Horwath HTL

Hotel, Tourism and Leisure

Industry Report –

India Hotel Sector

Prepared for:
Brigade Hotel Ventures
Ltd.

Horwath HTL™

Hotel, Tourism and Leisure

Crowe Horwath HTL Consultants Pvt. Ltd.

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26 October 2024

Ms. Nirupa Shankar
Managing Director
Brigade Hotel Ventures Limited
29th Floor, World Trade Center
Brigade Gateway Campus
26/1, Dr. Rajkumar Road
Malleswaram West
Bangalore – 560 055

Dear Ms. Shankar,

We were retained by Brigade Hotel Ventures Limited ("Company") to prepare an industry report comprising (a) an overview of the Indian hospitality industry, and (b) perspectives on the future outlook for the industry in general, with more specific focus on cities and markets in which the Company owns or operates hotels or intends to pursue projects in the medium term. Accordingly, this report concentrates on hotel sector in India. We understand that the Company intends to use data from this industry report in connection with the proposed Initial Public Offering (IPO) of the Company.

Please see attached herewith out report titled 'Industry Report – India Hotel Sector' ("Report"), dated 26 October 2024. This Report covers the following key aspects:

- Overview of several key factors that impact the demand for, and performance of the hotel sector - factors such as tourist arrivals, seasonality, access infrastructure, key demand drivers, visa policies, government initiatives and challenges, and barriers to entry in the hospitality industry.
- Overview of the impact arising from Covid 19 pandemic, and the recovery therefrom.
- Supply analysis of chain affiliated hotels, with stress on segments that are relevant to the Company.
- Analysis of current demand and expectations of future demand.
- Analysis on the future supply over the next about three years and its impact on the overall performance.
- Future outlook for cities / micro-markets relevant to the Company.

In this Report, we have examined various general and specific aspects relating to India's hospitality industry. The focus is on segments that are relevant to the Company; other segments are discussed only to the extent this is relevant to provide a more comprehensive overview of India's hospitality industry.

Hotel inventory and other data points used for this Report are as on 30 June 2024. Information on pipeline inventory and other data have been updated based on information available to us upto 30 September 2024; we have not updated this for any events occurring after that date notwithstanding that in some cases the Report may contain a comment on an event after that date. Further, we have no obligation to update the information and our comments for changes and events that occur after 30 September 2024.

Information herein is based on our research and knowledge of the market; it is possible that corporate plans and other confidential information, which are not within our knowledge may provide an understanding that may be different from the statements and conclusions herein.

For sake of making the Report meaningful, we have been selective in the data included herein; we have sought to avoid providing a mass of data that may be less comprehendible – however, it is possible that additional data may cause a reader to reach a different conclusion.

As is typical of such reports, our estimates / projections / outlook and statements that may be regarded as forward-looking statements cannot be guaranteed in any manner; these have, however, been prepared after conscientious research and analysis.

We shall be pleased to provide any further clarifications as may be required.

Thank you and with regards,

Yours truly,

For Crowe Horwath HTL Consultants Pvt. Ltd.

V.P. Thacker

Vijay Thacker
Managing Director

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Our opinions are based on information available to us at the time of preparation of the report and economic, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. Should circumstances change significantly, or additional information become available, after the issuance of this report, the conclusions and opinions expressed herein may require revision. There is no requirement for CHHTL to update this report in any such circumstances. The statements and opinions expressed in this report are made in good faith and in the belief that such statements and opinions are not false or misleading. Recipients should make their own enquiries and evaluations they consider appropriate to verify the information contained in the Industry Report. This Industry Report does not purport to provide all of the information the recipient may require in order to arrive at a decision.

Forward-Looking Statements

This Industry Report contains estimates / projections / outlook and statements that may be regarded as forward-looking statements. These statements are based on a number of assumptions, expectations and estimates which, while considered by us to be reasonable, are inherently subject to significant uncertainties and contingencies many of which are beyond the control of ourselves or Brigade Hotel Ventures Ltd. (on whose behalf this report has been prepared) or which may reflect future business decisions which are subject to change. Recipients of this information are advised that the estimates / projections / outlook may be regarded as inherently tentative. Due to the subjective judgments and inherent uncertainties of statements about future events, there can be no assurance that the future results, or subsequent estimates / projections / outlook will not vary significantly from the estimates / projections / outlook and other statements set out in Industry Report.

This disclaimer must accompany every copy of this Industry Report, which is an integral document and must be read in its entirety".

HORWATH HTL CREDENTIALS

Horwath HTL India is a member of Crowe Global. Crowe Global is currently the eighth largest accounting and consulting network worldwide. Crowe Global member firms engaged in the field of consulting to the Hotel, Tourism and Leisure industry, under the name and style of Horwath HTL, are recognised as being the premier consultants to this industry, providing practical and well-reasoned professional advice to their clients.

The consulting experience of Horwath HTL India covers over 150 Indian cities, towns and destinations and over 20 international destinations. Assignments have been undertaken for hotel chains, promoters, development companies, private equity investors, international lenders, including several major international and domestic hotel chains and their associates.

Our hospitality consulting practice has advised on significant and diverse projects and the principal services provided by us are market and financial feasibility studies, strategic planning for hotel chains, operator search and management contract negotiations, valuation of hotel companies and hotel properties, structuring financial bids, operational reviews, efficiency audits and service audits and systems design and reviews for hotels.

Abbreviations

Abbreviation	Full Form	Abbreviation	Full Form
AAI	Airports Authority of India	HAI	Hotel Association of India
ADR	Average Daily Rate	IHCL	Indian Hotel Company Limited
BFSI	Banking, Financial Services and Insurance	IMF	International Monetary Fund
BHVL	Brigade Hotel Venture Limited	INR	Indian Rupees
CAGR	Compound Annual Growth Rate	IT	Information Technology
Covid	Coronavirus Disease	ITeS	Information Technology Enabled Services
CY	Calendar Year	k	Thousand
DIPP	Department of Industrial Policy & Promotion	MRO	Maintenance, Repair & Overhaul
EBITDA	Earnings Before Interest Taxes Depreciation & Amortization	NIPFP	National Institute of Public Finance and Policy
Eco	Economy Class	ORR	Outer Ring Road
ECR	East Coast Road	PLI	Production Linked Incentive
E-Visa	Electronic Visa	PMI	Purchasing Manager's Index
F&B	Food & Beverage	PRICE	People Research on India's Consumer Economy
FDI	Foreign Direct Investment	R&D	Research & Development
FHRAI	Federation of Hotel and Restaurant Associations of India	RBI	Reserve Bank of India
FTA	Foreign Tourist Arrivals	REIT	Real Estate Investment Trust
FY	Financial Year	SEZ	Special Economic Zone
GDP	Gross Domestic Product	USD	United States Dollar
GOP	Gross Operating Profit	WFH	Work from Home
GST	Goods and Services Tax	WTTC	World Travel & Tourism Council
GVA	Gross Value Added	YTD	Year to Date
H2	Second Half of referred year		

1. Overview of Key Market Characteristics

Some key characteristics of India's hospitality industry are briefly set out herein to provide a better understanding of the market and more particularly the upper-tier and midscale segments.

1.1. Hotel Supply in India[1]

a. India has 192k chain affiliated hotel rooms, across segments, as at 30 June 2024. Supply at independent hotels is widely fragmented and substantially of midscale and lower positioning.

b. Supply composition has evolved over the years resulting in greater depth and balance across segments, with 34.8% supply share for the Luxury-Upper Upscale segments, 38.6% for the Upscale and Upper Midscale segments and 26.7% for the M-E segments.

c. Geographic spread of hotels continues to widen. Supply share at Key Markets (Mumbai, NCR, Bengaluru, Chennai, Hyderabad, Kolkata, Pune, Ahmedabad, Goa and Jaipur) has dropped from 69% at FY15 to 59% at Jun 24, and expected at 51% by FY28; 65% of supply expected between end Jun-24 and end FY29 is outside the Key Markets

d. Share of international chains has risen from 21% in FY01 to 45-48% for the last ten years; this is expected to remain at 47% at end FY29.

e. Hotel ownership is materially led by private sector developers / institutional investors; hotel chain and chain-led ownership of hotel rooms dropped sharply from 71% (FY01) to 26%; 29% of rooms supply is under listed company ownership.

1.2. Hotel Demand

a. Demand for chain affiliated hotels has increased from 61k rooms per day for FY15 to 116k rooms per day for FY24; demand grew between FY01 and FY24 at 9.9% CAGR.[2]

b. Domestic travel visits aggregated 2.3 bn for CY 2019; post Covid recovery was sharp with 1.73 bn visits for CY 2022 (subsequent data not available)[3].

c. FTA was above 10 mn for CY2017-19 and recovered, post Covid, to 9.2 mn for CY23. FTA for H1-24 is up by 9.1% over H1-23 (the latter also has sizeable G20 travel)[4].

d. The hospitality industry suffered severely due to travel restrictions during the Covid-19 pandemic; recovery of travel was impacted during different waves of the pandemic and due to varied restrictions in overseas source markets. On the other hand, the industry showed remarkable resilience and recovery appetite when restrictions were loosened and then dropped.

1.3. Travel and Tourism Contribution:

a. HAI estimates FTA to cross 30 mn by CY 2037; a Bookings.com and McKinsey study estimates around 5 bn domestic visits by CY 2030. Longer term HAI estimates, for CY 2047, are 15 bn domestic visits and 100 mn FTA. Growth of FTA will strengthen hotel ADRs, particularly for the upper-tier hotels.[5]

b. WTTC estimates the travel and tourism sector's contribution to India's economy at ₹15.7 trillion in CY 2022, ₹16.5 trillion for CY 2023 and ₹37 trillion by 2034, growing at 7.6% CAGR from CY 2023 to CY 2034.[6]

c. The sector is estimated to have employed 43 million people by end of CY 2023[7].

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[1] *Source: Horwath HTL India*
[2] *Source: Horwath HTL India*
[3] *Source: Ministry of Tourism, Govt. of India estimates*
[4] *Source: Ministry of Tourism, Govt. of India*
[5] *Source: Vision 2047 – Indian Hotel Industry, Hotel Association of India and How India Travels 2023, Bookings.com and McKinsey Report*
[6] *Source: World Travel & Tourism Council – Press Release*
[7] *Source: World Travel & Tourism Council – Press Release*

d. HAI estimates the hotel sector GDP contribution at USD40 billion, USD68 billion and USD one trillion in calendar years 2022, 2027 and 2047 respectively, with significant multiplier benefit[8]. The sector creates assets, employment, foreign exchange earnings and tax revenues.

1.4. **Future demand drivers:** Demand will be driven by diverse domestic and inbound travel needs - business, leisure, MICE, weddings, social events, pilgrimages and other personal travels, political and business delegations and airline crew. Each segment is expected to be robust based on a positively growing economy, improved travel infrastructure, new convention centres, wider airline services and demand for international and national sport and entertainment sector events. Continued urbanisation, changing demographics and lifestyles, with greater search for experiential travel elements and willingness to spend on entertainment, recreation, wellness and lifestyle will drive discretionary travel and spends.

1.5. **Demographics:** Relevant demographic changes, creating demand potential for different hotel services, include – (a) increased urbanisation - per a United Nations study, India is projected to add 416 million urban dwellers by CY 2050[9]; (b) growing middle class, estimated at 432 mn in FY21, 715 mn in FY31 and 1,015 mn by FY47[10]; (c) younger population, estimated at 371 mn in CY21 (27.2% of total population)[11] with the youth-bulge lasting till CY 2055, with willingness to spend on entertainment, recreation, lifestyle, and experiences.

A report by Booking.com and McKinsey projects domestic spend on tourism to rise by 170% from $150 bn in CY 2019 to $410 bn in CY 2030, gaining from growing household earnings and a median age of 27.6 years. The report ranks Bengaluru, Chennai and Hyderabad at the second, fourth and sixth positions respectively as popular destinations among the top 10 visited destinations in India

1.6. **Key long-term attributes for** India's hotel sector include (a) robust domestic travel sector and potential for FTA growth; (b) material expansion of airport infrastructure and airline capacities; (c) spread of new travel destinations and city micro-markets; (d) demand emergence and push from sports, entertainment and performing arts events; (e) widening private sector investment in the sector, including provision for 100% FDI under the automatic route; (f) rising land costs continuing to pose significant barriers to entry.

2. India – Macro Economic Overview

2.1. India GDP: Among the fastest growing economies in the world

In FY24, India was the 5th largest global economy with estimated Nominal Gross Domestic Product (GDP) at current prices of United States Dollars (USD) 3.57 trillion[12], *with 8.2% GDP growth*[13].

Table 1: GDP growth rate projections for India by different agencies

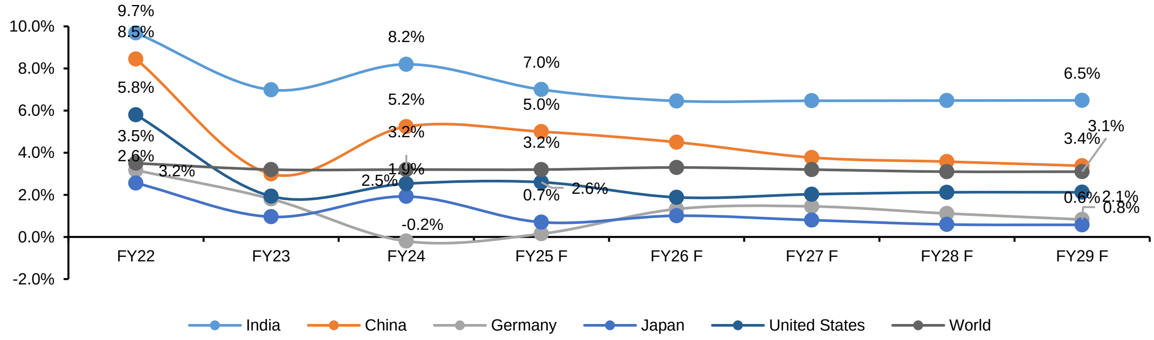
Agency	Period	Estimated GDP growth rate
IMF*	FY25	7.0%
IMF*	FY26-FY29	6.5%
S&P Global; Morgan Stanley	FY25	6.8%
RBI; Asian Development Bank	FY25	7.2%
Fitch Ratings	FY25	7.0%
NIPFP	FY25	7.1%

**Source: World Economic Outlook Report April 2024; World Economic Outlook Update July 2024*

[8] *Source: Vision 2047 – Indian Hotel Industry, Hotel Association of India*
[9] *Source: UN World Urbanization Prospect Report*
[10] *Source: The Rise of India's Middle-class Report - PRICE*
[11] *Source: Youth in India Report 2022, MoSPI*
[12] *Source: International Monetary Fund*
[13] *Source: Ministry of Economic Affairs*

Chart 1 provides IMF forecast for GDP growth rate (at constant prices) for India and the top five global economies through FY29.

Chart 1 - India and Top 5 Global economies GDP Forecast



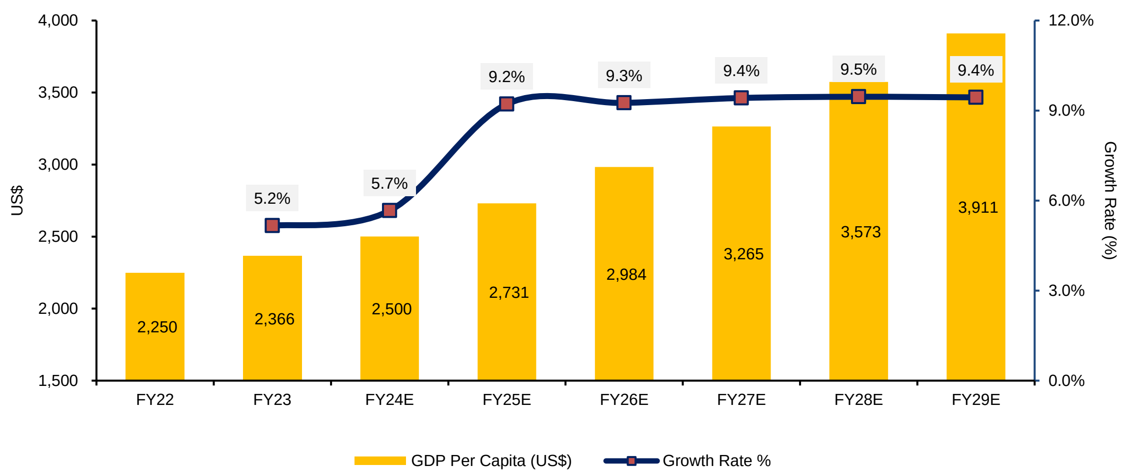
Source: World Economic Outlook, IMF, April 2024 and World Economic Outlook Update July 2024

With strong GDP and third largest Purchasing Power Parity (PPP), India has recently positioned as third largest power in Asia Power Index[14] reflecting increasing ability to shape and respond to external geopolitical factors of Asia- Pacific region.

2.2. India Per Capita GDP Forecast

Per capita GDP growth for India is estimated at 8.7% CAGR between FY23-FY29. Increased individual incomes is expected to create additional discretionary spending, which may be beneficial for the hospitality sector.

Chart 2 - India Per Capita GDP Forecast



Source: World Economic Outlook, IMF, April 2024, National Statistics Office, Ministry of Statistics & Programme Implementation (MoSPI), Govt of India

2.3. Manufacturing and Service Sectors

2.3.1. Manufacturing Sector

Manufacturing GVA has almost doubled between FY12 and FY24, more recently benefitting from initiatives such as Make In India and the Production Linked Incentive (PLI) programs.

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[14] *Source: Asia Power Index 2024 by Lowy Institute*

Production Linked Incentive (PLI) schemes were introduced in 2021 by the Indian government to push domestic manufacturing and employment opportunities in 14 key sectors. Since its inception the scheme has achieved following[15]:

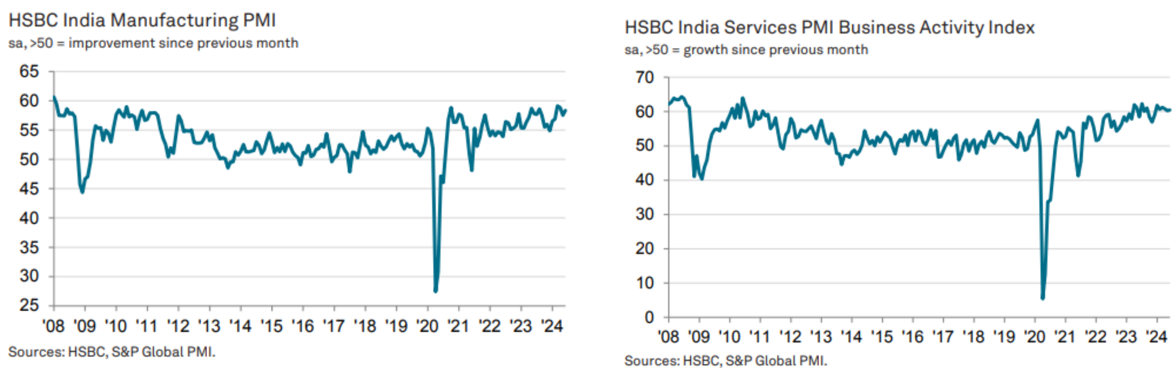
- Investments exceeding Rs.1.03 lakh crore
- Production and sales aggregating Rs.8.6 lakh crore
- Creation of 6.8 lakh jobs
- Rs.4,415 crore in incentives is disbursed to eight sectors since inception

2.3.2. Services Sector

Services sector is among the fastest growing in the Indian economy. Between FY16 and FY20, the set comprising trade, hotels, transport, communication and services related to broadcasting grew at 7.8% CAGR; the set of financial, real estate and professional services grew at 6% CAGR[16].

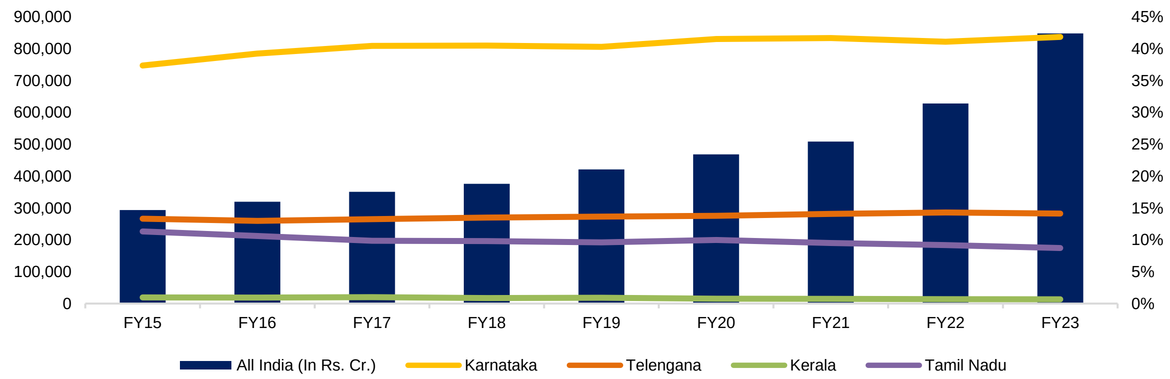
The Services PMI Business Activity Index for the same period, also reflected growth benefitting from a positive demand environment and gain of new business and output volumes.

Chart 3: Services and Manufacturing PMI Activity / Output Index – CY 2008 to YTD June 2024



India is a software hub for exports. Karnataka, Tamil Nadu, Kerala and Telangana contributed about 65% of India's IT and ITeS exports for FY23, with operations mainly driven from Bengaluru, Chennai, Kochi and Hyderabad respectively.

Chart 4 – India and Select States – IT and ITeS Exports – FY15 to FY23



Note: Data for FY24 is not available; Source: STPI

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[15] Source: Article on review of PLI Scheme by Grand Thornton published in July 2024
[16] Source: Ministry of Statistics and Programme Implementation, India

All India exports increased by INR 2,201 billion in FY23. Karnataka, Telangana and Tamil Nadu contributed 44%, 14% and 9% respectively of the all-India increase.

Karnataka leads, with 42% share of all India IT and ITeS exports in FY23, and reasonably steady significant share for several past years.

2.4. Key Demographic Aspects

2.4.1. Increased Urbanisation:

India's urban population increased from 28% in CY01 to 31% in CY11 and was further projected to increase to 36% in CY23; urbanization is under penetrated in India compared to USA (83%), UK (85%) and China (65%). Nevertheless, India was estimated to have second largest urban population in the world, comprising of 518 mn in CY23 and growing to 675 mn by CY35[17].

India currently has 5 megacities with population > 10 mn, with Pune, Hyderabad and Ahmedabad expected to become megacities by CY30.[18] Cities and towns have expanded, creating multiple micro-markets and business districts. Urbanisation creates the need for jobs, attracting investment and development of multiple business sectors. Growth in business and business opportunities due to increased urbanisation is evidenced by increase in air traffic, wider real estate activity, and growth of hotels in several existing and newer markets.

Karnataka, Tamil Nadu, Kerala and Telangana are expected to have more than 50% urban population by CY 2036.[19]

Chart 5: India Urbanization Trend

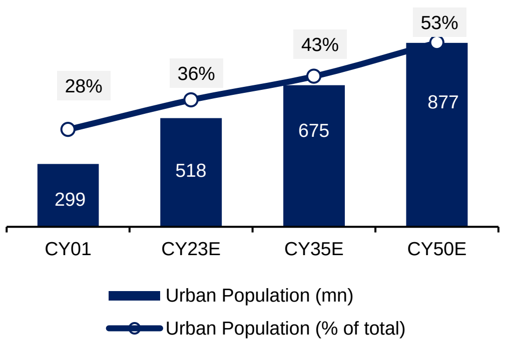
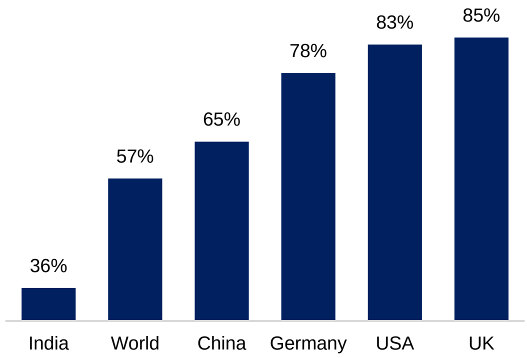


Chart 6: Urbanization % (CY23)



Source: United Nations, Department of Economic and Social Affairs, Population Division (2018). World Urbanization Prospects: The 2018 Revision, Online Edition.

2.4.2. Rising Middle Class and High-Income Population:

India's middle-class population is expected to grow from 432 mn for FY21 to 715 mn in FY31 and 1,015 mn by FY47, moving ahead of US and China within this decade[20]. The middle class spans a wide economic segment.

Increasing income levels are demonstrated by a robust growth in its middle-class and high-income population. Middle-class population (income of Rs. 0.5 mn to 3 mn per annum) grew at 4% CAGR between FY16-21, increasing its share from 26% to 31% over the period. This segment is further projected to grow and is estimated to represent approximately 47% of the population by FY31. High-

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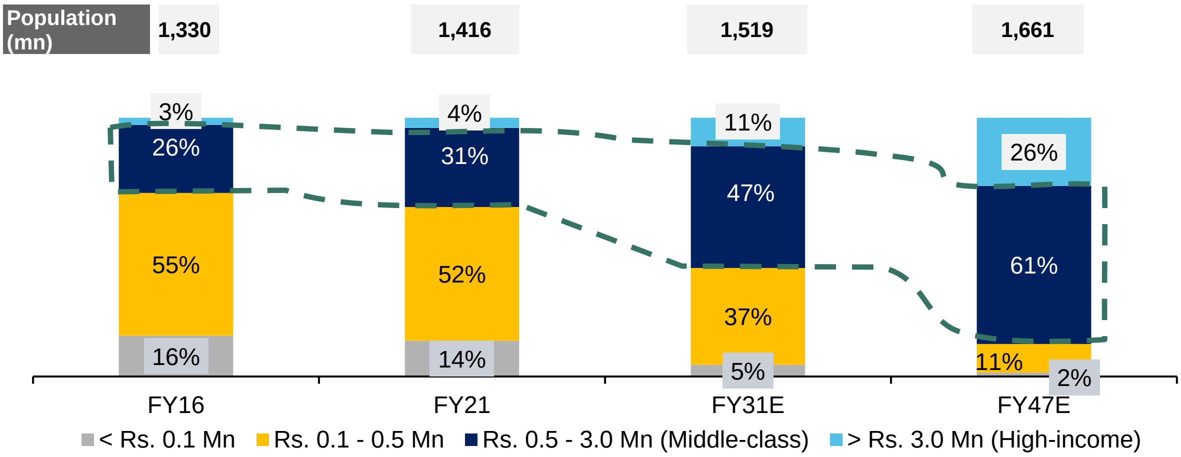
[17] *Source: United Nations, Department of Economic and Social Affairs, Population Division (2018). World Urbanization Prospects: The 2018 Revision, Online Edition.*
[18] *Source: Source: United Nations, Department of Economic and Social Affairs, Population Division (2018). World Urbanization Prospects: The 2018 Revision, Online Edition.*
[19] *Source: Population Projections for India and States 2011-2036 Report (July 2020) of Technical Group constituted by the National Commission on Population under the Ministry of Health and Family Welfare*
[20] *Source: The Rise of India's Middle-class Report - PRICE*

income households (income > Rs. 3 mn) had 37 mn population in FY16 and is projected to be 437 million in FY47 increasing at 8% CAGR.[21]

Rising middle class and high-income class population is an important demand driver for the hospitality sector, using midscale and upscale hotels and with aspirational demand for upper upscale hotels. The middle class slowly graduates upwards, with greater affordability and attitudinal and lifestyle changes creating demand potential for different services (rooms, F&B, functions, entertainment) at upper tier and upper midscale hotels.

Chart 7: India's Rising Middle-Class— Share by annual income as a % of Total Population (FY16-FY47E)



Source: "The Rise of India's Middle Class" Report published in November 2022 by People Research on India's Consumer Economy (PRICE)

2.4.3. Young Population (15-29 Years):

India is now the world's most populous nation, estimated at 1.4 bn people in CY23.[22] India's young population increased from 223 mn in CY1991 to 333 mn in CY 2011, 360 mn in CY 2016, and 371 mn in CY 2021 (27.2% of total population – the largest youth population globally)[23]. The demographic window of opportunity - a "youth bulge" (growth in youth as a share of total population) in the working-age population, is expected to last till CY 2055.

In CY 2023, the median age for India was estimated at 28.2 years which is 9.9-20.9 years younger than the median age for the G-7 countries. India's median age is projected to remain below 30 years, until CY 2030.

The large working age population will require jobs, placing importance on employment creation. The hotel and tourism sector has substantial ability to create jobs, directly and as a multiplier effect, if the sector is sufficiently enabled. A large working population also carries enhanced discretionary spend propensity which could benefit the hotel sector.

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[21] *Source: The Rise of India's Middle-Class Report - PRICE*
[22] *Source: United Nations, Department of Economic and Social Affairs, Population Division (2022). State of World Population Report 2023, UNFPA, World Population Prospects.*
[23] *Source: Youth in India Report 2022, MoSPI*

Chart 8: Estimated Median Age in Years (CY23)

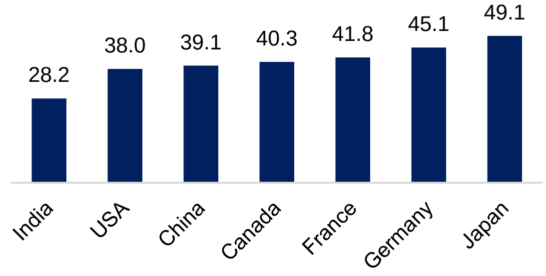


Chart 9: India population % by Age group (CY21)

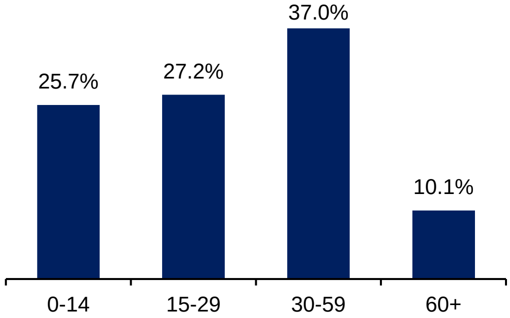


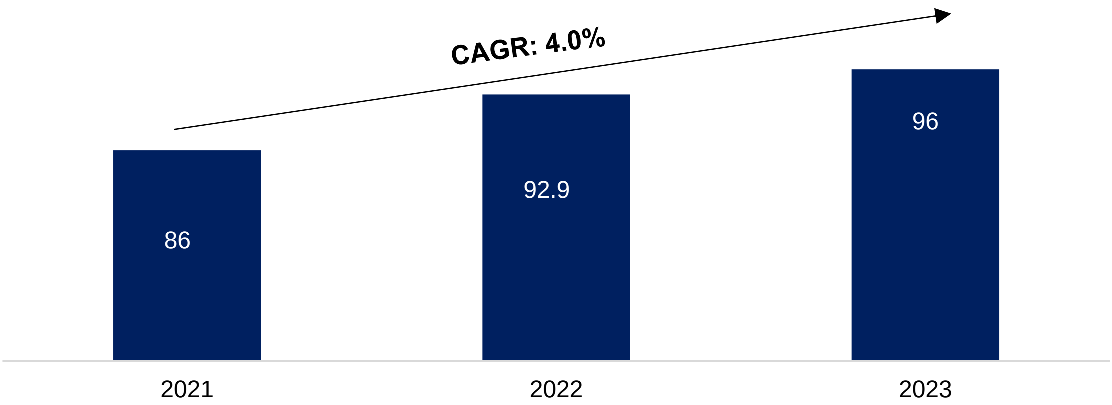
Chart 8 Source: United Nations, Department of Economic and Social Affairs, Population Division (2022).State of World Population Report 2023, UNFPA, World Population Prospects.
Chart 9 Source: The 2022 Revision and Youth in India Report 2022, published by Ministry of Statistics and Programme Implementation (MoSPI)

2.4.4. **Increased Consumer spending:**

India has seen increased consumer spending in the last 5 years, gaining from a larger and younger workforce, increase in double income families, a trend towards consumerism and lesser savings, and willingness to take credit card and other unsecured debt for consumer spending. Consumer spending grew to INR 25.6 trillion in Q4-CY23, compared to INR 23.3 trillion in Q3-CY23.

Urban average monthly consumption expenditure per person has increased by Rs. 3,829 (146%) between FY12 and FY23[24] . Increased spend patterns auger well for travel and F&B spends at hotels in India.

Chart 10 – Consumer Spending in India (in Rs trillion) – CY21 to CY23

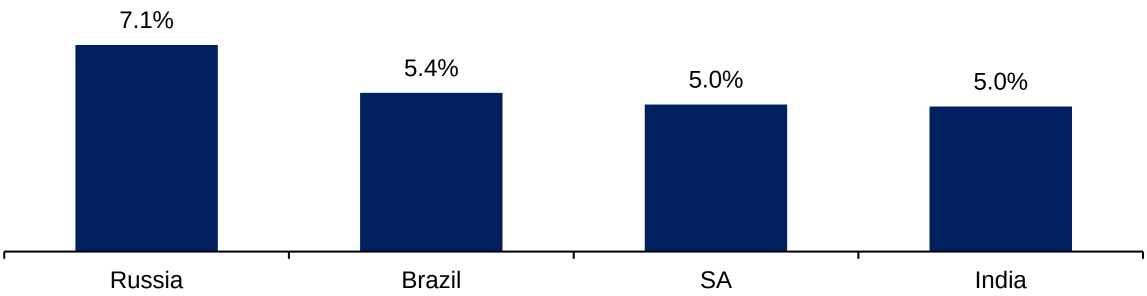


Source: Trading Economics; MOSPI via Statista

Stable inflationary environment: Inflation environment in India has been relatively stable post COVID over the past few years with FY24 consumer price index ("CPI") inflation YoY % reported at 4.8%. CPI Inflation, reflected as a CAGR for FY14-24 was 5% for India; this compares with South Africa and is lesser than 7.1% for Russia and 5.4% for Brazil.

[24] *Source: Household Consumption Expenditure Service of MoSPI*

Chart 11: CPI Inflation (CAGR FY14-FY24)



Source: Trading Economics via MOSPI, Brazilian Institute of Geography and Statistics; National Bureau of Statistics of China; Federal State Statistics Service, Russia and South Africa Statistics.

3. Demand Overview and Characteristics

3.1. Key Demand Drivers

The key demand drivers for hotels are:

a. Business Travel - Inbound and domestic visitation for business related purposes, including travel on corporate account and by individual business travellers. Demand typically predominates between Monday and Thursday, slowing towards the weekend or public holidays; domestic business travellers at upscale and mid-priced hotels often stay through till Saturday. Business travel also slows during vacation periods.

The services sector (IT, BFSI, and professional services) and manufacturing sector are significant drivers for business travel.

b. Tourism - India is popularly known for its rich cultural heritage, historical sites, diverse landscapes, and vibrant festivals. Growth of domestic and inbound tourism contributes significantly to the demand for hotels.

c. Leisure Travel - This is discretionary in nature and comprises long / short vacations, staycations at city hotels, weekend stays for recreation and entertainment, leisure attached to a business trip or to a trip for weddings and meetings. Greater affordability and propensity, changing lifestyle, and improved connectivity have materially benefitted hotels with good F&B, recreation and entertainment facilities.

d. MICE Travel – For corporate, government, institution and association events (conventions, conferences, retreats, incentives, promotions, training programs, customer-facing events, staff events etc). Corporate and government demand is mainly during the working week or on Saturday; institution and association demand can be on weekends. MICE demand occurs through the year, barring main holiday periods and the months from March through May. Cities with international convention centres are able to attract large international events.

e. Weddings and Social demand - This segment comprises destination weddings and other social / celebratory events, as well as substantial use of hotels for weddings and social events for local (non-residential) events. The trend for hosting weddings in city hotels or as destination weddings has grown materially and is gaining further momentum, as it percolates to the mid-market segment as well. Several city hotels attract large residential weddings, akin to destination weddings in leisure centres. Social travel also occurs for other social obligations and person / family visits.

f. Diplomatic Travel - Government leaders and representatives of other countries, often accompanied by large trade delegations, and diplomats using upper-tier hotels during the transition period on postings to India.

g. Airline Crew - Helps create a core of demand at hotels, albeit at significantly discounted pricing. Airlines also generate limited demand for layovers when flights are significantly delayed.

h. Transit Demand – Comprises person on overnight stay during air or road trip to a domestic or international destination.

Each demand segment attracts domestic and inbound travel of varying measures, depending upon the hotel and destination character. Demand quantum, profile and rate paying capacity are also impacted by seasonality factors which may apply differently to business and leisure hotels. The months from October through March of any Financial Year are materially busier than the summer and monsoon seasons.

3.2. MICE Demand

MICE demand contributes hotel revenue for rooms, F&B and other services arising from various business and social events; weddings; corporate, institutional and government sponsored meetings, conferences and conventions; sports related events; performing arts and other events. Varied segments may apply to different hotels and markets. New convention centres will draw varied events demand with related additional MICE demand at upper tier hotels that have sizeable function spaces.

MICE events have contributed to the growth of F&B revenues to 32% share and Rs. 46.2 bn in FY2024 for certain listed companies (Refer Table 20).

The G20 events from December 22 to September 23 took international visitors to multiple destinations and provided occupancy, rate and revenue boost to hotels. Bengaluru, Gandhinagar, Chennai, and Hyderabad hosted 11, 6, 5 and 4 G20 events / meetings respectively. Such events serve as a basis to draw other international and national events and delegations.

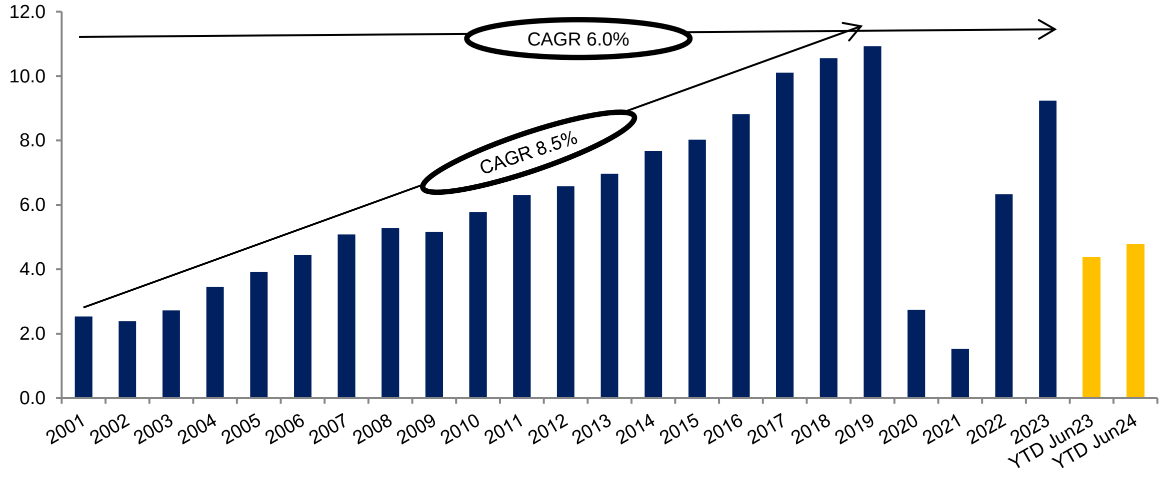
The trend for hosting weddings in city hotels or as destination weddings is expected to continue, in fact gaining momentum as the practice percolates to the mid-market segment. City hotels also benefit from destination wedding concepts. Additionally, the trend of greater importance to various celebratory occasions (anniversaries and landmarks) creates demand at city hotels and resorts.

Sport based demand has gained momentum and will likely gain demand strength in the future – international, national, and league events across various sports (cricket, hockey, kabaddi, and football) are creating sizeable demand, across various price segments. Newer leagues are starting up, including for women. Demand comprises for team members, officials and support staff and visiting spectators, and includes demand for training in the lead up to the tournaments.

3.3. Foreign Tourist Arrivals (FTA)

FTA aggregated 10.1 mn, 10.6 mn and 10.9 mn for CY17, CY18 and CY19 respectively, achieving the 10 mn mark for the first time in CY17. After the Covid period decline, FTA recovered to 6.2 mn for CY22 (partially constrained by the Omicron wave during the normally very busy months of January and February 22) and further to 9.2 mn for CY23 (84% of CY19 arrivals). FTA for YTD June24 was 4.8 mn, up by 9.1% from 4.4 mn for YTD June23.

Chart 12: India – Foreign Tourist Arrivals (mn)

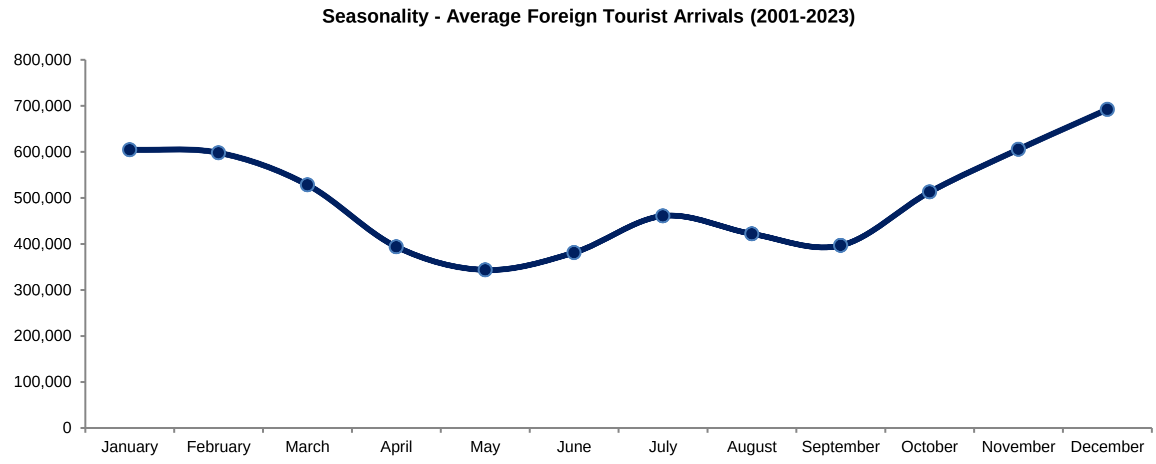


Source: Ministry of Tourism, Govt. of India

Cross-border travel is impacted by several factors including security, health, political and economic issues at the destination or source markets. High air fares are currently a constraint as global airlines cope with aircraft and staffing shortages. In past years, FTA was impacted by events such as Mumbai terror attacks on 26 November 2008, global financial crisis, economy related issues in Russia and Europe, or business failure of major tour operators in Europe.

Seasonality of FTA is reflected in Chart 13. The winter months are clearly preferred for travel into India for leisure, MICE events, leadership level business travel and high-end destination weddings.

Chart 13: FTA Seasonality (2001-2023)



Source: Ministry of Tourism, Govt. of India

3.4. E-visa

Electronic Visa (E-visa) scheme made available effective November 2014, for nationals of 43 countries. As on December 2023, nationals of 167 countries are covered under the e-visa scheme, successfully enabling inbound visitors to come in with short lead-time. FTA using E-visas increased from 0.7 mn in FY16 to 2.86 mn in FY20, before declining during Covid pandemic[25]. Current data is not available.

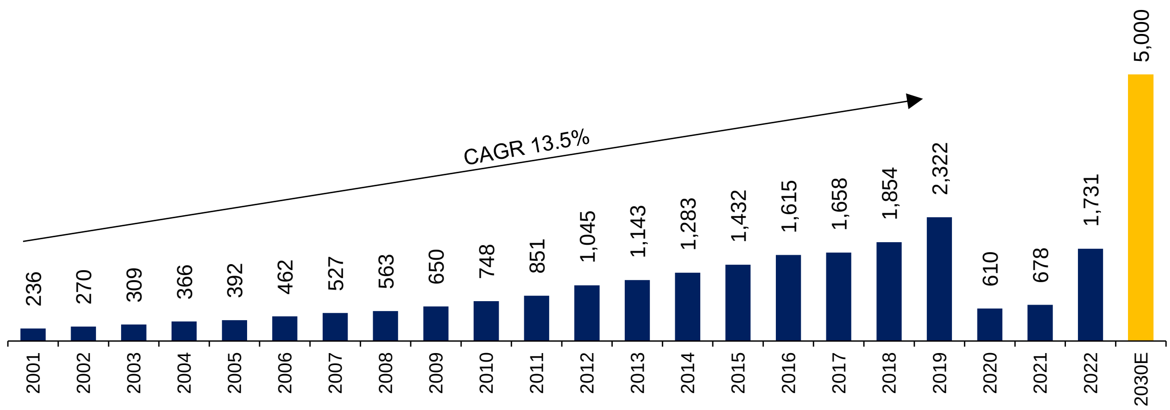
3.5. Domestic Tourism

3.5.1. Domestic Travel Visits

Domestic travel visits grew at 13.5% CAGR between CY01 - CY19, from 236 mn visits in CY01 to 2.3 bn visits in CY19. Domestic travel numbers for CY22 at 1.7 bn reflects strong recovery of 74.5% of CY19 (pre-COVID). Data for CY23 is not yet released by the government. The domestic sector has become a key demand generator with leisure, recreation, weddings and MICE demand driving weekend and off-season occupancies and enabling hotels and resorts to achieve significantly higher occupancies. 'How India Travels 2023?' report by Booking.com and McKinsey estimates 5 bn domestic travel visits by 2030. Vision 2047 report by HAI expects 15 bn domestic visits and FTA of 100 mn by 2047.

[25] *Source: Ministry of Tourism, Govt. of India*

Chart 14: India – Domestic Tourists (mn)



Source: Ministry of Tourism, Govt. of India estimates, Booking.com and McKinsey- How India Travels 2023 Report

Leisure, staycations, remote working from resorts, and weddings demand were the mainstay of domestic demand revival from the Covid pandemic. Domestic travel is expected to maintain strong growth, particularly as a large middleclass population, young working population, and overall increased individual incomes drive more discretionary travel, and with supply creation across wider markets (including religious destinations) and segments. The domestic sector contributes weekend and off-season occupancies in addition to business travel, leisure and recreation, weddings and MICE demand, enabling hotels to achieve significantly higher occupancies and room rates than earlier years. Hotel demand will also grow from domestic social visits, family events, and travel to pilgrim centres.

Table 2 reflects the demand contribution by foreign and domestic visitors at different hotel segments.

Table 2 – Hotels – Domestic vs Foreign Guests

Composition (%)	Five Star Deluxe		Five Star		Four Star		All India Average	
	FY19	FY14	FY19	FY14	FY19	FY14	FY19	FY14
Domestic Guests	65.6%	51.9%	71.1%	63.3%	76.3%	68.4%	79.3%	75.6%
Foreign Guests	34.5%	48.1%	28.9%	36.7%	23.8%	31.4%	20.7%	24.4%

Source: India Hotel Survey 2018-19 published by Federation of Hotel and Restaurant Associations of India (FHRAI), Horwath HTL & STR; India Hotel Survey 2013-14 published by FHRAI & HVS

The share of domestic guests has increased over the 5 years referred in the Table above, with increase across the Five Star deluxe, Five Star and Four Star hotels.

3.5.2. Domestic Spend value on Tourism

With growing household earnings and a median age of 27.6 years (about 10 years younger than most countries) the spend on tourism is projected to rise by 170% from $150 bn spent in 2019 to $410 bn in 2030. The report has ranked Bengaluru, Chennai and Hyderabad at second, fourth and sixth positions respectively as popular destinations among the top 10 visited destinations in India.[26]

India currently is the world's sixth-largest domestic travel market by spending.[27] Hospitality and tourism sector is expected to grow 1.7 times in CY27 compared to CY22[28].

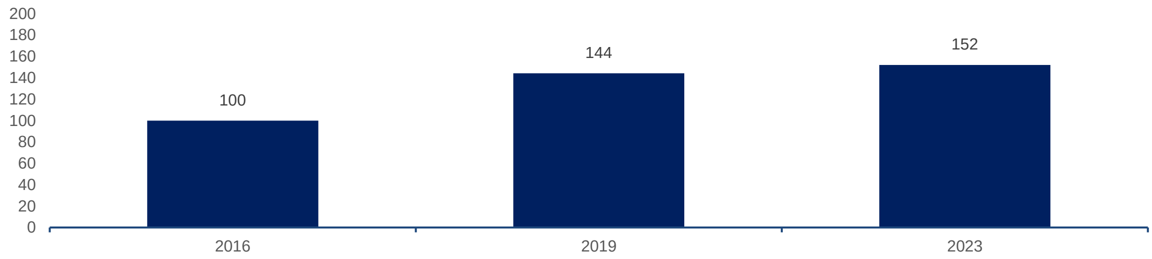
[26] *Source: How India Travel Report by Booking.com and Mckinsey*

[27] *Source: How India Travel Report by Booking.com and Mckinsey*
[28] *Source: Vision 2047 – Indian Hotel Industry, Hotel Association of India*

3.5.3. Domestic Air Traffic

As at end CY2023, India had 153 airports in the country of which 125 were operational.[29] Domestic travel comprises 84% of aircraft movements and 82% of passenger movement at the Indian airports. The domestic passenger movements increased by 44% in 2019 compared to 2016 reflecting CAGR of 13% This growth was driven by opening of new airports, capacity expansions at existing airports and improved connectivity particularly to cities and towns outsides the main destinations.

Chart 15: Domestic Passenger Air Movement (in million)



Source: Directorate General of Civil Aviation

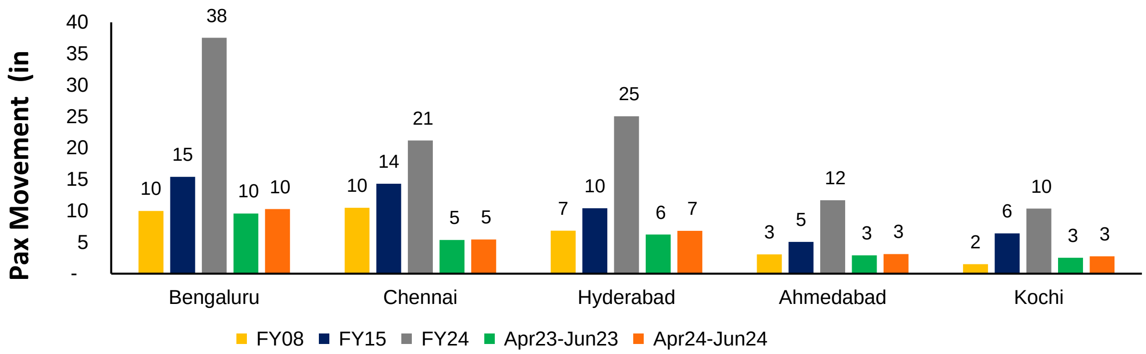
4. Access Infrastructure

Better roads and airport infrastructure have facilitated domestic and inbound travel growth across established markets and newer markets in tier 2 and tier 3 business cities / towns and newer leisure destinations. Significantly greater highway and expressway linkages, development of new airports, airport expansions and upgrades, and opening of several regional airports through Ude Desh ka Aam Nagrik (UDAN) initiatives have each widened the business, leisure, destination weddings and MICE location options. Travel, across multiple demand segments, is also facilitated by the Vande Bharat train services. As a consequence, travel and demand numbers have risen at Key Markets, Select Markets and several business and leisure destinations which have expanded their reach or gained newer opportunities; Mysuru is an example of such gain.

Air Traffic

Growth in air travel is a material driver of demand and overall market growth. The Select Markets had 28.1% share of air traffic for FY24, while having 24% supply share of hotel inventory. Growth in air travel for Select Markets (Bengaluru, Chennai, Hyderabad, Ahmedabad, Kochi and Mysore) is summarised in Chart 16. By FY24, passenger numbers have fully recovered from the Covid pandemic related decline for All India and for all Select Markets except Chennai. Passenger Movement for April to June24 is 28 mn, higher than the corresponding periods for 2019 and 2023 by 13% and 7% respectively.

Chart 16: Passenger (Pax) Movement (Arrivals and Departures) in mn for Select Markets*



** Excludes Mysore airport due to limited and inconsistent travel from that airport; Source: Airports Authority of India (AAI)*

[29] *Source: Airports Authority of India via India Brand Equity Foundation*

Four of the six Select Markets have private-sector led airport development and operations, with periodic capacity expansions. Between FY15 and FY24, passenger movement (domestic + international) at these Select Markets and on all-India basis grew at 8.3% and 7.9% CAGR. Aggregate passenger capacity at these airports by FY28 including expansion of certain airports is estimated to be 170 million passengers per annum (MPPA).

Table 3 - Pax Movement in mn

Year	Select Markets	All India	Select Market Share
FY08	32	115	27.7%
FY15	52	191	27.1%
FY24	106	376	28.1%
Apr23 - Jun23	27	93	28.6%
Apr24 - Jun24	28	100	28.5%
CAGR (FY15-24)	***8.3%***	***7.9%***	

Source: AAI

For FY24, airports at the Select Markets handled 106 mn passengers (28.1% of all-India passengers). Post Covid recovery is largely complete with only Chennai lagging by 1.3 mn passengers while Bengaluru and Hyderabad have grown by 4.2 and 3.6 mn respectively.

On all-India basis, Passenger movement (domestic + international) reflected 95% recovery post-Covid for FY23 and 9% growth for FY24, over FY19 numbers.

Bengaluru and Hyderabad Airports: Air traffic at Bengaluru and Hyderabad, at 38 mn and 25 mn respectively for FY24, reflect 276% and 267% growth over FY08. Both airports are built under PPP model and have recently been expanded. Bengaluru airport is expected to cross 60 mn passengers in the next 5-8 years, having achieved 38 mn for FY24. Hyderabad airport expansion is nearly complete increasing the airports capacity from 12 MPPA to 34 MPPA.

Chennai Airport: Terminal 2 is undergoing expansion, expected to be completed in 2026, raising its capacity from 25 to 35 MPPA. The airport handled 21 mn passengers for FY24. A second airport is planned at Parandur with first phase capacity of 20 MPPA by January 2029 increasing to 100 MPPA upon completion of Phase 4 of the project by 2047. The airport will have 3 terminals, spread over 5.4k acres.

Ahmedabad Airport: It handled 10.1 mn passengers in FY23 and 11.7 mn passengers for FY24, surpassing pre-covid levels. Major renovations have been carried out over the past two years, with plans to expand the passenger handling capacity from 8 to 20 MPPA by FY26.

Kochi Airport: It achieved 10.4 mn passenger level for FY24, marginally higher than the pre-Covid levels.

Mysuru Airport: It started consistent operations only post Covid, presently with one daily flight to and from Hyderabad and Chennai.

5. Industry size – chain affiliated hotels

5.1. Hotel Inventory - Segment Classification

5.1.1. The overview of supply and demand herein focuses on the upper tier (luxury, upper upscale and upscale segments) and mid-tier segments in which BHVL has its hotels and projects.

5.1.2. Data is separately presented on all India basis, for Key Markets and for Select Markets. Key Markets comprise the top ten markets in India in terms of hotel room inventory, i.e. the six metro cities (Mumbai metropolitan area, Delhi NCR, Bengaluru, Chennai, Hyderabad and Kolkata), Ahmedabad, Pune, Jaipur and Goa.

5.1.3. Select Markets are markets where BHVL has an operating hotel or planned hotel project - Bengaluru, Chennai, Kochi, Gandhinagar (Ahmedabad), Mysore and Hyderabad.

Gandhinagar has been presented as part of the larger Ahmedabad market. These hotels are:

Operating Hotels – 9 hotels

- Upper upscale Sheraton Grand Bangalore at Brigade Gateway
- Four upscale hotels – Grand Mercure Bangalore, Grand Mercure Mysore, Four Points by Sheraton Kochi Infopark, and Grand Mercure Ahmedabad Gift City
- Three upper midscale hotels – Holiday Inn Bengaluru Racecourse, Holiday Inn Express & Suites Bengaluru OMR and Holiday Inn Chennai OMR IT Expressway.
- One midscale hotel – ibis Styles Mysuru (hotel opened after 30 June 2024, but included in pipeline for this report as existing inventory is considered as at 30 June 2024)

Planned/Under development – 5 hotels

- Three luxury hotels – Intercontinental Hyderabad at Brigade Neopolis, Grand Hyatt Resort on East Coast Road (ECR), Chennai and another in Vaikom Island, Kerala. As informed to us, for the Grand Hyatt Resort on ECR, Chennai a non-binding term sheet / letter of intent has been entered into between BHVL and Hyatt in India and both parties are yet to agree on the definitive management agreement.
- Two upper midscale hotels – a branded hotel near Bengaluru Airport and another in Hosur Bengaluru. As informed to us, BHVL has entered into a non-binding Memorandum of Understanding ("MoU") with Marriott to develop these hotels under the "Fairfield by Marriott' brand and the terms of such MoU are subject to the approval of Marriott's board of directors and signing of the definitive agreement.

5.1.4. BHVL is a wholly owned subsidiary of Brigade Enterprises Limited. BHVL's hotels are typically located in positive demand locations, driven by factors such as population density, premium neighbourhoods, commercial centres, IT hubs or strong leisure potential. Brigade Enterprises Limited's experience as a leading real estate developer in India enabled it to lead supply creation of significance in several micro-markets such as Sheraton Grand Bangalore at Brigade Gateway in North-west Bengaluru and Grand Mercure Bangalore in Koramanagala area, Four Points Sheraton Kochi Infopark in the IT Park at Kakanad in Kochi and Grand Mercure Ahmedabad Gift City. Holiday Inn Bengaluru Racecourse Road was the first to offer large inventory in the upper-midscale segment in its micro-market and is the second largest hotel outside the upper tier in Bengaluru. Only the upcoming luxury resorts in ECR Chennai and Vaikom Island Kerala will primarily be leisure and group orientated hotels. All hotels are (or are intended to be) managed by or affiliated with global hospitality chains under various brands.

5.1.5. In this report Compound Annual Growth Rate (CAGR) between a financial year (start year) and another financial year (end year) is calculated from 31 March of the start year to 31 March of the end year, unless a different set of dates is indicated for any specific item.

5.1.6. The analysis of hotel supply and demand principally deals with chain-affiliated hotels, i.e. hotels that are either (i) owned and operated by hotel chains, (ii) operated by hotel chains on behalf of other owners or (iii) operated under franchise from hotel chains. For this purpose, all recognised international chains operating in India and domestic hotel chains that are generally considered as operating under common branding have been included; other domestic chains are considered if they have five or more hotels operating at least regionally in India. For clarity, groups with multiple hotels only within one state are not considered unless these are generally regarded as hotel chains by the market. Companies that primarily operate time-share facilities, one-star hotels and hotels under aggregators (such as Oyo, Treebo and FabHotels) are excluded. Note that CoStar performance data from CY 2020 includes participating units of the aggregators; to the extent these units provided data for earlier periods, it is also included in the performance data available from CoStar for earlier periods.

5.1.7. Classifications: The hotels are segmented into the Luxury and Upper Upscale (Lux-Upper Up) Segment, Upscale segment, Upper Midscale segment (Up-Mid), Midscale Segment and Economy Segment. The hotels also offer additional facilities such as restaurants, bars, and function facilities for meetings and events, varying for each hotel. Each segment includes entry-level hotels in that segment besides hotels that are more fully of segment standards. These industry terms used for classifying, categorising and segmenting hotels are explained below.

- Luxury segment typically comprise top end hotels with brand standards, facilities, spaces and standards that are associated with expectations of luxury seeking clientele; in India, these are generally classified as deluxe and luxury hotels. Several brands classify themselves as luxury hotel brands, based on certain criteria (e.g., room size) without having the service standards and consistent guest profile typically associated with true luxury hotels.
- Upper Upscale segment comprises first-class hotels (generally classified in India as 5 star or deluxe hotels) that offer superior standards, amenities and services though not at a level that affords the exclusivity associated with luxury hotels.
- Upscale segment comprises hotels which are more moderately positioned and priced, generally with smaller room sizes than the top tier hotels. In India, upscale hotels are generally classified as 4- or 5-star hotels (typically carrying entry level 5 star quality).
- Upper Midscale segment comprises full service or select service hotels, typically with lesser public areas and facilities and smaller room sizes, which are more moderately positioned and priced than upscale hotels. In India, these would generally be classified as 4 star and sometimes 3-star hotels.
- Midscale segment typically are 3-star hotels with distinctly moderate room sizes, quality and pricing, and a lower extent of services; domestic brand midscale hotels often offer more services than select service international branded midscale hotels.
- Economy segment (Eco) are typically 2-star hotels providing functional accommodation and limited services, being focussed on price consciousness.

Classification of hotels into the various segments is based on the definition and method adopted by CoStar for hotels participating with CoStar and followed for data reporting and market comparison by the industry. Segmental classifications are essentially based on the intended positioning and overall rate structure of respective hotel brands; actual standards of individual properties may vary, but adjustment is not made on subjective basis. Hotels considered for our report but which are not participating with CoStar have been classified by us within these segments based on our assessment of positioning of the brand / hotel. If a chain has modified the positioning of a brand, such change would be reflected in current and previous period data.

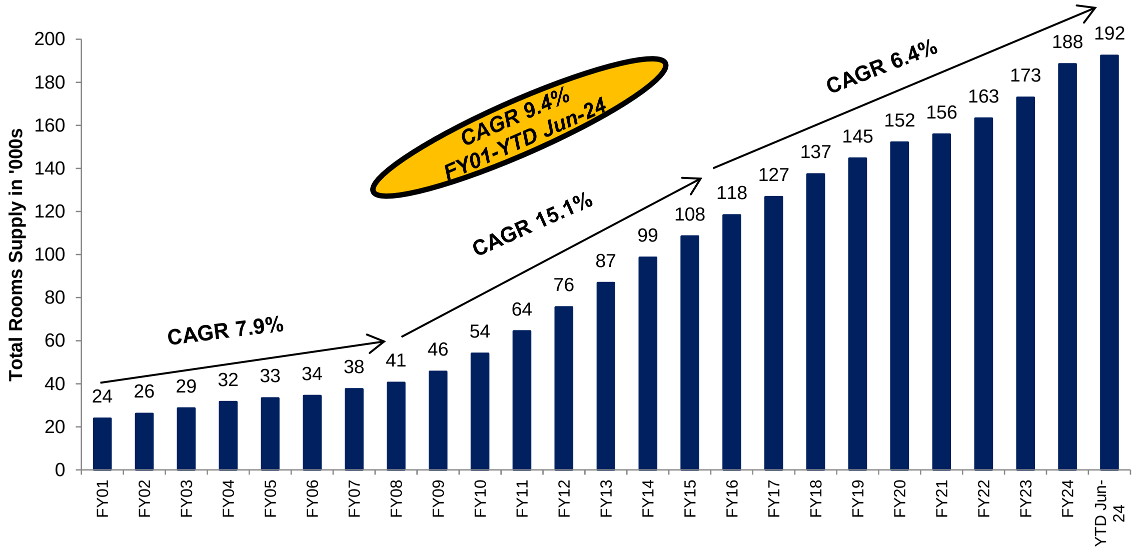
5.1.8. This report generally does not cover independent hotels, except to the extent that some independent hotels may have participated in collection of any reported data.

Other Independent hotels have been excluded as these – (a) lack of sufficiently co-ordinated, reliable and consistent data; (b) face increasingly challenged competitiveness against growing presence of chain-affiliated hotels, (c) have longer-term constraints on growth as chain-affiliated supply spreads to second-tier markets and smaller towns; (d) face general reluctance of banks to finance large projects unless these have access to suitable chain marketing and management systems. We believe that an analysis based mainly on chain-affiliated hotels (which competing with any independent hotels in the relevant catchment area) is adequate reflection of the overall market conditions.

5.2. All India - Chain Affiliated Hotel Room Inventory

Charts 17 below reflects overall All India Chain affiliated hotel room supply.

Chart 17: All India Chain Affiliated Rooms Supply



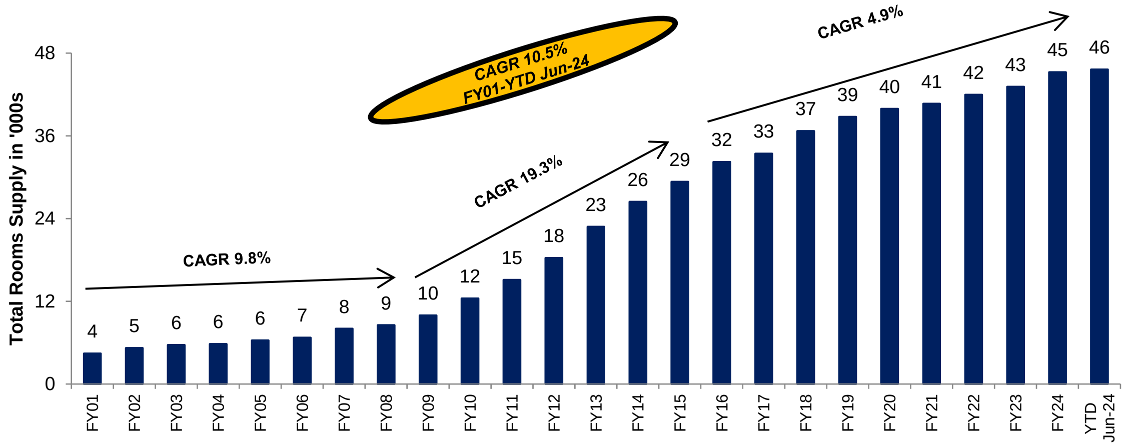
Source: Horwath HTL

Major supply growth occurred between FY08-FY15, fuelled by strong business conditions and positive Occupancy and Average Daily Rate (ADR) trends from FY05 through initial months of FY09. On the other hand, moderate demand and economic activity from FY10 through FY14 was not supportive of new project commitments causing slower supply growth for FY16-FY23; this was exacerbated by the Covid pandemic. Yet, 9.4% CAGR between FY01 and YTD Jun-24 (over 23 years) reflects material supply addition, although off a small supply base as at FY01. 4k rooms have been added in Q1-FY25.

About 68k rooms were added in the seven years from start of FY09 to end of FY15 and about 36k rooms in the three years from start of FY22 to end of FY24. Supply addition in these eleven years comprises 62% of supply creation over the last 24 years.

Supply growth, aggregated across the Select Markets is reflected in Chart 18 below. Aggregate supply in Select Markets, at 46k rooms as at Jun-24, comprises 24% of all India supply; BHVL has 3.6% share of supply in Select Markets. Select Markets CAGR for FY15-YTD June24 is only 4.9% much lower than CAGR for FY08-FY15 at 19.3%

Chart 18: Select Chain Affiliated Rooms Supply

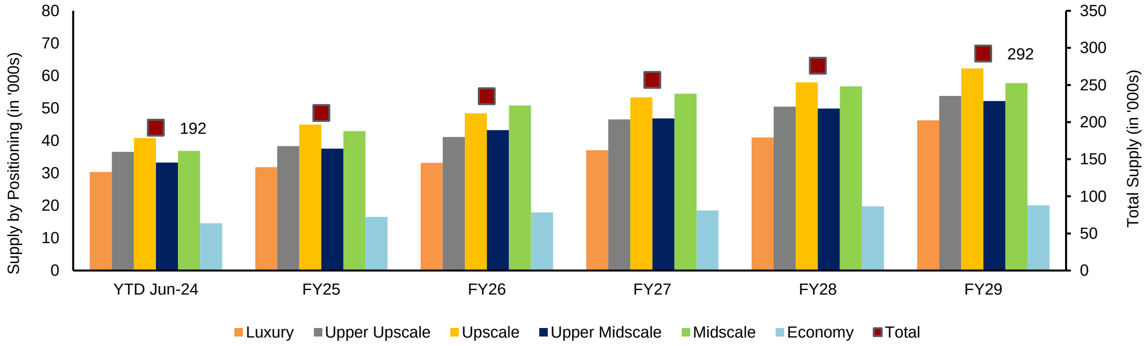


5.3. All India - Expected Supply upto FY2029

Per data based on announcements upto 20 September 2024, 100k rooms are expected to be added between July 2024 and March 2029. Given the past track record of materialised supply being at a slower rate, actual inventory growth may be smaller or may be delayed from the year in which it is presently indicated. On the other hand, newer conversion efforts may cause some growth to happen somewhat speedily to partially compensate any delays in materialisation of the inventory pipeline of 100k rooms.

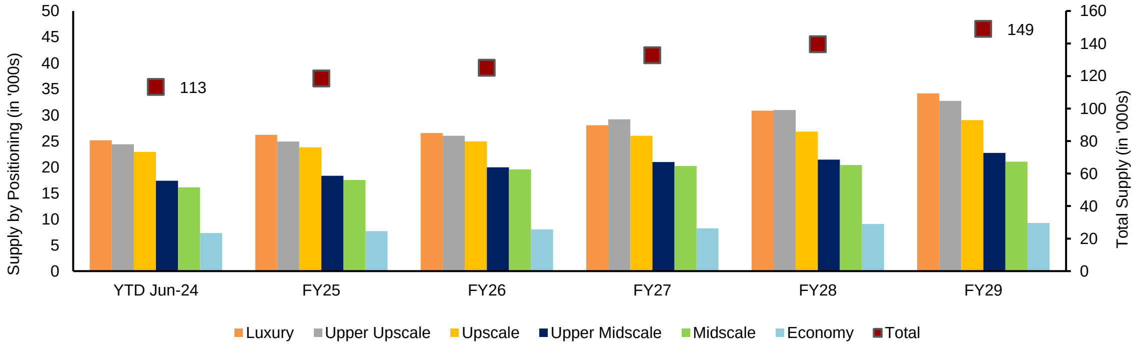
Chart 19,20 and 21 indicates the expected supply through FY29, on an all-India basis, for Key Markets and Select Markets and relevant segments. Limited supply may not be operational for some periods, during insolvency resolution processes – such cases will be nominal in the overall context.

Chart 19: Expected India Supply (Inventory in 000s)



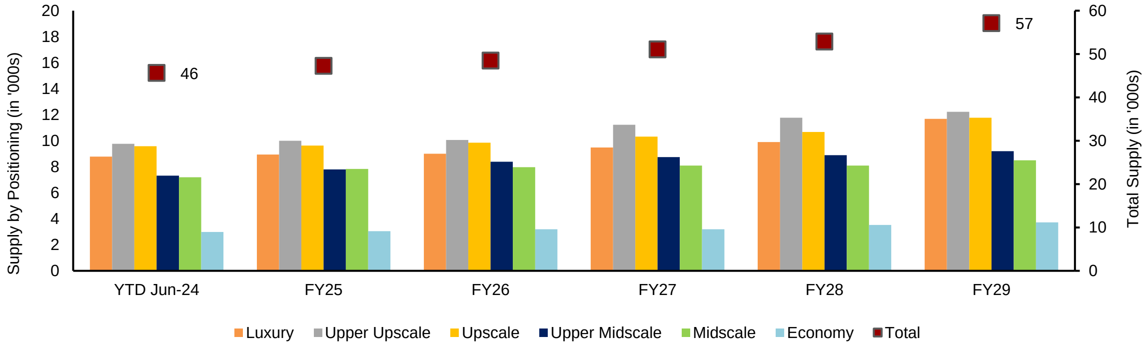
Source: Horwath HTL

Chart 20: Expected Key Market Supply (Inventory in 000s)



Source: Horwath HTL

Chart 21: Expected Select Market Supply (Inventory in 000s)



Source: Horwath HTL

Select Markets will see limited new supply, with only 11% share of new supply between 1 July 24 and 31 March 29. With only 11.5k rooms being added through March 29, the overall supply share of Select markets will decline from its current level of 24% to 19.5%. The impact of supply creation on occupancies in Select Markets will likely be minimal, if any.

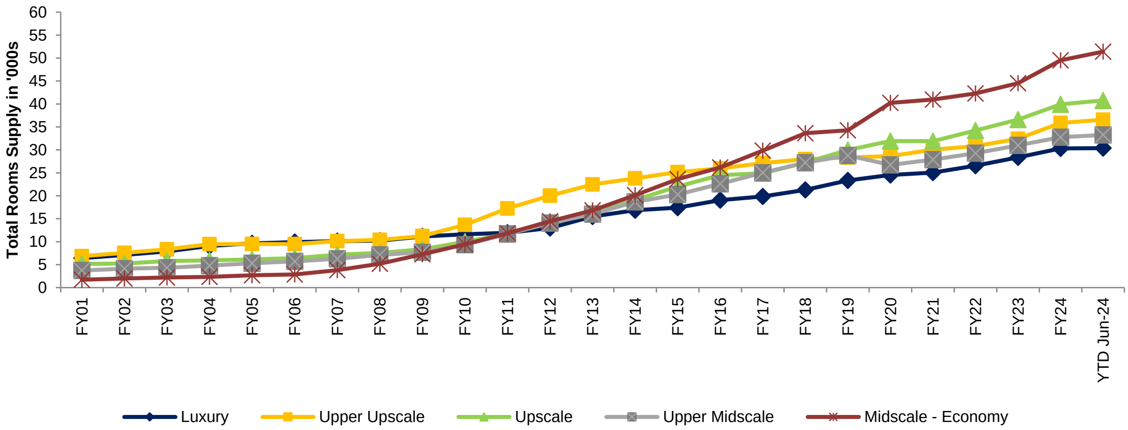
36% will occur in Key Markets (including relevant Select Markets) and 64% will occur outside the Key Markets. The wider spread of new supply will likely satisfy latent demand and generate new demand;

About 47% of new supply in Select Markets between 1 July 24 and 31 March 29, will be in the Lux-UpperUp segment; 19%, 16% and 18% in the Upscale, Upper-Midscale and Midscale-Economy segments respectively.

5.4. All India - Segmental Supply

Segmental supply has evolved significantly since FY01, and continues to do so, as reflected in Chart 22 and Table 4.

Chart 22 - All India Chain Affiliated Rooms Supply – Luxury, Upper Upscale, Upscale, Up-Mid, and Mid-Eco Segments



Source: Horwath HTL

Table 4 – Segmental Composition (Inventory in 000s)

							CAGR			
Category	**FY01**	**FY08**	**FY15**	**FY24**	**YTD Jun-24**	**FY29**	**FY01-08**	**FY08-15**	**FY15-24**	**YTD Jun24 -FY29**
Luxury	6	10	17	30	30	46	6.9%	7.9%	6.4%	9.3%
Upper Upscale	7	10	25	36	37	54	6.2%	13.5%	4.0%	8.4%
Upscale	5	8	22	40	41	62	5.6%	16.5%	6.8%	9.3%
Upper Midscale	4	7	20	33	33	52	9.7%	16.1%	5.5%	10.0%
Midscale-Economy	2	5	24	50	51	78	17.1%	24.2%	8.6%	9.1%
Total	**24**	**41**	**108**	**188**	**192**	**292**	**7.9%**	**15.1%**	**6.3%**	**9.2%**
% of Total										
Luxury	26.9%	25.3%	16.0%	16.1%	15.8%	15.8%				
Upper Upscale	28.7%	25.7%	23.2%	19.0%	19.0%	18.4%				
Upscale	21.7%	18.7%	20.3%	21.2%	21.2%	21.3%				
Upper Midscale	15.6%	17.6%	18.7%	17.4%	17.3%	17.9%				
Midscale-Economy	7.2%	12.8%	21.8%	26.3%	26.7%	26.6%				

Note: The CAGR data in table 4 above is presented on FY basis to provide a more comprehensive picture.

Supply composition has evolved towards greater segmental balance, with lesser concentration of the Luxury and Upper-Upscale segments, and increased supply share and footprint for upscale, upper midscale and Midscale & Economy (M-E) segments. A similar trend is broadly expected through FY29 with Up-Mid and M-E segments having nearly 45% share of new supply between Jun-24 and FY29.

In absolute numbers, the Luxury, Upper-Up, Upscale, Up-Mid and M-E segments added about 24k, 30k, 36k, 30k and 50k rooms respectively between FY01 and Jun-24. (Note: segmental inventory decline in some years is mainly due to brand re-classification/positioning change).M-E segment had the largest CAGR growth (FY01-YTD June24) at 15.7%, contributing 29% to total addition of rooms since FY01.

Lux-UpperUp hotels remain extremely relevant to the hotel sector, as reflected by its materially larger contribution to rooms revenue, due to its superior pricing and quality. Refer Table 5 for segmental revenue share in CY23. Existing Lux-UpperUp hotels will benefit from a moderate segmental pipeline particularly in major metro cities.

Table 5 – Segmental Revenue Share

Positioning	Supply Share	Revenue Share
Lux-UpperUp	34%	55%
Up-UpMid	39%	34%
M-E	26%	11%

Source: Horwath HTL

6. Supply Spread

6.1. Supply Spread by Market Category

The Key Markets have nearly 59% of rooms supply as at Jun-24, declining from 69% supply share at end FY15. Hotel rooms supply across market categories is summarised in Table 6 below.

Table 6 – Supply Distribution

Market Category	Room Count ('000)					% Share				
	FY01	FY15	FY24	YTD Jun24	FY29	FY01	FY15	FY24	YTD Jun24	FY29
3 Main Metros	10	41	59	60	75	40.1%	38.1%	31.3%	31.2%	27.1%
3 Other Metros	3	15	23	23	28	14.3%	14.2%	12.0%	11.8%	9.6%
Other Key Markets	3	18	30	31	42	12.1%	16.8%	15.9%	15.9%	14.3%
Other Markets	8	34	77	79	143	33.5%	30.9%	40.8%	41.1%	49.1%
Total	**24**	**108**	**188**	**192**	**292**	**100%**	**100%**	**100%**	**100%**	**100%**
Select Markets	4	29	45	46	57	18.6%	27.0%	24.0%	23.7%	19.5%

Source: Horwath HTL; Note: Other Key Markets are Pune, Ahmedabad, Jaipur and Goa

- Supply at the 3 Main Metros is nearly 2.6 times the Other Metros; other Key Markets have larger inventory than the Other Metros. The Key Markets led supply creation between FY01-FY15. Among all Key Markets, supply growth over the next 5 years will mainly be at the 3 Major Metros [Delhi NCR, Mumbai and Bengaluru – 7k, 5.3k and 6.2k rooms respectively].
- Supply spread to Other Markets is an important evolution of the industry with 71k rooms added between FY01 and Jun-24 and another 64k expected to be added by FY29. This will support and foster continued all-India demand growth. Increased urbanisation and improved air / road infrastructure have enabled supply creation in Other Markets in the last 9 years with 54% share of supply addition in this period. Hotels in Other Markets tend to be smaller and concentrated at the mid-priced and upscale levels.

- Supply addition in the Select Markets comprised 24.9k rooms between FY01-FY15 and 16.3k rooms thereafter through Jun-24. Overall supply growth was led by Bengaluru (17.4k rooms) while Chennai, Ahmedabad, Hyderabad, Kochi and Mysuru added 24k rooms cumulatively. Pipeline share of Select Markets is 11.1k rooms, led by Bengaluru 6.2k rooms.
- For the Select Markets the total supply increased by 4.9% CAGR between FY15 and FY24. For the same period CAGR for Ahmedabad, Bengaluru and Kochi at 6%, 5.9% and 5.9% respectively was higher than the overall CAGR. While for the same period CAGR for Chennai, Hyderabad and Mysore at 3.8%, 3.4% and 3.2% respectively was lower than the overall CAGR.
- While supply expansion outside the Key Markets and segmental spread of supply reflects increasing market maturity and potential for wider demand growth, the resultant changing supply composition restricts market wide rates due to a larger share of mid-priced hotels.
- 6 out of 8 existing BHVL hotels and 4 of the 6 upcoming BHVL hotels are in Key Markets. *(Note: ibis Styles Mysuru has opened after 30 June 2024 and hence considered as an upcoming hotel)*
- BHVL had 3.6% share in supply creation in the Select Markets between FY01-Jun-24 and will have 9.7% share in pipeline supply creation in the Select Markets till FY29.

6.2. Supply Spread by Foreign and Domestic Chain Affiliation

Between FY01-FY24, Foreign chains have gained material supply share through multiple brands. Hotel development by a widening group of investors and owners has provided the asset base that suits the management / franchise model sought by foreign chains.

Table 7: Foreign & Domestic Chain Affiliated Supply

	FY01		FY15		FY24		YTD June-24		FY29	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Overall	**80%**	**20%**	**55%**	**45%**	**55%**	**45%**	**55%**	**45%**	**53%**	**47%**
Lux	100%	0%	67%	33%	67%	33%	67%	33%	59%	41%
Up-Ups	60%	40%	36%	64%	29%	71%	29%	71%	30%	70%
Ups	91%	9%	42%	58%	42%	58%	42%	58%	40%	60%
Up-Mid	75%	25%	68%	32%	52%	48%	53%	47%	47%	53%
Mid-Eco	55%	45%	70%	30%	77%	23%	78%	22%	80%	20%

Source: Horwath HTL

- At end Jun-24, foreign chains operate / franchise about 45% of the chain affiliated hotel rooms in India. Their market share has remained at 45% to 47% for the last about nine years, with no significant change through FY29.
- Foreign chains expanded by aggressively pursuing management contracts, offering multiple brands and supporting the development of hotels with larger rooms inventory and function spaces.
- Several asset heavy domestic chains have gradually shifted to an asset-light or hybrid model (combination of owned properties and management contracts) to enable expansions. Domestic chains have added brand range and successfully positioned products and brands in the Upscale, Up-Mid and M-E segments enabling larger share of new supply in these segments since FY15.

6.3. Supply Analysis by Size

Two-thirds of the hotels have an average size of 50 rooms, while the overall average size is 93 rooms.

Table 8a – Analysis by inventory size

Inventory Size	Hotels	%	Rooms (in 000s)	%
<100	1,383	*67%*	69.9	*36%*
100-250	565	*27%*	84.1	*44%*
250-400	86	*4%*	26.2	*14%*
400-500	16	*1%*	6.9	*4%*
500 +	9	*0%*	5.3	*3%*
Total	**2,059**	*100%*	**192.4**	*100%*

Source: Horwath HTL

Size analysis for the relevant segments is presented below:

Table 8b –Segmental analysis by average inventory size (Rooms in 000s)

Segment	Hotels	Rooms	Avg Rooms / Hotel
Luxury	178	30.4	171
Upper Up	233	36.6	157
Upscale	392	40.8	104
Upper- Mid	402	33.3	83
Midscale	595	36.7	62
Eco	259	14.7	57
Total	**2,059**	**192.4**	**93**

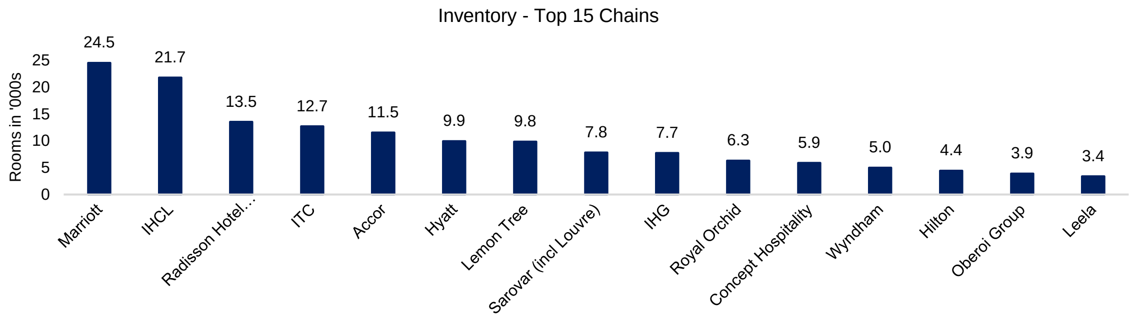
Source: Horwath HTL

All BHVL hotels are materially larger than the related segmental average.

6.4. Supply Composition – Hotel Chains

Inventory of top 15 chains as of Jun-24 is summarised in Chart 23 below:

Chart 23: Rooms Inventory of Top 15 Chains (in 000s)



Notes: (a) Marriott excludes hotels under franchise with ITC Hotels; these are included under ITC Hotels; (b) Louvre Group includes Sarovar; Source: Horwath HTL

- About 77% of total inventory is controlled by the top 15 chains
- Seven hotel chains – Marriott, IHCL, Radisson Hotel Group, ITC, Accor, Hyatt and Lemon Tree – each have 5% or greater inventory share by number of rooms; in aggregate, these chains have 54% share of total supply.

6.5. Supply - Ownership Analysis

Chain ownership (including lease) of hotel rooms has reduced from 70% at end FY01 to 26% at end Jun-24. Private developers and institutional capital have been instrumental in asset creation over the last about 20 years, although there is very limited ownership concentration.

Table 9 – Ownership Pattern – as at FY24

	Hotels	%	Rooms ('000)	%
Chain Owned	442	*21%*	49.3	*26%*
Developer / Investor	1,617	*79%*	143.1	*74%*
Total	**2,059**		**192.4**	

Source: Horwath HTL

Hotels with majority ownership/control of private developers are not considered as chain-owned. For clarity, hotels with investments by affiliate / group entity of Accor, Hyatt and Radisson are not considered as chain-owned as the hotel chains do not have controlling interest in the respective companies. The ownership pattern is further analysed in Table 10

Table 10 – Ownership Pattern by Category – as at FY24

Ownership Structure	Hotels	Rooms (in 000s)	Avg Size
Chain Owned	442	49.3	111
Major Private Asset Owners[1]	191	35.2	185
Other Private Asset Owners[2]	1,392	102.1	73
Institutions[3]	34	5.6	163
Total	**2,059**	**192.4**	**93**

1 - Major private hotel asset owners comprises group companies owning more than 500 rooms
2 - Other Private hotel asset owners comprises group companies owning less than 500 rooms
3 - Institutions comprises hotels where a majority is owned by institutional investors
Source: Horwath HTL

Major private hotel asset owners have invested in some large format assets; the larger average size of hotels for this ownership category is reflective of the investment appetite, vision and opportunity in India. 5 of the nine hotels with over 500 rooms, and 9 of sixteen hotels with 400 to 499 rooms inventory are owned by major private hotel asset owners. On the other hand, several chains have invested significantly in the mid-priced and economy segments where hotels typically have lesser inventory.

<u>Asset Ownership Benefits</u>

An asset-ownership based model has several merits particularly in terms of (a) asset appreciation; (b) larger earnings gains under strong market conditions, as the gross revenue and profits belong to the hotel chain; (c) advantage in creating better returns, if land banks are available at historical costs; (d) the ability to create and showcase the value and profitability of differentiated products. While situations such as the Covid pandemic create cash flow stress from asset ownership, to cover fixed costs and debt service burdens, the full flow through of revenues is also an advantage when business recovers.

Several of the hotel chain entities and some developer/investor-controlled entities are listed companies. Analysed on that basis, the ownership pattern emerges as:

Table 11 – Ownership by listed/unlisted companies – as at June-24

Ownership	Listed companies		Unlisted companies		Total	
	Hotels	Rooms (000s)	Hotels	Rooms (000s)	Hotels	Rooms (000s)
Hotel Chains	270	35.6	172	13.7	442	49.3
Developer / Investor	94	19.6	1,523	123.5	1,617	143.1
Total	**364**	**55.2**	**1,695**	**137.2**	**2,059**	**192.4**

Source: Horwath HTL

Listed companies comprise (a) hotel companies which are listed companies or subsidiaries of listed companies; and (b) other large listed companies which inter alia have a dedicated hotel portfolio. Listed companies which may inter alia own a hotel asset have generally not been included and are grouped in the table above under unlisted companies.

Table 12 summarises the hotel ownership of the top ten major private hotel asset owners of overall who have developed or otherwise own hotels.

Table 12– Ownership by Major Private Hotel Asset Owners

Group Company	Existing		Upcoming		Total	
	Hotels	Rooms (000s)	Hotels	Rooms (000s)	Hotels	Rooms (000s)
Interglobe Enterprises / Accor	21	3.8	1	0.3	22	4.0
Prestige Group	9	1.6	12	2.3	20	3.8
Chalet Hotels	9	3.0	2	0.8	11	3.8
Juniper Hotels & Saraf Group	10	2.5	-	0.3	10	2.9
BHVL@	8	1.5	6	1.1	14	2.6
Dangayach Group	4	0.9	5	1.0	9	1.9
Ventive Hospitality#	8	1.5	1	0.3	9	1.8
Triguna	7	1.7	-	0.0	7	1.7
Embassy REIT	4	1.1	2	0.5	6	1.6
DS Group	5	0.9	2	0.4	7	1.2
Total	**85**	**18.5**	**31**	**7.0**	**116**	**25.4**

@ ibis Styles Mysuru has opened after 30 June 2024 and is therefore included under Upcoming #excludes foreign assets
Source: Horwath HTL

Major private hotel asset owners (i.e. investors owning at least 500 rooms pan India) currently have 63 hotels with 12k rooms in South India. Among the major private hotel asset owners in South India, BHVL is ranked second in terms of number of chain affiliated hotels and hotel rooms as of 30 June 2024, with 7 hotels (11.1%) and 1.3k rooms (11.0%). Considering the pipeline, inventory in South India with such major private hotel asset owners will increase to 86 hotels and 16.9k rooms. BHVL's expansion plans in South India will result in a supply share of 13 hotels (15.1%) and 2.4k rooms (14.4% share). Among major private hotel asset owners based in South India, BHVL is the only group with hotel outside South India; Prestige Group has several assets in pipeline.

For clarity, South India comprises the states of Kerala, Andhra Pradesh, Tamil Nadu, Karnataka, Telangana, and the Union territories Lakshadweep, Andaman and Nicobar Islands and Pondicherry.

7. Future Demand

In this section we have projected future demand. Our estimates of future demand are based on

- Estimated supply and demand growth by market category (for this purpose markets are categorised as 10 Key Markets, other key tier 1 markets and other markets). The total estimated All India demand is an aggregate of supply and demand from these three categories.
- We have adjusted the new hotel supply in FY24 for the period for which these hotels were open and for the expected supply from FY25 to FY27 for the period from when these hotels are likely to open. New hotels are generally on a ramp-up mode upon opening and need a

certain period (generally two to four years) to achieve stable level occupancy. As new supply is added in a market it also leads to demand creation. During the ramp-up period we are basing our demand projections on partial absorption of new supply.

Supply and Demand CAGR

Demand growth for chain affiliated hotels in India across all segments is significantly higher compared to inventory growth, with the trend expected to continue between FY24-FY29. This will likely cause increased hotel occupancy, and potentially support strong ADR levels.

In Table 13, we have summarised the supply and demand CAGR

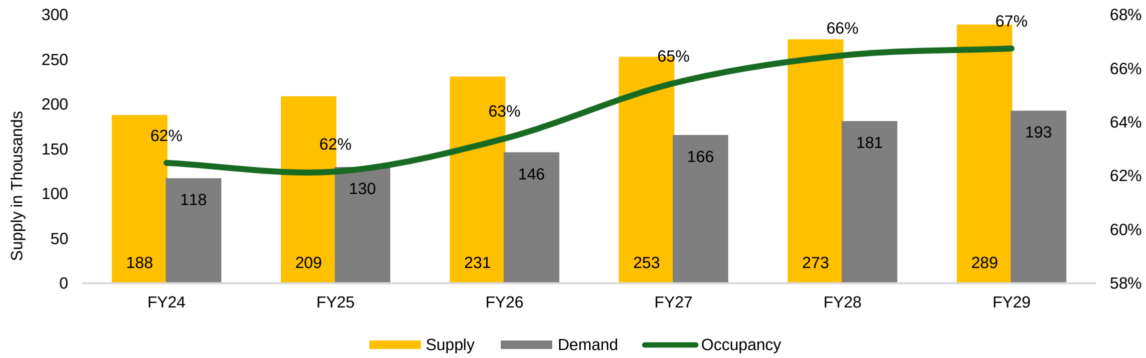
Table 13 – Supply and Demand CAGR

CAGR	FY16-FY24	FY24-29
Supply CAGR	6.0%	9.0%
Demand CAGR	6.9%	10.4%

Source: Horwath HTL

Based thereon, and with reference to our estimates of Future Supply described earlier, the occupancy estimates upto FY29 evolve as reflected in Chart 24.

Chart 24: All India – Rooms Supply vs Demand and Occupancy Estimates – (FY24–FY29)



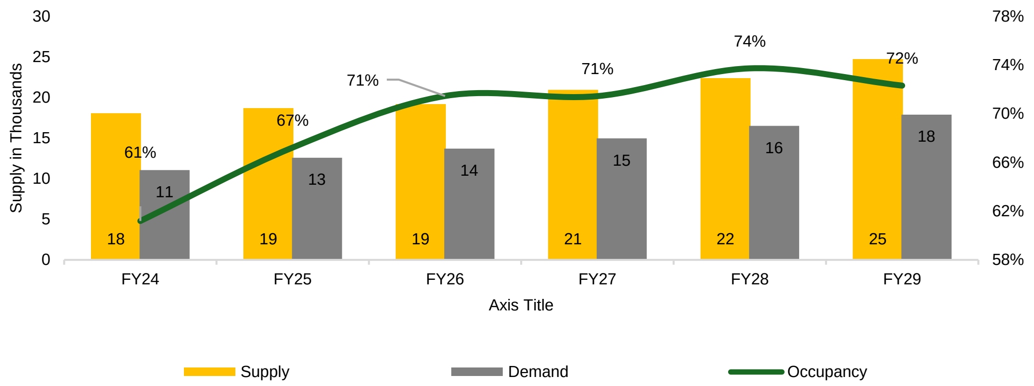
Source: Horwath HTL

Table 14 – Supply and Demand CAGR – Bengaluru, Chennai and Hyderabad

Market	Supply CAGR	Demand CAGR
Bengaluru		
Financial year 2024-2029	6.5%	9.6%
Chennai		
Financial year 2024-2029	3.2%	4.1%
Hyderabad		
Financial year 2024-2029	4.6%	6.8%

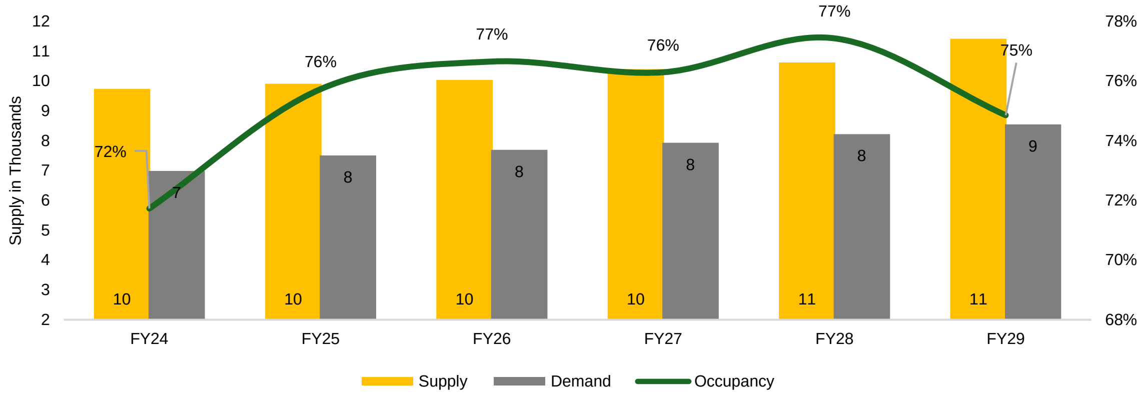
Based thereon, and with reference to the estimates of Future Supply described earlier, the occupancy estimates up to Fiscal 2029 for Bengaluru, Chennai and Hyderabad are reflected in below charts.

Chart 25: Bengaluru (FY24-29)



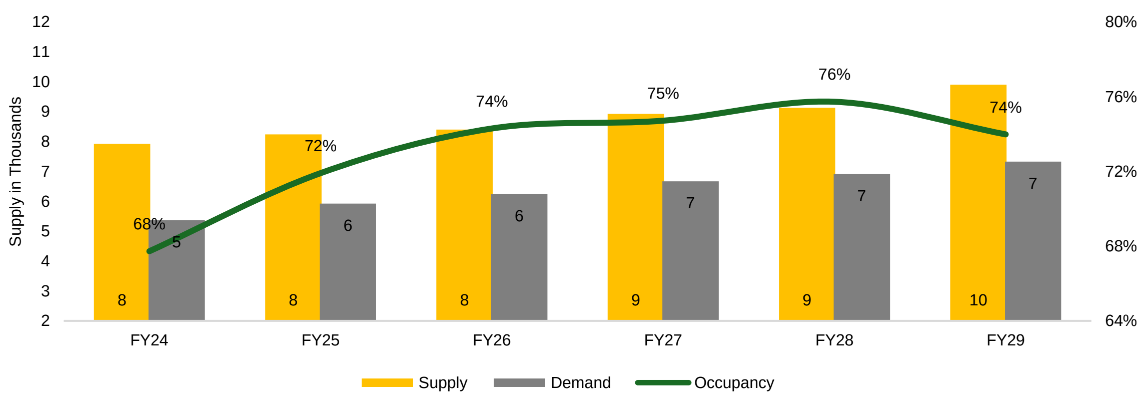
Source: Horwath HTL

Chart 26: Chennai (FY24-29)



Source: Horwath HTL

Chart 27: Hyderabad (FY24-29)



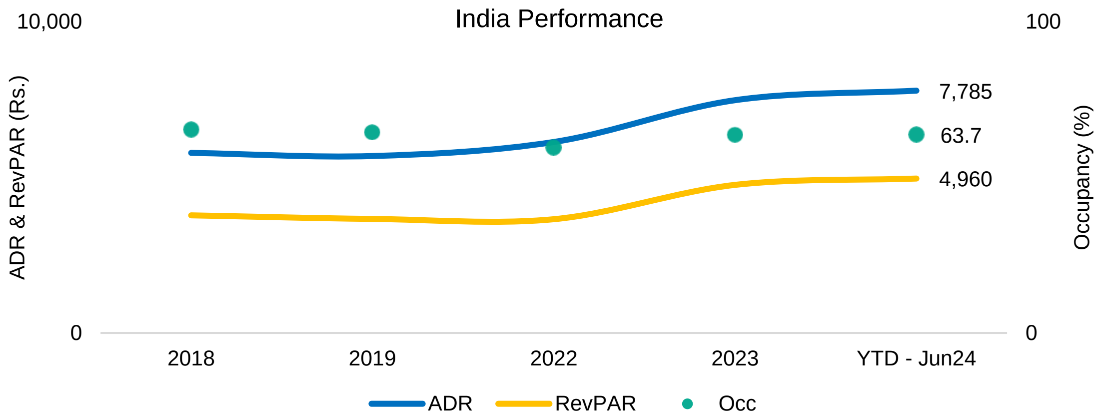
Source: Horwath HTL

8. Market Performance Analysis - India

In this section we provide an analysis of the performance of hotels on all India basis. Data is presented for the full market (comprising hotels of all positioning). Data availability varies from market to market based on extent of participation by hotels.

Chart 28 shows all-India performance of chain-affiliated hotels from CY2018 through YTD June 2024, across all segments.

Chart 28: India Hotel Market Performance



Data Source: CoStar

From a macro-perspective, the following elements emerge:

a. The hotel sector had a difficult period from late 2008, mainly because expected demand growth did not occur to match supply created in anticipation of demand growth. The economy and investment climate were not supportive of demand growth; security issues occurred in some years. All India occupancy stagnated at 57-58% between CY2011-14. During this period, supply grew by 41k rooms while demand grew by 28k rooms.

b. Typically, the industry sees changes in demand linked to macro-economic cycles. Down cycles see greater travel controls and needs, causing demand to slow or shift to lower hotel categories, a positive macro-economic situation and sentiment fuels travel and demand. Hotel occupancies decline or grow with such movements and in turn impact room rates; slowing occupancy invariably leads to softer room rates

   Rate revival often lags occupancy revival; rates are pushed higher only once hotel managements have greater confidence of business levels. On the other hand, in a positive macro-economic scenario, constraints on bookings push the demand side to pay higher room rates, creating the rate growth seen after the pandemic. Further, a positive business climate creates more positivity in travel and draws a wider profile of international and domestic business travellers – this also helps to improve the rate sentiment.

c. ADR between CY2009-15 was impacted by the dual factor of slower demand and occupancy generally, and diversification of supply profile so that wider options of quality and price points became available.

d. Occupancy revived since 2015 as demand conditions improved and new supply had slowed. The upward trend in RevPAR upto December 2019 was materially occupancy led, with improved occupancy gradually enabling ADR increases.

e. The Covid-19 pandemic was a major disruption with severe travel and operating restrictions causing material drop of occupancies and ADR. Demand recovery started in the late summer of 2020 and then gained momentum; recovery from wave 2 of Covid was much more rapid enabling a strong H2-21 performance. The Omicron wave was disruptive between mid-December 21 to February 22 but has then given way to strong performance through December-

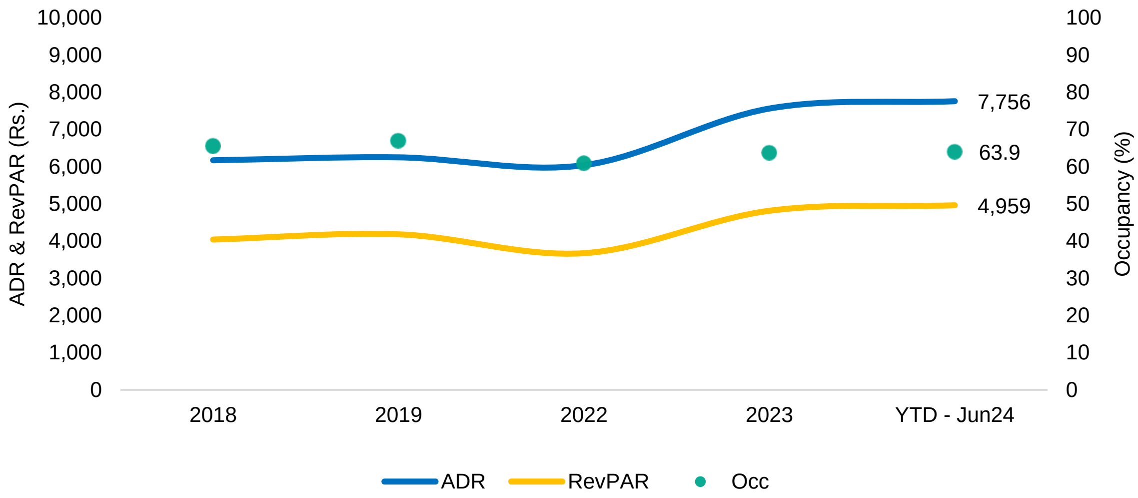
23. Strong occupancies and a recognition of stronger rate needs and potential have enabled much higher ADR levels.

f. Monthly occupancies between April 2023 and March 2024 were in the range of 61% to 72%, with February 2024 occupancy peaking to 72%. Annual occupancy for FY24 was placed at 64%, with ADR of Rs. 7.7k and RevPAR of Rs 4.9k. Monthly ADRs during this period have increased by 7% to 22% compared to FY23.[30] All-India and market-level ADRs were also impacted by changed supply composition, with increased supply share of upscale and lower priced hotels.

9. Performance and Outlook for Select Markets

9.1. Bengaluru

Chart 29: Bengaluru Hotel Market Performance



Data Source: CoStar

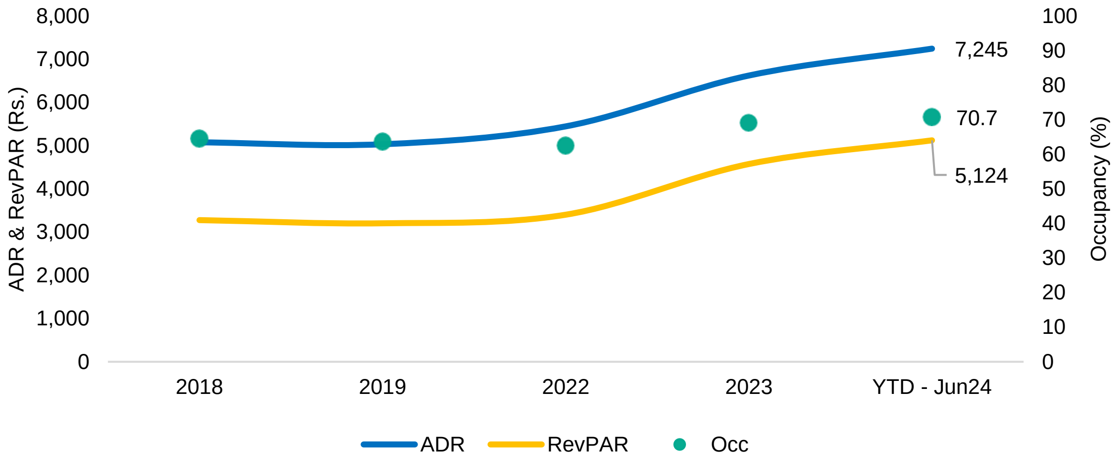
- The city with predominant IT sector focus has the largest hotel room inventory in India (about 18.4k rooms); it also has 209 msf commercial office space which is the largest in India and among the largest in Asian cities.
- Bengaluru market was slow to recover from the pandemic as lack of inbound travel and WFH impacted demand from the IT and ITeS sectors. Recovery gained momentum as travel restrictions were lifted, new joinees were inducted and MICE demand started reviving. The city has gained from growing activity in the aerospace sector with global companies setting up R&D and manufacturing bases in the Aerospace SEZ near Bengaluru airport.
- An important positive infrastructure is Bengaluru airport which opened a second runway in December 2019 and a second terminal in November 22. Passenger numbers are back to pre-Covid levels and higher, having achieved 38 mn passengers during FY24.
- The IT sector continues to materially work remotely, affecting domestic and inbound travel needs; a more fuller recovery of this sector will be additionally beneficial to hotels. Hotels such as BHVL's Sheraton Grand Bangalore at Brigade Gateway and Holiday Inn Bengaluru RaceCourse, with lesser dependence on the IT sector, were positively placed.

[30] *Data Source: CoStar*

- ADR and RevPAR for 2023 were higher than full year 2019 by 20% and 15% respectively. Occupancy grew to 64% for this period. Further growth will ensue as IT parks regain occupancy.[31]
- YTD Jun24 ADR at 7.8k is 4% higher than YTD Jun23 while occupancy increased by a point to 64%. Improved ADR levels in the city have enabled 6% RevPAR increase for YTD Jun24 over YTD Jun19.[32]
- The city benefits from having six distinct micro-markets in terms of actual and potential demand growth. Major events such as Aeroshow and the annual Nasscom conference create beneficial value for hotels across the city.
- Bengaluru has a significant balance of supply share across various price points, thereby causing lower city-wide ADR. The ADR spread between Lux-Upper Up segment and M-E segment was Rs 6.1k for 2019 and widened to Rs. 8.3k for 2023.[33]
- Bengaluru demographics, with a growing workforce size and younger profile workforce, point to larger potential for staycations and F&B spends at hotels with the requisite appeal. Sheraton Brigade gains from its integrated lifestyle precinct at Brigade Gateway.

9.2. Chennai

Chart 30: Chennai Hotel Market Performance



Data Source: CoStar

- Chennai has bounced back strongly, having achieved its best city-wide performance since 2008 with 69% occupancy and Rs.6.6k ADR in CY2023. Occupancy lands it in the fourth spot among major business cities.[34]
- The results were materially enabled by performance of the Lux-Upper Up segment with over Rs.7.3k and Rs 8.9k ADR for 2022 and 2023 respectively (although lower than top key markets) and occupancy was highly contributed by Upscale and Upper Mid segment with 70% and 74% for 2022 and 2023 respectively.[35]

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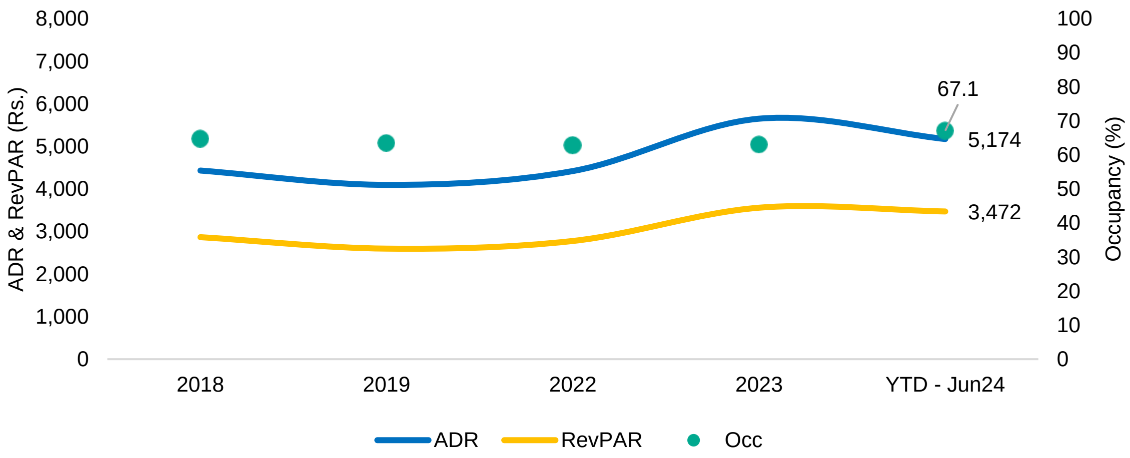
[31] *Data Source: CoStar*
[32] *Data Source: CoStar*
[33] *Data Source: CoStar*
[34] *Data Source: CoStar*
[35] *Data Source: CoStar*

- City performance for YTD Jun24 reflects material occupancy (crossed 70%) and ADR gain over YTD Jun23 and YTD Jun19. Occupancy gains are by 3 points and 6 points respectively, while ADR gains are by 12% and 39% respectively.[36]
- Demand is led by business travel, MICE, weddings and crew. Chennai being state capital draws demand from official business delegations for interaction with the government; bulk of demand is also facilitated by IT, automobile, health and pharma sectors. Demand from weddings including lavish weddings also add cream to revenue and profits.
- In March 2023 a new integrated airport terminal was developed increasing the pax capacity from 23 MPPA to 30 MPPA. Phase 2 of the new terminal T2 is expected to be built in 2 years, for international and domestic operations, increasing passenger capacity to 35 MPPA.
- Heritage and Spiritual Tourism is growing in this city. Places such as UNESCO World Heritage site of Mahabalipuram near Chennai attracts leisure travellers for its scenic beaches, religious destinations, and cultural appeal.
- The supply pipeline comprises 1.7k rooms by FY29.

9.3. Ahmedabad

Chart 31: Ahmedabad Performance Overall



Data Source: CoStar

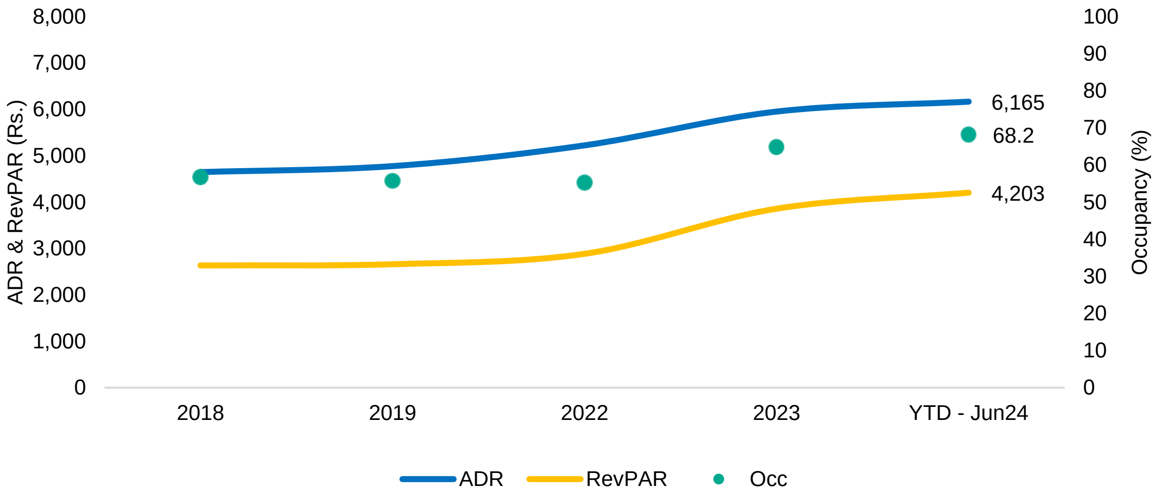
- The charts above exclude performance of The Leela Gandhinagar, among the three Lux Upper Up hotels serving the wider Ahmedabad market; if that hotel were included, the city-wide ADR levels would have been higher than reflected in the charts.
- The city retained 63% occupancy level of CY2019 in CY2023, although inventory grew by nearly 49% in the same period. ADR of ₹ 5.6k was the highest for the city. The Lux Upper segment achieved nearly 66.4% occupancy in CY2023 with ADR of INR 7,500.[37]
- Performance growth continues with 67% occupancy for YTD Jun24 at ADR of Rs. 5.2k. This reflects full recovery and growth over pre-Covid levels with 6 points higher occupancy and 17% ADR gain over the corresponding H1 for CY2019.[38] Events such as world cup matches hosted in Oct-23, Vibrant Gujarat Global Summit hosted in Jan-24 also contributed to increasing occupancy for hotel sector.

[36] *Data Source: CoStar*
[37] *Data Source: CoStar*
[38] *Data Source: CoStar*

- Ahmedabad hotels are in an overall positive phase, as the state and the areas on the city's outskirts draw industrial investment and with continued push to grow the International Finance Centre at GIFT City near Gandhinagar. GIFT City, Ahmedabad (Gujarat) is one of India's pioneering global financial hubs.
- Expansion of the city's airport, completion of the bullet train project and other intra-state road developments will support greater MICE activity and some casual leisure/retail related travel. Weddings demand is expected to remain strong benefitting guest rooms and F&B demand.
- Metro rail link between Narendra Modi Stadium, Mahatma Mandir and GIFT City was launched in September 2024. With better connectivity, GIFT city operations and demand are expected to grow.
- GIFT city has recently taken steps to ease liquor restrictions within its jurisdiction with a motive. The revised rules allow alcohol consumption in specific areas like high-end hotels and business districts, increasing favourability for this global financial business hub.
- The central and state governments are taking significant initiatives for industrial and economic growth of Gujarat state. Ahmedabad is the largest city in Gujarat and a key city linked seamlessly with Gandhinagar, the state capital, and therefore serving as a hub to foster the state's economic growth. The city itself is expected to see the growth of manufacturing activities on its outskirts, commercial and residential zones, and sports related infrastructure with the aim of bidding for the Olympics for CY2036.

9.4. Kochi

Chart 32: Kochi Performance Overall



Data Source: CoStar

- Kochi had good performance in CY23 mostly relative to its own modest performance in recent past years. 64.8% Occ at Rs 5,950 is the highest for this market in the last 12 years.[39]
- Upscale and Upper Mid segment along with Mid-Economy segment has gained in ADR during CY 2023 while shedding occupancies sharply.

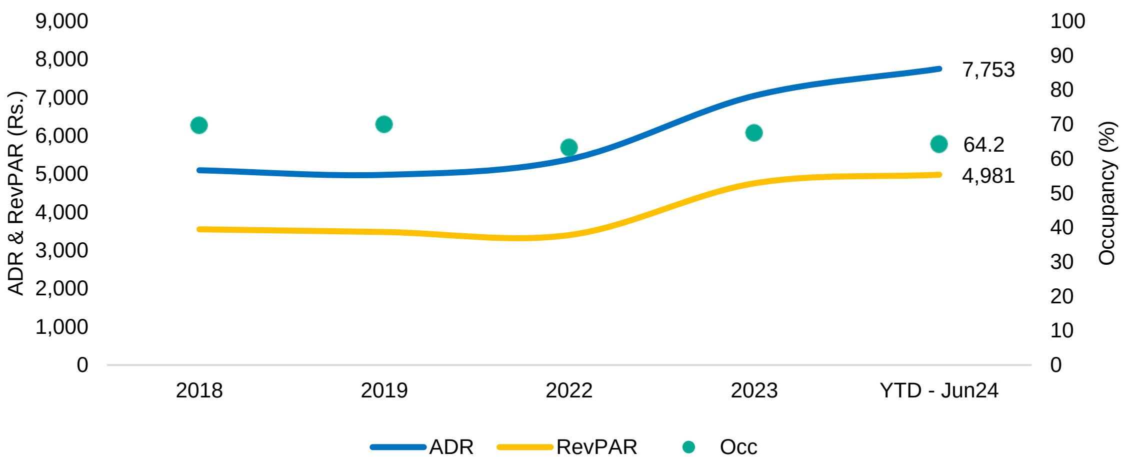
[39] *Data Source: CoStar*

- YTD Jun24 occupancy is at 68% with ADR at 6.2k, reflecting occupancy gain of about 12 points and ADR gain of 19% over H1 of CY 2019. [40]

Infrastructure developments such as Kinfra International Exhibition Centre (KIEC) spread across 55,000 sft became operational in Feb 2024. Kochi water metro has attracted nearly 1.9 mn passengers averaging over 6k daily users in its first year, enabling road de-congestion. These initiatives will help in better connectivity and might add value to hotels.

9.5. Hyderabad

Chart 33: Hyderabad Performance Overall



Data Source: CoStar

- The city has seen a resurgence of business since 2014, once the statehood matter was resolved. Hyderabad has doubled its commercial real estate from 57 msf to 122 msf between 2018 and 2023, while also increasing its hotel inventory by 2.1k rooms in the last 9 years (2014-2023).
- Demand is materially IT and ITeS focussed. However, some corporate demand arises from locally based companies and for professional services; demand is also supported by large retail spaces and the growth of F&B and entertainment spaces to support a growing working population with younger demographics and substantial spend power.
- The city benefits from the Hyderabad International Convention centre, the privately developed airport which is being expanded, the aerotropolis development with MRO and other operations and the excellent road infrastructure.
- Occupancy for CY2023 improved to 68% and combined with strong ADR growth to enable 38% RevPAR growth for 2023 over 2019. The overall market ADR for 2023 was about Rs.7k while the luxury and upper upscale ADR crossed Rs.10k for the first time ever.[41]
- YTD Jun24 occupancy stands at 64% with ADR at 7.8k. ADR has shown significant increment (+20%) in YTD Jun24 compared to YTD Jun23, while occupancy remained steady.[42]

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[40] *Data Source: CoStar*
[41] *Data Source: CoStar*

[42] *Data Source: CoStar*

9.6. Mysore

- ADR levels for the city have seen substantial growth post Covid pandemic. ADR for YTD Mar24 is at 5.2k which is +51% higher than ADR for YTD Mar 19. While Occupancy for YTD Mar24 at about 69% is lower than YTD Mar23 by 3 pts, the higher ADR has enabled marginal RevPAR growth in YTD Mar24. Mysore city hotels draw demand for business travel, leisure and group events (MICE and some weddings demand). The city will likely gain materially from the new Expressway connect to Bengaluru that enables convenient and speedy travel between these key cities in Karnataka. While the easier access could encourage someday-return business trips, these could also lead to more leisure and group travel; the increasing availability of hotels in the city will also potentially favour greater business travel.
- Further, activation of Mysore airport provide greater connectivity with substantial potential to grow further as more destinations are added – this will also help both business and leisure travel to the city.

10. Performance Indices

High occupancy levels at BHVL portfolio hotels enables high RevPAR. RevPAR is a key performance parameter reflecting the effective yield on guest rooms. The occupancy, ADR and RevPAR indices (hotel performance for occupancy, ADR and RevPAR over the market occupancy, ADR and RevPAR) for Bengaluru portfolio and the two luxury hotels in Bengaluru are provided below

Table 15: Comparison between BHVL Bengaluru portfolio vs Overall Bengaluru Market

	BLR Portfolio vs Overall Market		
	Occ	**ADR**	**RevPAR**
2019	1.06	1.06	1.13
2020	0.92	1.12	1.03
2021	1.31	1.00	1.31
2022	1.13	1.01	1.14
2023	1.15	0.98	1.13
YTD June24	1.20	1.00	1.20

BHVL BLR Portfolio – Sheraton Grand Bangalore at Brigade Gateway, Grand Mercure Bangalore, Holiday Inn Bengaluru RaceCourse, Holiday Inn Express & Suites Bengaluru OMR
Source: Hotel Performance – BHVL Management; Industry Performance - CoStar

Indices interpretation: Occupancy, ADR and RevPAR indices > 1 reflects Company performance higher than market; =1 reflects Company performance equal to market; < 1 reflects Company performance less than market.

Table 16: Comparison between BHVL's BLR hotels vs respective segmental market performance

CY	**Sheraton Grand BLR vs BLR UpperUp Segment**			**Grand Mercure BLR vs BLR Upscale Segment**		
	Occ	**ADR**	**RevPAR**	**Occ**	**ADR**	**RevPAR**
2019	1.28	1.09	1.39	1.06	1.02	1.08
2020	1.07	1.18	1.26	0.96	1.15	1.10
2021	1.42	1.11	1.58	1.51	1.16	1.74
2022	1.04	1.17	1.22	1.19	1.11	1.32
2023	1.06	1.13	1.20	1.11	1.18	1.31
YTD June24	1.23	1.12	1.38	1.06	1.28	1.36

Source: Hotel Performance – BHVL Management; Industry Performance - CoStar

CY	Holiday Inn BLR vs BLR UpMid Segment			Holiday Inn Express BLR vs BLR UpMid Segment		
	Occ	**ADR**	**RevPAR**	**Occ**	**ADR**	**RevPAR**
2019	0.86	0.96	0.82	-	-	-
2020	0.72	1.09	0.79	-	-	-
2021	0.79	1.18	0.93	0.83	0.96	0.80
2022	1.01	1.01	1.03	0.97	0.84	0.81
2023	1.08	1.04	1.13	1.07	0.84	0.89
YTD June24	1.17	1.02	1.20	1.07	0.85	0.91

Source: Hotel Performance – BHVL Management; Industry Performance - CoStar

Table 17: Comparison between BHVL's hotels outside BLR vs respective segmental market performance

CY	Holiday Inn Chennai vs Chennai UpMid Segment			Grand Mercure Mysore vs Karnataka Regional Up-UpMid Segment			Four Points by Sheraton Kochi vs Kerala Upscale Segment#		
	Occ	**ADR**	**RevPAR**	**Occ**	**ADR**	**RevPAR**	**Occ**	**ADR**	**RevPAR**
2019	1.33	1.15	1.53	1.06	0.98	1.05	0.55	0.85	0.47
2020	1.02	1.09	1.12	0.96	0.89	0.85	1.02	0.80	0.82
2021	1.17	0.94	1.10	1.23	0.79	0.98	0.75	0.76	0.57
2022	1.18	1.15	1.36	1.32	1.01	1.34	0.79	0.78	0.62
2023	1.15	1.22	1.41	1.35	1.03	1.39	1.03	0.76	0.79
YTD June24	1.09	1.28	1.40	1.24	1.00	1.24	1.14	0.76	0.86

Source: Hotel Performance – BHVL Management; Industry Performance - CoStar
 # Note that Four Points Sheraton is part of the IT InfoPark with demand factors that are not fully comparable with Kochi city Upscale and Upper-Midscale segment

11. Operating Performance Parameters

Manpower to Rooms Ratio

Table 18 – Manpower to Rooms Ratio – Star Category Wise – FY15 to FY23

Year	India	5 Star Deluxe	5 Star	4 Star	3 Star
FY15	1.5	2.2	1.8	1.8	1.7
FY16	1.6	2.1	1.9	1.7	1.6
FY17	1.5	2.0	1.8	1.6	1.5
FY18	1.6	1.8	1.7	1.6	1.6
FY19	1.8	2.4	1.7	2	1.6
FY20	1.8	1.8	1.6	1.7	1.9
FY21	1.3	1.5	1.5	1.1	1.1
FY22	1.5	2.1	1.5	1.1	1.1
FY23	1.2	1.4	1.3	1.2	1.2

Source: FHRAI Reports; FY24 is not available

Payroll cost is among the large operating costs for hotels and has a material impact on operating margins. During and post Covid-19, hotels across segments have rationalised their staffing relative in response to reduced staff availability and higher payroll costs in order to improve margins. The data above reflects only participating hotels in the surveys for various years.

Current trends among hotel companies is for luxury business hotels to be at or below 2.0 and for three and four-star hotels to be between 0.8 to 1.2.

Operating Performance Comparison

Table 19 below provides a summary of operating performance and Table 20 provides F&B revenue of listed companies that own 2k or more rooms for FY2022-24.

Table 19 – Operating Performance - Select Listed Hotel Companies (Rs. Mn)

Company#	FY22			FY23			FY24			Q1 2025		
	Rev	EBITDA	%	Rev	EBITDA	%	Rev	EBITDA	%	Rev	EBITDA	%
IHCL	32,114	5,599	17%	59,488	19,435	33%	69,517	23,401	34%	15,963	4,956	31%
EIH	10,440	574	5%	20,964	6,750	32%	26,260	10,416	40%	5,599	1,682	30%
Chalet[$]	4,100	661	16%	10,281	4,327	42%	12,932	5,742	44%	3,255	1,014	31%
Lemon Tree**	4,163	1,397	34%	8,786	4,563	52%	10,768	5,358	50%	2,684	1,179	44%
SAMHI	3,331	218	7%	7,614	2,606	34%	9,787	2,879	29%	2,568	890	35%
JHL*	3,438	1,015	30%	7,173	3,224	45%	8,263	3,197	39%	2,048	679	33%
ASPHL	2,678	583	22%	5,244	1,771	34%	5,917	2,052	35%	1,351	417	31%
Total / Avg	**60,264**	**10,047**	**17%**	**119,550**	**42,676**	**36%**	**143,444**	**53,045**	**37%**	**33,467**	**10,817**	**32%**

Source: Listed Company annual reports / quarterly reports
 # Consolidated numbers unless otherwise stated; Revenue includes Other income
$ Company operates in multiple segments; revenue and EBITDA is only for the hospitality segment
*** Lemon Tree EBITDA includes finance income*
** Juniper Hotels (JHL) acquired Chartered Hotels (CHPL) on September 20, 2023, hence consolidated figures for revenue and EBITDA have been provided for FY23IHCL, EIH, Lemon Tree and ASPHL are hotel companies that own and operate hotels and also operate and manage hotels of other owners.*
Chalet, SAMHI and JHL are hotel developers and owners. Hotels of these companies operate under a management or franchise agreement with third party hotel operators.

Table 20 – F&B and Total Revenue - Select Listed Hotel Companies (Rs. Mn)

Company#	FY22			FY23			FY24		
	Rev	F&B	%	Rev	F&B	%	Rev	F&B	%
IHCL	32,114	10,594	33%	59,488	21,348	36%	69,517	23,861	34%
EIH	10,440	3,813	37%	20,964	7,569	36%	26,260	9,535	36%
Chalet[$]	4,100	1,565	38%	10,281	3,386	33%	12,932	4,008	31%
Lemon Tree**	4,163	581	14%	8,786	1,144	13%	10,768	1,401	13%
SAMHI	3,331	950	29%	7,614	1,820	24%	9,787	2,402	25%
JHL*	3,438	895	26%	7,173	2,024	28%	8,263	2,470	30%
ASPHL	2,678	1,127	42%	5,244	2,280	43%	5,917	2,509	42%
Total / Avg	**60,264**	**19,525**	**32%**	**119,550**	**39,571**	**33%**	**143,444**	**46,186**	**32%**

Source: Listed Company annual reports / quarterly reports
 # Consolidated numbers unless otherwise stated; Revenue includes Other income
$ Company operates in multiple segments; revenue and EBITDA is only for the hospitality segment
*** Lemon Tree EBITDA includes finance income*
** Juniper Hotels (JHL) acquired Chartered Hotels (CHPL) on September 20, 2023, hence consolidated figures for revenue and EBITDA have been provided for FY23*
IHCL, EIH, Lemon Tree and ASPHL are hotel companies that own and operate hotels and also operate and manage hotels of other owners.
Chalet, SAMHI and JHL are hotel developers and owners. Hotels of these companies operate under a management or franchise agreement with third party hotel operators.

12. Commercial Office Space

In this section we have provided a broad overview of Grade A commercial office space at an all-India level and for Bengaluru, Chennai, Ahmedabad, Kochi and Hyderabad where BHVL has hotels. Data points for this section are sourced from JLL Research. All data points in this section are for a calendar year.

India

India office market comprises of top seven office markets as per JLL (Bengaluru, Chennai, Delhi NCR, Hyderabad, Mumbai, Kolkata and Pune). Chart 35 and 36 provides overview of commercial metrics.

Chart 34: India Commercial space Metrics (msf)

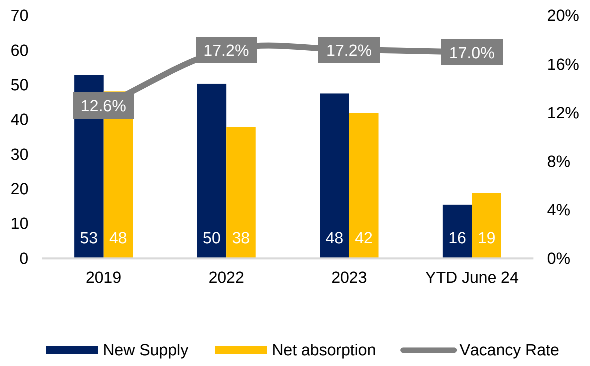


Chart 35: India Grade A Office Stock (msf)

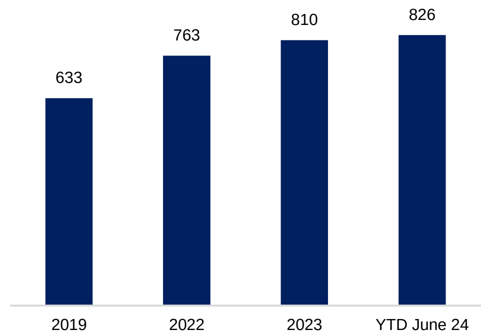
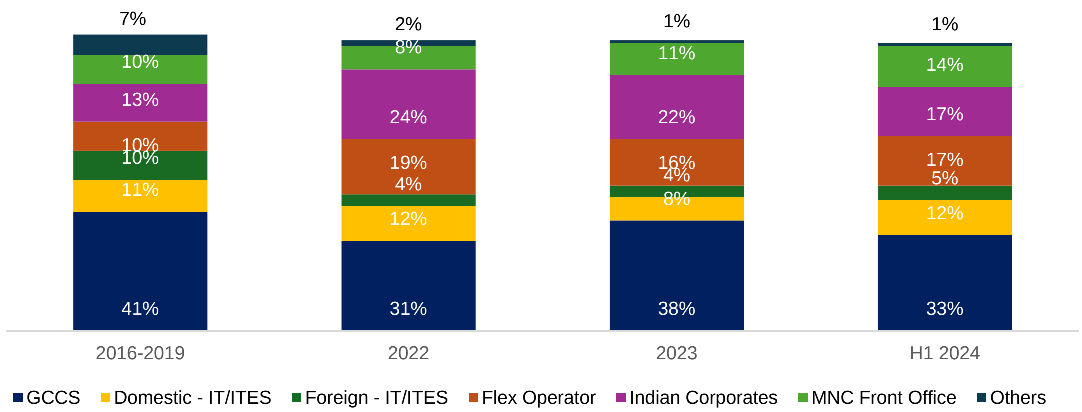


Chart 36: Sector Wise Share of Gross Leasing



Source: JLL Research, Q2 2024

- The top seven markets in India has witnessed significant growth over the past two and half decades, surge in Grade A office stock growing nearly 14 times, from 59.5 million sq ft in 2004 to around 826.0 million sft as of June 2024.
- Bengaluru, Hyderabad and Chennai had 25%, 15% and 9% share respectively of all India Grade A office Stock and collectively accounts for 49% share.
- Vacancy rate was at 17.2% for 2023 and 2022, although net absorption increased by 11% in 2023 compared to 2022.

- With a substantial 33% share of the total leasing in H1, GCCs continue to remain the dominant occupier group. India's leadership position in the GCC ecosystem continues to remain intact, driven by high-end R&D work that supports headcount expansion opportunities for these firms, resulting in high space demand.
- Flex space operators continue to play a significant role in India's office markets, accounting for 17.5% of the gross leasing in H1 2024.
- Grade A office space occupied by GCC is at 242.3 mn sft as of 30th June with 1875+ units in India expected to grow to 2500+ units by 2027.

Bengaluru

Chart 37: Bengaluru Commercial space (msf)

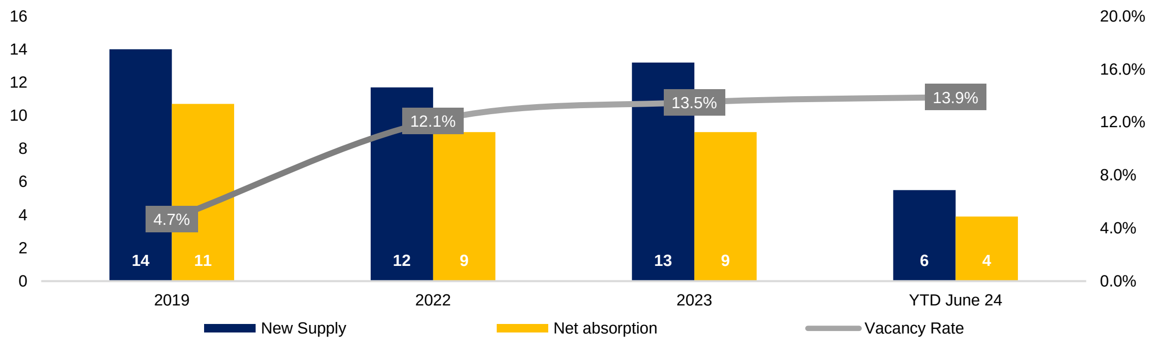


Chart 38: Bengaluru Grade A Office Stock (msf)

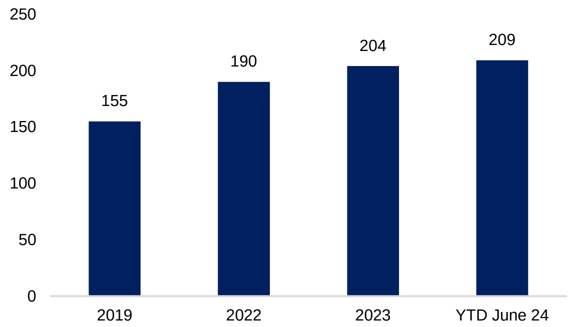
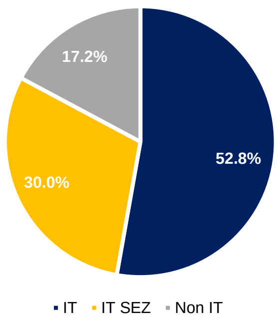


Chart 39: Distribution of office stock based on usage



Source: JLL Research, Q2 2024

Comments:

- Bengaluru has emerged as a dominant force in India's office market, having Grade A office stock of approximately 209 million sft.
- The city has played a pivotal role in shaping India's Grade A office net absorption, consistently accounting for a significant share of pan India annual net absorption, ranging between 24-28% of the countries net absorption between 2019 to 2023.
- Bengaluru has consistently held a substantial share of 26 to 30% in India annual office supply since 2019. This trend highlights that the city's strong demand is well-supported by a robust supply pipeline, ensuring continued growth in its commercial real estate market.

Chennai

Chart 40: Chennai Commercial space (msf)

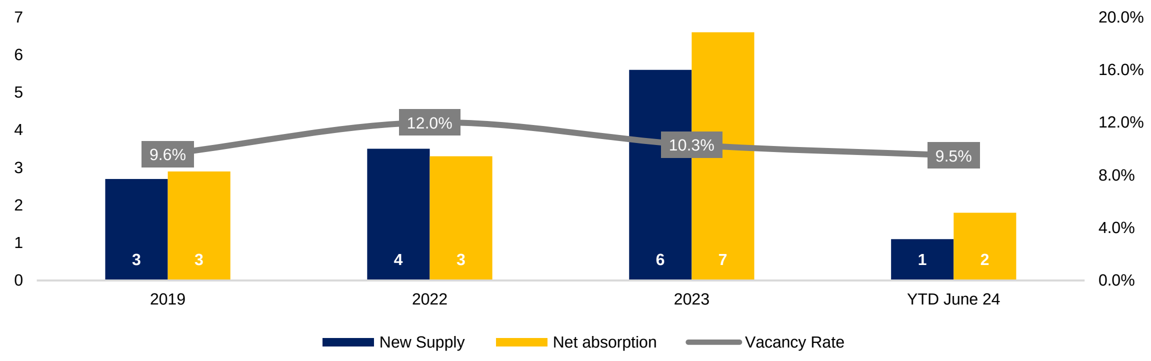


Chart 41: Chennai Grade A Office Stock (msf)

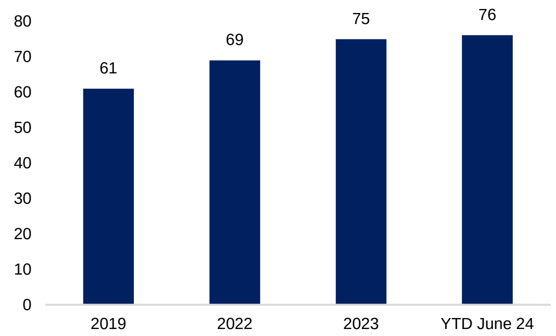
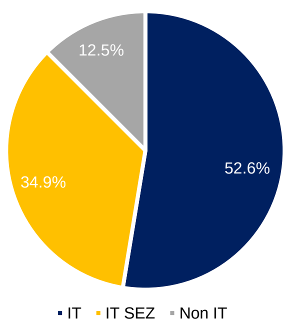


Chart 42: Distribution of office stock based on usage



Source: JLL Research, Q2 2024

Comments:

- Chennai's office real estate market has emerged as a prominent and thriving sector in South India. The city holds a total Grade A office inventory of 76.1 million sft, accounting for around 9% of the stock in the top seven markets of India.
- Chennai's office market began recovering from the pandemics impact in 2022.
- In 2023, net absorption hit a high of 6.6 million sft, with Q4 accounting for 50% of this total. Although net absorption dipped in the first half of 2024 due to limited completions, Q2 saw a 70% quarter-on-quarter growth
- Continued development of quality office space has led to decreasing vacancy rates, and the demand-supply gap is expected to remain steady, signalling stronger market activity ahead.

Hyderabad

Chart 43: Hyderabad Commercial space (msf)

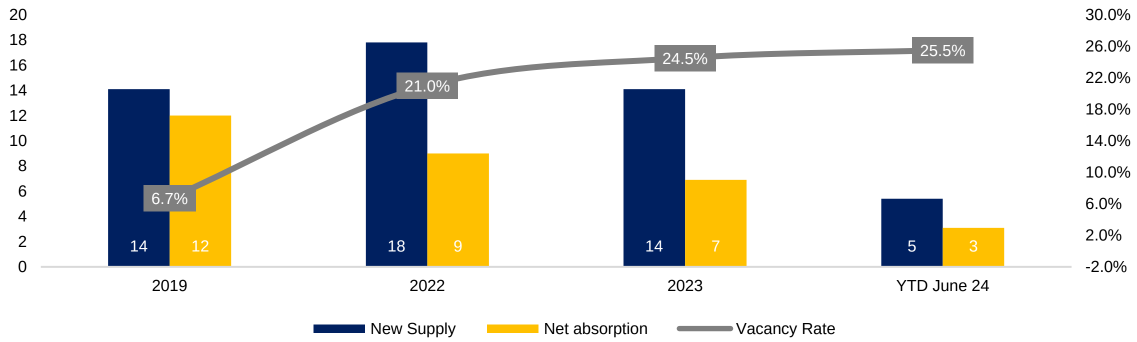
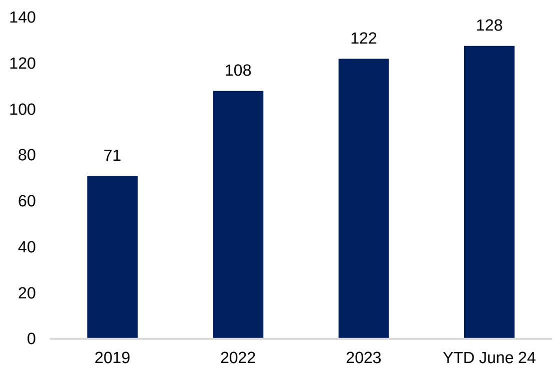
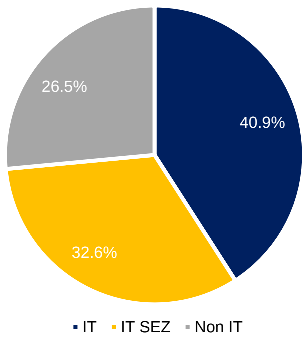


Chart 44: Hyderabad Grade A Office Stock (msf) **Chart 45: Distribution of office stock based on usage**





Source: JLL Research, Q2 2024

Comments:

- Hyderabad is one of the fastest-growing cities in India and the fourth largest office market in India in terms of Grade-A office space stock. The city has total Grade A office inventory of approximately 127.6 million sft, representing around 15% of the total stock in India's top seven markets.
- In recent years, Hyderabad has experienced significant growth in new office supply, particularly in the key submarkets of Gachibowli and Hitech City.
- The average annual supply addition before 2018 was 4.8 million sft, but surged to 13.2 million square feet over the past four years. Although the market faced a decline during the pandemic, demand rebounded in 2022.
- In 2023, net absorption in the city reached 6.9 million sft, accounting for approximately 16% of the total in India.

Ahmedabad

- Total office stock as of March 2024 in Ahmedabad is in range of 3.5-4.5 mn sft with rentals ranging between 35-75 INR/sft/month.
- The prominent occupiers of the office space is Bank of America, Google, IBM, Oracle and TCS.

Kochi

- Kochi commercial real estate market is segmented in various sub markets. The Kakkanad area, falling within the PBD (Peripheral Business District) submarket, has witnessed significant commercial development due to investments made by the state government, including the construction of a 30 km seaport,airport ring road, and the Secretariat.
- The completed office stock as of March 2024 is in range of 10-11 mn sft with vacancy ranging from 15-20%

13. Cost of Development per key

Project costs have risen since the pandemic, requiring larger investment in hotel development. Increased costs for new projects provide competitive advantage of existing hotels which carry lower historical costs. Project costs vary from hotel to hotel due to several factors including size of hotel, F&B spaces - number and type (cuisine) of restaurants, restaurant standards and appeal, banquet spaces and facilities, other public areas, number of basements (including based on regulatory requirement for parking), brand specific needs, site specific development challenges and financing plans and patterns.

Broadly, current development costs (excluding land cost) are emerging at:

- Luxury: Rs. 16 to Rs 30 mn per key
- Upper Upscale: Rs. 11.5 to Rs 14 mn per key
- Upscale: Rs. 8 mn to Rs 11 mn per key
- Upper Midscale: Rs. 6 mn to Rs. 7.5 mn
- Midscale: Rs. 4.5 mn to Rs. 5.5 mn

14. Barriers to Entry

Development of hotels in India faces several challenges, principal among which are:

a. Land: Availability of land at suitable locations for hotels, high cost of available land, and limited development entitlements - create limitations on hotel development, viability, and hotel size.

b. Regulatory Approvals: Hotel projects require multiple regulatory approvals and licenses, before project implementation and prior to opening. The process is time consuming, with timing uncertainties and delays – the resultant longer time to hotel opening causes project cost escalations, significant additional interest cost, debt-service pressures, and project quality impact.

c. Policy Changes: Policy changes by government can have a material impact on hotel development, operations and profitability. For example, (a) imposition of liquor prohibition; (b) substantial delay in completion of Delhi Aerocity hotels as security issues were not resolved in a time- bound manner; (c) recent requirement for drivers accommodation in Tamil Nadu.

d. Bank Financing: Cost and availability of debt, shorter loan tenures (8 to 10 years till 2015), and repayment structures which were inconsistent with the capital-intensive nature of hotels that typically need 2-4 years to stabilise operations. Bankers now provide extended tenures of 12-15 years which is more consistent with the industry needs and cash flow patterns.

e. Availability of Equity Capital: Shortage of sufficient long-term equity capital is a significant constraint towards capacity creation, particularly a portfolio of hotels or large hotels, and funding working capital shortages.

f. Manpower Shortages: Increasing manpower shortages - staff and managers with sufficient operating experience and skills – and high attrition across managerial and staff levels poses service limitations for hotels. Increased use of technology and larger talent pool of hotel chains will be sought.

Several of these barriers, particularly Land, Bank Financing and Availability of Equity Capital have greater implication for Lux-UpperUp hotels and hotels with large inventory and function spaces.

15. Potential risk factors to the hospitality industry

1. Reputation Risk

The reputation of a hotel is critical to its success. Such reputation is built by the product quality, location and appeal, range and quality of food & beverage offerings, quality of function spaces and the branding of the hotel. Service is critical to building a strong reputation. Reputation damage could occur if health and safety norms are not adequately complied with and implemented.

2. Demand risk

The discretionary nature of hotel demand can impact demand volumes, profile and pricing due to factors such as economic slowdown; new competitive supply or loss of product quality. Seasonality aspects could also have a material impact on demand, particularly if any challenges occur during high season periods for a destination.

Overall demand is more discretionary for leisure, weddings and MICE purposes, while for business driven destinations a certain element of business travel is often inevitable; pricing and demand interplay can negatively impact revenues during an economic or travel slowdown.

3. Competition Risk

Arises from newer and more contemporary hotels setup in a market and from alternate accommodation. Material new supply created in a market or micro market within a concentrated timespan, can impact occupancy and pricing unless there is ready latent demand to absorb the new supply. Good quality new hotels at different price points could also channel away demand at higher priced hotels which are benefitting from pricing strength due to lack of adequate supply. On the other hand, depending on circumstances in a market additional supply could also create better visibility and greater critical mass to the benefit of various hotels.

4. Economic Risk

Business conditions for hotels can be impacted by the overall economic situation in the country/ city or in key source markets. A slow, stagnant or declining economy creates demand and pricing pressure, including on demand for restaurants, functions etc. A growing economy with positive sentiment helps to lift demand, pricing and spends. Economic risks can in turn impact foreign currency reserves and create foreign currency risks which, in turn, can impact earnings and availability of foreign exchange debt funding for hotel projects. Temporary currency restrictions can have potential impact on foreign currency available to fund imports of goods and services for hotel operations.

5. Health and Security Risk

Health and or security factors affecting a destination, destination country, or key source markets can negatively impact demand. This was seen during the Covid pandemic or in certain Asian markets during the SAARS epidemic, or when terror attacks occurred in Mumbai and New York in 2008 and 2001 respectively. Recovery from health and security concerns depends on the cause but generally remains robust if the destination market is a key market.

6. Source Market Concentration Risk

Source market economic issues can impact demand and revenues in a destination particularly if there is substantial demand concentration and reliance upon a particular source market which is suffering an economic downturn. Substantial demand concentration or reliance upon specific source markets can impact demand and revenues, if one or more of such source market suffers from demand risks on account of economic, health or security issues.

7. Digital Security and Data Privacy Risk

Substantial use of the digital medium for sales and marketing, and the collection, use and storage of guest personal data creates the risk of data breach which could affect operating systems and operations, as well as compliance with data privacy laws and regulations. In turn, this can expose hotel companies, including managed hotels, to liability under international and domestic laws and regulations e.g. GDPR Regulations and the Digital Personal Data Protection Act, 2023 (regulations yet to be notified). Further, hotel companies that do not have a robust digital platform can suffer competitive disadvantage.

8. Human Resources Risk

The hotel sector is materially subject to Human Resources (HR) risk as regards availability of a sufficiently large pool of managers and employees with relevant skills and experience to meet staffing needs of a rapidly growing industry, higher competitive costs for personnel, and high attrition levels due to demand for trained hotel staff across various service sectors. While staffing pattern have been modified as an outcome of the Covid pandemic, the HR risk is expected to remain significant.

9. Operating Margin Risk

Operating margins can come under pressure due to decline in revenue (quantum and or rate based) and increase in costs. Cost increases are not always immediately controllable, particularly fixed cost elements towards various utilities, payroll costs with increases amidst competition, increasing input costs towards F&B and other supplies. Sales costs can vary depending upon sales channels used and the strength of operator’s sales channels through its loyalty programs and digital or other systems. Greater ability of a hotel to reduce its fixed cost would prove beneficial in managing operating margins.

10. Compliance Risk

Substantially increased compliance requirements results in greater risk of compliance failure and in added compliance costs which have effect on operating margins. Variances in compliance needs across different states in India add to the risks levels and to compliance cost.

11. Third Party Risk

The changing business ecosystem with increased outsourcing of various functions and sharper procurement timelines create newer third-party risk for hotels and asset portfolios. Third party risk can also arise from outdoor catering events and from greater use of contract employees.

12. Development and Growth Risk

Growth of hotel supply can be impacted by various developmental risks including availability of suitable land with clear titles, entitlements and affordable costs; need for multiple approvals without defined time commitments from authorities, project delays due to regulatory requirements, funding delays including availability and cost of foreign currency funding and inability to meet escalated project cost due to the aforesaid factors. Projects also get delayed, and sometimes abandoned, due to economic disruptions, insufficient funding, and resultant cost escalations. These can cause hotel projects to be delayed or downsized (with or without reduction in scale during project implementation),or carrying inadequate initial quality due to lack of funding.

13. Debt Service Risk

Debt stress can arise due to development and implementation challenges for hotels, or from overly leveraged hotels or lack of demand growth or penetration to the extent anticipated thereby causing inadequate funds availability for debt service. Debt service obligations can pile up quite rapidly if allowed to persist, impacting the hotel asset and service quality, performance and competitiveness.

14. Asset Impairment Risk

Lack of suitable care in the upkeep, renovation and upgrade of individual hotel assets from time to time can impact the hotel's competitive positioning and capability and thereby impact its earnings. As a cyclical consequence, this can further reduce funds availability for reinvestment in improving the asset and to overcome asset quality impairment.

15. Climate Change Risk

Climate change factors can have material bearing on hotels in terms of changing business seasons, impact of global warming, increased operating costs due to need for additional air-conditioning and or lack of water, reduced demand due to high temperatures flooding and landslides (these can even restrict access) and higher cost of operation to comply with sustainability needs and expectations which may be regulatory and / or competitive in nature.