



Industry Outlook 2017

Confused, but Not Concerning!

A year that otherwise would have ended on a positive note for the hospitality industry in the country went bit off-track because of the impromptu government action to demonetise high value currency notes in early November. Although the ultimate impact of the government action is yet not ascertained by any of the industry bodies, the stakeholders of the industry covertly concede the damage being done to their prospects at least in the short-term. Travel, tourism, hospitality, etc., are heavily indulgence-oriented and therefore succumb quickly than any other business to any event or action that directly pinches the consumer.

While the organised hospitality industry has somewhat come to terms with the situation and shifted their post in terms of demand revival till the second half of 2017, they strongly believe that the latest move by the government would benefit them in the long-run as business would start moving from unorganised to organised sector.

However, investments, both ongoing as well as in the pipeline, will be impacted due to this sudden move unless

they are backed by clear funding framework. Industry experts believe that there will be more projects up for sale, and acquisitions will pick up steam once again.

With hospitality business gaining an organised form with the advent of aggregators in the budget and economy space, the industry players are unanimous in their opinion that it will be technology that will be playing a major role in customer acquisition going forward. It is incumbent on the hotels to keep pace with the latest technology trends and new marketing tools on the online space.

Despite all the trials and tribulations in the socio-political and economic spheres in the country, the hospitality players are not overly concerned but rather hold faith in the future opportunities in the India market. They rest their confidence on the rapid urbanisation, improvements in the physical infrastructure, demographic changes, and above all the promises of the government of the day.

Hospitality Biz encapsulates the sentiments in the industry while going into the New Year.



Rishi Puri,
VP, Lords Hotels & Resorts

OTAs continue to drive business:

From a consumer point of view, we believe the Online Travel Aggregators (OTAs) are going to be the major drivers for the hotel industry. In the last couple of years,

the OTAs have played a big role in attracting domestic travellers towards taking holidays. The huge discounts and travel – stay combo offers have delighted the customers and the hotel industry has witnessed a surge in booking.

We witnessed a slight stagnation in bookings as a consequence

of the demonetisation. At the same time due to the many weddings in this season, the blow may have been cushioned as people have not cancelled on the venues and rooms that were booked for this purpose. It is the food & beverage business that has been impacted as most of our local customers have refrained from eating out.

Consolidation is the mantra

We are presently focusing on consolidation and further improving our existing operations. We intend to optimise the ARRs across all four brands including Lords Plaza, Lords Inn, Lords Eco Inn and Lords Resorts. We are strategically marketing the brand at international venues and familiarising audiences with our offerings.



Manav Thadani,
Chairman, HVS-Asia Pacific

We expect occupancies to continue to improve and hence the performance. What most owners are actually hoping for is a real push towards average rate increases. I think a trend that will come into effect is the removal of free bees offered by various brands. Already Taj and Oberoi's for now have started removing free breakfasts as part of room rates.

Projects to be impacted

From a consumer demand perspective, demonetisation would

impact for a short period only. On the other hand I think it would actually help level the playing field and banquet revenues should actually see a rise as the cash economy will reduce and private farm houses and banquet houses which used to thrive on the same may no longer have the advantage. However the real effects of this will become clear only once GST rates are announced.

As far as projects in progress and in the pipeline, HVS estimate that at least 1/3rd of the supply that was under development or which was about to commence will now be stopped due to demonetisation. Hotel development was a good avenue for politicians with black money to build hotels and convert them to white. What demonetisation has done again is to clean up the system.



Mandeep Lamba,
MD – Hotels, JLL India

The industry is at the start of a recovery after a long period of pain and we should be witnessing a strong upcycle spread over the next few years. With supply considerably reducing, hotel ADR's should see a consistent increase and most of the

upside should flow through to enhance the GOP's of operating hotels.

Acquisitions to gain steam

On the investment side we are likely to see investments largely into acquisition of operating or brownfield hotels as against greenfield projects. Most investors are weary of the development risks and

now focused on investing in operating hotels or platforms. We should see an active hotels transactions marketplace in the coming years starting 2017. On newer developments, the trend will be increasingly towards mixed used projects and stand-alone hotels will find less favour with developers. Technology will continue to be a key differentiator for operating hotels as also in the design for newer developments.

Investors to wait & watch

There will be some slowdown on account of a certain level of uncertainty that has crept into the economy on account of the impact of demonetisation and investors will be keen to better understand the situation before being fully committed. In the short term, new developments will see a slow down till there is more clarity on the demonetisation of the economy and the repercussions of the demonetisation exercise.



Jean-Michel Cassé,
Senior VP, Operations,
AccorHotels, India

Online bookings to grow

With an increment in wealth creation, urbanisation and globalisation, some of the major trends impacting hospitality industry globally aren't vastly different from those in India.

The hotel industry in India has evolved continuously of late and there's a lot more change to come. In the past year, the rise of online bookings has increased consumer power enormously and changed booking habits almost entirely. In the coming year, we see guests increasingly booking online and the share of mobile devices in planning and booking trips to increase tremendously.

Demonetisation

We welcome the bold move to curb money laundering and counterfeiting. While guests may face inconvenience in the short term, this will mark the beginning of digital currency era. We at AccorHotels have already taken significant steps and introduced AccorHotels Personal Wallet, a seamless, quick and safe way to manage payments.

Looking ahead

For 2017, we plan to open 10 more new hotels as part of our network expansion to 55 hotels in India and inching closer to our target growth of over 80 hotels by 2020. Our growth momentum will see us reach over 10,000 rooms across India in 2017. As we move forward, densification remains a major strategy for growth in India, with the intent to be leaders in the markets we operate in.



Shantha de Silva,
Head of South West Asia,
InterContinental Hotels Group

The hospitality and tourism industry in India continues to grow on the back of an expanding middle class, infrastructure development, increase in international tourist arrivals and the extension of e-Tourist Visa to

150 countries. Currently, domestic travel constitutes bulk of the demand, and we anticipate this trend to continue. We also anticipate the MICE industry to grow further.

Organised sector to benefit from demonetisation

The demonetisation drive will benefit the organised hospitality sector in India as there would be movement of customers to the

organised sector due to ease of alternate modes of payment.

On the investment front, demonetisation would lead to increased liquidity in banks which is expected to bring down interest rates, and also a movement towards transparent real estate transactions.

Also the decision to introduce GST as a measure to rationalise taxes will in addition to reducing tax burden on the sector provide a level playing field vis-à-vis neighbouring countries.

Long-term vision

We continue to expand our India presence through our midscale brands Holiday Inn and Holiday Inn Express, our upscale brand Crowne Plaza and our luxury InterContinental brand. We currently have 28 hotels (5,362 rooms) open in India across 12 cities and a further 41 hotels (7,765 rooms) in the pipeline, which once open will mean a presence in 11 additional cities and a growth of over 200% in India.



Vinay Gupta,
VP, Asset Management,
SAMHI Hotels Pvt. Ltd.

Changing nature of travellers

Increased institutional ownership of branded hotels in the country will continue to grow; as a result, hotel operative performance will be more

closely linked with its financial performance. We have seen little or no growth in the Average Daily Rates for many years; this is now expected to start correcting. At customer front, digital is going to play greater role making consumers more aware of the product they choose. The increased use of technology is closely accompanied by an increased use of mobile devices and apps. Another rising trend has been the influx of 'branded' budget

hotels in the country. Budget branded hotels will allow greater travel for more Indians without the concern for compromised hygiene and exorbitant costs.

Demand continues to grow

Demand is going to continue to rise; India is one of the best placed nations for growth in the entire globe. Government's economic reforms, pro-business approach and significant push to improve infra-structure coupled with young and enterprising Indian population will surely translate into more room nights assisting rate improvement. We expect this change to initiate as early as quarter one of 2017.

At SAMHI, our aim is to continue to build and acquire new hotels across India. SAMHI enjoys great relationships with its operating and business partners, they continue to extend their much needed support and confidence in the SAMHI's ability to grow.



Kaushik Vardharajan,
VP, Development – India, Hilton

Positive outlook

We can expect the hospitality industry to grow in the coming years. The friendly visa policies such as the extension of e-Tourist Visa to over 150 countries is further fuelling this growth. While there is an increase in foreign travel, the rising middle class domestic consumers are also creating more opportunity.

Both supply and demand are set to increase in the coming times. According to the HVS 2016 Report, in 2015/16, both supply and demand grew by 9.9% YoY and 16.4% YoY respectively nationwide. Thus, the hotel industry in India can expect sustained growth in the coming years due to various infrastructural reforms.

Demonetisation to impact positively

Demonetisation issue will have varied effects on the many sections, but overall it will impact the growth positively. While the drive will affect the unorganised sector in the short term, it will generally benefit the organised hospitality sector. As far as new projects are concerned, with banks dealing with increased liquidity as a result of cash deposits in recent weeks, there may be a move to increase lending and reduce interest rates in the future.

Vision

Hilton currently operates 15 hotels and resorts with over 2,400 rooms under five brands. This includes the recent entry of our luxury Conrad Hotels & Resorts brand in India with the opening of Conrad Pune.

Our pipeline of 16 hotels with 2,699 rooms shows our commitment. This pipeline includes Conrad Bengaluru.



Deepika Arora,
Regional VP-Eurasia,
Wyndham Hotel Group

Growth momentum to continue

Technology has had a huge impact on every industry across the world. With consumers connecting with a brand via multiple touch points such as a website, OTA sites, social media, mobile, etc., keeping up with the latest technology trends and new marketing tools has become critical for the hoteliers.

We believe that the MICE segment will grow further in 2017 as most new hotels are coming up with meeting and banquet spaces to attract MICE business.

Projects to impact negatively

Demonetisation might lead to some cancellations or postponements in the short or medium term due to lack of available currency. The projects that are already in the pipeline might face some adverse effect and delays on account of demonetisation.

Budget segment to drive growth

We estimate shortfall of around one lac rooms across the Indian market in the next three-five years. The shortage seems to be more in the budget and the mid-market segment.

With our announcement on Wyndham Hotel Group's recent brand transformation, we gear up to claim our spot as the largest and the best in the world. With the successful launch of brands such as Ramada Plaza, Ramada Encore, Howard Johnson and Days Inn over the last six years, we are ready to further expand our footprint in India.



Param Kannampilly,
CMD, Concept Hospitality

Economy to shrink

Indian economy might shrink for a few quarters in 2017, but will bounce back before the year ends. Leisure business will be affected for a few quarters and expected to get back by Diwali next year. The inflow from one of the leading markets, the UK, may be affected because of the uncertainty of BREXIT and leisure hotels/resorts will have to depend on domestic travellers.

Impact on projects

Impact on hotel projects post- demonetisation will depend on bankability of such projects. If the developer's balance sheet

is already stretched and he is not able to tap bank finances to complete the projects, then the project might face some hardships and commercial commencement date might be delayed. If we have owners whose projects have negligible loan outstanding on their hotel assets, the same can be mortgaged to raise funding.

Brand consolidation

Since launch of Fern brand in 2009, our company has established its operations in India and abroad with 40 successful hotels under management and 20 hotels at various stages of development. The Fern brand is poised for exponential growth and has added 16 properties since January 2016 to our network. Our focus remains to consolidate our presence in geographies where we are already present with multiple properties and grow our presence in other geographies including central, Southern and Eastern coast of India.



Chander Baljee,
CMD, Royal Orchid Hotels Ltd.

Leisure travel to slow down

Some of the key drivers for the hotel industry which I believe will play a significant role are:

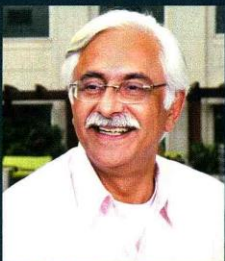
- Revenue management in the rooms and restaurant space
- Themed locations for MICE
- Presence of the brand in the mobile space through apps and integration
- Focus on tertiary markets with eco-tourism and adventure offerings

The travel sector for business hotels are largely driven from corporate sectors which are coordinated by the travel companies,

GDS and contracted relationships in the beginning of every fiscal year. These factors are drawn out well in advance and play a very small role in the cash transaction space. However, leisure travel and FITs may tend to moderate in the wake of demonetisation. We have also seen that the banquet business has subsidised temporarily but will reverse shortly.

However, because of drop in new supplies, we expect a positive inclination in the demand space.

Our focus is to build through alliances and partnerships to diversify the hospitality portfolio into new sectors like eco-tourism, affordable luxury and budget friendly inns keeping pace to the behaviour of the new millennial travellers who are seeking customised itineraries and price sensitive in their travels. The Royal Orchid Hotels and Regenta Hotels have been making tremendous strides in expansions with the launch of eight hotels in this year alone.



Rattan Keswani,
Dy. MD, Lemon Tree Hotel Company

Demand to grow steadily

We should see the cycle turning positive from H2 of the coming year, hopefully, with some buoyancy in pricing as well.

Domestic demand has slipped a bit because of government's demonetisation drive, but I hope the market to recover from January onwards. Hardening of

occupancies is expected in the New Year as new supply of rooms going to be marginal.

As far as impact on the new investments are concerned, my personal observation is that if properties come up for sale in the aftermath of the demonetisation exercise, interest of genuine and serious investors will be renewed in the sector.

Moreover, Goods & Services Tax (GST) is expected to bring a positive change, in terms of clarity and parity which will be beneficial for the industry in the long-run.

In the meantime, Lemon Tree Hotels will continue to grow our owned and managed portfolio aggressively in the New Year.



Shwetank Singh,
VP-Development & Asset Management, InterGlobe Hotels

Govt policies to usher transparency. We at IGH are viewing 2017 with a great deal of optimism. We expect to raise ARR and stabilise occupancies further. At this point we have 13 operational Ibis properties in India,

with another two in Kochi and Coimbatore set to launch over the next 1-3 months.

Over the years, travel and tourism industry has emerged as a significant source of foreign exchange and a large employment generator. In the past one year, there have been a few positive

and potentially long-lasting changes in the Indian real estate. The passing of RERA (Real Estate Regulation and Development Act 2016), the Benami Transactions Act and now the demonetisation move will ensure that going forward; the sector will become more transparent.

Demand for hotels especially in the branded space is unlikely to be impacted much by the demonetisation move. Purely from a transactions standpoint, no more 2-3% of transactions at our properties are in cash, and therefore, we estimate minimal impact on performance on account of this move. However, we do anticipate a reduction in leisure travel (discretionary spend) and social space.

IGH has always been very transparent about funding our projects and therefore, we anticipate very little to change for all our on-going ventures.



Harleen Mehta,
VP, Sales Operations - South
Asia, Hyatt Hotels Corporation

New market opportunities

We have a reasonably optimistic and positive perspective on the hospitality industry in India for 2017. We believe that the country has strong market and economic

fundamentals supporting the growth of the industry in the country.

Tier II and III markets are fast emerging as next destinations for corporate, leisure and experience-seeking travellers. These markets have typically remained under-served. The increased penetration of internet and smart phones across the country has contributed to the rise in online bookings.

Our business transactions are majorly cashless and thus we do not see demonetisation affecting domestic demand, our projects in progress and pipeline, and any investment decisions.

Vision to be the preferred hotel brand

We don't want to be the biggest, but want to be the most preferred hospitality brand in India. We leverage the advantages that come from being smaller than the big guys and bigger than the boutiques. We currently have more than 6000 operational rooms in the country in 24 properties across 15 key Indian cities. Opening of Andaz Delhi in Aerocity will also mark the launch of our sixth brand - Andaz in India. Our select service model - Hyatt Place is a large part of our growth strategy in India. In addition to a number of Hyatt Place hotels in places like Rameswaram and Hyderabad (148 Rooms), we also look forward to the opening of Grand Hyatt Kochi in 2017.



Vilas Pawar,
CEO, Choice Hotels India

Technology to drive business

Technology will be one of the top trends in the coming year. We will continue to see the evolution of hospitality software and consumer-facing technology to enhance service

that will influence purchase behaviour. This will also hold true in improving the service quality like use of virtual concierge; keeping record of guest's preferences.

We expect a very nominal effect on domestic demand as most of the transactions are already either via cards or cheques. While a mild setback could be seen in the case of leisure tourism, this trend will be corrected over a period of time. The immediate impact would possibly be seen in the food & beverage areas of the business.

With regard to room rates, I don't see them going northward for the next year or so. If at all, there would be a very small increase in the room rates, given the current supply in the market.

Focus on Tier II & III cities

As a group, Choice Hotels is looking at Tier II and III cities for our growth. We are one of the fastest and finest growing hotel chains with over 25 properties in as many destinations in India. There are another 10 properties under different stages of development.

No impact due to demonetisation



SP Jain,
MD, Pride Hotels

A promising year ahead

In 2017, we expect both domestic and inbound tourism to grow. The target of government is also to double the tourist arrival in next five years which will also give good growth potential to hospitality

industry. Government is also improving infrastructure which will be a great support for hospitality sector.

The effect of demonetisation will be initially for some time on the domestic demand but I don't think it will remain for long time. The investment decision will definitely affect. At present

there are very few new projects happening in hospitality sector and investor will hold back decision for some time.

The implementation of GST will be very helpful for industry as multiple compliances will reduce and it will be good to introduce to our guest one single tax rate so they will be comfortable.

Going asset light

Our marketing strategy is well defined now as we have launched in 2016 our new brand Pride Plaza Hotel in Aerocity, New Delhi. The Pride Group is now more active in our management side and to add more rooms in our asset light model. We have already signed new hotels under management at Indore and Bengaluru. We are also doing renovation and up-gradation of Ahmedabad and Chennai Hotels.



Rahul Pandit,
MD & CEO, Ginger Hotels

Four key trends to dominate the industry in 2017

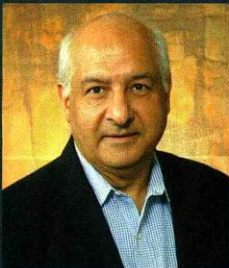
- Start of the up-cycle: 2017 signals the start of a potential 4-year up-cycle for the industry. Demand growth strengthening to 16% and supply addition plateauing to sub 10% mirror this theme. The focus on 'Make in India', buttressed by healthy CAPEX commitments augurs well for demand sustainability.
- Consolidation: Scale will become critical for market share and margins. The industry would see accelerated consolidation and collaboration to be able to deliver shareholder value.
- Focus on B2C: India is a huge potential B2C market. Brands will accelerate resources and bandwidth allocation to direct

a large chunk of their topline direct from consumers. Smarter brands would in parallel focus on improving their reach, especially through mobile, to millennials and drive sales fulfillment through loyalty and proprietary channels.

- Leisure growth: Leisure would clock double digit RevPAR growth and contribute enhanced margins. As India rapidly urbanises and a million people are released into the workforce every month, the urban nomads will take more frequent breaks. This will make leisure increasingly season agnostic.

Leisure segment to take a hit

Demonetisation will sedate leisure demand from Tier II and III towns in Q1 before resuming on an even keel Q3 onwards. The shift to e-wallets would shift demand from the unstructured market to the branded market. This impact would be more pronounced for banquet and F&B earnings which would benefit from this share shift.



Vimal Singh,
MD - South Asia,
Golden Tulip Hotels

Experiential travel to dominate

Trend of experiential travel is expected to pick up strong momentum where guests want to experience the hotel and the destination a lot more than ever before. It is no longer about a good room with clean beds; however it's about the new experiences of life which could be out of my comfort zone when I travel.

With the ease of visas and governments focus to promote

inbound tourism, I see that this segment should gain momentum specially in mid market hotels.

In the demand-supply front, the demand is now matching the capacity build up and is likely to be fully absorbed by 2017. In my view this should help hotels gain enhanced average rates.

Business as usual

The segments that are likely to be affected by demonetisation temporarily are weddings and domestic family group travel. However, the impact will be temporary for three-six months and will stabilise once the country accepts the new normal.

GST could be game changer for the industry however it depends on the rate of taxes brought in. A rational level of tax makes good business sense for every industry.



Ajay Bakaya,
Executive Director, Sarovar
Hotels & Resorts

Domestic Travel will continue to be bedrock

Domestic travellers will continue to be the bedrock of demand. MICE business collaborated with short-stay business travel to drive demand for rooms. F&B offerings to play a crucial role in leisure destinations as consumers travel more and gain more awareness.

We expect steady increase in demand. Recent additions of supply will even out and the room rates should now strengthen. Larger number of bookings will take place online. Technology

will be a key element in booking hotel rooms with increasing usage of smartphones during travel.

Market to bounce back

There has been a marginal impact on domestic level in the wake of demonetisation. It should be back to level in one to two months. We do expect to see delay in certain projects and possibly change of ownerships. It is definitely going to affect investment decisions.

Domestic & international expansion

We expect 2017 to be another exciting year. We are expanding to newer destinations including Raipur, Jaisalmer, New Delhi – Kapashera and Amritsar. We will also be opening The Lazizi Premeire, Nairobi in February and we have recently signed hotels in Lusaka, Zambia and Addis Ababa, Ethiopia.