

**Government's focus on tourism initiatives to boost hotel sector**

May 15, 2015

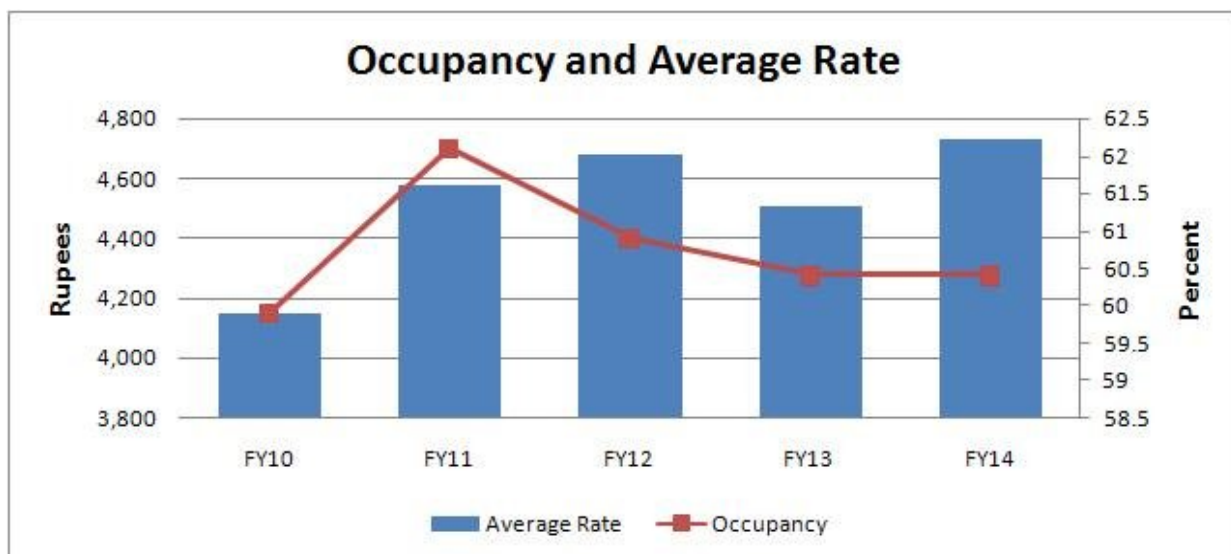
Hotel industry is one of the most profitability industries in India, the contribution of tourism and hotel industry in India accounts 6.08% to national GDP and 8.78% of the total employment. The steady change has made the Indian hotel industry more functional and practical and has gained a level of acceptance world over. The standards of facilities and services offered have developed over the last decade towards the extensive use of technology, pricing, environment friendly services, regional preferences, market segmentation, etc.

The sector is highly optimistic with a large number of hotel chains lining up their expansion plans. The renewed sense of optimism comes on the back of a volatile economic environment for most part of 2014 and the sector hopes that initiatives announced by the new government, including those related to e-visas and specific funds for developing tourist circuits, would lead to good business. The policies and changes implemented by the Government of India have been instrumental in providing the necessary boost to the Indian tourism and hospitality industry and attracting more and more foreign tourists every year.

**Industry performance**

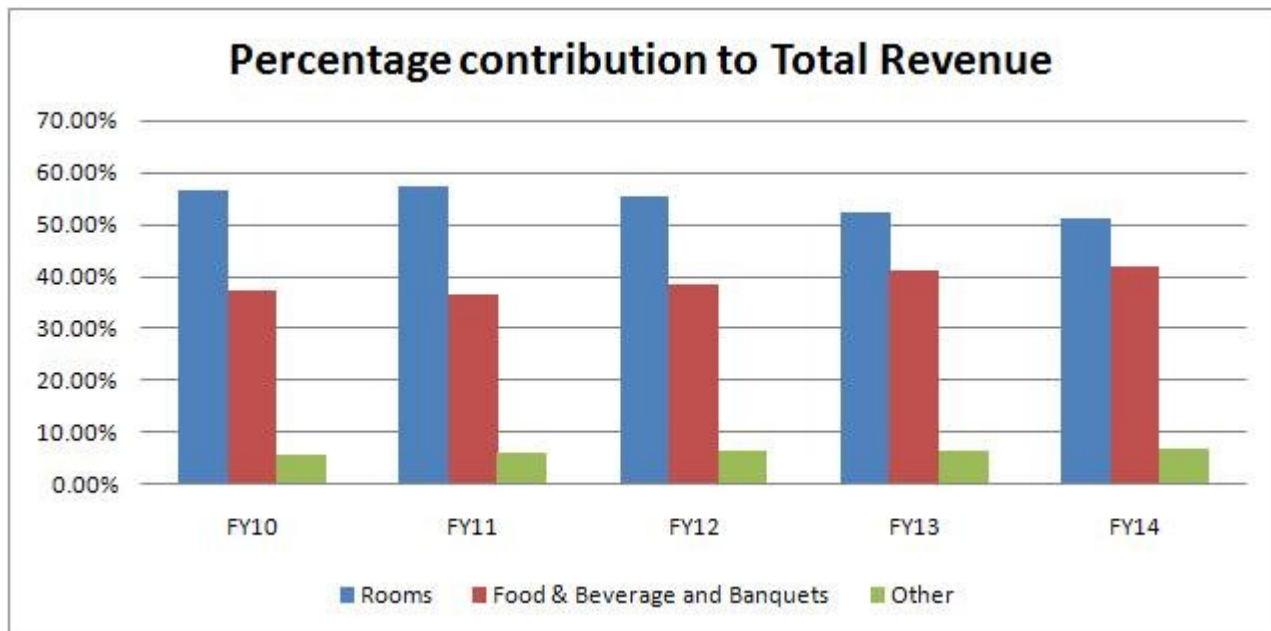
India is a fast growing market and sees a positive growth with respect to occupancy in hotels. The Indian hoteliers are very optimistic and tourist inflow is expected to increase in future. According to 2014 statistics the Indian hospitality sector has been growing at a cumulative annual growth rate of 14 per cent every year, adding significant amounts of foreign exchange to the economy.

**Unchanged Occupancy and Increased Average Rate:** The occupancy for 2013-14 remained unchanged at 60.4% as compared to that in 2012-13. The average room rate (ARR) was the highest in the last five years, increasing by 4.9% to close at Rs 4,729. The overall occupancy rates showed a marginal increase in the 2013 to 2014 fiscal year with 58.9 percent occupancy, an increase of 1.9 per cent from the previous year.



**Rising Departmental Expenses as Percentage of Revenues:** Departmental expenses as a percentage of total revenues at an All-India level have increased over the last three years. This trend has continued in 2013-14, with Rooms expenses growing to 20.7% (as a percentage of Rooms revenue) as compared to 19.3% in 2012-13. Similarly, Food and Beverage (F&B) expenses have increased from 55.2% in 2012-13 to 56.6% in 2013-14; and other departmental expenses have risen marginally from 39.3% in 2012-13 to 40.2% in 2013-14. Thus, the overall departmental expenses as a percentage of revenues have increased from 35.4% in 2012-13 to 37.1% in 2013-14, resulting in a decline in departmental income from 64.6% in 2012-13 to 62.9% in 2013-14. This trend may be attributed to the higher costs of manpower, energy and the inflated commodity prices, combined with a relatively sluggish growth in revenues.

**Increasing Contribution of Non-Rooms Revenue:** There has been a continued change in the revenue composition over the past few years. Although ARR's saw a marginal increase, the trend of declining revenues from the Rooms division continued in 2013-14, falling from 52.2% in 2012-13 to 51.3% in 2013-14. The contribution of F&B revenue, on the other hand, has increased marginally from 41.2% in 2012-13 to 41.9% in 2013-14 with rising contribution from Banquets and Conferences. Additionally, other revenue that includes laundry, gift shop, business centre, health club and rentals also saw a slight growth from 6.6% in 2012-13 to 6.9% in 2013-14.

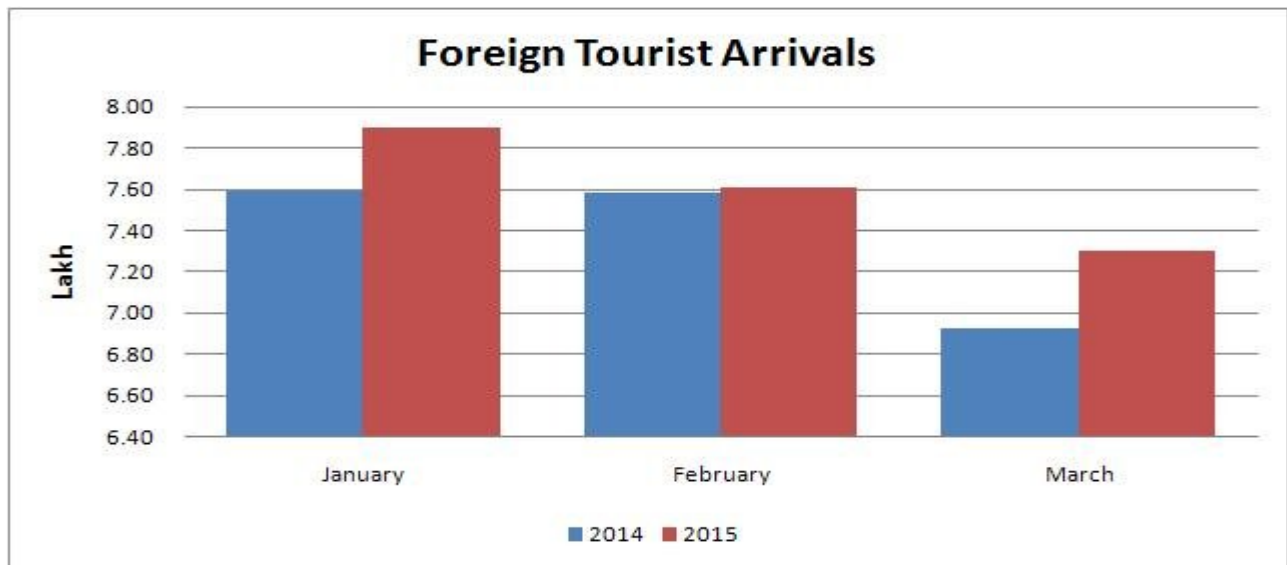


### Increasing Foreign Tourist Arrivals

FTAs during the Month of March 2015 were 7.30 lakh as compared to FTAs of 6.93 lakh during the month of March 2014 and 6.40 lakh in March 2013. There has been a growth of 5.3% in March 2015 over March 2014. FTAs for during the period January- March 2015 were 22.81 lakh with a growth of 3.2%, as compared to the FTAs of 22.10 lakh with a growth of 7.9% in January- March 2014 over January- March 2013.

The Percentage share of Foreign Tourist Arrivals (FTAs) in India during March 2015 among the top 15 source countries was highest from UK (12.52%) followed by USA (12.35%), Bangladesh (12.28%), Sri Lanka (4.40%), Germany (4.28%), Canada (3.39%), Malaysia (3.26%), France (3.24%), Japan (2.71%), Australia (2.67%), Thailand (2.67%), China (2.55%), Russian Fed (2.31%), Singapore (1.70%) and Afghanistan (1.58%). These top 15 countries accounts for 71.91% of total FTAs during March 2015.

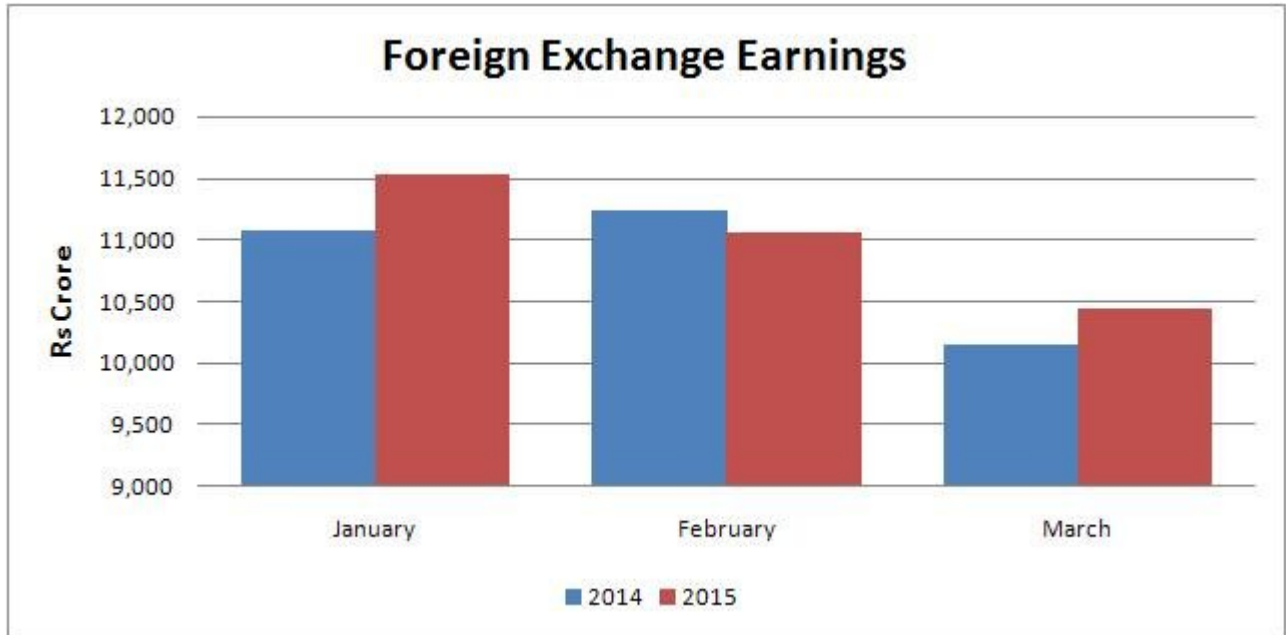
Meanwhile, the Percentage share of Foreign Tourist Arrivals (FTAs) in India during March 2015 among the top 15 ports was highest at Delhi Airport (32.4%) followed by Mumbai Airport (16.7%), Chennai Airport (7.8%), Haridaspur Land check post (6.7%), Bengaluru Airport (5.6%), Cochin Airport (4.0%), Kolkata Airport (3.8%),Goa Airport (3.3%), Sonauli Land Check post (3.2%),Hyderabad Airport (2.6%), Amritsar Airport (1.7%), Trivandrum Airport (1.5%),Ahmedabad Airport (1.4%),Gede Rail (1.4%) and Tiruchirapalli Airport (1.2%). These top 15 ports accounts for 93.3% of total FTAs during March 2015.



### Foreign Exchange Earnings

FEEs during the month of March 2015 were Rs 10,451 crore as compared to Rs 10,152 crore in March 2014 and Rs 9,545 crore in March 2013. The growth rate in FEEs in rupee terms during March 2015 over March 2014 was 2.9%. FEEs from tourism in rupee terms in January- March 2015 were Rs 33,036 crore with a growth of 1.7% as compared to the FEE of Rs 32,473 during January- March 2014.

FEEs in USD terms during the month of March 2015 were \$1.674 billion as compared to FEEs of \$1.662 billion during the month of March 2014. The growth rate in FEEs in USD terms in March 2015 over March 2014 was 0.7% compared to a decline of 5.3% in March 2014 over March 2013. FEEs from tourism in USD terms during January- March 2015 were \$5.310 billion with a growth of 1.1% as compared to the \$5.253 billion with a decline of 6.9% during January- March 2014 over January- March 2013.



### Foreign Direct Investment

The tourism and hospitality sector is among the top 10 sectors in India to attract the highest foreign direct investment (FDI). In the period April 2000 -January 2015, the hotel sector attracted around Rs 40,198.41crore of FDI.



### **Some of the major investments in the Indian hotel sector:**

- InterGlobe Hotels has announced the opening of ibis brand hotel in Delhi with plans to have 19 ibis hotels operational in India by 2016.
- Starwood Hotels & Resorts has announced plans to have up to 65 operational properties by end of 2015 in India. It currently operates 39 hotels in India under six brands, including Luxury Collection, Westin, Sheraton, Le Meridien, Four Points by Sheraton and Aloft. It is looking to have a total of 100 hotels in its Indian portfolio by 2015.
- Luxury hotels chain Kempinski has announced plans to operate three new hotels in India by 2020 in Kolkata, Mumbai and Kerala if the ongoing negotiations were successful.

### **Government initiatives**

**Hunar Se Rozgar Tak Initiative:** Over 1.94 lakh persons have been trained upto March 31, 2015 under the programme 'Hunar Se Rozgar Tak' (HSRT) of the Ministry of Tourism. The HSRT initiative is being implemented through expert institutions including the Indian Institute of Tourism and Travel Management, Institutes of Hotel Management, Food Craft Institutes and India Tourism Development Corporation. The State Governments/Union Territory Administrations have also been authorised to implement the initiative through Institutes selected by them for purpose. It is also mandatory for certain star-classified hotels to train a prescribed minimum number of persons. As of now, the HSRT Initiative covers four hospitality trades namely food production, food & beverage service, housekeeping utility and bakery & patisserie. Besides, there are programmes in place to bring up drivers, tourist facilitators, event facilitators, tour assistants, transfer assistants and office assistants. The Ministry of Tourism launched the special initiative called Hunar Se Rozgar Tak (HSRT) in the year 2009-10 for creation of employable skills amongst youth. The initiative is fully funded by the Ministry of Tourism. The features common to the training programmes under the HSRT are: the trainees should be in the age group of 18-28 years; each training programme is of short duration - 6 to 8 weeks; and no fees are chargeable to the trainee.

### **Some other steps taken by the Ministry of Tourism to increase the arrival of tourists to India are:-**

- Launch of Tourist e-Visa for citizens of 44 countries.
- Promotion of the destination through the Incredible India Campaign across the globe.
- Participation in major International Tourism & Travel Fairs & Exhibitions.
- Organising Road Shows to promote tourism destinations and products of country in major tourist source markets in collaboration with stake holders.
- Development and promotion 'Niche Tourism' products.
- Creating an increased pool of trained man power in Hospitality & Tourism sectors for delivery of quality service to the tourist.
- Organising International Buddhist Conclave once in 2 years to show case the Buddhist Heritage and International Tourism Mart for showcasing the tourism potential of North East being held every year.

### Outlook

Indian hotel industry's revenue growth is expected to strengthen to 9-11% in 2015-16, on the back of modest increase in occupancy and small increase in rates, while occupancies pan India showed signs of improvement during 2014-15, driven by a few pockets such as Mumbai, where occupancies grew by 15% year-to-date in December 2014 supported by traffic for large conferences and weddings. Going forward, factors such as a stable government, declining inflation, estimated increase in GDP growth (to 5.6%), and the government's strong focus on tourism initiatives are all expected to boost hotel performance going forth.

### Companies Financial Data In Industry

Company Name	CMP	MCAP (Rs Crore)	BOOK VALUE	DIV. YEILD %	TTM EPS	TTM PE
Benares Hotels Ltd.	1319.75	171.57	378.51	1.52	70.97	18.60
Mac Charles (India) Ltd.	173.60	227.34	186.54	3.46	13.39	12.96
Sinclairs Hotels Ltd.	282.90	157.58	127.74	1.41	11.64	24.31
Mahindra Holidays & Resorts India Ltd.	247.50	2197.33	87.85	1.62	10.47	23.63
EIH Associated Hotels Ltd.	210.10	640.14	70.77	1.43	8.27	25.39
Gujarat Hotels Ltd.	137.00	51.89	53.53	2.55	7.22	18.98
Fomento Resorts & Hotels Ltd.	106.00	169.60	45.14	0.94	7.17	14.79
The Byke Hospitality Ltd.	163.35	655.00	28.28	0.46	4.37	37.37
Royal Orchid Hotels Ltd.	40.00	108.94	67.03	0.00	4.20	9.52
Jindal Hotels Ltd.	30.45	18.27	38.91	2.63	2.93	10.40
Speciality Restaurants Ltd.	167.80	787.95	66.30	0.60	2.33	72.02
India Tourism Development Corporation Ltd.	116.60	1000.07	38.30	0.43	1.96	59.40
EIH Ltd.	106.30	6075.78	42.97	1.03	1.49	71.35
Phoenix Township Ltd.	15.85	22.17	10.35	0.00	0.80	19.75
Royale Manor Hotels & Industries Ltd.	9.24	15.65	19.01	0.00	0.79	11.71
Advani Hotels & Resorts (India) Ltd.	40.25	186.03	7.36	0.60	0.78	51.65
Howard Hotels Ltd.	6.68	6.09	13.14	0.00	0.33	20.50
Asian Hotels (North) Ltd.	110.00	213.99	299.02	0.91	0.29	375.41
KDJ Holidayscapes and Resorts Ltd.	18.75	102.48	4.58	0.00	0.16	117.66
Sterling Holiday Resorts (India) Ltd.	264.70	2385.41	26.75	0.00	0.13	0.00
Polo Hotels Ltd.	13.27	17.90	41.52	0.00	0.08	159.78
Dhanada Corporation Ltd.	8.55	47.82	5.79	0.00	-0.02	0.00
Le Waterina Resorts & Hotels Ltd.	0.85	5.66	1.23	0.00	-0.13	0.00
Country Club Hospitality & Holidays Ltd.	10.75	175.72	43.73	0.93	-0.19	0.00



## Sector Outlook - Hotel

Hotel Rugby Ltd.	3.01	4.31	6.19	0.00	-0.22	0.00
Oriental Hotels Ltd.	19.45	347.38	15.14	2.83	-0.29	0.00
Taj GVK Hotels & Resorts Ltd.	66.50	416.96	55.26	0.30	-0.31	0.00
TGB Banquets And Hotels Ltd.	124.40	364.32	49.95	0.00	-0.41	0.00
Velan Hotels Ltd.	7.20	23.01	20.20	0.00	-0.61	0.00
Savera Industries Ltd.	39.00	46.52	33.51	3.08	-0.86	0.00
Asian Hotels (West) Ltd.	116.00	132.92	251.15	1.29	-1.18	0.00
Viceroy Hotels Ltd.	14.85	62.97	21.83	0.00	-1.70	0.00
The Indian Hotels Company Ltd.	103.75	8377.53	33.67	0.00	-4.07	0.00
Tulip Star Hotels Ltd.	76.00	35.04	18.14	0.00	-10.24	0.00
Hotel Leela Venture Ltd.	17.70	825.90	-9.06	0.00	-11.08	0.00
Blue Coast Hotels Ltd.	119.10	151.83	51.78	0.00	-15.08	0.00
Kamat Hotels (India) Ltd.	58.00	136.79	-2.71	0.00	-18.45	0.00

Sorted with TTM EPS (High to Low)

Source – Ace Equity

### Disclaimer

This report is for private circulation within the Indira Group. This report is strictly confidential and for information of the selected recipient only and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form. This report should not be construed as an offer or solicitation to buy or sell any securities or any interest in securities. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or any such factor. The information, opinions estimates and forecasts contained here have been obtained from, or are based upon, sources we believe to be reliable, but no representation of warranty, express or implied, is made by us to their accuracy or completeness. Opinions expressed are our current opinions as of the date appearing on this material only and are subject to change without notice.