TOURISM AND HOSPITALITY

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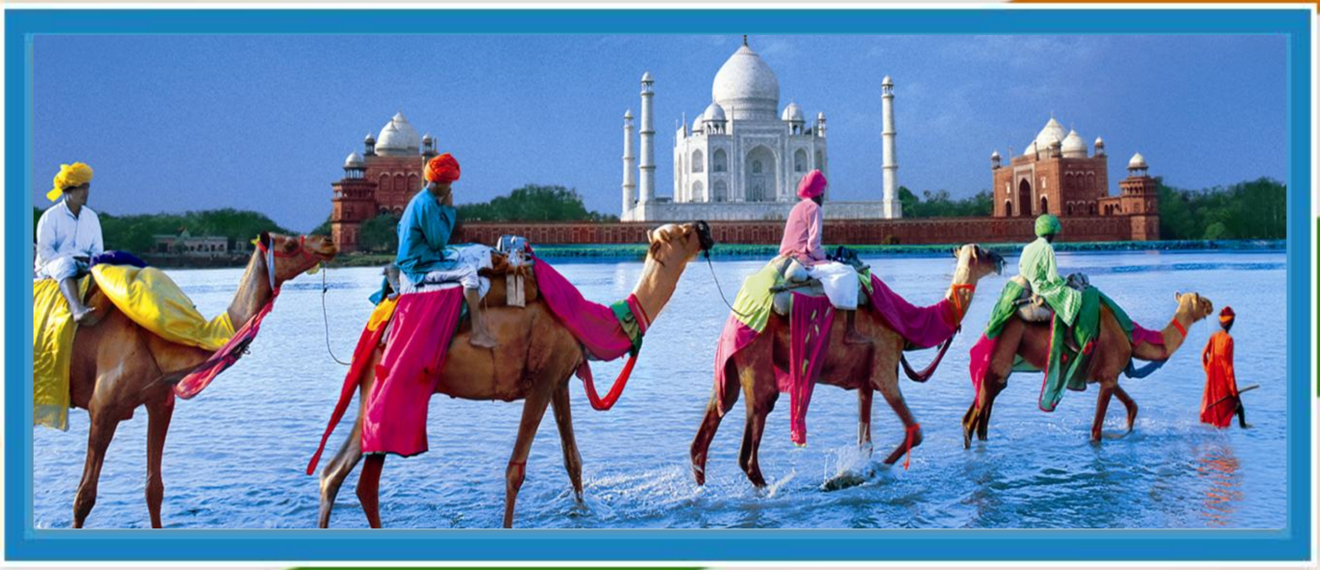

AUGUST 2013

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TOURISM AND HOSPITALITY

CONTENTS

EXECUTIVE SUMMARY

12th highest contribution to GDP	• India ranked 12th among 184 countries in terms of travel & tourism's total contribution to GDP in 2012
Contribution to GDP above world average	• In India, the sector's direct contribution to GDP is expected to grow at 7.8 per cent per annum during 2013–2023 vis-à-vis the world average of 4.2 per cent
Create higher employment	• The travel & tourism sector in India is estimated to create 78 jobs per USD18,366 of investment compared to 45 in the manufacturing sector
Higher investments	• Travel & tourism's contribution to capital investment is projected to grow at 6.5 per cent per annum during 2013–2023, above the global average of 5.0 per cent
Increasing visitor exports	• Contribution of visitor exports to total exports is estimated to increase at 5.7 per cent per annum during 2013–2023 compared to the world average of 4.0 per cent

Source: World Travel & Tourism Council's Economic Impact 2013, 12th Five year plan, Aranca Research

ADVANTAGE INDIA

2011

Market size: USD117.7 billion

2022F

Market size: USD418.9 billion

Advantage India

Robust demand

- Foreign tourist arrivals increased at a CAGR of 7.8 per cent over 2005–12
- Domestic spending on tourism is growing due to rising income and changing lifestyles (especially among young people)

Attractive opportunities

- Diverse offerings such as adventure, rural and wildlife tourism
- India is expected to receive nearly half a million medical tourists by 2015, implying an annual growth of 30 per cent

Diverse attractions

- India has 28 world heritage sites and 25 bio-geographic zones
- The country's big coastline provides a number of attractive beaches

Policy support

- Further extension of Visa on Arrival scheme to five countries in 2011
- Five-year tax holiday for 2-,3-, and 4- star category hotels located around UNESCO World Heritage sites (except Delhi and Mumbai)

Source: WTTC, Aranca Research
Note: F stands for forecasts, WTTC - World Travel and Tourism Council, Market size forecasts by WTTC; UNESCO - United Nations Educational, Scientific and Cultural Organisation

EVOLUTION OF THE INDIAN TOURISM AND HOSPITALITY SECTOR

Pre-1990

- National Tourism Policy announced in 1982
- The government formulated a comprehensive plan to promote tourism in 1988

1990-2000

- Various states in India declare tourism as an industry
- Government stresses on private-public partnership in the sector
- Government policies give fillip to the hotel industry

2000-2005

- A national policy on tourism is announced in 2002 with focus on developing robust infrastructure
- Online travel portals and low-cost carrier airlines boost domestic tourism

2005 onwards

- The government undertakes various marketing initiatives to attract tourists
- Domestic spending on tourism accounted for over 80.3 per cent of the total tourism revenues in 2012
- Foreign tourists visiting India rose to 6.36 million annually in 2012 from 3.9 million in 2005

Source: Aranca Research

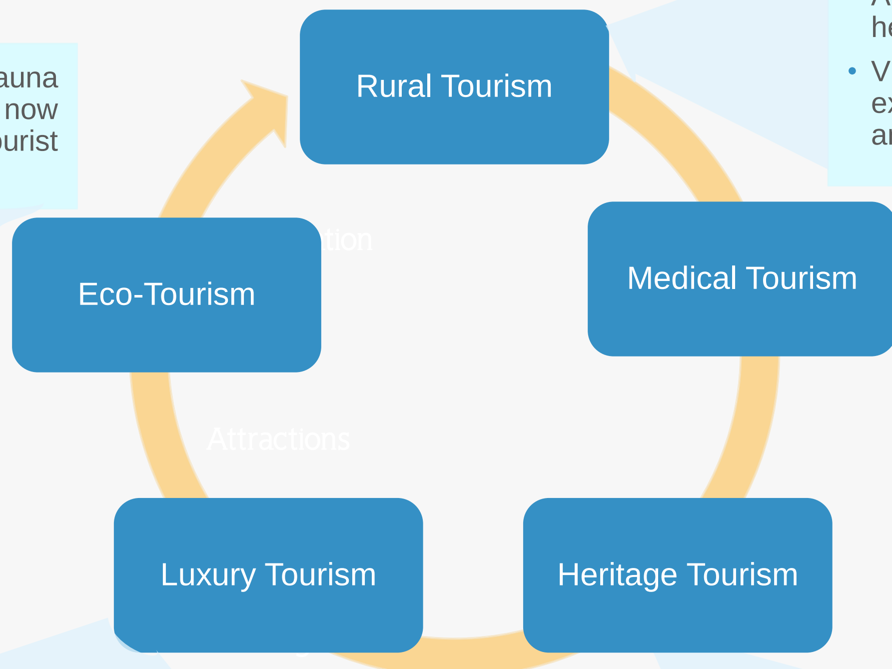
SEGMENTS OF TOURISM AND HOSPITALITY

Tourism and hospitality

Accommodation and catering	Includes hotel and restaurant businesses
Transportation	Comprises airline companies, cruise services, railways, car rentals and more
Attractions	Constitutes historical monuments, beaches, sanctuaries, mountains, festivals and more
Travel agents	A fragmented sector with a number of independent travel agents and many online businesses
Tour operators	Offers customised tours, including travel and accommodation, and sightseeing

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

EMERGING TOURISM AND HOSPITALITY SEGMENTS



Rural Tourism

- Aims at developing interest in heritage and culture
- Visiting village settings to experience and live a relaxed and healthy lifestyle

Medical Tourism

- Tourists seek specialised medical treatments mainly Ayurvedic, spa and other therapies

Heritage Tourism

- Tourists visit India for its cultural heritage across various cities

Luxury Tourism

- The luxury travel market is estimated to be around USD1.7 billion and is projected to grow at an average rate of 15–20 per cent over the next decade

Eco-Tourism

- Vast variety of flora and fauna across various states now becoming popular tourist destinations

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

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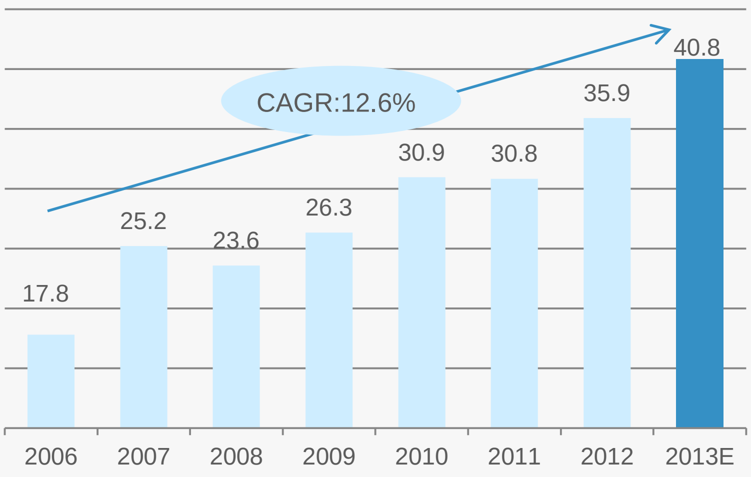
RISING CONTRIBUTION TO INDIA'S GDP … (1/2)

- Tourism and hospitality sector's direct contribution to GDP totalled USD34.7 billion in 2012 and is expected to rise to USD40.8 billion in 2013
- Over 2006–13, direct contribution is expected to register a CAGR of 12.6 per cent

Direct contribution of tourism and hospitality to GDP (USD billion)



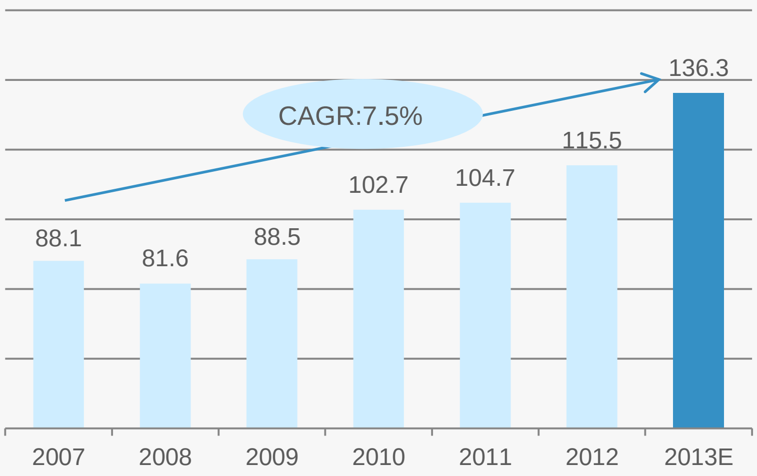
Source: World Travel & Tourism Council's economic impact 2013, Aranca Research
Note: GDP stands for Gross Domestic Product; the definition of direct, indirect and induced contribution is specified in the Glossary on Slide CAGR - Compound Annual Growth Rate

RISING CONTRIBUTION TO INDIA'S GDP … (2/2)

* The sector's total contribution to GDP increased to USD115.5 billion in 2012 from USD88.1 billion in 2007 and is expected to reach USD136.3 billion in 2013

Note: The definition of direct, indirect and induced contribution is specified in the appendix

Tourism's total contribution to GDP (USD billion)

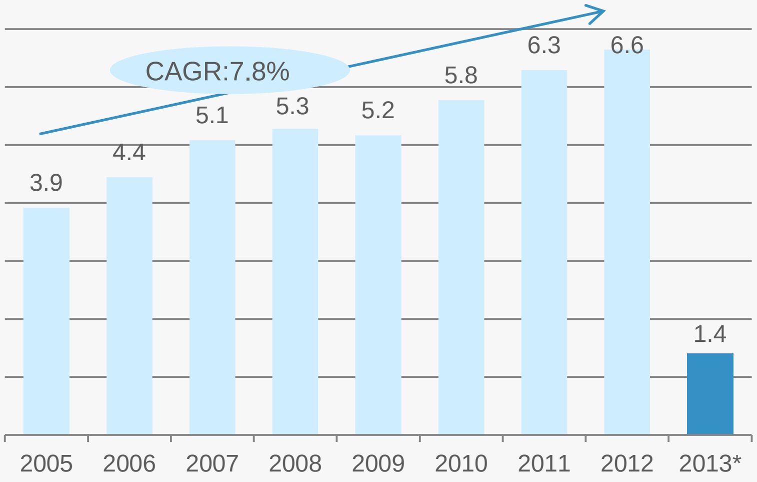


Source: World Travel & Tourism Council's economic impact 2013, Aranca Research
Note: E - Estimate

FOREIGN ARRIVALS ARE RISING; FOREIGN EXCHANGE EARNINGS INCREASE … (1/2)

- Over 6.6 million foreign tourist arrivals were reported in 2012
- Foreign tourist arrivals increased at a CAGR of 7.8 per cent during 2005–12
- By February 2013, foreign tourist arrivals rose to 1.4 million

Foreign tourists arriving in India (million)

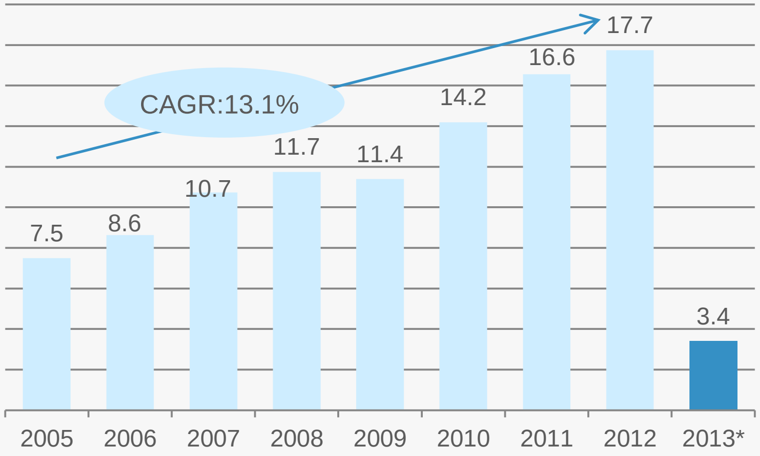


Source: Ministry of Tourism, Aranca Research
Note: 2013* - Includes data only for the month of January and February

FOREIGN ARRIVALS ARE RISING; FOREIGN EXCHANGE EARNINGS INCREASE … (2/2)

- Total foreign exchange earnings from tourism grew over USD17.7 billion in 2012
- Foreign exchange earnings increased at a CAGR of 13.1 per cent during 2005–12
- By February 2013, foreign exchange earnings increased by 11.4 per cent to USD3.4 billion from USD3.1 billion in the same period in 2012

Foreign exchange earnings from tourism in India (USD billion)



Source: Ministry of Tourism, Aranca Research
Note: 2013* - Includes data only for the month of January and February

MAJOR COMPANIES ACROSS SEGMENTS

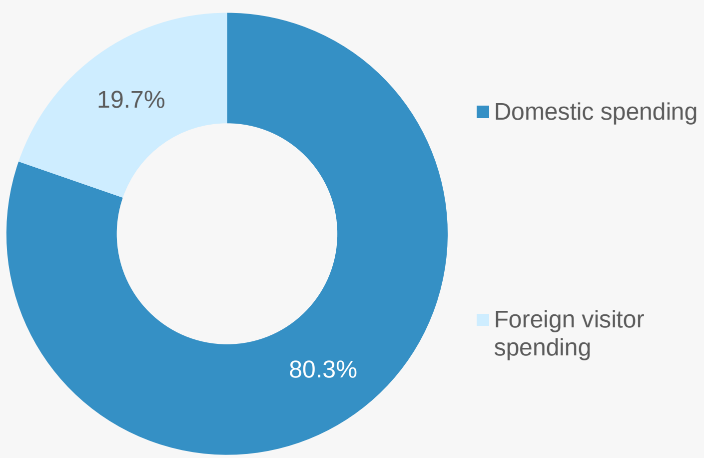
Company	Segment	Revenue* (USD millions)	Other major players
make my trip .com	Online booking	FY10: 83.6, FY11: 124.7, FY12: 196.5	Yatra.com, cleartrip.com, travelocity.com, travelchacha.com
TAJ Hotels Resorts and Palaces	Hotel	FY10: 327.5, FY11: 320.0, FY12: 337.9	ITC, Oberoi, Marriot
JET AIRWAYS	Airlines	FY10: 2.3, FY11: 2.9, FY12: 3.0	Kingfisher, Spicejet, Indigo, Indian Airlines
Thomas Cook	Tour operators	FY10: 68.5, FY11: 68.9, FY12: 75.2	SOTC, Raj Travels

Source: Respective company websites
Note: Revenue figures for FY12

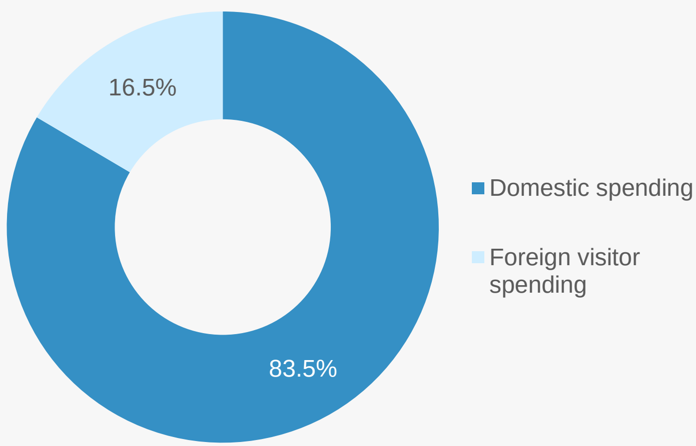
DOMESTIC CONSUMERS TO LEAD GROWTH

- Domestic travel revenues aggregated USD73.8 billion in 2012 and is expected to reach USD175.9 billion by 2023
- Foreign visitor revenues reached USD18.2 billion in 2012 and is projected to total USD34.8 billion by 2023
- Domestic travellers contributed over 82.2 per cent to total tourism revenues in 2012

Share of tourists by expenditure (2012)



Expected share of tourists by expenditure (2023)

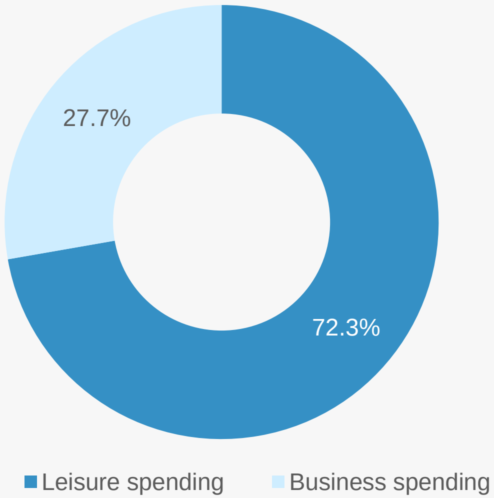


Source: World Travel & Tourism Council's economic impact 2013, Aranca Research

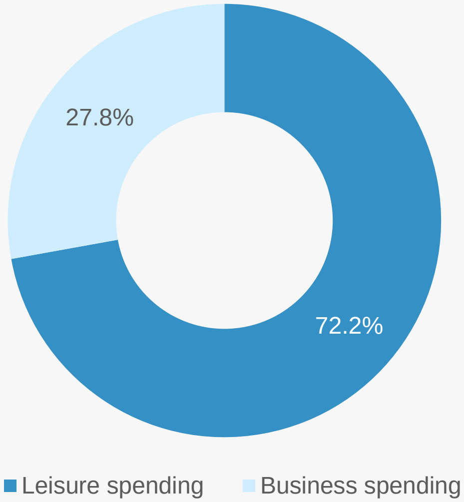
RISING REVENUES FROM BUSINESS AND LEISURE SEGMENTS

* Revenues from leisure travel constitutes over 70 per cent of the total tourism revenue in India
* Revenues from leisure travel totalled USD66.5 billion in 2012 and is estimated to reach USD152 billion by 2023
* Business travel revenues stood at USD25.5 billion in 2012 and is projected to reach over USD58 billion by 2023

Segment wise revenue share (2012)



Expected segment wise revenue share (2023)

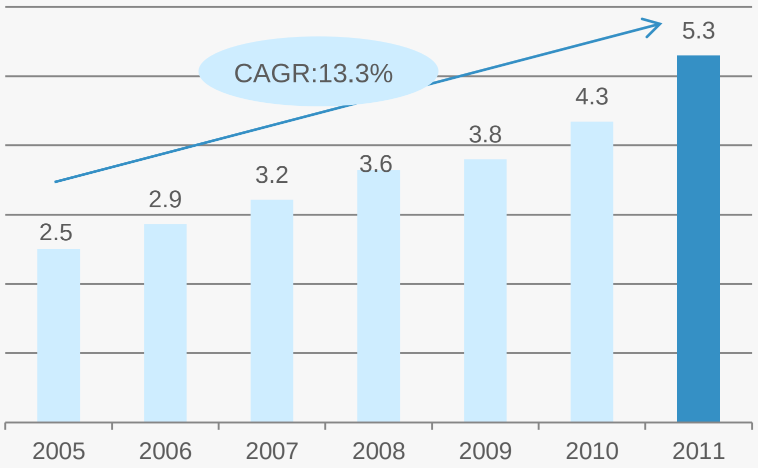


Source: World Travel & Tourism Council's economic impact 2013, Aranca Research

HOSPITALITY SECTOR SEES UPWARD TREND … (1/2)

- The Indian hotel industry grossed revenues of over USD5.3 billion in 2011
- Over 2005-11, the industry recorded a strong CAGR of 13.3 per cent

Revenues of India’s hotel industry (USD billion)

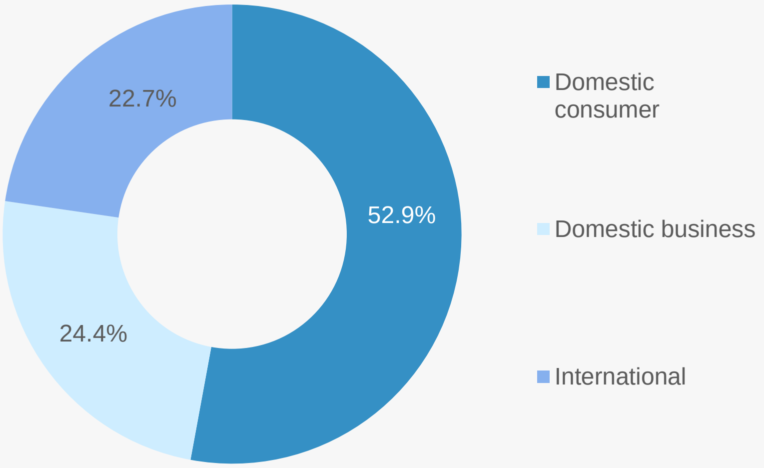


Source: Media Sources, Aranca Research

HOSPITALITY SECTOR SEES UPWARD TREND … (2/2)

- Domestic consumers are the biggest source of revenue in the Indian hospitality 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

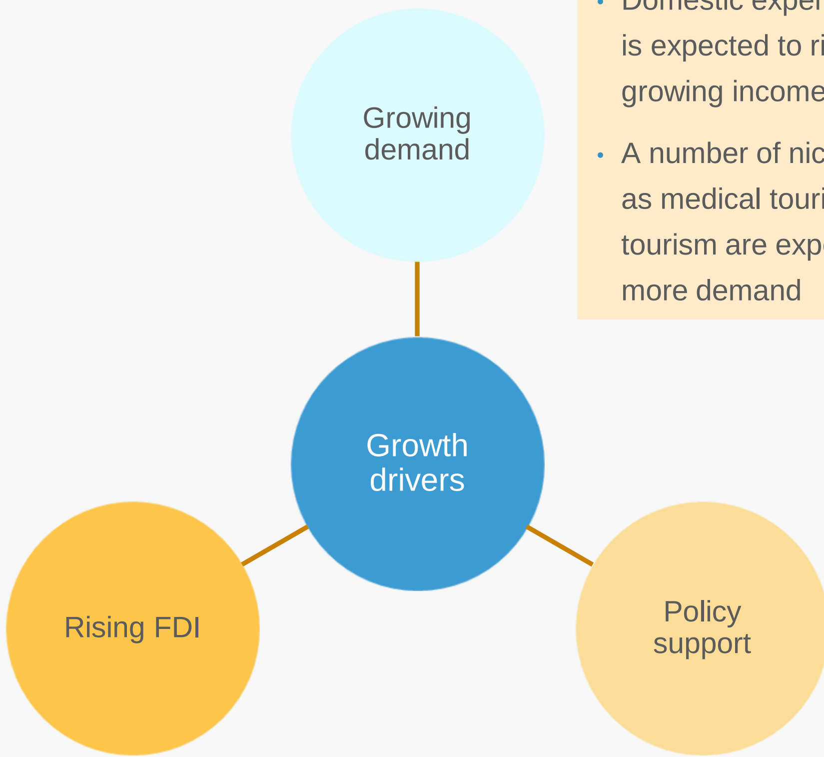
- Goa has seven casinos and six floating casinos, which attract a large number of tourists every year

Cruises

- India attracted 163,000 cruise visitors in 2011
- The country's cruise market is estimated to be worth USD300 million

Source: Aranca Research

GROWTH DRIVERS FOR THE TOURISM MARKET



- Domestic expenditure on tourism is expected to rise due to the growing income of households
- A number of niche offerings such as medical tourism and eco tourism are expected to create more demand

- Tourism & hospitality sector attracted second highest FDI (USD3.2 billion) in FY13*

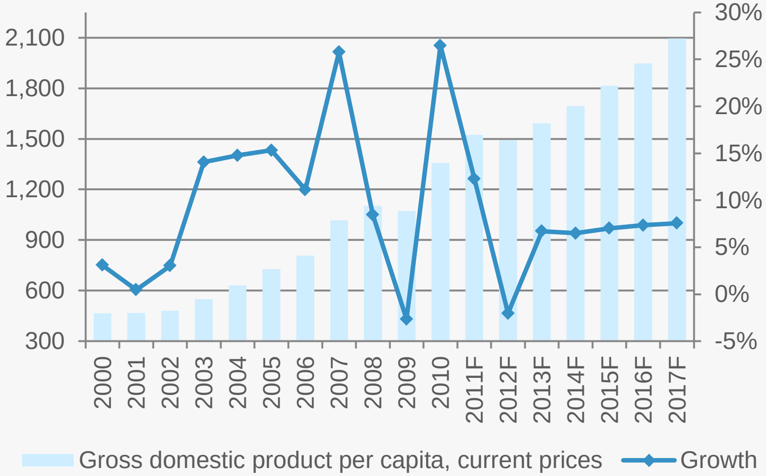
- 100 per cent FDI allowed through automatic route in the hotel and tourism sector
- Campaigns such as Incredible India and Athithi Devo Bhavah were launched to harness the tourism industry's potential

Source: Datamonitor, Aranca Research
* Data as per February 2013

STEADY RISE IN INCOME AND CHANGING DEMOGRAPHICS BOOSTING DOMESTIC DEMAND

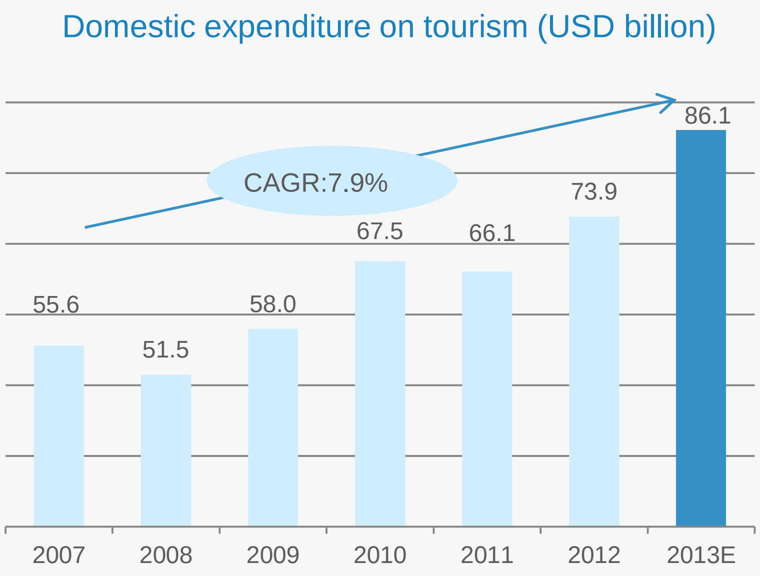
- Strong growth in per capita income in the country is driving the domestic tourism market
- A shift in demographics with rising young population (coupled with changing lifestyles) is leading to greater expenditure on leisure services

Per-capita income in India



Source: IMF, Aranca Research
Note: F - Forecast

INCREASING SPENDING ON TOURISM



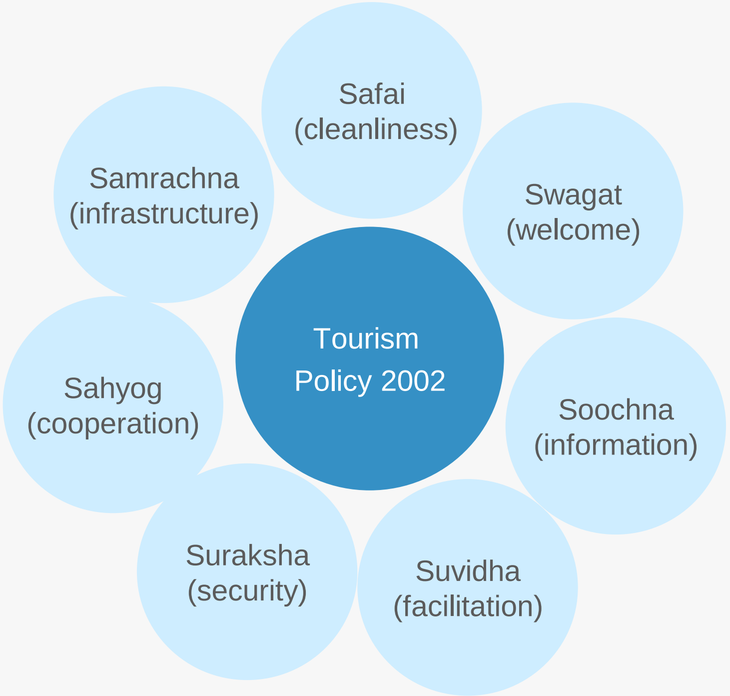
Domestic spending on tourism has grown significantly with the market size expected to reach USD86.1 billion in 2013, representing a CAGR of 7.6% during 2007–2013E

Source: WTTC - Travel & Tourism Economic impact 2013, Aranca Research
Note: E - Estimate

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
- Atithi Devo Bhavah is one of the successful initiative taken by the Ministry of Tourism to create awareness about the effects of tourism and sensitise people about our country's rich culture

Various facets of the Tourism Policy 2002



Source: Ministry of Tourism, Aranca Research

TOURISM POLICY AND INITIATIVES PROVIDE A BOOST TO THE INDUSTRY … (2/2)

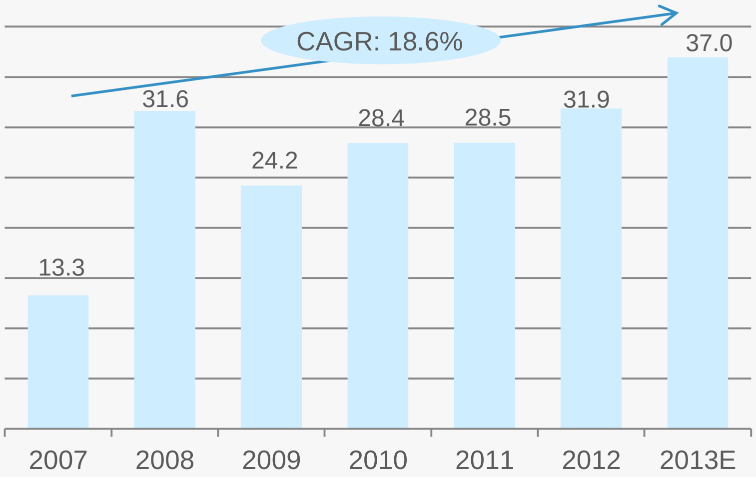
Five Year Plan	• During the 12^{th} Five-Year Plan, a budgetary support of USD2.8 billion has been approved for the Ministry of Tourism for development of tourism infrastructure projects, including rural tourism and human resource development projects • During the 12^{th} Five-Year Plan, USD1.3 billion has been allocated for the Ministry of Culture
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 North-Eastern Regions	• The government has planned an investment of 10.1 per cent of the Central Plan allocations for North-Eastern Regions and Sikkim in budget FY14

Source: World Travel & Tourism Council's Economic Impact 2013, 12^{th} Five year plan, Aranca Research

CONTINUED GROWTH OF INVESTMENTS IN THE TOURISM SECTOR … (1/2)

- Capital investment in the tourism and hospitality sector has been rising consistently
- Investments are expected to increase at a CAGR of 18.6 per cent during 2007–13E and reach USD37 billion

Capital investments in the tourism sector (USD billion)

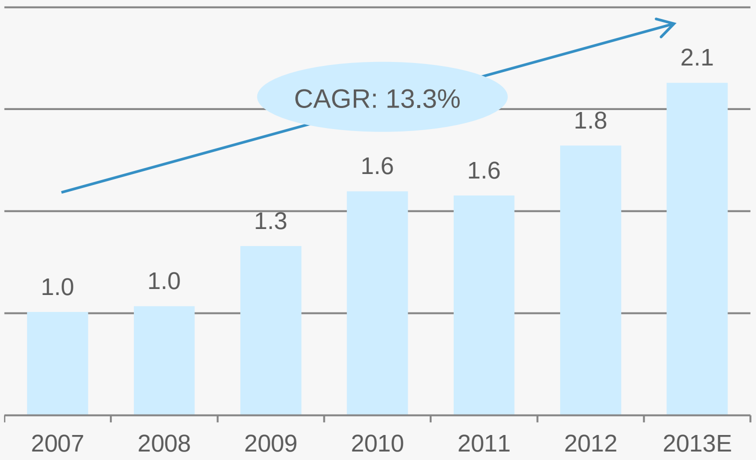


Source: World Travel & Tourism Council's economic impact 2013, Aranca Research
Note: E - Estimate

CONTINUED GROWTH OF INVESTMENTS IN THE TOURISM SECTOR … (2/2)

- The government's collective spending on the tourism and hospitality sector is expected to reach USD2.1 billion in 2013
- By the end of 2013, spending is projected to expand at a CAGR of 13.3 per cent over a seven-year period

Collective government spending on tourism (USD billion)

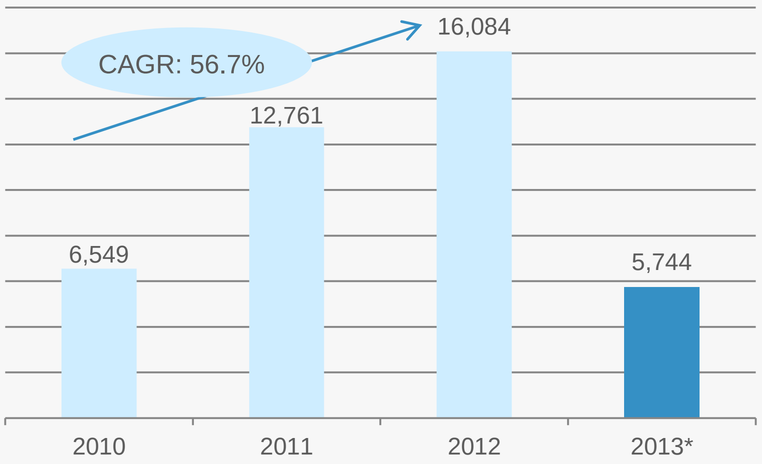


Source: World Travel & Tourism Council's economic impact 2013, Aranca Research
Note: E - Estimates

GROWTH IN VISA ON ARRIVAL

- The "Visa on Arrival" Scheme has been popular among tourists
- In January 2010, the government launched the "Visa on Arrival" Scheme for citizens of five countries – Finland, Japan, Luxembourg and New Zealand – to attract additional foreign tourists
- In January 2012, the government further extended this scheme to the citizens of six countries: Cambodia, Indonesia, Vietnam, the Philippines, Laos and Myanmar
- The scheme registered an average growth of 56.7 per cent over 2010–12
- Visa on Arrival increased 47.1 per cent to 5744 tourists during January-March 2013 from the previous year

Growth in Visa on Arrival

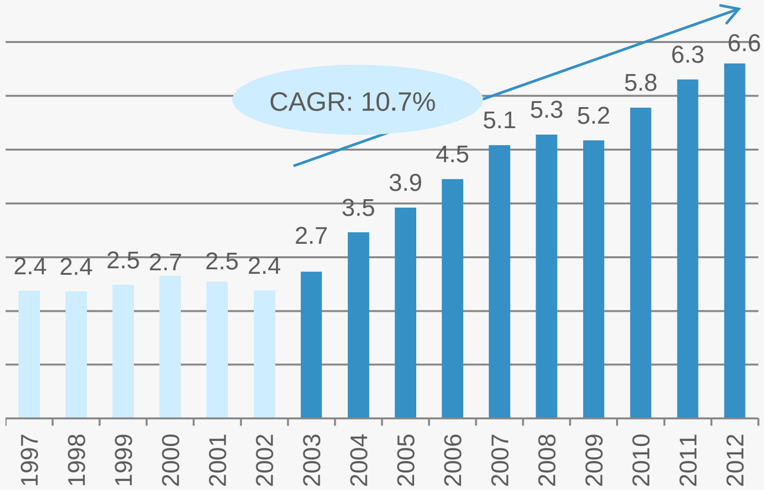


Source: Ministry of Tourism, Aranca Research
Note: 2013* represents data from January to March 2013

INCREDIBLE INDIA: AN INCREDIBLE SUCCESS

- Incredible India is an international marketing campaign by the Government of India to promote tourism in India in 2002 internationally
- Foreign tourist arrivals grew at a CAGR of 7.8 per cent during 2005–12 to 6.6 million in 2012
- India currently attracts 0.63 per cent of world tourist and the government aims to increase it to one per cent
- In 2012, India Tourism has launched two new campaigns : an International Campaign called 'Find What You Seek' and a Domestic Campaign called 'Go Beyond'

Growth in Foreign Tourist Arrival pre and post Incredible India (In Millions)

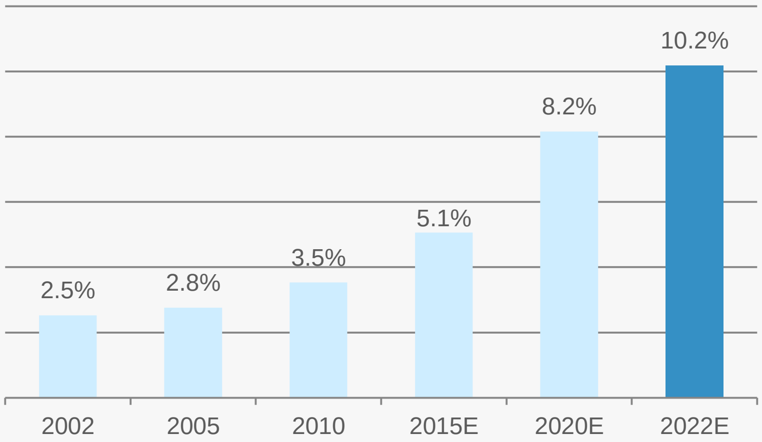


Source: Gujarat's Ministry of Tourism, Aranca Research

GUJARAT TOURISM : A PARADIGM SHIFT

- Gujarat is the 7th largest state, located in the Western part of India, with the longest coastline of 1600 km
- The government spent nearly USD13 million for the 'Khusbhoo Gujarat Ki' campaign, featuring Amitabh Bachchan, brand ambassador of the state; the campaign was a huge success
- The campaign led to an increase in the number of visitors to 5.4 million in the last two years
- The government plans to focus on the state's 1,600 km coastline to promote maritime, coastal and eco tourism

Contribution of tourism to Gujarat's GDP

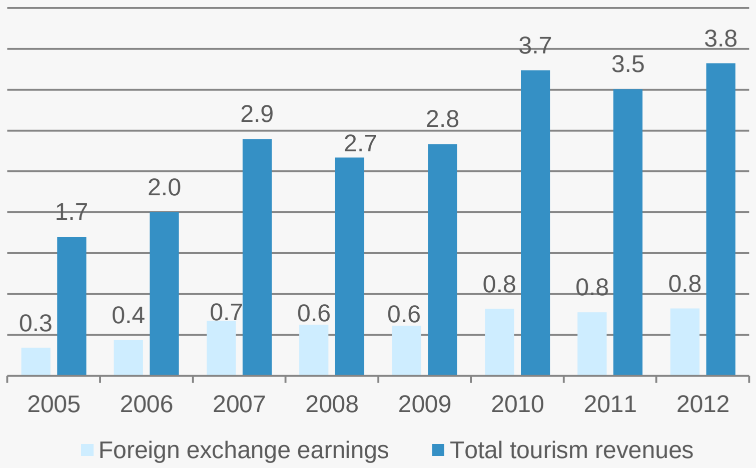


Source: World Travel & Tourism Council's economic impact 2013, Aranca Research
Note: E - Estimates

KERALA: BLEND OF GOOD MARKETING AND NATURAL BEAUTY … (1/2)

- Kerala is on the Malabar coast in Southwest India
- In the early 1990s, the state was known as a single beach destination
- Kerala successfully marketed its serene backwaters, wildlife sanctuaries, ayurvedic treatments and temple festivals
- Revenue from tourism rose at a CAGR of over 12.3 per cent during 2005–12
- In Kerala, the Union Ministry of Tourism sanctioned projects for a total value of USD15.9 million in FY13, making it the highest-ever sanction in a single year as of date

Revenue generated from tourism in Kerala (USD billion)



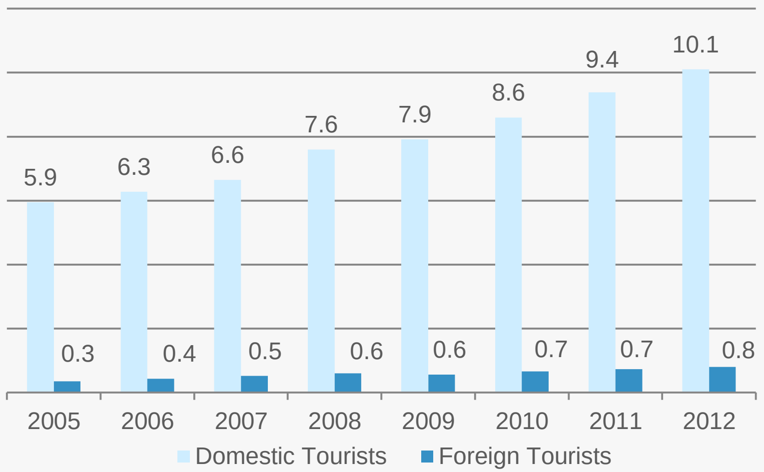
Source: Kerala's Ministry of Tourism, Aranca Research

KERALA: BLEND OF GOOD MARKETING AND NATURAL BEAUTY … (2/2)

Important figures on tourism in Kerala

- In 2010, tourism contributed over 9 per cent to the state's total output
- The share of foreign tourists increased from 7.2 per cent in 2011 to 7.3 per cent in 2012
- The average per day spending by a foreign tourist in Kerala stands at USD75 vis-à-vis the estimate of USD37.5 for a domestic tourist

Annual number of tourists visiting Kerala (million)



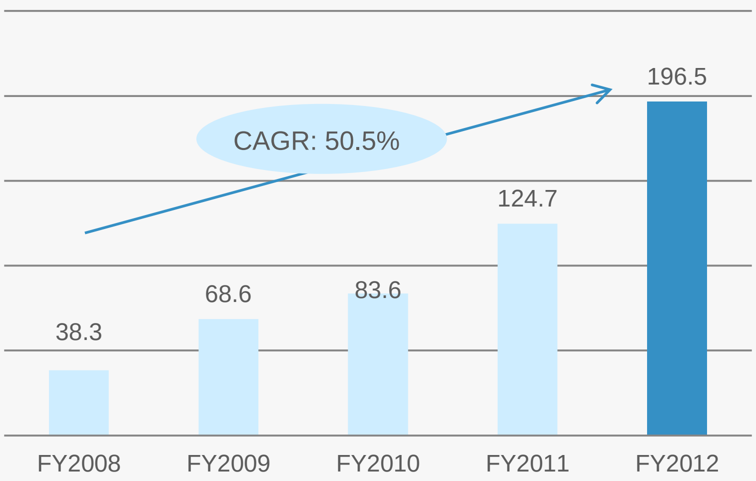
Source: Kerala's Ministry of Tourism

PRIVATE SECTOR PIONEERS: makemytrip.com

Makemytrip.com

- The website was conceived and founded by Deep Kalra in 2000
- Makemytrip offers airline tickets, hotel bookings, domestic and foreign packaged tours, bus tickets, corporate travels, visa assistance, foreign exchange and travel insurance
- The company's revenues totalled USD196.5 million in FY12
- It has a market capitalisation of USD519 million
- The company expanded at a CAGR of over 50 per cent during FY08–12

Revenues (USD million)



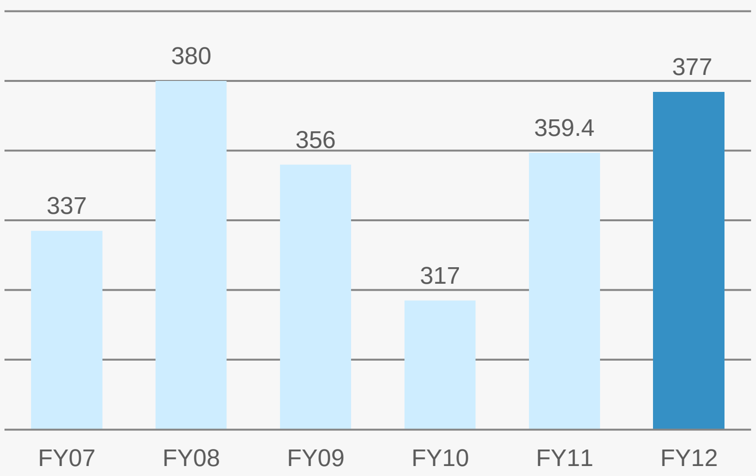
Source: www.makemytrip.com

PRIVATE SECTOR PIONEERS: IHCL

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 worldwide
* 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
* IHCL operates Taj Air, a luxury private jet operation
* The company operates Taj Sats Air Catering Ltd, the largest airline catering service in South Asia
* IHCL's revenues stood at USD377 million; the company posted a net profit of USD30.3 million in FY12

Revenues (USD million)



Source: IHCL's website

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 over USD2 billion 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

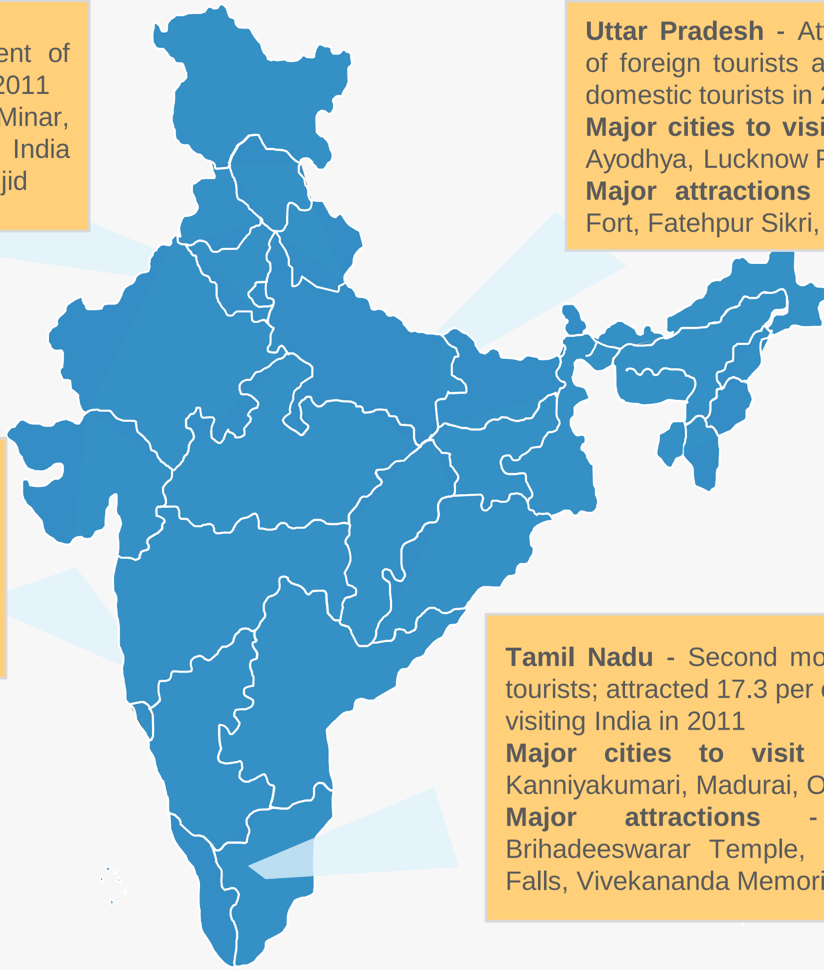
- India has potential to develop the rural tourism industry as most of its population resides in rural areas
- This can benefit the local community economically and socially, and enable interaction between tourists and locals for a mutually enriching experience

Source: Ministry of Tourism, BMI, Aranca Research

LEADING STATES/ UTs IN TERMS OF FOREIGN TOURISTS

Delhi - Attracted 11.1 per cent of foreign tourists visiting India in 2011
Major attractions - Qutub Minar, Red Fort, Humayun's Tomb, India Gate, Jantar Mantar, Jama Masjid

Uttar Pradesh - Attracted 9.7 per cent of foreign tourists and 18.3 per cent of domestic tourists in 2011
Major cities to visit - Agra, Allahabad, Ayodhya, Lucknow Fathehpur, Meerut
Major attractions - Taj Mahal, Agra Fort, Fatehpur Sikri, Sarnath



Maharashtra - Attracted 24.7 per cent of foreign tourists visiting India in 2011
Major cities to visit - Amravati, Kolhapur Mumbai, Nashik
Major attractions - Ajanta and Ellora Caves, Shirdi, Ashtavinayak, Matheran

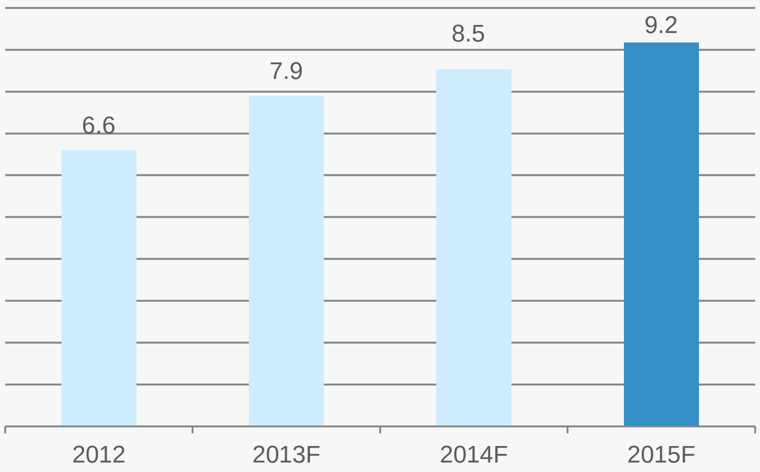
Tamil Nadu - Second most visited state by foreign tourists; attracted 17.3 per cent of total foreign tourists visiting India in 2011
Major cities to visit - Chennai, Coimbatore Kanniyakumari, Madurai, Ooty, Rameswaram, Salem
Major attractions - Meenakshi Temple, Brihadeeswarar Temple, Yelagiri Hills Hogenakkal Falls, Vivekananda Memorial

Source: Aranca Research

FOREIGN TOURIST ARRIVALS ARE SET TO RISE … (1/2)

- Foreign tourist arrivals are expected to increase at a CAGR of 11.7 per cent during 2012–15F
- The number of foreign tourists arriving in India is anticipated to be over 9.2 million by 2015

Forecasts of foreign tourists arriving in India (million)

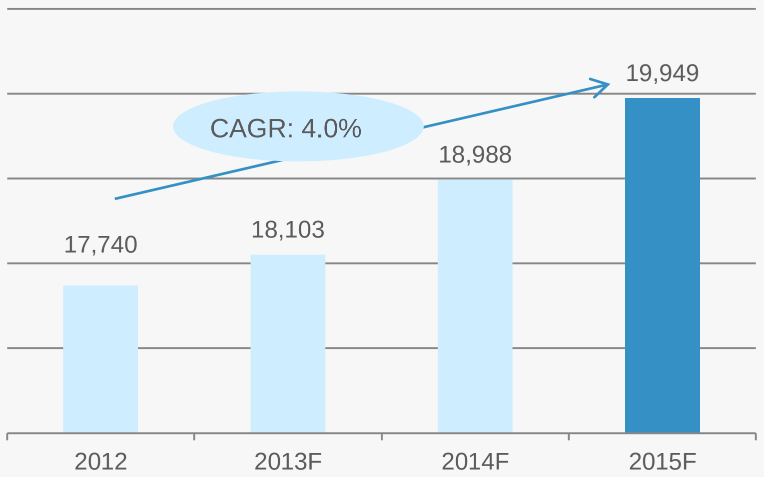


Source: Ministry of Tourism, BMI, Aranca Research
Note: F stands for Forecasts

FOREIGN TOURIST ARRIVALS ARE SET TO RISE … (2/2)

- Foreign exchange earnings from tourism are expected to rise at a CAGR of 4.0 per cent during 2012–15
- Foreign exchange earnings are forecast to cross USD20 billion in 2015

Forecasts of foreign exchange earnings from tourism in India (USD million)

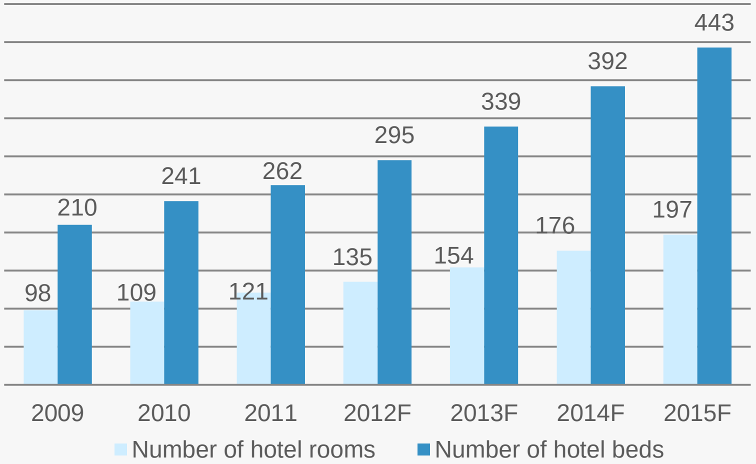


Source: Ministry of Tourism, BMI, Aranca Research
Note: F stands for Forecasts, CAGR - Compound Annual Growth Rate

HOTEL CAPACITY SET TO INCREASE

* The number of hotel beds in the country is expected to rise to 443,000 by 2015 from 269,000 in 2011

Capacity of hotels in India ('000)



Source: BMI, Aranca Research
Note: F - Forecast

AIRLINES INDUSTRY SET TO FLY HIGHER

Low-cost airline	• Growth in low-cost airlines is expected to lower tourism costs and increase domestic spending on tourism
Higher international flight operators	• The market is likely to become more competitive due to the entry of additional international flight operators, which would offer improved services to tourists
Increasing number of airports	• Airport Authority of India aims to commence operating 250 airports across the country by 2020
Higher investments	• The government is expected to earmark USD12.4 billion in the 12th Five-Year Plan (2012–17); of these, private investments are likely to total USD9.2 billion
Higher passenger traffic	• By 2020, passenger traffic at Indian airports is expected to rise to 450 million from the current 160 million

Source: World Travel & Tourism Council's Economic Impact 2013, 12th Five year plan, Aranca Research

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

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
- **CAGR:** Compound Annual Growth Rate
- **INR:** Indian Rupee
- **USD:** US Dollar
- Wherever applicable, numbers have been rounded off to the nearest whole number

EXCHANGE RATES

Exchange Rates (Fiscal Year)

Year	INR equivalent of one USD
2004-05	44.95
2005-06	44.28
2006-07	45.28
2007-08	40.24
2008-09	45.91
2009-10	47.41
2010-11	45.57
2011-12	47.94
2012-13	54.31

Exchange Rates (Calendar Year)

Year	INR equivalent of one USD
2005	45.55
2006	44.34
2007	39.45
2008	49.21
2009	46.76
2010	45.32
2011	45.64
2012	54.69
2013	54.45

Average for the year

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