Exception: For Eco and Nature Resort, TV Cable is not mandatory for 3*,4*,5*,5* Deluxe category. However, it is mandatory that they provide a Television with cable in lobby or other common area.
Bathroom					
Number of rooms with attached bathrooms	All	All	All	All	It will be mandatory w.e.f. 01.09.2010 for all 1 & 2 Star category hotels to have attached bathrooms. All bathrooms to have sanitary bin with lid
Minimum size of bathroom in sqft	30	36	36	45	25% of bathroom in 1 & 2 Star hotels to have western style WC. No higher ceiling / cap on the maximum size
Guest toiletries to be provided - minimum 1 new soap per guest	N	N	N	N	Quality products depending on the star category
Bottled toiletry products to be provided	D	D	N	N	
Floors and walls to have non - porous surfaces	N	N	N	N	
All Star hotels shall provide water sprays or bidets or washlets or other modern water based post-toilet-paper hygiene facilities.	N	N	N	N	This condition shall be applicable to all new hotels that will start operating from 1.4.2016. For the hotels which have come into operation or will come into operation before 31.3.2016, these facilities will be mandatory from 1.4.2022.
Hot and cold running water available 24 hours	N	N	N	N	It will be mandatory w.e.f. 01.09.2010 for all 1 & 2 Star category hotels to provide hot & cold running water
Public Area					
Valet (Parking) services to be available	D	N	N	N	
Lounge or seating area in the lobby	N	N	N	N	Lobby shall have furniture and fixtures which shall include chairs /arm chairs, sofa, tables and fresh floral display.
Food & Beverage					
1 Star & 2 Star category					1 & 2 Star categories should have minimum one dining room serving all meals. Room service not necessary

3 Star category	One Multi-cuisine Restaurant cum Coffee Shop open from 7 a.m. to 11 p.m. and 24 hr. Room Service
4 Star category (with alcohol service or with no alcohol service)	*Grade A cities:* One Multi Cuisine Restaurant cum coffee shop open from 7 a.m. to 11 p.m., one Specialty Restaurant and 24 hr. room service *Other than A cities:* One Multi Cuisine Restaurant cum Coffee Shop open from 7 a.m. to 11 p.m. and 24 hours . Room Service
5 Star category (with alcohol service or with no alcohol service)	*Grade A cities:* One 24 hours Multi Cuisine Restaurant cum Coffee Shop, one Specialty Restaurant and 24 hours. Room Service. *Grade B cities:* One Multi Cuisine Restaurant cum Coffee Shop open from 7 a.m. to 11 p.m., and 24 hours. Room Service. One. Specialty Restaurant would be desirable *Other than A &B cities:* One Multi Cuisine Restaurant open from 7 a.m. to 11 p.m. and 24 hours Room Service.
5 Star Deluxe category	*Grade A cities:* One 24 hours Multi Cuisine Restaurant cum Coffee Shop, one Specialty Restaurant and 24 hours. Room Service. *Grade B cities:* One Multi Cuisine Restaurant cum Coffee Shop open from 7 a.m. to 11 p.m., and 24 hours. Room Service. One. Specialty Restaurant would be desirable *Other than A &B cities:* One Multi Cuisine Restaurant cum Coffee Shop open from 7 a.m. to 11 p.m. and 24 hours Room Service. One Specialty Restaurant would be desirable.

Grade A: Delhi,** Mumbai, Kolkata, Chennai, Bangalore, Pune, Hyderabad, Secunderabad *Grade B*: Cities in the rest of the country excluding Grade 'A' cities *Grade C:* Cities in the rest of the country					Note: The Ministry of Tourism may review and revise the cities falling under the Grade 'A' – Grande 'B' from the time to time. **Delhi would include the hotels falling in Gurgaon, Faridabad, Ghaziabad, NOIDA, and Greater NOIDA"
Kitchen/Food Production Area					
Refrigerator with deep freezer	N	N	N	N	Capacity based on size of F & B service
Segregated storage of Meat, fish and vegetables	N	N	N	N	Meat, fish and vegetables in separate freezers
Drinking water	N	N	N	N	Water treated with UV + filtration
Garbage to be segregated - wet and dry	N	N	N	N	To encourage recycling
Wet garbage area to be air-conditioned	D	N	N	N	
Guest Services					
Iron and Iron Board facility	D	D	N	N	Iron and iron board to be made available on request in 1 to 3 Star category hotels on complimentary basis. For 4, 5, 5 Star Deluxe categories to be available in the room on complimentary basis.
Dry- cleaning /laundry	D	D	D	N	In house for 5 Star Deluxe hotels. For 5 Star category and below may be outsourced
Paid transportation on call	D	N	N	N	Guest should be able to travel from hotel
Acceptance of common credit cards and facility / infrastructure for accepting/ making payments by digital transactions.	N	N	N	N	
Wake - up call service on request	N	N	N	N	
Name Address and telephone numbers of doctors with front desk	N	N	N	N	
Newspapers available	D	D	N	N	This may be placed in the lounge for 1, 2 & 3 Star hotels
Stamps and mailing facilities	D	N	N	N	
Access to travel desk facilities	N	N	N	N	This neednot be on the premise for 1, 2 & 3 Star categories
Health - Fitness facilities	D	D	D	N	Indian system of treatments should preferably be offered
Conference Facilities	D	D	D	N	
Safety & Security					
CCTV Cameras at strategic locations	N	N	N	N	
Smoke Detectors	N	N	N	N	These can be battery Operated

Utility shop / kiosk	D	D	D	N	The presence of a utility kiosk/shop will not be a mandatory condition for classification under one to four Star categories. For 5 Star & 5 Star Deluxe categories one utility kiosk or shop will be a must. No separate book shop shall be necessary
Metal detectors (door frame or hand held)	D	N	N	N	
Security arrangements for all hotel entrances	N	N	N	N	
Communication Facilities					
Telephone facility within arm's reach of the toilet seat.	D	D	N	N	All hotels in the categories 4 Star, 5 Star & 5 Star Deluxe shall provide a telephone within an arm's reach of the toilet seat. This condition shall be applicable to all new hotels that will start operating from 1.4.2016.
A telephone for incoming & outgoing calls in the room.	N	N	N	N	4 star and above should have direct dialing and STD / ISD facilities. 1,2 and 3 Star category hotels may go through a telephone exchange
PC available for guest use with internet access	D	N	N	N	This can be a paid service. Up to 3 Star, PC can be in the executive offices, Internet subject to local access being available
Swimming Pool	D	D	D	N	This can be relaxed for hill destinations. Mandatory to have trained Life Guard. Board containing Do's & Don'ts, No Diving sign, pool depth etc. should be displayed at a strategic location in the pool area All 4 Star, 5 Star and 5 Star Deluxe hotels shall provide a luminous LED wall clock with numerals of three inches or more on display near their swimming pools. It will be desirable for all 5 Star Deluxe hotels to have air-conditioned porches and heated swimming pools.

Note: D – Desired, N - Necessary
Source: Ministry of Tourism