

Tourism and Hospitality

NOVEMBER
2011



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- ❖ Market overview and trends
- ❖ Growth drivers
- ❖ Success stories: Kerala, makemytrip.com, IHCL
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Advantage India

Growing demand

- Foreign tourist arrivals increased about 40 per cent during 2005-10
- Domestic spending on tourism is growing due to rising income

Attractive opportunities

- Diverse offerings such as adventure, rural and wildlife tourism
- Medical tourism expected to be USD2.3 billion market by 2012

2021F

Market size:
USD262.7
billion

Advantage India

Diverse attractions

- India has 28 world heritage sites and 25 bio-geographic zones
- The Taj Mahal attracts over 900,000 foreign visitors annually
- The country's big coastline provides a number of attractive beaches

Policy support

- Various marketing initiatives such as Incredible India are undertaken
- The government is increasing allotment for tourism in the country

2010

Market size:
USD67.2
billion

Source: WTTC, Aranca research

Note: F stands for forecasts, WTTC stands for World Travel and Tourism Council

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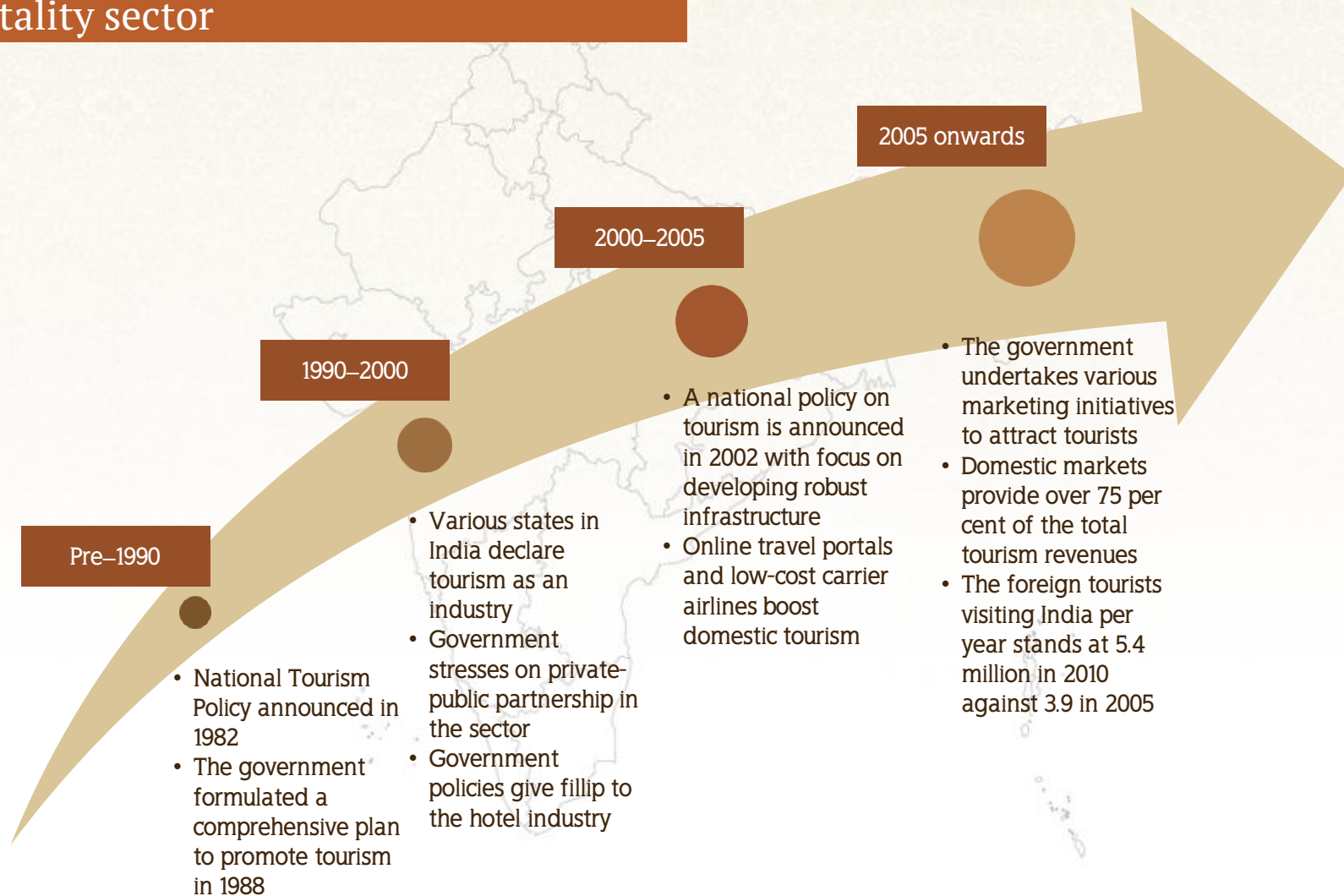
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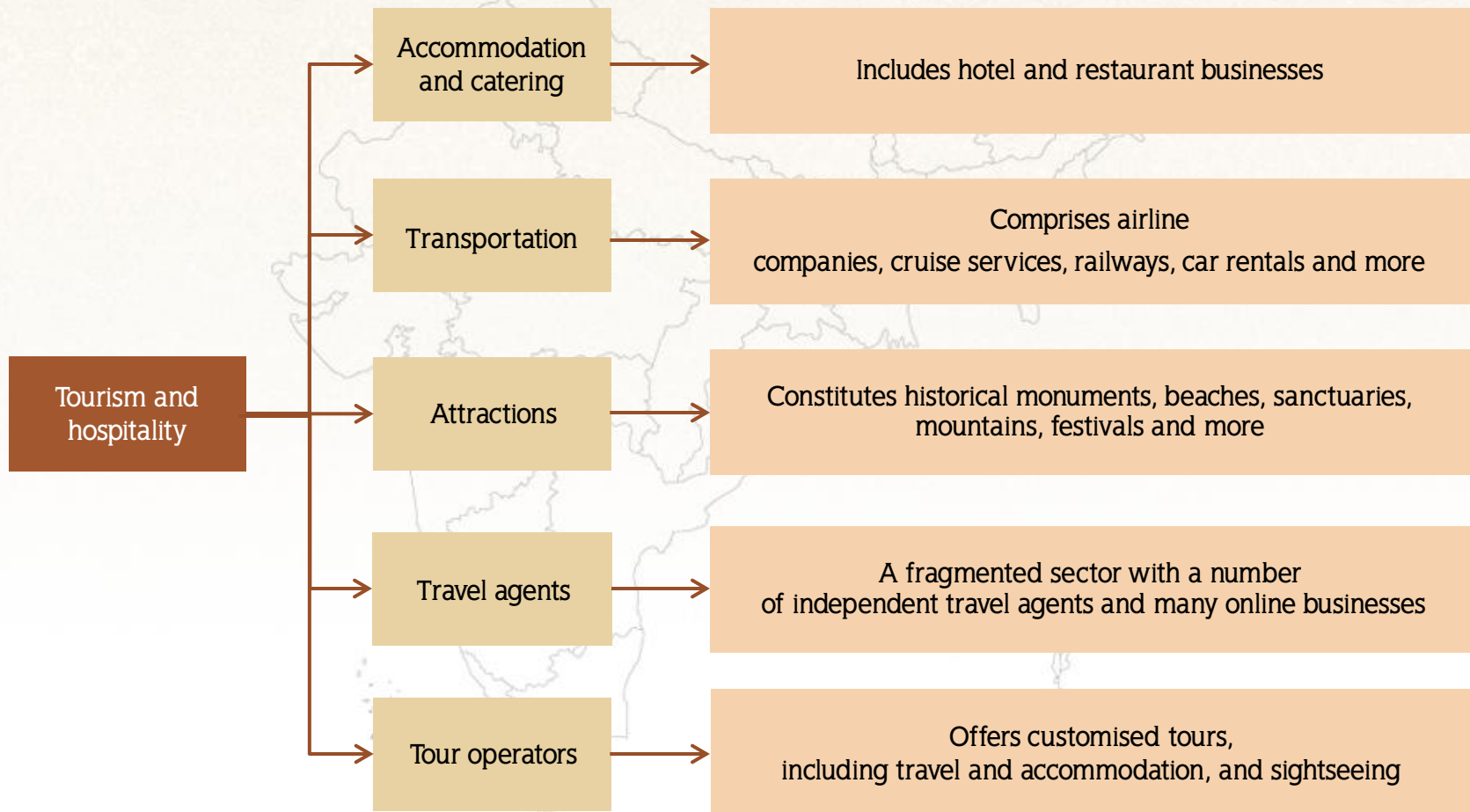
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Evolution of the Indian tourism and hospitality sector



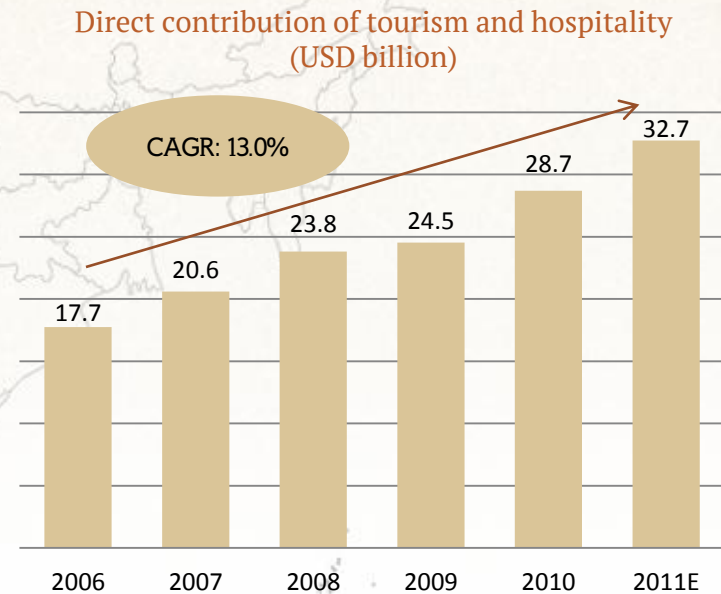
Segments of tourism and hospitality



Source: Dun and Bradstreet's report on tourism in India

Tourism revenue rising; direct segment is the biggest grosser ... (1/2)

- The tourism and hospitality sector's direct contribution in 2011 was estimated at USD32.7 billion
- It registered a CAGR of 13 per cent during 2006–11



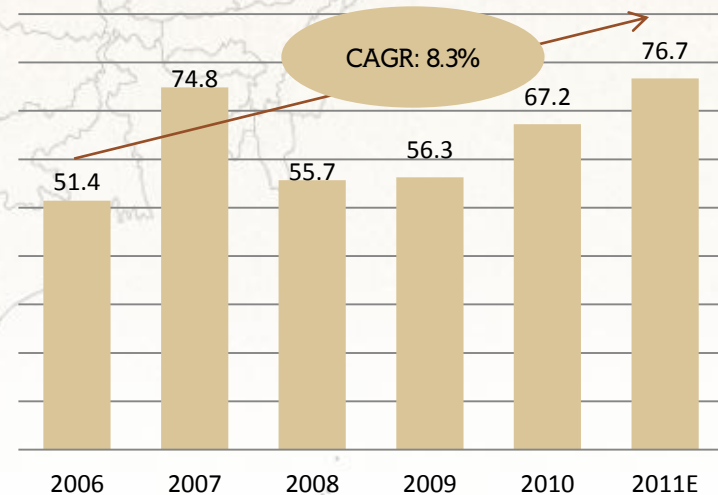
Source: WTTC, Aranca Research

Tourism revenue rising; direct segment is the biggest grosser ... (2/2)

- Total contribution comprises direct, indirect and induced contribution to the GDP
- It increased to USD76.7 billion in 2011 from USD56.3 billion in 2009

Note: GDP stands for gross domestic product; the definition of direct, indirect and induced contribution is specified in the appendix

Tourism's total contribution to GDP (USD billion)

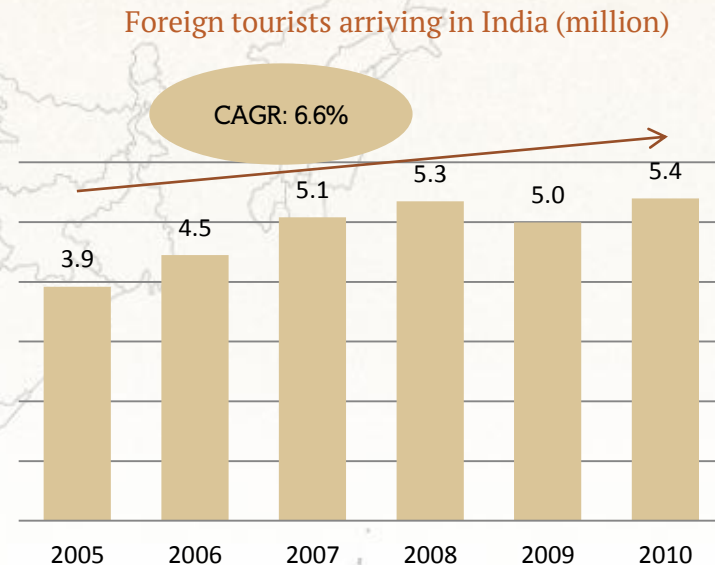


Source: WTTC, Aranca Research

Foreign arrivals are rising; foreign exchange earnings increase ... (1/2)

- Over 5.4 million foreign tourist arrivals were reported in 2010
- The number expanded at a CAGR of 6.6 per cent during 2005–10

Note: CAGR stands for compounded annual growth rate

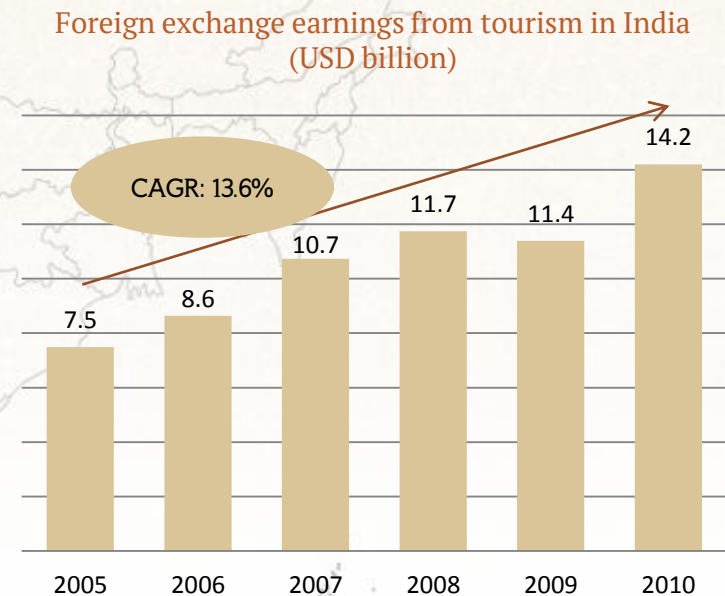


Source: Ministry of Tourism, Aranca Research

Foreign arrivals are rising; foreign exchange earnings increase ... (2/2)

- The total foreign exchange from tourism in India was estimated to be over USD14 billion in 2010
- This is forecast to cross USD19 billion by 2015, rising at a CAGR of 8.5 per cent during FY09–15

Note: CAGR stands for compounded annual growth rate



Source: Ministry of Tourism, Aranca Research

Major companies across segments

Company	Segment	Revenue	Other major players
	Online booking	USD124.7 million	Yatra.com, cleartrip.com, travelocity.com, travelchacha.com
	Hotel	USD348.6 million	ITC, Oberoi, Marriot
	Airlines	USD2.6 billion	Kingfisher, Spicejet, Indigo, Indian Airlines
	Tour operators	USD55.7 million	SOTC, Raj Travels

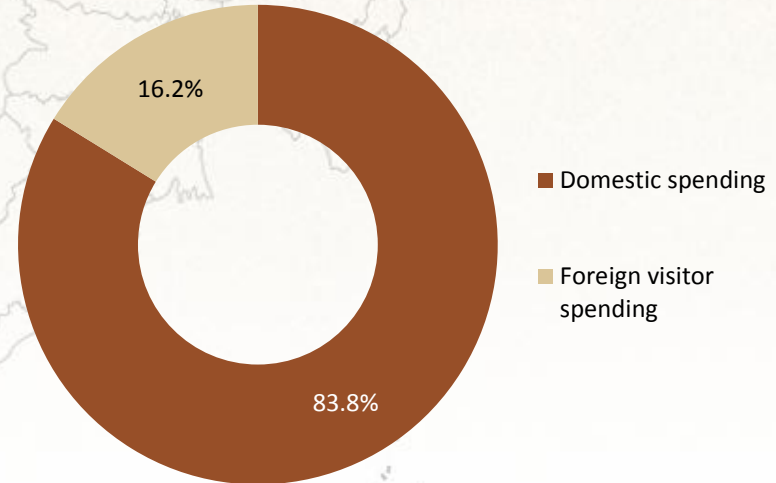
Source: Company websites

Note: Revenue figures for Thomas Cook is 2010, rest all are FY11 figures

Domestic consumers drive market ... (1/2)

- Domestic travel spending is expected to reach USD73 billion in 2011
- Domestic travellers' contribute over 83 per cent of total revenues earned by the tourism sector

Share of tourists (by expenditure) (2011E)

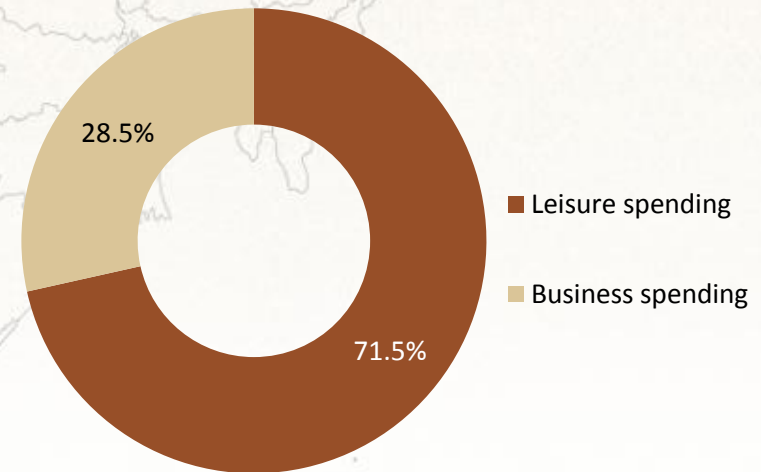


Source: WTTC, Aranca Research

Domestic consumers drive market ... (2/2)

- Leisure travel constitutes over 70 per cent of the total spend on tourism in India
- Leisure travel spending is likely to be USD62.5 billion in 2011

Foreign exchange earnings from tourism (2011E)

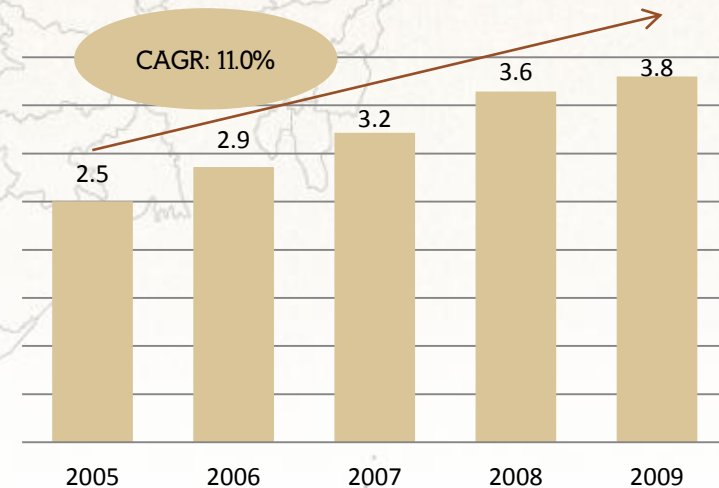


Source: WTTC Aranca Research

Hospitality sector sees upward trend ... (1/2)

- The Indian hotel industry grossed revenues of over USD3.8 billion in 2009
- The Indian hotel industry expanded at a CAGR of 11 per cent during 2005–09

Revenues of India's hotel industry (USD billion)

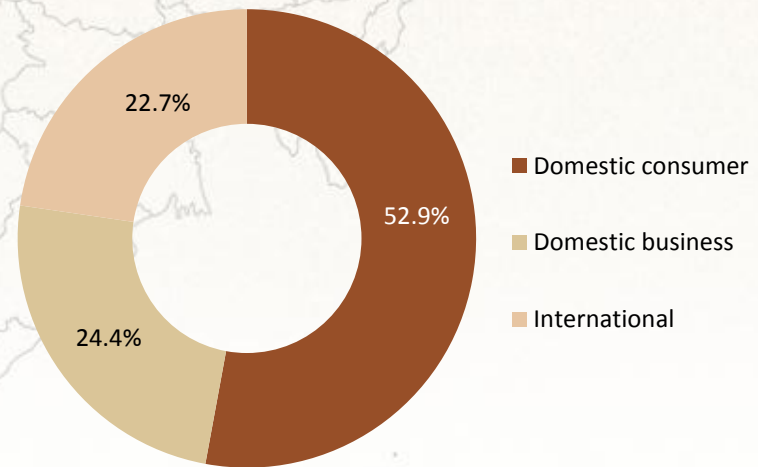


Source: Datamonitor, Aranca Research

Hospitality sector sees upward trend ... (2/2)

- Domestic tourists are the biggest source of revenue in the Indian tourism sector with a share of over 52 per cent of the total revenues
- Foreign tourists contribute about 23 per cent to the total revenues

Various segments' revenue share in Indian hotels (2009)



Source: Datamonitor, Aranca Research

Notable trends in the tourism industry in India

Online travel operators

- Over 70 per cent of air tickets are now being booked online in the country
- A number of online travel and tour operators, which provide better prices and options to consumers, have emerged in India

Wellness tourism

- The widespread practice of Ayurveda, Yoga, Siddha and Naturopathy that is complemented by the nation's spiritual philosophy makes India a famous wellness destination

Casinos

- Goa has seven casinos and six floating casinos, which attract a large number of tourists every year

Cruises

- India attracts over 180,000 cruise visitors annually
- The country's cruise market is estimated to be worth USD300 million

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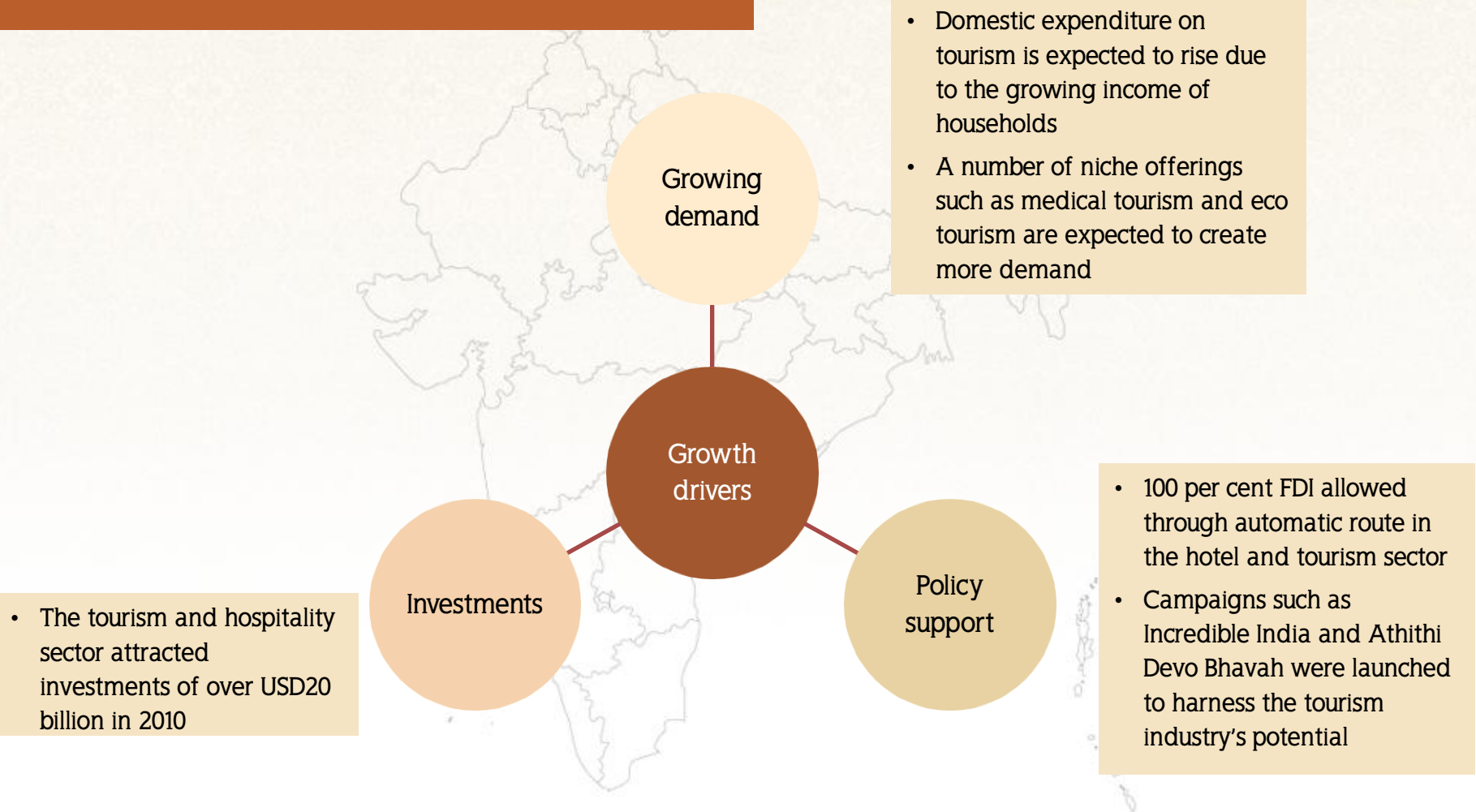
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Growth drivers of the tourism market

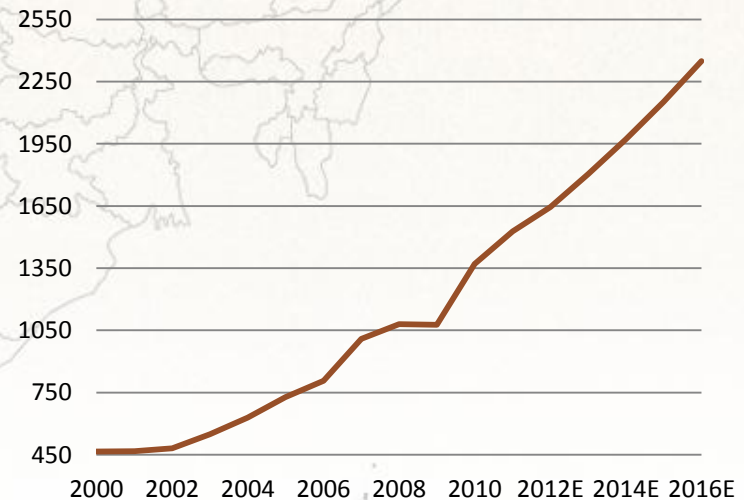


Note: FDI stands for Foreign Direct Investment

Rising income boosted domestic demand ... (1/2)

- The rising per capita income in the country is driving the domestic tourism market
- A shift in the demographics with growth in the young population is leading to more expenditure on leisure services

Per capita income of India at current prices (USD)

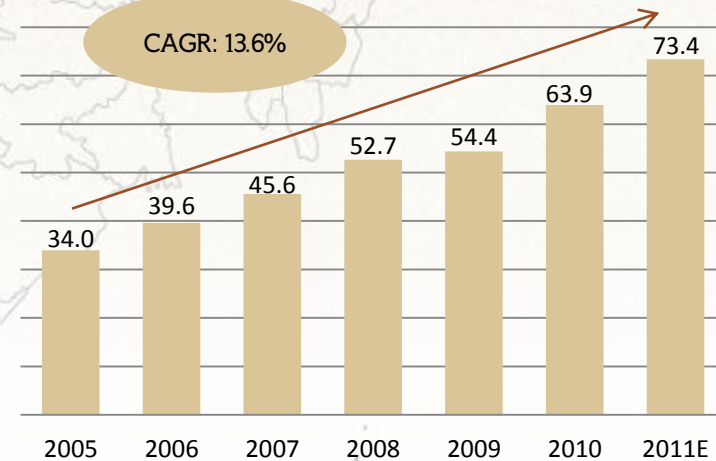


Source: IMF, Aranca Research

Rising income boosted domestic demand ... (2/2)

- Domestic spending on tourism has seen a phenomenal growth with a market size of over USD63 billion in 2010
- The domestic market has expanded at a CAGR of 13.6 per cent during 2005–11

Domestic expenditure on tourism (USD billion)



Source: Ministry of Tourism, Aranca Research

Tourism policy and initiatives provide a boost to the industry ... (1/2)

- The government passed the Tourism Policy in 2002 based on the seven pillars shown in the diagram
- It is aimed at speedy implementation of tourism projects, development of integrated tourism circuits, special capacity building in the hospitality sector and new marketing strategies

Source: Ministry of Tourism, Aranca Research

Various facets of the Tourism Policy 2002



Tourism policy and initiatives provide a boost to the industry ... (2/2)

Other government initiatives

Five Year Plan

During the 11th Five Year Plan, the Ministry of Tourism sanctioned USD648.5 million for 991 tourism infrastructure projects, including rural tourism and human resource development projects

Special boards

The ministry set up a Hospitality Development and Promotion Board, which will monitor and facilitate hotel project clearances/approvals

Tourist police

The ministry in consultation with state/UT administrations has proposed to employ tourist police at prominent tourist spots

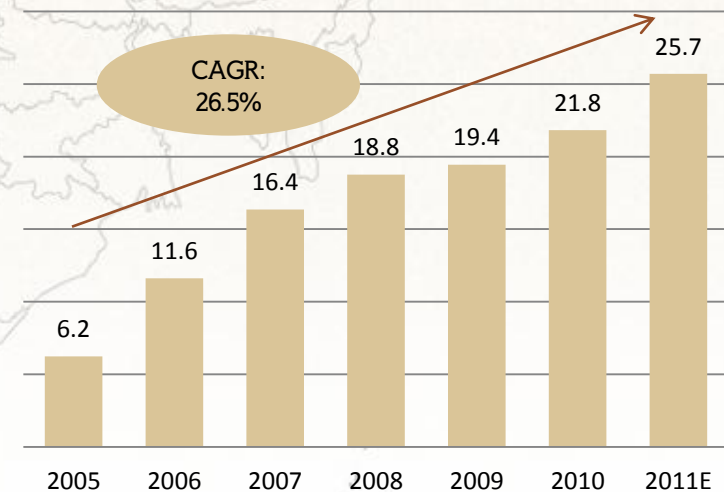
Allocation for underdeveloped areas

The ministry earmarked 2.5 per cent in the plan outlay for tourism development in tribal areas for 2011–12

Continued growth of investments in the tourism sector ... (1/2)

- The capital investment in the tourism and hospitality sector has been rising consistently
- Investment has increased at a CAGR of 13.5 per cent during 2005–11

Capital investments in the tourism sector (USD billion)

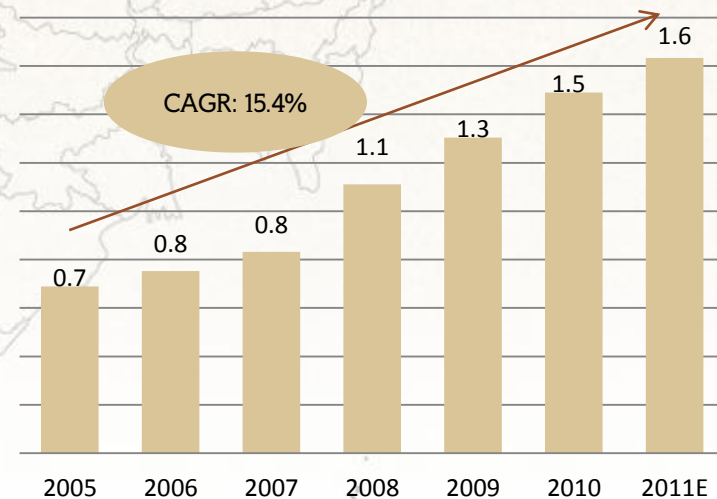


Source: WTTC Aranca Research

Continued growth of investments in the tourism sector ... (2/2)

- The government's collective spending on the tourism and hospitality sector stood at USD1.5 billion in 2010
- Investment rose at a CAGR of 15.4 per cent during 2005–11

Collective government investment on tourism (USD billion)



Source: WTTC Aranca Research

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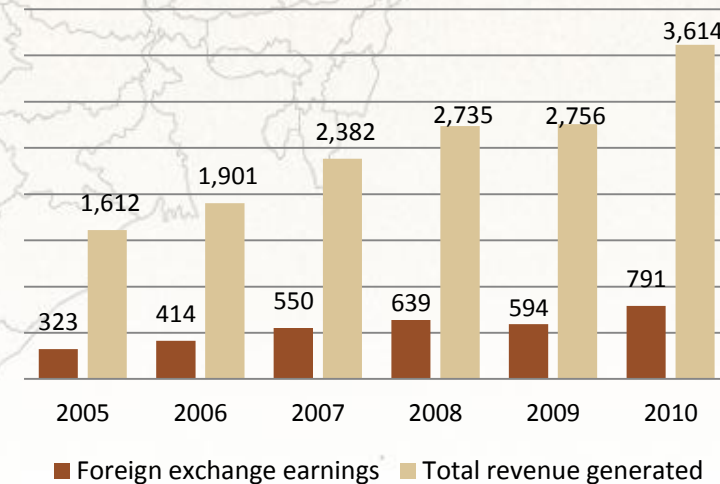
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Kerala: blend of good marketing and natural beauty ... (1/2)

Kerala

- Kerala is on the Malabar coast of Southwest India
- In the early 1990s, the Indian state was known as a single beach destination
- The state successfully marketed its serene backwaters, wildlife sanctuaries, ayurvedic treatments and temple festivals
- The revenue from tourism rose at a CAGR of over 17.5 per cent during 2005–10

Revenue generated from tourism in Kerala (USD million)



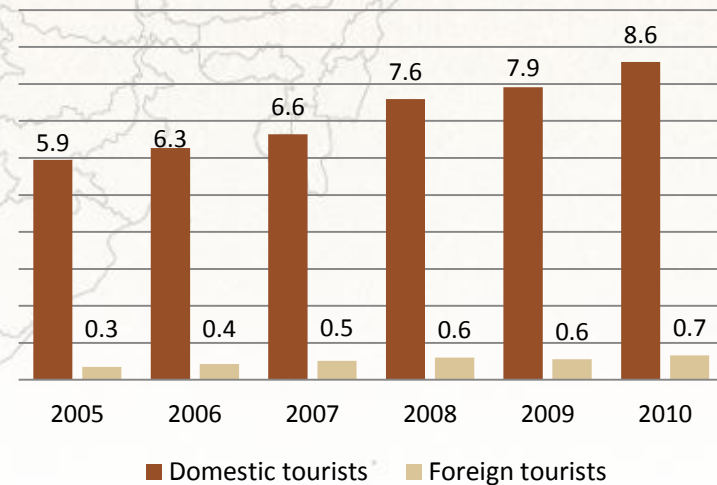
Source: Kerala's Ministry of Tourism

Kerala: blend of good marketing and natural beauty ... (2/2)

Important figures on tourism in Kerala

- In 2010, tourism contributed over 9 per cent of the state's total output
- The share of foreign tourists in the total number of tourists increased from 5.5 per cent in 2005 to 7.1 per cent in 2010
- The average per day spending by a foreign tourist in Kerala stands at USD75 compared to the estimated USD37.5 by a domestic tourist

Annual number of tourists visiting Kerala (million)



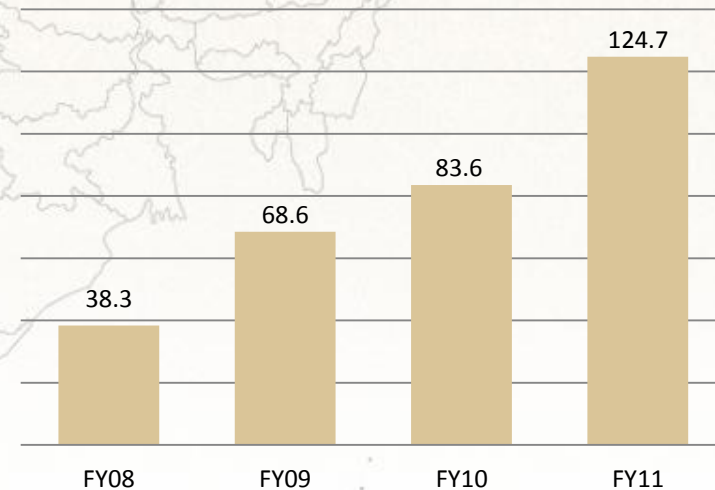
Source: Kerala's Ministry of Tourism

Makemytrip.com and IHCL: private sector pioneers ... (1/2)

Makemytrip.com

- Conceived and founded by Deep Kalra in 2000
- Offerings: Airline tickets, hotel booking, domestic and foreign packaged tours, bus tickets, corporate travels, visa assistance, foreign exchange, travel insurance, and more
- Revenue: USD124.7 million in FY11
- Market capitalisation: USD800 million
- The company has expanded at a CAGR of over 48 per cent during FY08–11

Revenues (USD million)



Source: www.makemytrip.com

Makemytrip.com and IHCL: private sector pioneers ... (2/2)

Indian Hotel Company limited (IHCL)

- The company was incorporated in 1902 and launched the first hotel in India, The Taj Mahal Palace & Tower, in Mumbai in 1903
- Taj Hotels Resorts and Palaces comprises 66 hotels in 42 locations across India and 16 hotels around the world
- IHCL operates in the luxury, premium, mid-market and value market segments through various brands such as Taj, Taj Exotica, Taj Safari, Vivanta, Gateway Hotel and Ginger
- It operates Taj Air, a luxury private jet operation
- IHCL also operates Taj Sats Air Catering Ltd, the largest airline catering service in South Asia
- The company generated revenues of USD331 million and posted a net profit of USD31.8 million in FY10

Source: IHCL's website

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Niche segments offer good opportunities

Medical tourism

- The presence of world-class hospitals and skilled medical professionals make India a preferred destination for medical tourism
- Medical tourism could earn India USD2.2 billion per year by 2012
- Tour operators are teaming up with hospitals to tap this market

Cruise tourism

- Cruise shipping is one of the most dynamic and fastest growing components of the global leisure industry
- India with a vast and beautiful coastline, virgin forests, and undisturbed idyllic islands can be a fabulous tourist destination for cruise tourists

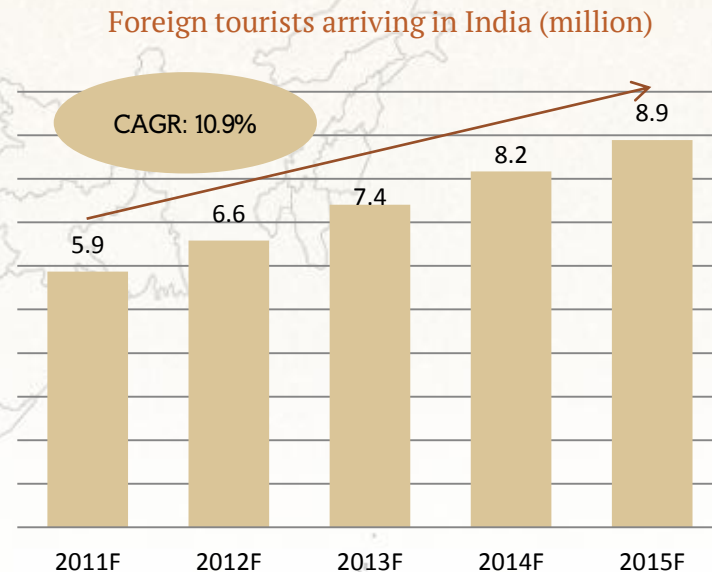
Rural tourism

- India has potential to develop the rural tourism industry as most of its population resides in rural areas
- This can benefit the local community economically and socially, and enable interaction between tourists and locals for a mutually enriching experience

Source: Ministry of Tourism, BMI, Aranca Research

Foreign tourist arrivals are set to rise ... (1/2)

- Foreign tourist arrivals are expected to increase at a CAGR of 10.9 per cent during 2011–15
- The number of foreign tourists arriving in India by 2015 is anticipated to be over 8.8 million

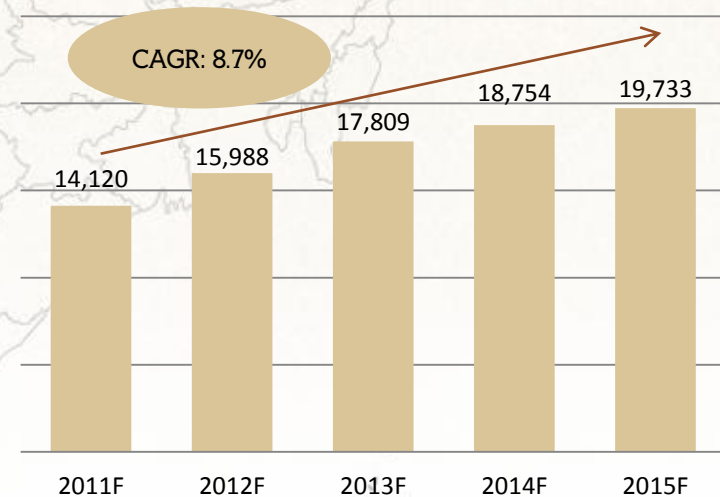


Source: BMI, Aranca Research
Note: F stands for Forecasts

Foreign tourist arrivals are set to rise ... (2/2)

- Foreign exchange earnings from tourism is expected to rise at a CAGR of 8.7 per cent during 2011–15
- Foreign exchange earned is forecast to cross USD19 billion in 2015

Foreign exchange earnings from tourism in India
(USD million)

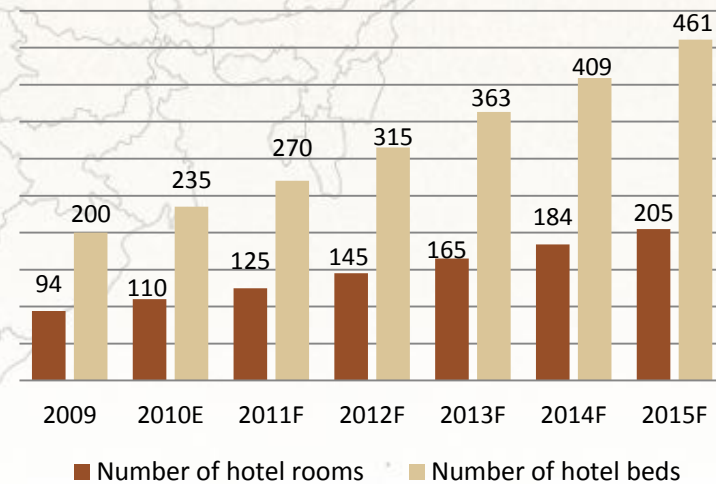


Source: BMI, Aranca Research
Note: F stands for Forecasts

Airline and hotel capacity set to increase ... (1/2)

- The number of hotel beds in the nation is expected to rise to 461,000 by 2015 from the current capacity of 235,000

Capacity of hotels in India ('000)



Source: Datamonitor, Aranca Research

Airline and hotel capacity set to increase ... (2/2)

Airline industry

- Growth in low-cost carrier airlines is expected to bring down tourism costs and lead to increased domestic spending on tourism. Over 480 flights worth USD30 billion have been ordered by low-cost carriers; this would boost capacity
- More international flight operators are likely to enter the market making it more competitive; these operators would offer tourists better services
- Delhi Airport has a new terminal, which would help cope with increasing traffic
- The government has planned to add capacity to existing facilities at 35 airports in Tier II cities; this is expected to improve accessibility of these cities for tourists

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Glossary

- **Direct contribution:** Spending on accommodation, transportation, attractions and entertainment
- **Indirect contribution:** Travel and tourism investment spending, and government collective travel and tourism spending
- **Induced contribution:** Spending of direct and indirect employees
- **GOI:** Government of India
- **INR:** Indian Rupee
- **USD:** US Dollar
 - Conversion rate used: USD1 = INR48
- Wherever applicable, numbers have been rounded off to the nearest whole number

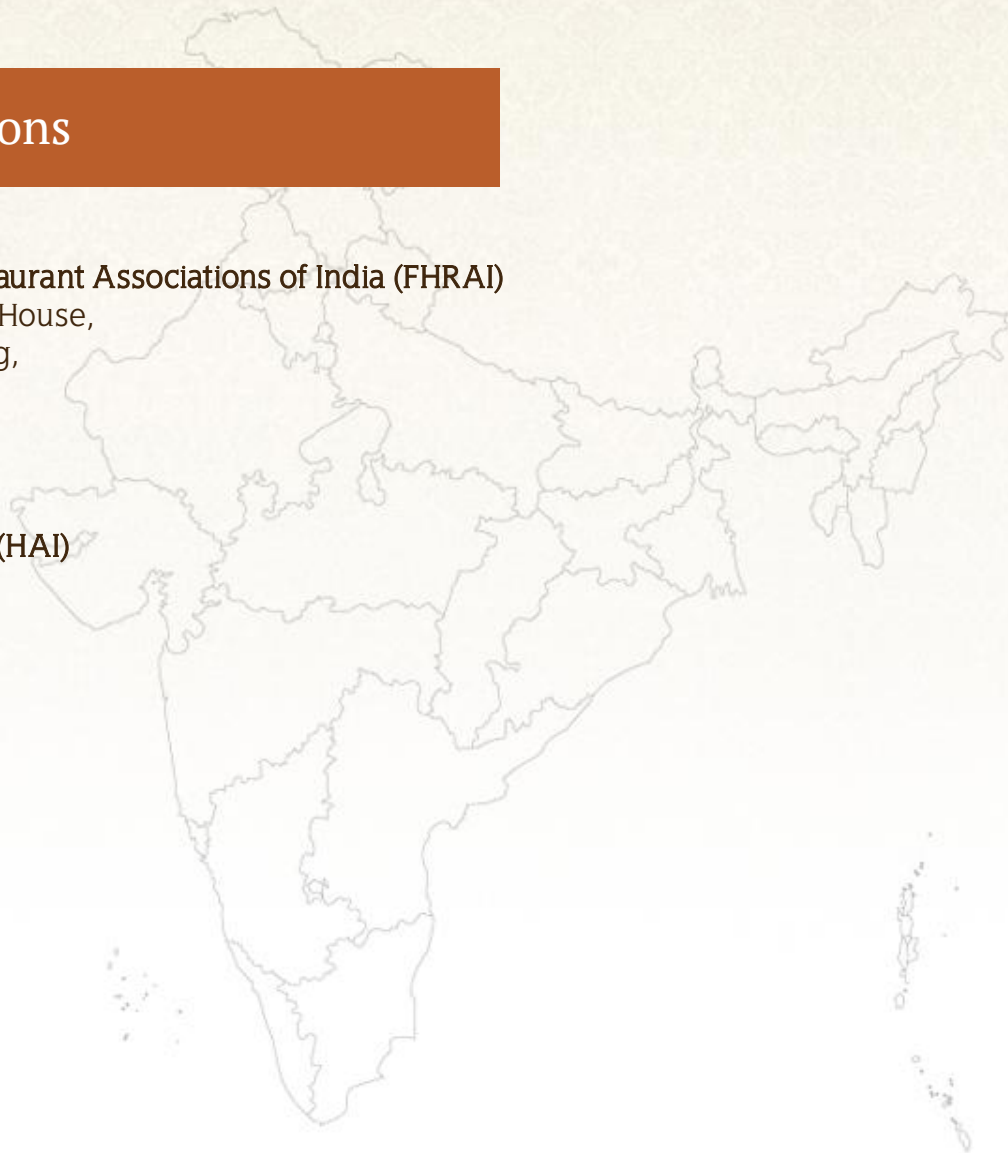
Industry associations

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



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