

# TOURISM AND HOSPITALITY

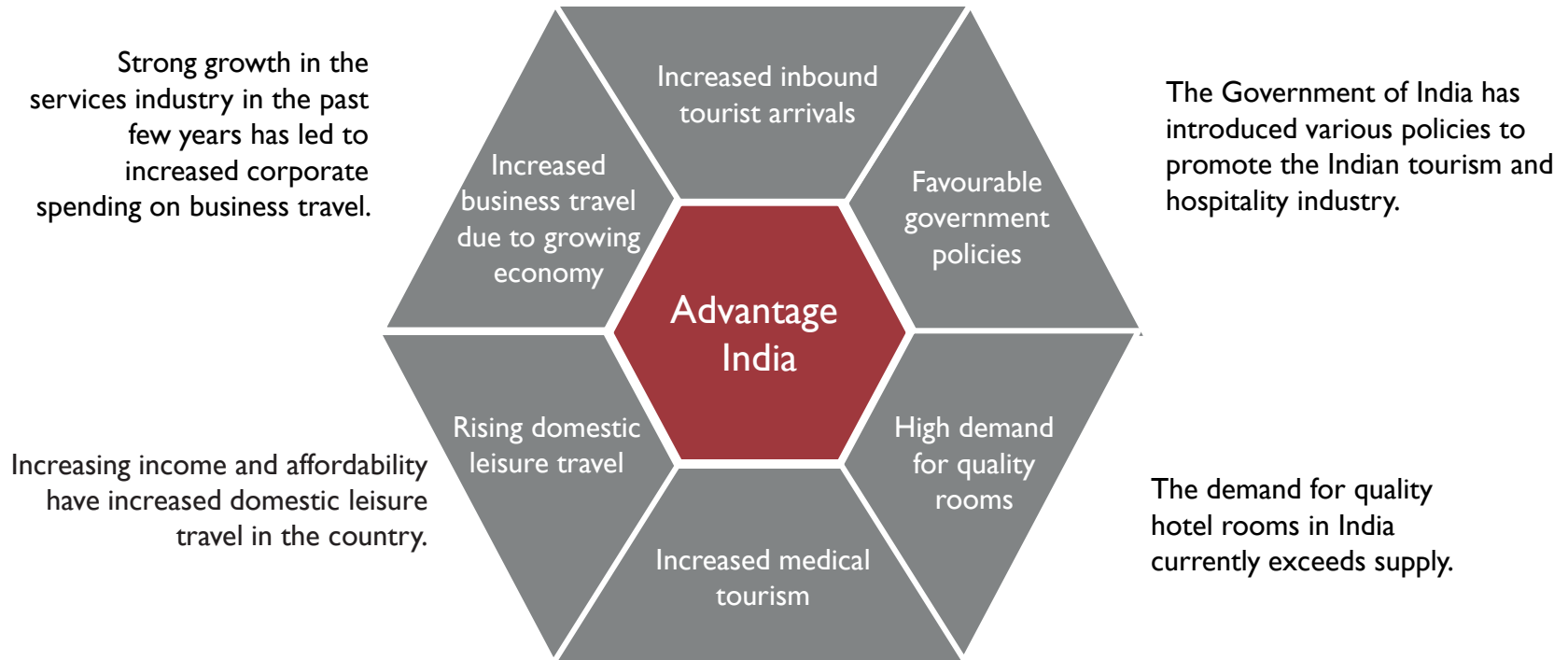
April 2010

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# Advantage India

Foreign tourist arrivals in India have increased as India continues to be a favoured tourist destination for leisure, as well as business travel.



India's well-equipped hospital infrastructure and the low cost of treatment, compared to developed countries, make it a preferred destination for medical tourism.

Sources: "Statistics," Ministry of Tourism (Government of India) website, <http://tourism.gov.in>, accessed 23 January 2010; "Travel and tourism economic impact: India, 2009," World Travel and Tourism Council website, [www.wttc.org](http://www.wttc.org), accessed 22 January 2010; "Medical tourism', fastest segment of tourism industry," The Hindu website, <http://beta.thehindu.com/business/Industry/article78409.ece>, accessed 25 January 2010.

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## Market overview

India is one of the fastest-growing travel and tourism markets in the world.

- The travel and tourism demand in India has increased at a compound annual growth rate (CAGR) of 16.4 per cent between 2004 and 2009, to reach US\$ 91.7 billion (INR 4,412.7 billion).
- The travel and tourism demand is expected to reach US\$ 266.1 billion (INR 14,601.7 billion) by 2019.
- The Indian hotel industry, being a direct beneficiary of the growth in the economy and the tourism industry, has recorded strong growth over the past few years.



Source: "Travel and tourism economic impact: India, 2009," World Travel and Tourism Council website, [www.wttc.org](http://www.wttc.org) accessed 22 January 2010.  
E: Estimates

## Growth drivers

Domestic tourism has grown

- Rising affordability and affinity for leisure travel are driving domestic tourism in India.
- Domestic tourist visits in India were estimated at 562 million in 2008, a growth of 7 per cent over the previous year.

India has emerged as a popular destination for foreign tourists

- International tourist arrivals in India have increased at a CAGR of 8.1 per cent between 2004 and 2009 to reach 5.1 million.
- During the same period, foreign exchange earnings from tourism increased by more than 13 per cent to reach US\$ 11.39 billion.

Outbound travel is becoming increasingly affordable

- The increasing affluence of the Indian middle-class population and easy availability of attractive tour packages have increased outbound leisure travel from India.
- Globalisation is driving outbound business travel.
- Outbound visits by Indian nationals increased from 6.2 million in 2004 to 10.9 million in 2008.

Infrastructure is being augmented

- The Ministry of Tourism is upgrading infrastructure facilities at important tourist destinations, which has improved accessibility to these places.
- Moreover, reduced airfares and better infrastructure (new airports in various cities) are expected to improve connectivity between major cities in the country and create more demand for hotels.

Source: "Statistics," Ministry of Tourism (Government of India) website, <http://tourism.gov.in>, accessed 23 January 2010.

## Key trends ... (1/2)

Serviced  
apartments are  
becoming popular

- Driven by an increasing inflow of expatriates and travellers staying for long durations, the serviced apartment concept is gaining ground in India.
- Some examples of serviced apartments in India include Taj Wellington Mews, Homestead Serviced Apartments, Marriott Executive Apartments, Star City, Grand Hyatt Residences and Seasons.

Budget hotels have  
witnessed strong  
growth

- Budget hotels have witnessed robust growth in India, driven by the growth in domestic travel.
- Expansion of business activity to tier II and tier III cities has created demand for such hotels in these locations.
- Both domestic and international hotel chains have significant plans for this segment.

Niche segments  
are experiencing  
growing demand

- With India emerging as a preferred destination for medical treatment, medical tourism in the country is expected to grow at 29 per cent to reach US\$ 2.4 billion by 2012.
- Several hotel-cum-hospitals and medi-cities are being developed in the country.
- With more than 70 national parks and 400 wildlife sanctuaries, other niche segments such as eco-tourism, wildlife tourism and adventure tourism are gaining popularity in India.

## Key trends ... (2/2)

Demand in smaller cities is increasing

- Business travel to smaller cities (such as Bhubaneswar, Pune, Jaipur, Mangalore and Kochi) has increased, with IT/ITeS companies expanding operations in these cities.
- India has emerged as a popular tourist destination, and many smaller cities (Udaipur, Thiruvananthapuram and Kochi) are witnessing a greater influx of foreign tourists, resulting in an increased demand for hotels in these cities.

International players are strengthening their presence in India

- Several international players in the hospitality industry are expanding their presence in the country, driven by India's fast-growing hospitality industry.
- Previously, international players entered the country by establishing alliances with local hotel chains or real estate players. However, recently, some global players have taken the inorganic route to strengthen their presence in the country.
- For instance, Carlson Hotels Worldwide increased its stake in RHW Hotel Management Services, owners of Radisson brand in India, while Choice Hotels International, Inc has announced plans to acquire the remaining 60 per cent stake in Choice Hospitality India Ltd

Source: "Hotel Chains Carlson, Choice Take M&A Route To Expand In India," VC Circle website, <http://www.vccircle.com>, accessed 29 January 2010.

Sources: "Medical tourism', fastest segment of tourism industry," The Hindu website, <http://beta.thehindu.com>, accessed 25 January 2010; "Wildlife," Incredible India website, [www.incredibleindia.org](http://www.incredibleindia.org), accessed 25 January 2010.

## Key players ... (1/2)

- The Indian hospitality industry is highly fragmented and unorganised.
- The Indian Hotels Company Ltd (IHCL) is the largest player in the industry, while East India Hotels (EIH), ITC, Bharat Hotels, Asian Hotels and Hotel Leelaventure are among the other key players.
- Several international players, including InterContinental, Marriott, Starwood and Accor have also entered the Indian hospitality space.

## Key players ... (2/2)

Company	Type of properties	Brands
Indian Hotels Company Ltd	Luxury, mid-segment and budget	Taj, Gateway, Vivanta and Ginger
ITC Welcomgroup	Luxury, budget and heritage hotels	ITC Hotel — Luxury Collection, WelcomHotel — Sheraton, Fortune and WelcomHeritage
EIH	Business hotels, leisure hotels and cruises	Oberoi and Trident
Carlson	Luxury, business hotels, economy and cruises	Radisson Hotels and Resorts, Park Plaza, Country Inns & Suites, Park Inn
InterContinental	Luxury, mid-segment and business hotels	InterContinental, Crowne Plaza, Holiday Inn, Holiday Inn Express, Hotel Indigo, Staybridge Suites, Candlewood Suites

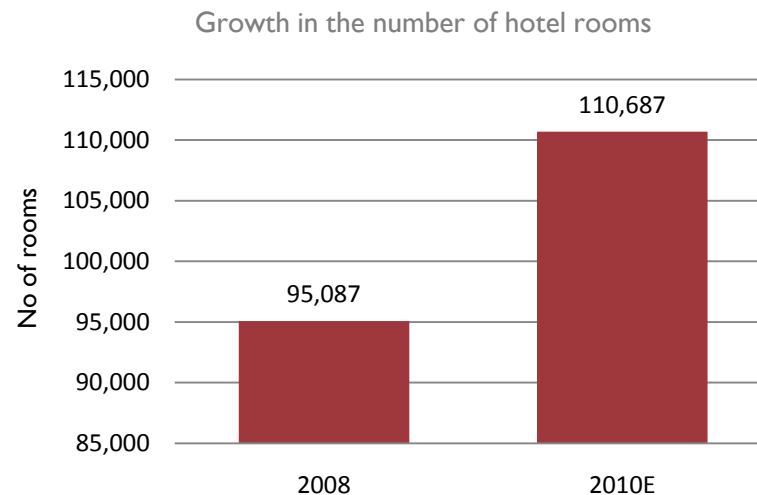
Sources: Indian Hotels Company Ltd website, [www.tajhotels.com](http://www.tajhotels.com), accessed 29 January 2010; ITC-Welcomgroup website, [www.itcwelcomgroup.in](http://www.itcwelcomgroup.in), accessed 29 January 2010; EIH website, [www.oberoihotels.com](http://www.oberoihotels.com), accessed 29 January 2010; Carlson website, [www.carlson.com](http://www.carlson.com), accessed 29 January 2010; InterContinental website, [www.intercontinental.com](http://www.intercontinental.com), accessed 29 January 2010.

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## Industry infrastructure

- Over the years, demand-supply gap in the Indian hospitality industry has widened.
  - For instance, while there were only 11,000 hotel rooms in Delhi in early 2009, an additional 30,000 hotel rooms will be required in the city for the Commonwealth Games 2010.
- This gap is expected to reduce in the future as several hotel projects are in the pipeline.
- As on December 31, 2008, India had 1,593 government-approved hotels, with 95,087 rooms.
- More than 15,600 rooms are expected to be added in 2010.



Sources: "Statistics," Ministry of Tourism (Government of India) website, <http://tourism.gov.in>, accessed 23 January 2010; "Hotel industry in India to see addition of 15,600 rooms in 2010," HospitalitybizIndia.com website, <http://www.hospitalitybizindia.com/detailNews.aspx?aid=7110&sid=1>, accessed 29 January 2010.

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## Investments

- Both domestic and international players have planned large-scale investments in the hospitality industry.
- Some of the recent investment plans include

Company	Planned investment	Details
IHCL	NA	IHCL plans to construct 50 budget hotels under the Ginger brand in the next four years.
EIH	NA	EIH plans to develop 750 additional hotel rooms under the Trident brand in the next 2.5 years.
Carlson	US\$ 35 million	Carlson plans to increase its presence in India to 78 hotels by 2012, from 28 in 2009.
Marriott	NA	Marriott plans to open 30 hotels in India in the next three years.

Sources: "Tata Group plans 50 Ginger hotels in India," Rediff Business website, <http://business.rediff.com/report/2009/dec/14/tata-group-plans-50-ginger-hotels-in-india.htm>, accessed 25 January 2010; "Carlson bets big on India," The Hindu website, <http://beta.thehindu.com/business/companies/article80951.ece>, accessed 25 January 2010; "Marriott plans to introduce mid-market brand Fairfield Inn in India," HospitalitybizIndia.com, <http://www.hospitalitybizindia.com/detailNews.aspx?aid=7221&sid=1>, accessed 25 January 2010.

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## Regulatory framework

- The Indian hotel industry is required to comply with a number of regulations related to the preparation and sale of food and beverages, and various laws and regulations governing employee relationships.
- Hotel owners and operators need to obtain multiple licences, permits and authorisations, including local land-use permits, building and zoning permits, environmental, health and safety permits and liquor licences.

### Hotel classification

- Hotels in India are broadly classified into two categories — approved and unapproved.
- The Department of Tourism (DoT) grants approval and classifies hotels into seven categories — heritage hotels, 5-star deluxe, 5-star, 4-star, 3-star, 2-star and 1-star.
- The DoT reclassifies hotels every three years and provides reclassification to 5-star deluxe, 5-star and 4-star hotels. The state governments reclassify the 1-star, 2-star and 3-star hotels.

Source: Ministry of Tourism (Government of India) website, <http://tourism.gov.in>, accessed 23 January 2010.

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## Opportunities ... (1/2)

### Investment in smaller cities

- Rising business and leisure travel to smaller cities such as Udaipur, Thiruvananthapuram, Bhubaneswar, Pune, Kochi and Chandigarh, have increased demand for quality hotel rooms in these cities.
- Hospitality chains are expected to increase their presence in smaller cities to leverage this opportunity. Further, they are likely to plan a suitable project mix (more budget/business hotels compared to luxury hotels) for these cities.

### Acquisitions, strategic alliances and partnerships

- International hospitality chains are expected to acquire local players to increase their presence in the country.
- Both domestic and international players are expected to form strategic alliances and partnerships with regional players to expand in the country, reduce risk and optimise resources.

## Opportunities ... (2/2)

### **Diversification into new segments**

- Many hospitality chains that were earlier focussed only on the luxury segment are now diversifying into new product segments, such as budget hotels and serviced apartments, in order to reduce risks.
- IHCL has already launched budget hotels in India, while Accor has announced plans to introduce its budget hotel brand, Formule 1, in the country.

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## Industry associations

### **Federation of Hotel & Restaurant Associations of India (FHRAI)**

B-82, 8th Floor, Himalaya House,

23, Kasturba Gandhi Marg,

New Delhi-110001

Phone: 91-11- 40780780

Fax: 91-11- 40780777

### **Hotel Association of India (HAI)**

B 212-214

Som Dutt Chamber-I,

Bhikaji Cama Place,

New Delhi-110 066

Phone: 91-11-2617 1110/14

Fax: 91-11-2617 1115

## Note

Wherever applicable, numbers in the report have been rounded off to their nearest whole number.

Conversion rate used: US\$ 1 = INR 48.

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