

Top global hospitality brands look at India

Global hospitality brands Hilton, Starwoods, Accor, Carlson, Inter-Continental, Jumeirah, and Easy group are all stepping up their international offerings in the Indian market, given upbeat growth, demand-supply mismatch and the burgeoning hospitality sector in the country.

While Hilton is looking at launching Garden Inn and Conrad brands, Starwoods is planning to introduce Four Points, W Hotels, St. Regis and Aloft brands. Accor Hotels has lined up its Mercure and Sofitel brands and Inter-Continental its Crowne Plaza Resorts and Holiday Inn Express brands in the country.

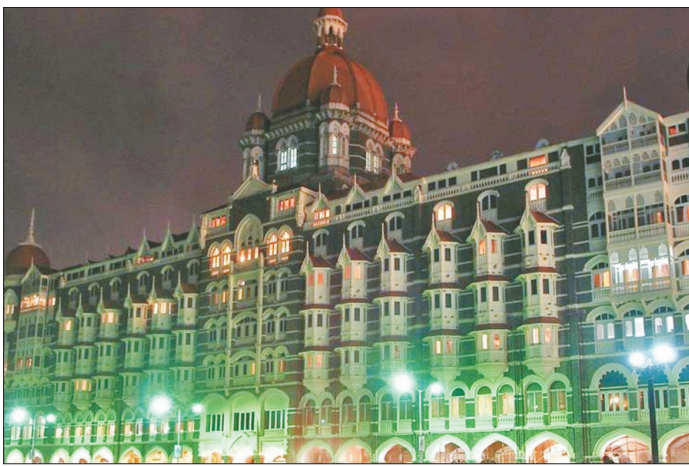
"The Indian hotel industry is maturing," points out Saurabh Gupta, head, hospitality, HVS International, a global hospitality-consulting firm. "It recognises the need to provide specialised lodging products at varying price points."

The country is witnessing a spurt in hotel expansion as India is facing a severe shortage of quality hotel rooms because of increased business activity and an expansion in leisure travel by the burgeoning middle class, as well as international tourists. The demand-supply mismatch is likely to last till mid-2008 with most of the fresh supply coming in over the next couple of years.

"Hotels on an expansion phase will be in a better position to absorb the decline in occupancies and rates over the long term, as any additional supply can offset the pressure on room rates," says Raymond Bickson, managing director, Indian Hotels, which owns the Taj brand of hotels and resorts.

With demand outstripping supply, domestic hotel companies are charting out aggressive plans to invest close to \$1.01 billion over the next two years to fund new projects and expansion plans. Domestic hotel majors like Indian Hotels, Leela Ventures, EIH (member of the Oberoi group), Kamat Hotels, and Royal Orchid are likely to see room inventory go up by around 6,500 units given the burgeoning hospitality sector in the country.

According to industry estimates, more than 53,000 hotel rooms are in various stages of planning and development in 10



Hotel chains are planning to invest \$1.01 bn. in the next two years.

cities, and are expected to become operational in a phased manner by 2011. Out of this, around 8,440 hotel rooms are expected in the budget category. With most cities showing an impressive demand for rooms, hotel operators are optimising demand by putting in place proactive rate management strategies, say sources in the industry.

While Leela Ventures is investing around \$284 million, Indian Hotels is expected to invest around \$280 million. EIH, Kamat Hotels and Royal Orchid are expected to invest around \$258 million, \$82 million and \$112 million respectively. A total of 60 new properties across different categories are likely to be ready soon, analysts tracking the industry add.

Interestingly, hoteliers are upgrading their 3-star or 4-star hotel projects to 5-star levels due to spiralling land prices. Out of the 300 hotel projects recently approved by the government, 55 per cent is understood to be luxury hotels accounting for about \$1.6 billion in investment.

The key reasons for this are the higher profitability and revenues that accrue from a 5-star hotel room as compared with a 3- or a 4-star one. Globally, land costs account for 15 to 20 percent of the total project cost. In India, the real estate component in the total project cost has shot up to 50 percent compared to 25 to 30 percent a few years back, and this has driven them to set up luxury rather than budget hotels. The domestic hotel industry is witnessing a lot of interest among private equity investors and international chains 3-4 years. According to Government of India estimates, the number of foreign visitors to India increased by 11 percent in 2004 and 2005 and by 15 percent in 2006.

Business travellers represent over 50 percent of foreign travellers. Besides this, there are about 300 million domestic tourists travelling across the country each year and this number is expected to witness a growth of 10 to 15 percent over the next few years.

"The domestic hotel industry is witnessing a lot of interest among private equity investors and several international hospitality chains are looking to enter the country," says Chender Baljee, chairman and managing director, Royal Orchid Hotels. Over the last few months, tier two cities like Jaipur, Gurgaon, Hyderabad, Pune and a host of other state capitals and prominent commercial hubs are seeing growth both in terms of occupancy and room rates.

While occupancy is around 75 to 80 percent, room rates are up by 15 to 20 percent in these markets. With the leisure destinations opening up between October and May, demand from both international and domestic tourists is likely to peak during this period.

The domestic hospitality industry is currently witnessing unprecedented growth and the increase in revenue and profitability of most of the premium hotels is an indication of this, explains Binaifer Jehani, analyst at Cris Infac, part of Crisil, India's leading ratings, research, risk and policy advisory company.

The average room rate for a 5-star property is up 27 percent to \$160 in 2005-06 as compared to a 3-star one, which, is up by just 12 percent at \$46 a night.

In cities like Mumbai and Bangalore, some of the better properties fetch rates of between \$300 and \$500 for a night's stay.

And in these cities, there is no such thing as a peak or lean season, and most properties enjoy high occupancy rates round the year. India's vibrant economy and its buoyant international trade has seen it attract hundreds of high level business delegations from around the world, boosting the prospects for luxury and business hotels.

Indeed, with millions of affluent and middle-class Indians being bitten by the travel bug, demand for facilities will expand phenomenally over the years.

PASSING THROUGH



Prime Minister of Thailand General Surayud Chulanont, left, with President A.P.J. Abdul Kalam in New Delhi on June 26.



External Affairs Minister Pranab Mukherjee with former Prime Minister of France Michel Rocard in New Delhi on June 27.



Union Commerce Minister Kamal Nath with Thai Commerce Minister Krirk-Krai Jirapaet in New Delhi on June 25.



Union Tourism Minister Ambika Soni with Chinese Culture Minister Sun Jiazheng in New Delhi on June 20.

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COMING EVENTS AT NEHRU CENTRE

Tuesday, July 3, 6.15 P.M.

Exhibition of paintings

The vivid watercolour paintings demonstrate a visit by the members of the Royal Watercolour Society to India that fostered a meaningful exchange of ideas between the two cultures.

Tuesday July 3, 6.45 P.M.

Music: Sham-e-Ghazal. By Aruna Jaiswal
Aruna, trained under Jamir Khan, sings all types songs including bhajans, ghazals and new and old Bollywood songs.

Wednesday, July 4, 6.30 P.M.

Discussion: A.N. Sattanathan, A Sudra's Story

The memoirs and lectures of A.N. Sattanathan, chairman of the first Tamil Nadu Backward Classes Commission,

will be presented in a fully annotated edition, which is a key literary-historical document of the caste struggle.

Thursday, July 5, 6.30 P.M.

Music and Poetry: A Celebration of Hazrat Inayat Khan

July 5 is the 125th birth anniversary of Hazrat Inayat Khan, who brought Sufism to the West. The evening will offer the beautiful ragas of Hazrat Inayat Khan in readings by poet Evlynn Sharp.

Saturday July 7, 6.15 P.M.

Book Launch: *Ye Ghar Tumhara hai*. By Tejendra Sharma

A postgraduate in English literature from Delhi University, Sharma has written four collections of short stories and the fifth *Beghar Aankhein* is in press.

Monday, July 9, 6.15 P.M.

Aranya Sen's exhibition of Photographs on Calcutta

Aranya Sen has worked for several English dailies in India. Aranya has received the MILK (Moments of Intimacy, Laughter and Kinship) award.

Monday, July 9, 6.45 P.M.

Bharatanatyam: Krishna Chalisa. By Jyotsna Shourie

Jyotsna interprets Hindu hymns through a dance ballet, Krishna Chalisa.

Tuesday July 10, 6.30 P.M.

Lectures on Jain Wisdom: By Dr. Atul Shah

Lecturer, writer and broadcaster, Atul K. Shah will conduct a talk about the relevance of the philosophy of Mahavir's

Jainism in today's world.

Wednesday July 11, 6.30 P.M.

Poetry and Songs: By Soumitra Chatterjee

Legendary actor Padmabhusan Soumitra Chatterjee will participate in an innovative script based musical performance.

Thursday July 12, 6.30 P.M.

Book Launch: *Mughal India*

The Mughal Empire, which ruled virtually all of today's India, Pakistan and Bangladesh, created one of the richest and most colourful of all historical eras.

Friday July 13, 6.30 P.M.

Talk: Blood Brothers. By M.J. Akbar
Leading Indian journalist, M.J. Akbar is the editor-in-chief of *The Asian Age*.