



Horwath HTL

Hotel, Tourism and Leisure

Industry Report – Upper Tier Hotels, India

Prepared for:
Ventive Hospitality Ltd.

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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.

Overview of Indian Hotel Industry

Some key characteristics of India's hotel industry, relevant for a better understanding of the market and more particularly the upper-tier segments i.e. luxury, upper upscale and upscale segments, are briefly set out herein.

- 1.1. **Indian GDP growth to drive hotel demand:** India is the 5th largest global economy and among the fastest growing economies in the world. The hotel sector has a strong multiplier effect that contributes materially to India's economy by way of GDP, asset and investment growth, employment, foreign exchange earnings and tax revenues. Hotel demand is driven by business and leisure travel, staycations and travel for weddings, conferences and events.

The travel and tourism sector contributed Rs. 19.1 tn in CY23 (5.6% of GDP) and is expected to contribute about Rs. 21.2 tn in CY24 and over Rs. 43 tn by 2034. The sector was estimated to employ about 43 mn persons by CY23.¹ Demand for chain affiliated hotel rooms has increased to 120k rooms per day (2.48 rooms per Rs crore of GDP) in FY24 from 71k rooms per day (2.24 rooms per Rs. crore of GDP) in FY16, and is expected to increase further to 167k rooms per day by FY27².

- 1.2. **Indian hotel market – potential for greater penetration:** India has only 195k chain affiliated hotel rooms, across segments, as of 30 September 2024 compared to 56k keys in San Francisco and 150k keys in London as of 31 December 2023. The sector is underpenetrated compared to global counterparts in terms of ratio of rooms to commercial office stock with top 8 cities of India having 118 keys per msf of office space, compared to 637 keys per msf of office space in London and 486 keys per msf of office space in San Francisco as of 31 December 2023³. Total hotel keys penetration basis population as of 31 December 2023 is also lower in India at 0.3 keys per 1,000 people compared to 22.1 / 2.7 keys per 1,000 people in the USA / globally.

- 1.3. **Shift towards chain affiliated hotels:** Prominence of chain affiliated hotels has evolved materially over last 10 years and the trend is expected to continue over next few years. International hotel chains are also gaining market share with inventory share of international chains increasing from 21% in FY01 to 45% as at YTD Sep-24. Guest preferences for chain hotels have increased materially due to greater consistency of product, better appreciation of lifestyle and boutique hotel offerings, well-curated F&B experiences, leisure, recreation, loyalty points and entertainment.

- 1.4. **Robust domestic demand:** The domestic travel industry has been robust and has grown materially. Having touched 2.3 bn visits in 2019, the post COVID recovery has been strong with 1.7 bn visits in 2022⁴; while 2023 data has not been announced by MoT, WTTC research reports that domestic visitor spending rose by 15% in 2023, surpassing the 2019 level. Leisure, weddings and social demand, MICE demand, and increased number of sports / other events have significantly contributed to overall hotel revenues. Continued growth of domestic travel is expected and would be beneficial for the industry in the future. Pilgrimage related travel has also grown significantly with spiritual tourism sector projected to expand at 9% CAGR, from US\$ 60 bn in 2023 to US\$ 130 bn by 2032, also gaining from GOI's PRASHAD Scheme and Swadesh Darshan 2.0 programme⁵. Air passenger movement for Varanasi has risen at 13% CAGR from FY15-24. For 2023, RevPAR for over 100 hotels across several pilgrim centres has risen 38.5% since 2019, to Rs. 3.2k⁶. The supply pipeline (October 2024 to FY27) includes 6.7k rooms at pilgrim centres and this will support continued demand growth in this segment⁷.

- 1.5. **Foreign tourist arrivals on an improving trajectory:** FTA was 9.3 mn in CY23, reflecting 85% recovery compared to 10.9 mn in CY19. FTA for CY24 (January to July 2024) has risen to 5.6 mn compared to 5.3 mn for the same period in CY23⁸. HAI estimates FTA to grow materially, to cross 30 mn by 2037. Growth of FTA will further strengthen hotel ADRs, besides demand and occupancy, particularly for the upper-tier hotels. Inbound hotel demand (i.e. from FTA) are a significant contributor to the hotel sector.

¹ Source: World Travel and Tourism Council (WTTC) 2024 Economic Impact Research

² Source: GDP data – Department of Economic Affairs, Govt of India and hotel rooms data – Horwath HTL

³ Source: Hotel rooms data – Horwath HTL and office space data - CBRE

⁴ Source: Ministry of Tourism, India

⁵ Source: Equitable Growth and Emerging Real Estate Hotspots, June 2024 – Colliers and AAI

⁶ Source: India Hotel Market Review 2023 - Horwath HTL

⁷ Source: Horwath HTL

⁸ Source: Ministry of Tourism, Govt. of India

- 1.6. **Future demand drivers:** Demand will be driven by diverse domestic and inbound travel needs - business, leisure, MICE, weddings, social events and international political and business delegations. Each segment is expected to be robust based on a positively growing economy, improved travel infrastructure, new convention centres, and increased airline services. Newer demand will arise for international and national sports and entertainment sector events. Continued urbanisation and changing demographics, with millennials and younger travellers seeking experiences and willing to spend on entertainment, recreation, wellness and lifestyle will drive discretionary travel.
- 1.7. **Hotel demand in Key Markets in India:** Hotels have generally enjoyed positive demand conditions in the aftermath of COVID pandemic. Aggregate demand for the ten Key Markets (Mumbai, Delhi NCR, Bengaluru, Chennai, Hyderabad, Kolkata, Pune, Ahmedabad, Jaipur and Goa) was 27.4 mn rooms for FY24 compared to 25.5 mn rooms for CY19. This growth is particularly notable considering that inbound travel for business and leisure is yet to fully recover, and further that the IT sector is yet to fully implement 'return to office'. Cities with wider reach across multiple demand segments have gained more speedily; thus, Pune gained from its advantage as a significant hub for the services sector (GCCs, IT, ITeS, banking, professional services, retail) and for manufacturing (mainly automotive and engineering) to achieve demand of 5k rooms per day for FY24 compared to 4.8k rooms per day for CY19. As an emerging metro city, Pune has absorbed large supply growth (7.4k chain affiliated hotel rooms; ranked eighth in India) and is ahead of Kolkata, Ahmedabad, and Gurugram as of FY24. Bengaluru with material concentration on the IT and ITeS sector has taken longer to recover from COVID pandemic – demand for FY24 was 11k rooms per day compared to 9.4k rooms per day for CY19. Business has regained momentum, with this large and growing hotel market gaining from expanding air travel to the city and growth in aero and defence activities in addition to IT services.

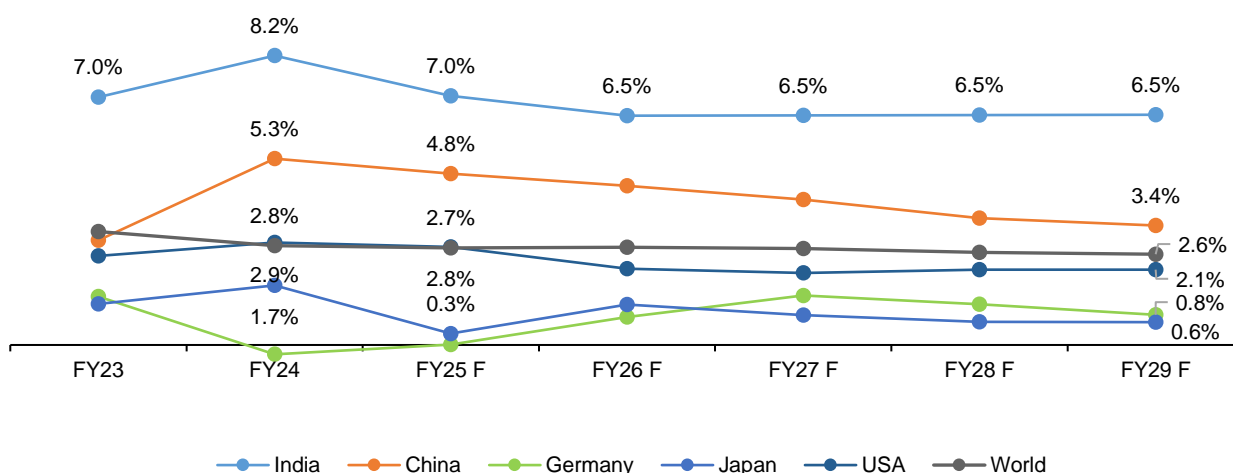
All India inventory growth from YTD Sep-24 to FY27 is estimated at 11.3% CAGR; in contrast Pune and Bengaluru have a more limited pipeline reflecting inventory growth at 1.6% and 5.4% CAGR, respectively.

Overview of the Indian Economy

Among the World’s Fastest-Growing Major Economies

In FY24, India was the fifth largest global economy with Nominal Gross Domestic Product (GDP) at US\$ 3.54 tn (295.4 lakh crore).⁹ Since FY05, Indian economy’s growth rate has been twice as that of the world economy and it is projected to sustain this growth momentum in the long term. The GDP growth for FY24 was 8.2%; based on IMF estimates, India GDP growth for FY25 is projected at 7.0%. Below is a snapshot for GDP growth rate (at constant prices) for the top five global economies through FY29.

Top 5 Global economies GDP Growth Forecast

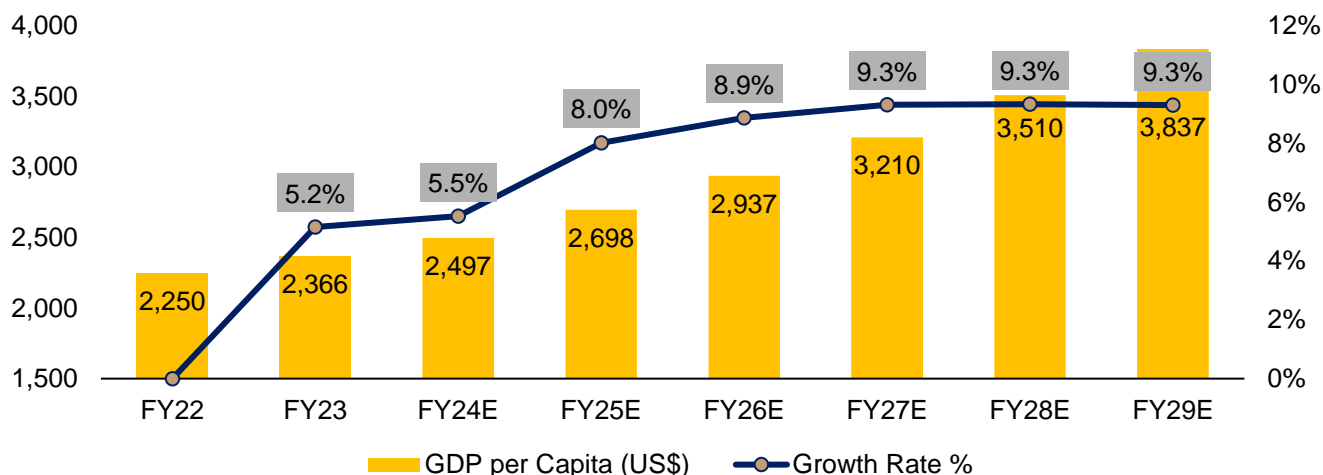


Source: World Economic Outlook, IMF, October 2024, World Development Indicators Database, World Bank, 15 January 2023 and Ministry of Tourism

⁹ Source: Ministry of Statistics & Programme Implementation- MOSPI, Govt of India

IMF’s World Economic Outlook Report (October 2024) estimates per capita GDP growth at 8.4% CAGR between FY23-FY29. Increased individual incomes is expected to create additional discretionary spending, which may be beneficial for the hospitality sector.

India Per Capita GDP Forecast

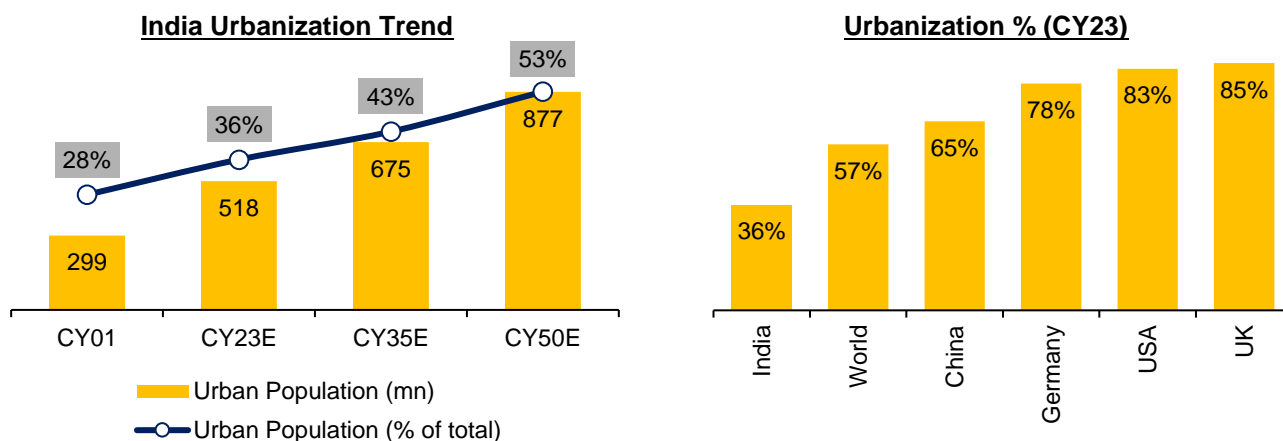


Source: World Economic Outlook, IMF, October 2024 and National Statistics Office, Ministry of Statistics & Programme Implementation - MoSPI, Govt of India

Growth Drivers

Increased Urbanization: India’s urban population share increased from 28% in CY01 to 31% in CY11 and was further projected to increase to 36% in CY23. At these levels, 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.

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



Source: World Urbanization Prospects 2018, United Nations, Department of Economic and Social Affairs, Population Division (2022). World Population Prospects: The 2022 Revision

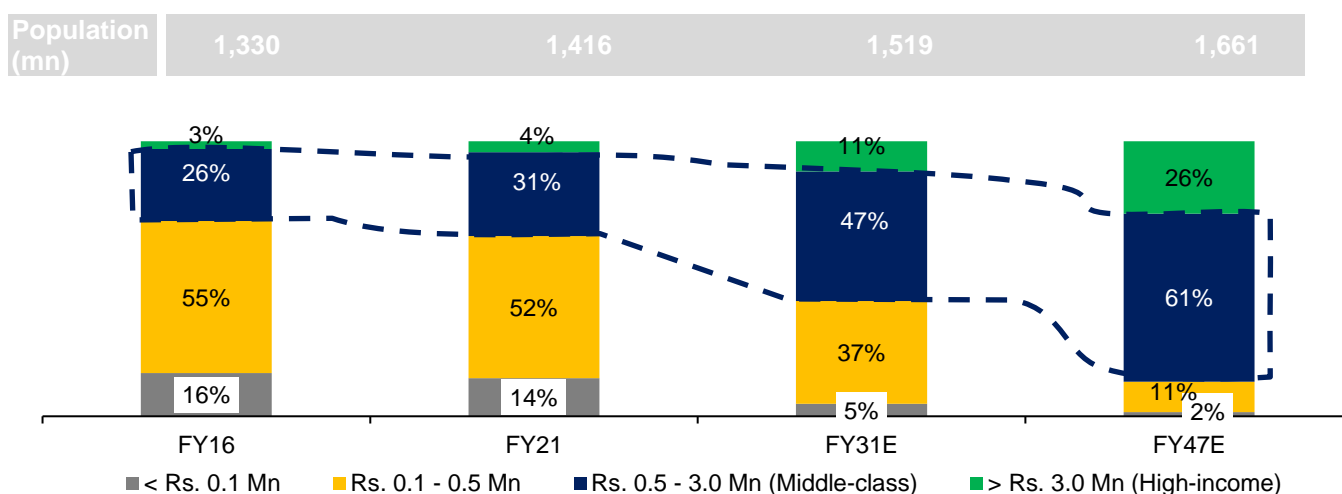
¹⁰ Source: UN World Urbanization Prospect Report

Rising Middle Class and High-Income Population: India’s middle-class population is expected to grow at a rapid pace from 432 mn in FY21 to 715 mn in FY31 and 1,015 mn by FY47, moving ahead of US and China within this decade.

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-income households (income > Rs. 3 mn) had 37 mn population in FY16 and is projected to be 437 million in FY47 increasing at the CAGR of 8%.¹¹

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. Sections of the middle class are slowly graduating to the upper class due to attitudinal and lifestyle changes creating demand potential for different services (rooms, F&B, functions, entertainment) at upscale and luxury hotels.

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)

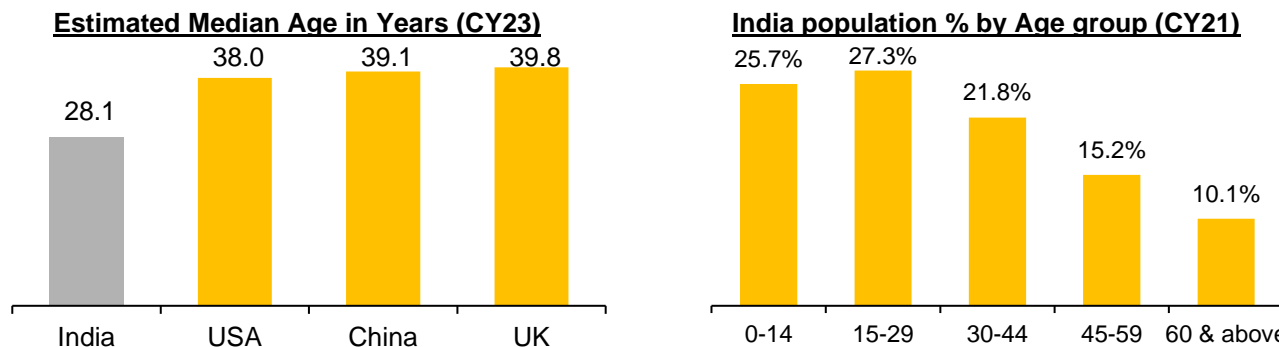
Largest youth population globally: India has emerged as world’s most populous nation with an estimated population of 1.4 bn in CY23.¹² 27.3% of India’s population of 1.4 bn is in the age group of 15-29, making it the largest youth population globally. In 2023, the median age of India was estimated at 28.1 years which is 9.9-20.8 years younger than the median age for the G-7 countries. Median age in India is projected to remain below 30 years, until 2030.¹³

The large working age population requires jobs, placing importance on employment creation – the hotel and tourism sector has substantial ability to create direct and ancillary jobs, if the sector is sufficiently enabled. A large working population also carries enhanced discretionary spend capacity and propensity to spend on lifestyle aspects, which could benefit the hotel sector.

¹¹ Source: The Rise of India’s Middle-Class Report - PRICE

¹² Source: State of World Population report 2023, UNFPA

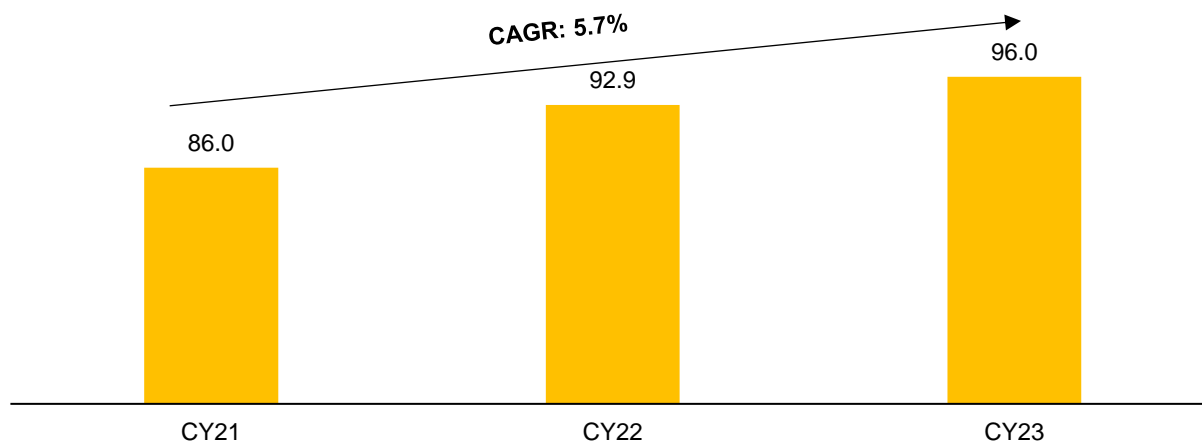
¹³ Source: United Nations, Department of Economic and Social Affairs, Population Division (2024). World Population Prospects 2024, Online Edition



Source: United Nations, Department of Economic and Social Affairs, Population Division (2024). World Population Prospects 2024, Population Projections for India and States, 2011-2036, July 2020 - Ministry of Health and Family Welfare

Increased consumer spending: India has seen an increase in consumer spending in CY21-CY23, gaining from factors such as a larger and younger workforce, double income families, a trend towards consumerism and lesser savings, and greater credit penetration. Increased spend patterns auger well for travel and F&B spends at hotels. Results of various leading FMCG companies for Q2-FY25, reflect slowing consumer spending, particularly by the urban middle class, mainly predicated on inflation and rising food prices and slower growth in corporate employee cost budgets. On the other hand, budgets for wedding spends are reported to have increased by about 40%.

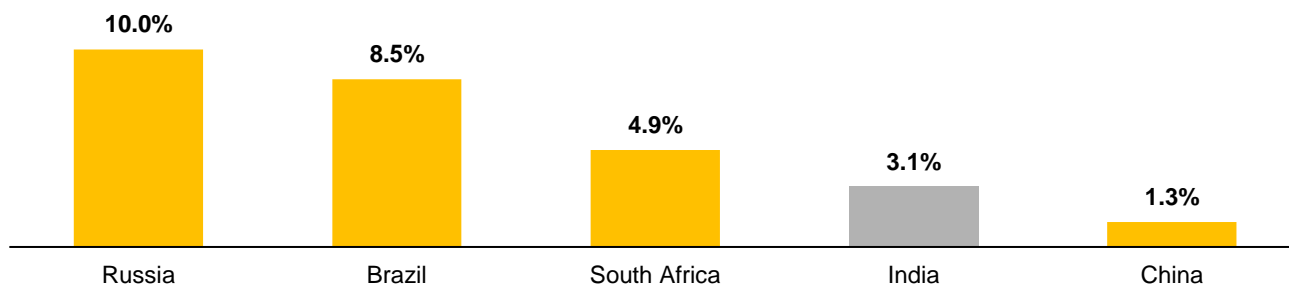
Consumer Spending in India – CY21 to CY23 (in Rs. trillion)



Source: Statista and MOSPI

Stable currency: Foreign exchange (“Forex”) reserves were near an all-time high of US\$704.9 bn at end September 2024.¹⁴

CAGR of currency depreciation % against US\$ (FY14 - Apr – Sep 24)

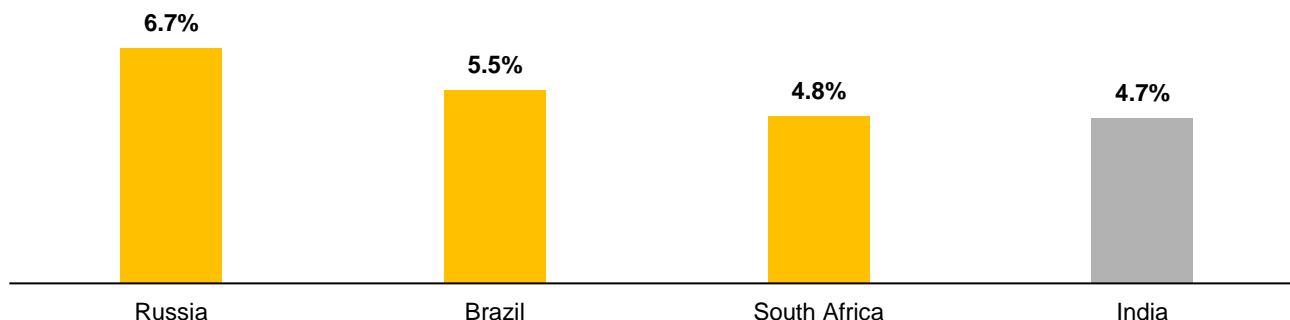


Source: Reserve Bank of India, Half Year Report on Management of Foreign Exchange Reserves, Oct 2023- Mar 2024, Foreign Exchange data is taken from Investing website

¹⁴ Source: Reserve Bank of India - Weekly Data via Indian Express

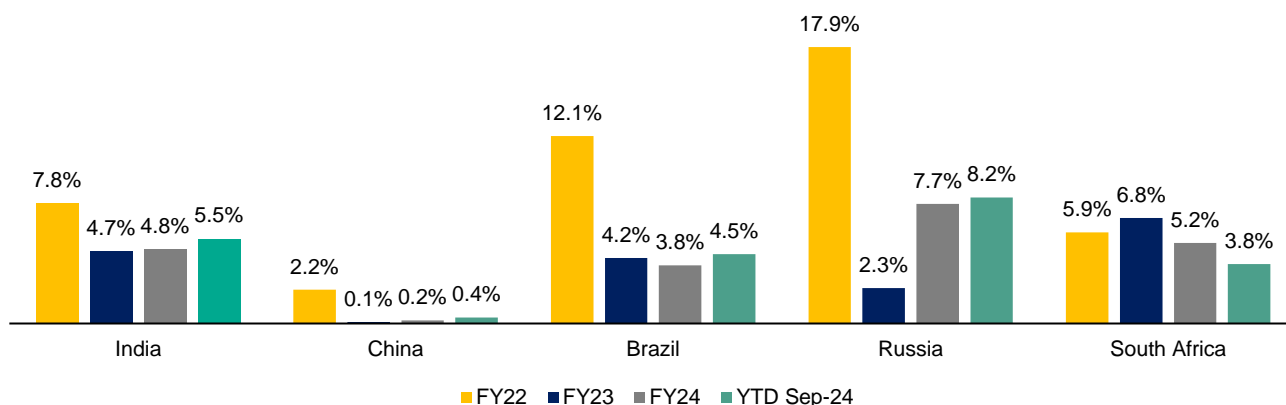
Stable inflationary environment: Inflation environment in India has been relatively stable post COVID over the past few years with FY24 consumer price index (“CPI”) inflation YoY % reported at 4.8%.

CPI Inflation (CAGR FY14 - YTD Sep 24)



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. #Russia data is from 1st Jan 2024 to 31st August 2024. Data for September 2024 is not available.

CPI Inflation % (FY22, FY23, FY24 and YTD Sep-24)



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
Note: China data is not available for longer period

Major reforms in the hospitality industry:

- Over the last few years, the Government of India has undertaken multiple initiatives to increase hotel and tourism flows: The main elements comprise:
- **Electronic Visa (E-visa) scheme** made available effective November 2014 has successfully enabled inbound visitors to come in with short lead-time and ensured ease of travel.
- **Industry Status:** 11 states have granted industry status to hotels, enabling benefits such as industrial rates for energy, water, property tax incentives etc.
- **Tourism and Hospitality Skill Development:** The government has launched skill development programs to enhance the quality of hospitality services. Government initiatives and training programs aim to provide training and certification to individuals seeking employment in the tourism and hospitality industry.
- **Infrastructure Development:** The government has focused on developing tourism infrastructure, including the improvement of transportation networks, upgrading airports, and enhancing connectivity to popular tourist destinations. Expansion of airports and air connectivity (300 airports expected in India by 2047, up from over 153 airports currently wherein only 125 airports are currently operational), improvement / expansion of

highways and the new Vande Bharat trains are enabling a positive impact by attracting more tourists and increasing demand for accommodation. (Source: AAI)

- **FDI:** The government has already permitted 100% FDI in hotels under the automatic route; this has been selectively availed as yet and deeper investments will arise as the profile of projects, portfolio consolidation and secondary transactions arise, creating direct / indirect capital flow into the sector.

Overview of Hotel Industry Demand

India Hotel Demand Drivers

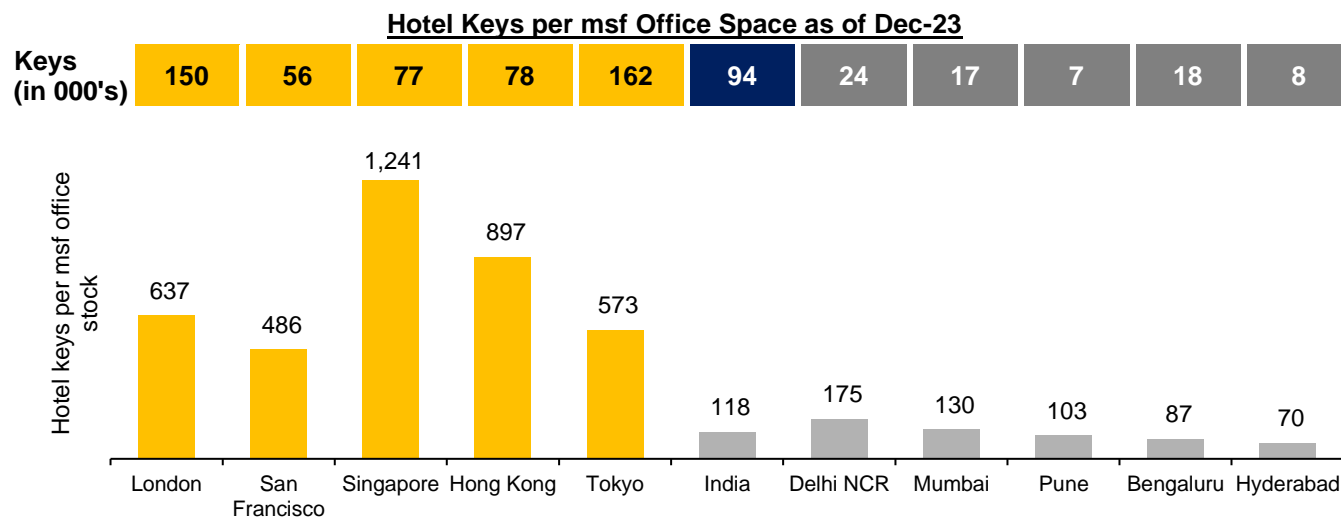
The key demand drivers are briefly described herein:

- Business Travel:** This comprises of foreign and domestic visitation for business related purposes. Such travel is either on corporate account or by individual business travellers, visiting primarily business-oriented locations. IT, automobile, banking and financial services, healthcare, manufacturing, consulting, retail etc are the key sectors which drive demand for business travel. Pune is an important hub for IT, automobile and manufacturing sectors, and Bengaluru the leader in IT and ITeS sectors, further bolstered by biotech and defence sector activities.
- 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.
- Leisure Travel:** This travel is discretionary 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.
- 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.
- MICE:** Conferences, trade shows, corporate events, and training programs are an important demand source, attracting various sectors. IT, banking and finance, retail, FMCG, pharma and automotive sectors are some of the major demand generators - Pune and Bengaluru are well positioned to further deepen the sizeable current demand from this segment. New convention centres in India have increased the potential for larger international and domestic events. The G20 events from Dec-22 to Sep-23 took international visitors to multiple destinations providing occupancy, rate and revenue boost to hotels. The success of those events creates the potential to host varied delegations with international standard offerings and service.
- Diplomatic Travel:** This comprises of government leaders and representatives of other countries, often accompanied by large trade delegations. Besides, diplomats posted to India prefer using upper-tier hotels during the transition period.
- Airline Crew:** Helps create a core of demand at hotels, albeit at discounted pricing. Airlines also generate limited demand for layovers.
- Transit Demand:** Comprises persons on overnight transits during air or road travel to a domestic or international destination.
- Pilgrim Demand:** Chain affiliated inventory and demand at pilgrim centres has materially increased in the past few years. Better quality hotel options have enabled visitors to move away from mediocre independent hotels and other pilgrim facilities.

Each demand segment attracts domestic and foreign travel of varying measures, also dependent upon the hotel and destination character. Demand quantum, profile and rate paying capacity are impacted by seasonality factors which may apply differently to business and leisure hotels – for example, higher rate paying leisure travel predominates in winter; business travel predominates on weekdays and business hotels are more reliant on leisure and other demand on weekends. Wedding groups may pay higher rates than business / leisure travellers, for the same dates / period.

Indian Hospitality Industry – Potential for greater penetration:

Indian cities are substantially under penetrated compared to several global cities, both in terms of absolute hotel inventory and as a ratio vis-a-vis commercial office stock.

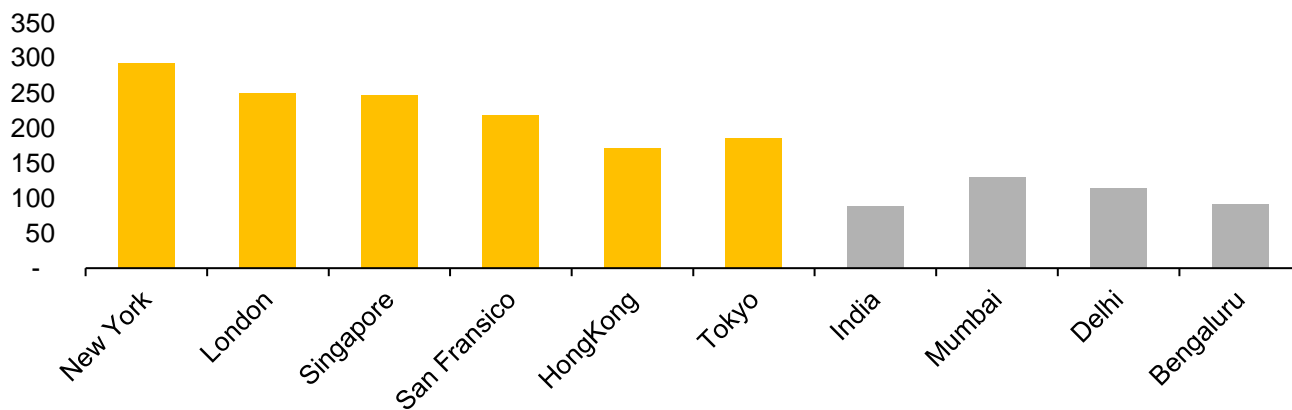


Source: Hotel Keys by Horwath HTL and Office space data provided by CBRE

Note: India hotel inventory and office stock comprises 8 markets - Mumbai, Delhi NCR, Bengaluru, Hyderabad, Chennai, Kolkata, Pune and Ahmedabad; Pune office stock includes strata sold area

ADRs at Indian cities are also lower than global cities.

ADR Comparison with Global Cities for Jan – Sep 24 (US\$)

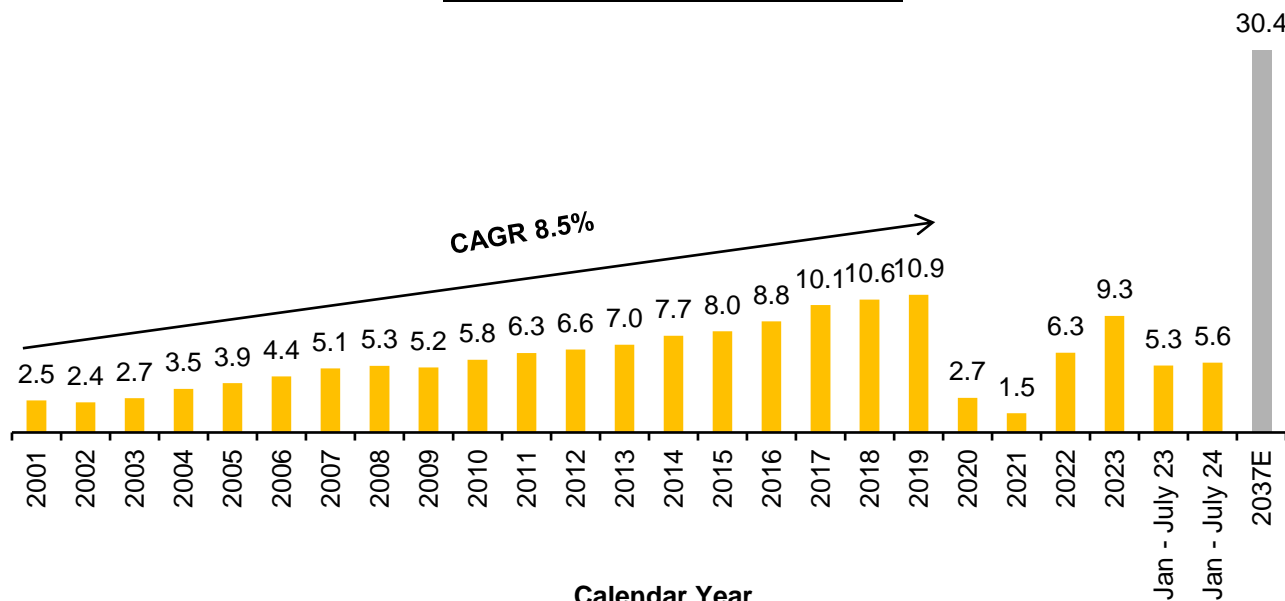


Source: CoStar

Recovery in Foreign Tourist Arrivals (FTA)

Post COVID, FTA recovered well to 9.3 mn for CY23 which is 85% of CY19 (pre-COVID) levels. FTA for CY24 (Jan – July 24) has risen to 5.6 mn compared to 5.3 mn for the same periods in CY23.

India – Foreign Tourist Arrivals (mn)



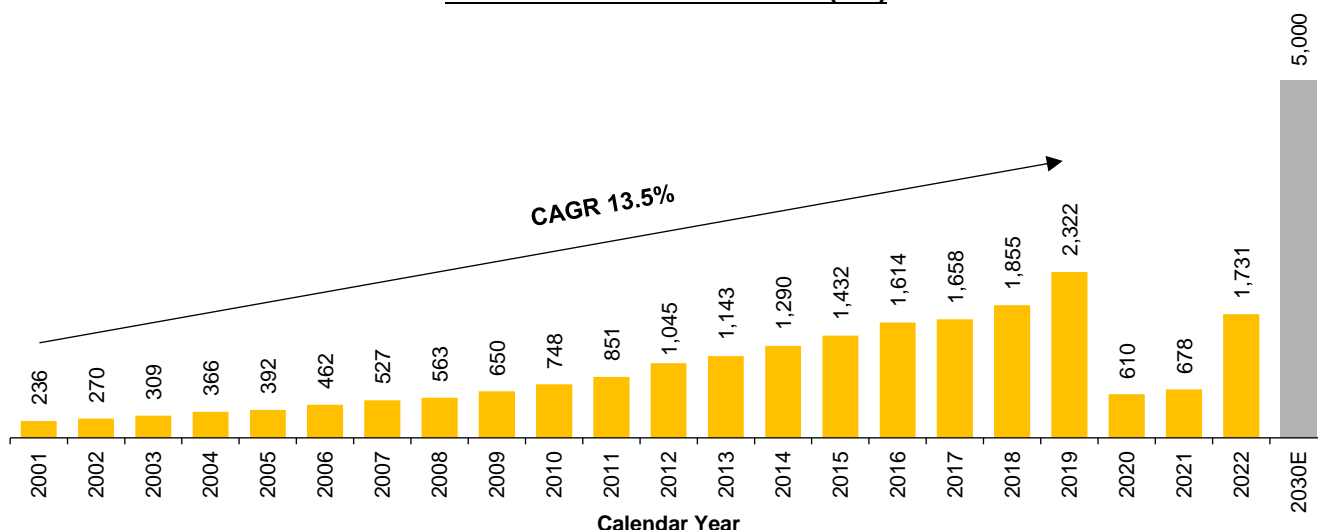
Source: Ministry of Tourism, Govt. of India and HAI

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).¹⁵ 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.

India – Domestic Travel Visits (mn)



Source: Ministry of Tourism, Govt. of India, Booking.com and McKinsey report

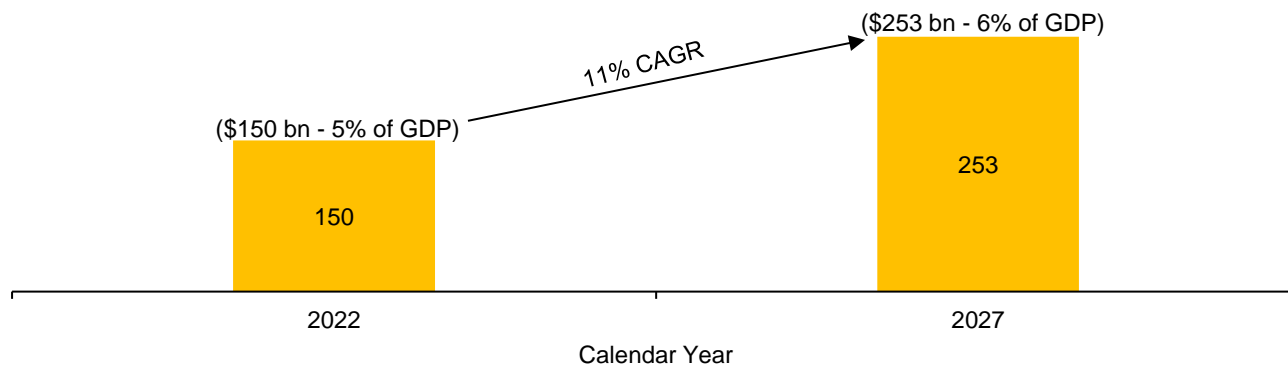
¹⁵ Source: Ministry of Tourism, Govt. of India

Domestic Spend Value on Tourism

With growing household earnings and a projected median age of 28.1 years in CY23¹⁶, the spend on tourism is projected to rise to US\$ 253 bn in CY27, increasing by 69% from US\$ 150 bn spent in CY22 reflecting 11% CAGR (CY22-27).¹⁷ Bengaluru and Pune are among the popular destinations, ranked at 2 and 5 respectively among the top 10 visited destinations within India.¹⁸

Per McKinsey’s research, India currently is the world’s sixth-largest domestic travel market by spending. Hospitality and tourism sector is expected to grow 1.6 times in CY27 compared to CY22.

Domestic Spend Value on Tourism & Hospitality (% of India GDP)



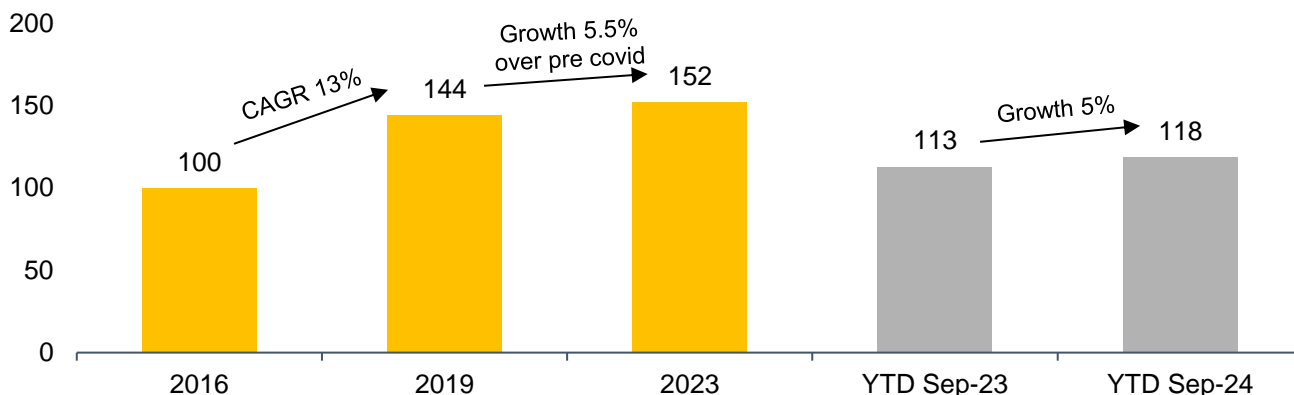
Source: HAI Vision Report 2047

Travel and Tourism is projected to contribute 6.6% to India’s GDP in CY24.¹⁹

Domestic Air Traffic

As at end 2023, India had 153 airports in the country of which 125 were operational.²⁰ 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%.²¹ This growth was driven by opening of new airports, capacity expansions at existing airports and improved connectivity particularly to cities and towns outside the main destinations.

Domestic Passenger Air Movement (in million)



Source: Directorate General of Civil Aviation

¹⁶ Source: United Nation, World Population Prospect 2022
¹⁷ Source: HAI Vision Report 2047
¹⁸ Source: ‘How India Travels 2023?’ report by Booking.com and McKinsey
¹⁹ Source: World Travel & Tourism Council (WTTC)
²⁰ Source: Ministry of Civil Aviation, Govt. of India
²¹ Source: Directorate of General of Civil Aviation

Overview of Industry Inventory – Chain Affiliated Hotels

Hotel Inventory - Segment Classification

In this section, we provide an overview of inventory and demand size, and inventory composition of the upper-tier hotels (including luxury, upper upscale and upscale hotels) in which Ventive Hospitality has its hotels and projects. Consistent with the reporting pattern across the UDRHP, inventory data for pipeline hotels is considered only up to FY27, based on data that was available as of 15 October 2024.

Data is separately presented on all India basis, for Key Markets and for Select Markets:

Key Markets comprise the Mumbai Metropolitan Area, Delhi NCR, Bengaluru, Chennai, Hyderabad, Kolkata, Ahmedabad, Pune, Jaipur and Goa. These are the top ten markets in India in terms of hotel room inventory.

Select Markets are markets where Ventive Hospitality has an operating hotel or planned hotel project – Pune, Bengaluru and Varanasi. These hotels of Ventive Portfolio in India are:

Operating: – 8 hotels:

- Two luxury hotels – JW Marriott, Pune and The Ritz Carlton, Pune
- One upper upscale hotel – Marriott Suites, Pune
- Five upscale hotels – Courtyard by Marriott, Pune, DoubleTree by Hilton, Pune, Marriott Aloft Whitefield, Bengaluru, Marriott Aloft ORR, Bengaluru and Oakwood Residences, Pune

Ventive has 64% and 12% share of the luxury and upper upscale rooms inventory respectively in Pune. JW Marriott, Pune is the largest luxury hotel based on the number of keys in Pune and is one of only eight luxury hotels in India with inventory between 400 to 500 keys as at September 30, 2024. It has the largest ballroom among luxury hotels in Western India. The Ritz Carlton Pune is one of only two Ritz Carlton hotels in India, with the largest luxury hotel rooms in Pune²².

The several hotels in Pune serve multiple significant micro-markets in the city.

Planned / Under development:

- Expansion of Marriott Aloft Whitefield, Bengaluru
- Varanasi hotel, under a non-binding MOU with Marriott (for a potential Marriott brand)

In this report, 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.

The analysis of hotel inventory 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 these 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.

CoStar performance data from CY20 includes participating units of the aggregators; to the extent these units provided data for earlier periods, it is included in the performance data available from CoStar for earlier periods.

²² Source: Horwath HTL

Classifications: The hotels are segmented into the Luxury and Upper Upscale (Lux-UpperUp) Segment, Upscale Segment, Upper Midscale Segment (Up-Mid), Midscale Segment and Economy Segment. The hotels offer additional facilities such as restaurants, bars, and facilities for meetings and events, varying for each hotel. Each segment will include 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 and Upper Upscale segment** typically comprises top tier hotels; in India, these are generally classified as five star, deluxe and luxury hotels. Several brands classify themselves as luxury hotels, based on certain criteria (e.g. room size) without having the service standards and consistent guest profile typically associated with true luxury hotels.
- **Upscale segment** comprises hotels which are more moderately positioned and priced, generally with smaller room sizes than the luxury and upper upscale 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** are typically 2-star hotels providing functional accommodation and limited services, being focused 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.

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.

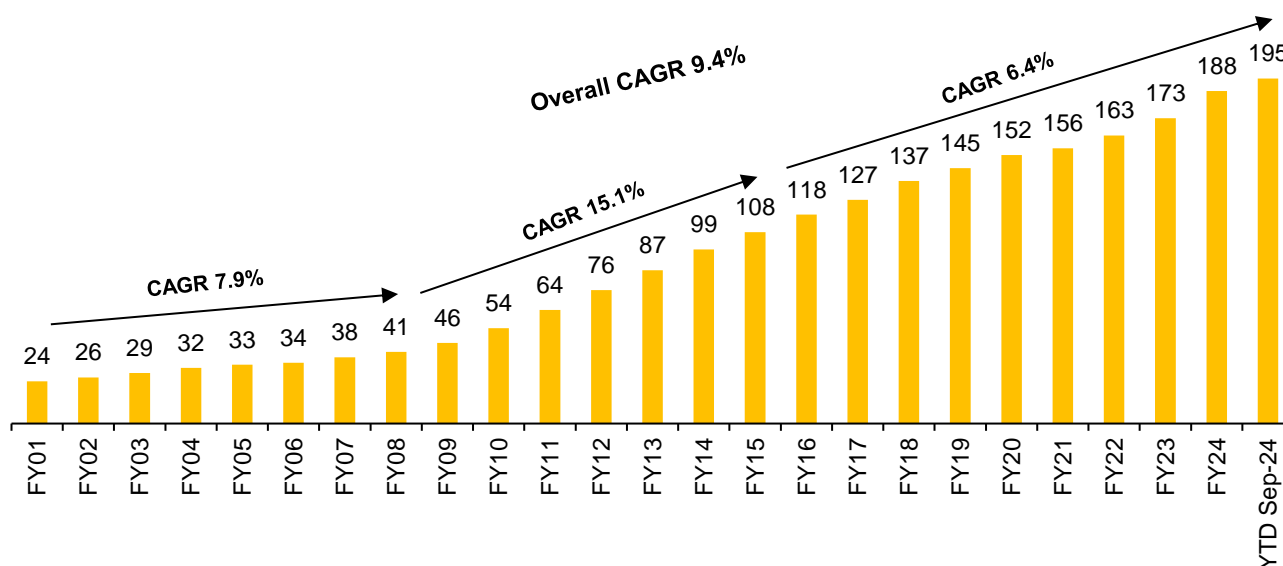
Other Independent hotels have been excluded due to – (a) lack of sufficiently co-ordinated, reliable and consistent data for independent hotels; (b) increasingly challenged competitiveness of several independent hotels against growing presence of chain-affiliated hotels, (c) longer-term constraints on independent hotel growth as hotel chains grow into second-tier markets and smaller towns; (d) 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 (while also competing with any independent hotels in the relevant catchment area) is adequate reflection of the overall market conditions.

In this report Luxury, Upper Upscale and Upscale segments combined are referred as 'Upper-tier' segment and Upper Midscale, Midscale and Economy segments combined are referred as 'Mid-tier' segment.

All India Chain Affiliated Hotel Room Inventory:

India had 195k chain-affiliated rooms as at end YTD Sep-24. Inventory has grown at a CAGR of 9.4% since FY01. About 63k rooms were added between FY09-FY15 and about 43k rooms between FY20-YTD Sep-24. Inventory CAGR of 6.4% between FY16 and YTD Sep-24 is less than half the inventory CAGR of 15.1% for the period FY09 to FY15.

All India Chain Affiliated Rooms Inventory (in '000s)



Source: Horwath HTL

Segmental inventory has evolved significantly:

Inventory composition has evolved since FY01 towards greater segmental balance, with lesser concentration of the Luxury and Upper-Upscale segments, and increased inventory share and footprint for Upscale, Upper Midscale and Midscale & Economy segments. A similar trend is broadly expected for the next 3 years, particularly as the Upper Midscale and Midscale-Economy segments comprise about 55% of inventory growth between YTD-Sep24 and FY27, with material inventory creation outside the Key Markets²³.

Segmental Composition (Inventory in '000s)

Inventory CAGR from FY01-24 has been highest in the midscale-economy segment (15.7%) and lowest in the luxury segment, (6.9%) arising from (a) limited inventory in the midscale-economy segment at FY01; (b) growth potential of the midscale-economy segment across larger number of markets as compared to the luxury segment; and (c) the substantial growth push by hotel chains, particularly domestic chains, in the midscale-economy segment.

²³ Source: Horwath HTL

Category	FY01	FY08	FY15	YTD Sep-24	FY27	CAGR FY01-08	CAGR FY08-15	CAGR FY15-YTD Sep-24	CAGR YTD Sep-24-FY27
Luxury	6	10	18	31	37	6.9%	7.9%	6.2%	8.1%
Upper Upscale	7	11	25	37	46	6.2%	13.5%	4.0%	9.5%
Upscale	5	8	22	42	53	5.6%	16.5%	7.0%	9.8%
Upper Midscale	4	7	20	33	46	9.7%	16.1%	5.3%	14.3%
Midscale-Economy	2	5	24	53	73	17.1%	24.2%	8.9%	13.6%
Upper-Tier Total	18	28	65	109	136	6.3%	12.6%	5.7%	9.3%
Total	24	41	109	195	256	7.9%	15.1%	6.4%	11.3%

Source: Horwath HTL

Luxury and Upper Upscale hotels contribute higher share of revenue:

While supply has spread across segments, Luxury and Upper Upscale 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. This aspect, combined with the limited supply pipeline for Luxury and Upper Upscale hotels, creates beneficial value for existing hotels and pipeline hotels that get completed.

Segmental Revenue Share (CY23)

Positioning	Inventory Share	Revenue Share
Luxury and Upper Upscale	34%	55%
Upper and Upper Midscale	39%	34%
Midscale-Economy	26%	11%

Source: India Hotel Market Review 2023 - Horwath HTL

Inventory Spread of Key Markets

The Key Markets have nearly 58% of inventory share as of YTD Sep-24; this drop from 69% inventory share at end FY15 is reflective of greater market maturity as supply spreads over larger parts of the country and pushes demand more significantly.

Inventory Distribution across markets

Market Category	Room Count ('000)				% Share			
	FY01	FY15	YTD Sep-24	FY27	FY01	FY15	YTD Sep-24	FY27
3 Main Metros	10	41	60	71	40.1%	38.1%	30.7%	27.6%
Other Key Markets	6	34	53	61	26.4%	31.0%	27.3%	24.0%
Other Markets	8	34	82	124	33.5%	30.9%	42.1%	48.4%
Total	24	109	195	256	100.0%	100.0%	100.0%	100.0%
Select Markets	2	17	26	29	7.6%	15.9%	13.5%	11.4%

Source: Horwath HTL; Note: Select markets comprise Bengaluru, Pune and Varanasi; 3 main metros are Mumbai, Bengaluru and Delhi NCR; Other Key Markets are Chennai, Hyderabad, Kolkata, Pune, Ahmedabad, Jaipur and Goa.

Select Markets have grown materially and have cumulatively 26.5k keys as of YTD Sep 24. Limited new upcoming inventory in the Select Markets (2.8k rooms) will cause inventory share to drop from 13.5% in YTD Sep 24 to 11.4% in FY27. Inventory in Select Markets is expected to increase at 4.1% CAGR from YTD Sep24 to FY27, which is materially lower than 11.3% CAGR inventory growth expected on all-India basis.

Aggregate inventory in Pune and Bengaluru is expected to see 2.8k increase from YTD Sep 24 to FY27 at CAGR of 4.3%²⁴

Room Inventory by Market and Segment

Room Count ('000)	Luxury				Upper Upscale				Upscale			
	FY01	FY15	YTD Sep-24	FY27	FY01	FY15	YTD Sep-24	FY27	FY01	FY15	YTD Sep-24	FY27
Top 3 Metros	4	10	15	16	3	10	13	16	2	8	11	13
Other Key Markets	2	5	11	12	2	9	11	13	0.3	7	12	13
Other Markets	1	2	5	9	1	6	12	17	3	8	19	27
Total	6	17	31	37	7	25	37	46	5	22	42	53
Select Markets	0.4	2	5	5	0.7	4	5	6	0.4	4	5	6

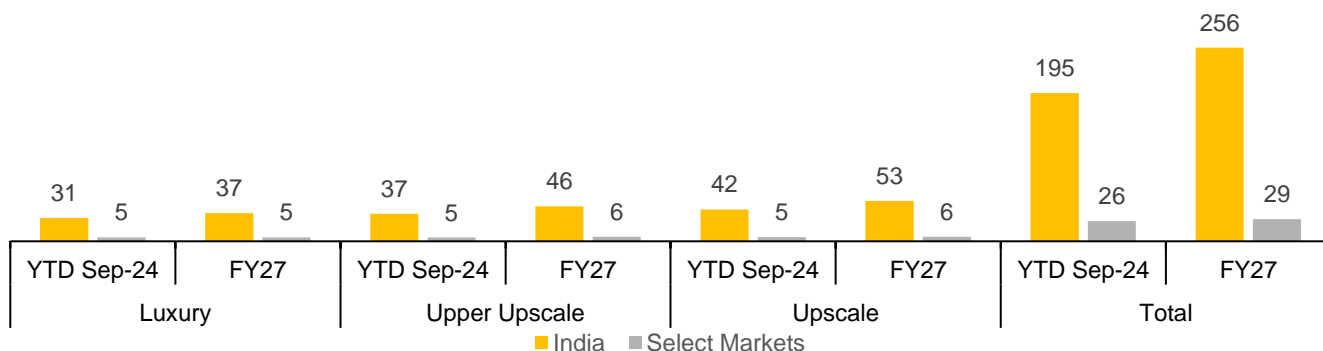
Source: Horwath HTL

- Inventory composition has evolved over the years with a preference towards upper-tier hotels.
- For the Select Markets, estimated new inventory across all segments remains modest for the period YTD Sep-24 to FY27

Future hotel inventory:

Per current data, 60k rooms are expected to be added between YTD Sep-24 and FY27. Given the past track record of materialised inventory being at a slower rate, actual inventory growth may be lower or may be delayed from the year in which it is presently expected.

Expected Inventory (Rooms in 000s)



Source: Horwath HTL; Select Markets comprise Bengaluru, Pune and Varanasi

Only 4.6% of new inventory between YTD Sep-24 and FY27 is expected in the Select Markets. As of FY27, the upper-tier segment will have 17k (58%) of total Select Markets inventory and the Mid-tier segment will have 12k (42%) rooms inventory. Moderate inventory expansion in the Select Markets will likely enable higher occupancies and ADR growth.

Inventory addition between YTD Sep-24 and FY27 across India is expected to comprise of about 26% in the Luxury and Upper Upscale segment, 19%, 22% and 33% respectively in the Upscale segment, Upper-Midscale segment and Midscale-Economy segment.

Increased share of foreign chain affiliated inventory in India:

Between FY01 and YTD Sep 24, foreign chains have gained material inventory share through multiple brands and diversified hotel development investment and ownership which suits the management / franchise model sought by

²⁴ Source: Horwath HTL

foreign chains. Foreign chains now operate / franchise about 45% of the chain affiliated hotel keys in India offering multiple brands across segments, global loyalty programs and operational practices; their ownership share is very limited.

Foreign & Domestic Chain Affiliated Inventory

	FY01		YTD Sep 24		FY27	
Overall	Domestic 79%	Foreign 21%	Domestic 55%	Foreign 45%	Domestic 55%	Foreign 45%

Source: Horwath HTL

Barriers to Entry:

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

- Land:** Availability of land at suitable locations for hotels, high costs of available land and potential alternate uses of land creates limitations on hotel development, viability, and hotel size.
- Regulatory Approvals:** Hotel projects require multiple regulatory approvals and licenses (often more than 50 licenses for hotel construction and 40-60 licenses for operations). The process is time consuming, with 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.
- Development Costs:** Project costs have risen since COVID, requiring larger investment in hotel development. Rising project costs limits hotel size and provides competitive advantage to existing hotels which carry lower historical costs. Project costs vary from hotel to hotel due to several factors including positioning, size of hotel, F&B spaces - number and type of restaurants and bars, restaurant standards and appeal, function spaces, 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.
- Bank Financing:** While debt tenures have lengthened up to 15 years and availability has selectively eased, earlier challenges of debt cost, availability, shorter loan tenures, and repayment structures were inconsistent with the capital-intensive nature of hotels. The resultant debt service pressures and defaults have impacted lender outlook towards the hotel sector.
- Availability of Equity Capital:** Particularly in the context of growing project costs (land and development), shortage of sufficient long-term equity capital is a significant constraint towards capacity creation, particularly a portfolio of hotels or large hotels, and working capital.
- 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.

India Performance Analysis

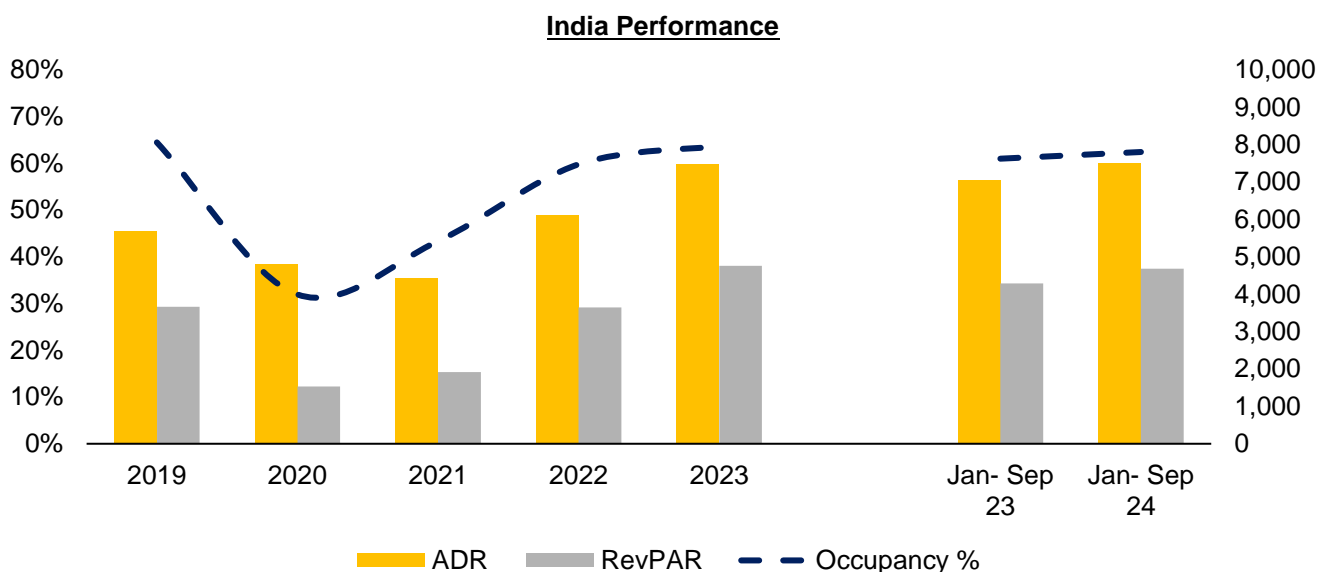
India Historical and Current Performance:

- Occupancy revived since CY15 as demand conditions improved and new inventory had slowed. The upward trend in RevPAR up to December 2019 was materially occupancy led, with improved occupancy gradually enabling ADR increases.
- The COVID-19 pandemic was a major disruption with severe travel and operating restrictions causing reduced travel across segments and a material drop in occupancies and ADR.
- Recovery started in late CY20 and continues to gain momentum giving way to strong performance through Jan-Mar 24.
- ADR for CY23 was higher by 22.5% compared to CY22, and by 31.6% compared to CY19 (pre-COVID levels)²⁵
- ADR for Jan-Sep 24 has increased by 6.6% while occupancy has increased from 61.0% to 62.4%, compared to Jan-Sep 23. This has resulted in RevPAR growth of 9.2% in Jan-Sep 24 compared to same

²⁵ Source: CoStar – Industry Data

period for 2023. RevPAR growth in the Jan-Mar 24 quarter was 11.7%, slowed to 4.1% in Apr-Jun 24 quarter because of elections and rebounded in Jul-Sep 24 quarter leading to a 9.2% YoY growth.²⁶

- The Indian hotel market generally experiences better performance in the second half of an FY relative to the first half of the FY.



Source: CoStar

India Future Demand

In this section we have projected future demand. Assumption underlying our estimates of future demand are given below:

- Estimated 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 demand from these three categories.
- Existing demand for FY24 is segregated between demand from supply as at 31 March 2023 and new additions between 1 April 2023 and 31 March 2024.
- 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.

Demand Recovery / Growth estimates

Inventory 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-FY27. This will likely cause increased hotel occupancy, and potentially support strong ADR levels.

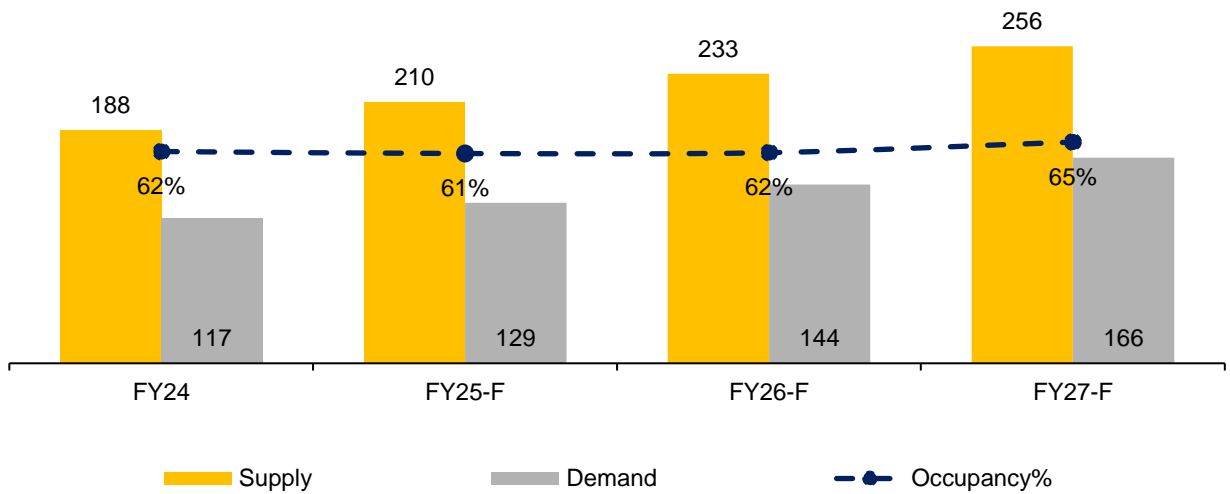
All India CAGR	FY15-24	FY24-27
Inventory CAGR	6.3%	10.7%
Demand CAGR	7.4%	12.4%

Source: Horwath HTL

Based on the demand estimates above, and the estimates of future inventory described earlier, all-India occupancy estimates up to FY27 evolve as per the chart provided below.

²⁶ Source: CoStar – Industry Data

All India – Rooms Inventory, Demand and Occupancy Estimates (FY24–27)



Source: Horwath HTL

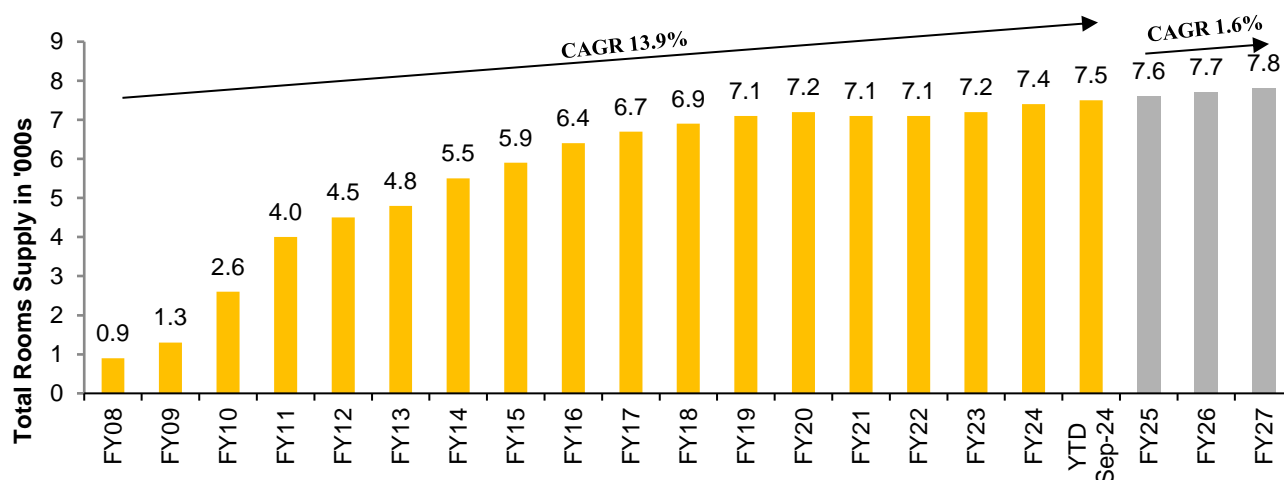
Occupancy levels are projected to moderately increase going forward, considering positive demand dynamics and the wider spread of inventory growth across markets.

Pune Hotel Market

Hotel Inventory

Overall inventory in the Pune market across segments has grown at 13.9% CAGR since FY08. However, inventory growth between YTD Sep-24 and FY27 will be limited at only 1.6% CAGR. The very modest supply growth will enable greater stabilization and improvement in hotel occupancies and ADRs, as the city continues to expand and deepen its business standing in the services and manufacturing sectors. The spread of hotels and demand across multiple micro-markets helps capture and even generate demand from the micro-markets, including for F&B and function facilities.

Pune Chain affiliated Inventory



Source: Horwath HTL

Segmental Inventory:

In line with the economic growth of Pune, its increased quantum of inbound travel and wider demand spread across IT and manufacturing sectors, the upper-tier segment added 1.4k rooms in inventory from FY15 to YTD Sep 24.

Pune Segmental Inventory

Category	FY01	FY15	YTD Sep 24	FY27	CAGR FY15-YTD Sep-24	CAGR YTD Sep 24 -FY27
Upper-Tier	0.3	3.2	4.6	4.6	3.7%	0.0%
Mid-Tier	0.1	2.6	2.9	3.3	1.2%	4.1%
Total	0.4	5.9	7.5	7.8	2.7%	1.6%

Key Features:

- Pune is the second largest economy in Maharashtra. The Union Ministry of Housing and Urban Affairs in its second edition of Ease of Living Index 2020 Report ranked Pune as the 2nd most livable city in India. The ACIS Survey Report 2018 ranked Pune as the 1st in urban governance.
- Pune is among a handful of major Indian cities with significant demand sources across manufacturing (automotive and ancillary industries, engineering), GCCs IT, ITeS, other service sectors, as well as demand from corporate houses. In addition, Pune hotels draw substantial demand for weddings and conferences. Each of these demand sources also create substantial F&B and functions related demand for upper-tier hotels.
- **Infrastructure:** Several infrastructure developments including road, airport and metro rail infrastructure development are in progress across Pune to enable a major expansion of its business capability. Its geographic proximity to Mumbai has played an important role in boosting economic activity; this proximity stands enhanced by the Atal Setu Bridge (as well as the ongoing expansion of the Mumbai-Pune Expressway).

Opening of Navi Mumbai International airport (2 hours away) by March 2025 will materially add inbound and domestic travel options and business / MICE traveller accessibility to Pune.

Pune Airport Expansion: Pune airport had one terminal with capacity to handle 7.1 mn passengers a year. A new terminal has been operationalized in July 2024, with capacity to handle 12 mn passengers a year and addition of several modern amenities. A new cargo terminal was opened in August 2023. The Airports Authority of India (AAI) plans to shut down the existing terminal building of Pune airport for renovation after the operations are fully shifted to the new terminal. Passenger traffic was 10 mn in FY24 and about 5.1 mn as of YTD Sep 24.

Navi Mumbai International Airport: Pune will benefit from the new Navi Mumbai International Airport which is expected to become operational by March 2025, with an initial capacity for 20 mn passengers annually. The entire project is scheduled to be completed in 2032 with a capacity to handle 90 mn passengers annually.

- **Manufacturing:** As of December 2023, Pune had the highest share of MIDC (industrial areas and parks) units (27%) and investments (60%) made within the state. Some of the major industrial estates setup by the government are in Chakan, Talegaon, Ranjangaon, Indapur and Jejuri. Pune has the world's largest vaccine manufacturing facility.²⁷
- **Automotive:** Pune is among the largest automotive hub in India. Major auto companies such as Tata Motors, Volkswagen, Mercedes Benz, Piaggio, Skoda and Bajaj Motors have sizeable manufacturing units in Pune, supported by their ancillary manufacturers.
- **IT and ITeS:** Pune has also emerged as an important IT destination and a leader in IT and BPO services within the state, with 35% of the state's 577 approved private IT Parks located in the city. Software exports from Pune have risen by almost 16x in the past 16 years (between 2004-05 and 2020-21)²⁸
- **Office Space:** Total office space in Pune has grown to 57.0 msf in Q3 2024. Future supply (Q4 2024 to 2026) is projected at 12.4 msf.²⁹
- **Events and Conferences:** The IT, manufacturing, education and growing retail base (to support growing population and spend propensity) creates demand for national and international events, conferences, exhibitions, and trade shows, in turn leading to increased domestic and inbound demand for hotel accommodations.
- **Education and Student Population:** Pune has the fourth highest number of colleges (450+) in India. The sizeable student population provides a ready talent pool for growth of services and manufacturing activities.³⁰

Hotel Performance:

- Current demand in Pune is about 5k rooms per day yielding an average occupancy of 67%³¹ for CY23; rooms demand per day was higher by 204 rooms compared to CY19, enabling a positive rate scenario. Thus, CY23 ADR is 26.9%³² higher than CY19 ADR.
- The city continues to maintain growth momentum from the COVID pandemic, with occupancy levels touching 70% for Jan-Sep 24 while ADR grew 6.1% over Jan-Sep 23. YoY RevPAR growth during this period was 9.3%³³
- Strong demand potential from business travel, corporate MICE and residential weddings is a positive for upper-tier hotels. The multiple demand segments across manufacturing and services, and with operations and hotels in different micro markets provides greater demand stability and growth prospects. Besides, the city now has quality luxury hotels comprising The Ritz Carlton, Pune, JW Marriott, Pune and Conrad with capability to draw top tier demand and top tier ADR levels.

²⁷ Source: Maharashtra Economic Survey 2023-24

²⁸ Source: Maharashtra Economic Survey 2023-24, Software Technology Parks of India

²⁹ Future Supply is based on the current under-construction supply expected to be completed between Q4 2024-Q4 2026 sourced from CBRE

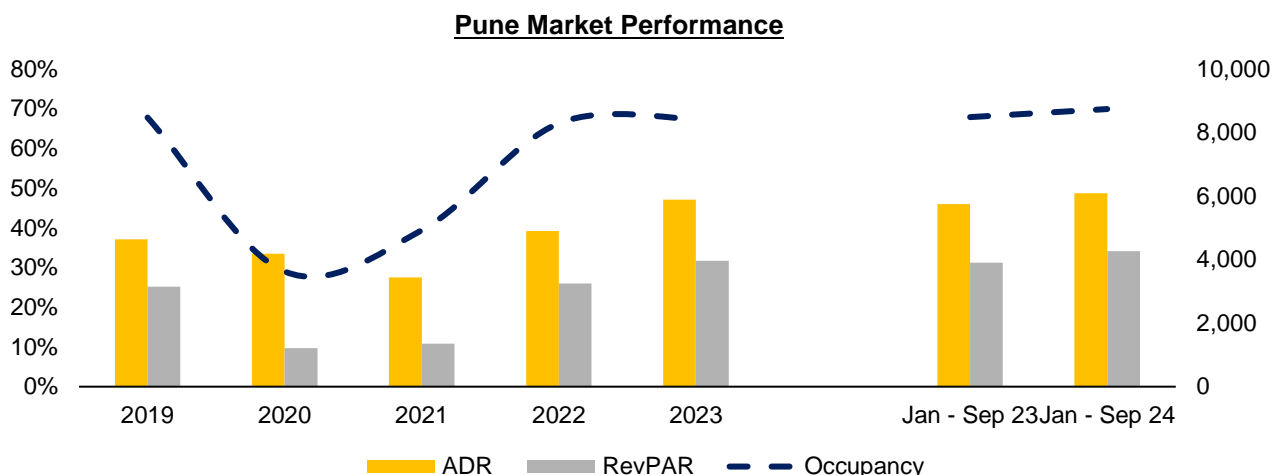
³⁰ Source: Department of Higher Education 2020

³¹ Source: CoStar – Industry Data

³² Source: CoStar – Industry Data

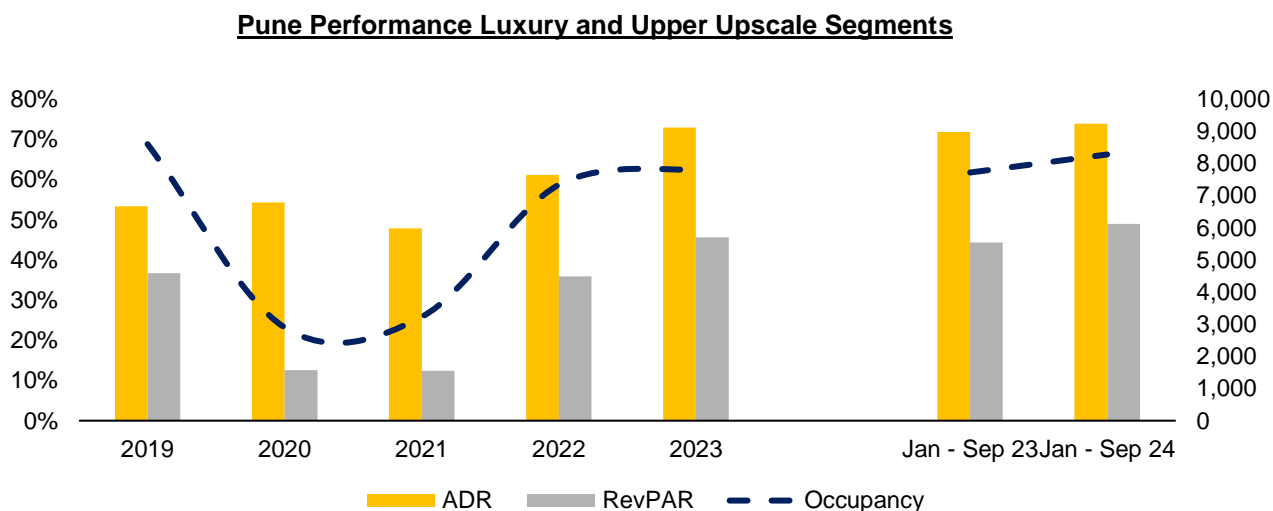
³³ Source: CoStar – Industry Data

- Material foreign demand and increasing spend propensity for experiential products will help create demand for quality F&B outlets and entertainment facilities.



Source: CoStar

The Luxury and Upper Upscale Segment is enjoying meaningful demand conditions, particularly considering that two luxury hotels of Ventive Hospitality have materially repositioned their ADR levels upwards. For CY24 and Jan-Sep 24, the segment has gained nearly 26.7% and 2.9% ADR growth over CY19 and Jan-Sep 23 with 24.2% and 10.4% RevPAR gain respectively.³⁴



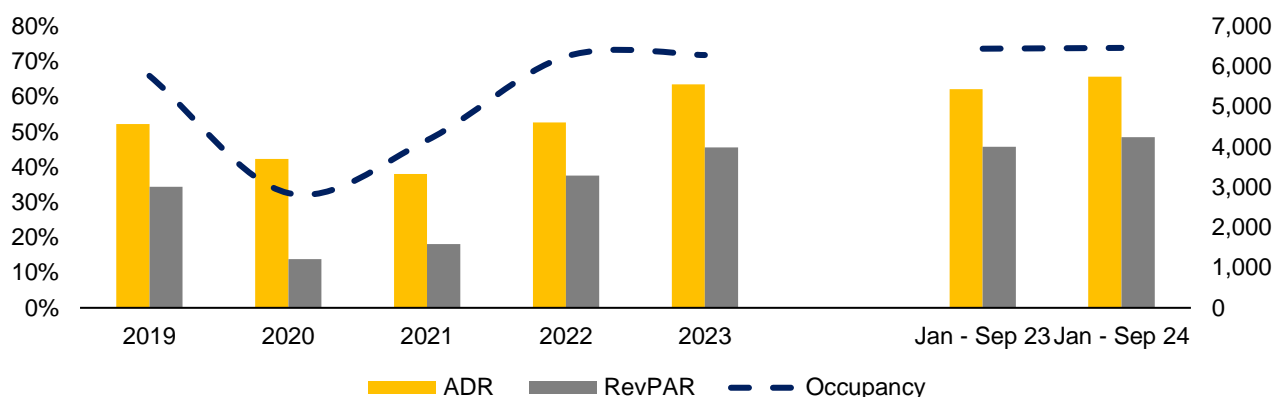
Source: CoStar

Upscale and Upper-Midscale segment has reported 72% occupancy for CY23 which is the highest in the last 5 years, while gaining 21.6% ADR growth over CY19. Jan-Sep 24 occupancy at 74%, compares with the corresponding period for 2023.³⁵

³⁴ Source: CoStar – Industry Data

³⁵ Source: CoStar – Industry Data

Pune Performance Upscale and Upper Midscale Segments



Source: CoStar

Comparative Performance Index – Occupancy, ADR and RevPAR Index from 2019 to Jan-Sep 24

High ADR levels at Ventive 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 Pune portfolio and the two luxury hotels in Pune are provided below

Comparison between Ventive hotels performance and respective market / market segmental performance

Performance Parameter	Ventive Pune vs Pune Overall	Ventive Pune Lux-UpperUp vs Pune Lux-UpperUp	Ventive Pune Up-UpMid vs Pune Up-UpMid	The Ritz Carlton, Pune vs Pune Lux-UpperUp	JW Marriott, Pune vs Pune Lux-UpperUp
Occupancy Index					
2019	1.06	1.02	1.13	0.32	1.04
2020	0.74	0.92	0.68	0.69	0.80
2021	0.66	0.89	0.69	0.81	0.72
2022	0.86	0.91	0.93	0.72	0.89
2023	0.90	0.91	0.96	0.78	0.91
Jan-Sep 24	0.96	0.98	0.96	0.98	0.94
ADR Index					
2019	1.55	1.23	1.19	1.78	1.24
2020	1.87	1.30	1.49	1.65	1.28
2021	2.10	1.51	1.29	2.00	1.40
2022	1.76	1.33	1.22	1.83	1.28
2023	1.77	1.33	1.29	1.71	1.34
Jan-Sep 24	1.90	1.44	1.38	1.79	1.46
RevPAR Index					
2019	1.64	1.25	1.34	0.58	1.29
2020	1.39	1.20	1.01	1.14	1.03
2021	1.39	1.34	0.89	1.62	1.01
2022	1.52	1.21	1.13	1.33	1.14
2023	1.60	1.22	1.23	1.34	1.22
Jan-Sep 24	1.81	1.41	1.33	1.75	1.38

Ventive Pune – JW Marriott, Pune, The Ritz Carlton, Pune, Marriott Suites, Pune, Courtyard by Marriott, Pune, DoubleTree by Hilton, Pune, and Oakwood Residences, Pune Ritz Carlton, Pune commenced operations in October 2019

Ventive Pune Lux and UpperUp – JW Marriott, Pune, The Ritz Carlton, Pune, Marriott Suites, Pune

Ventive Upscale and UpMid – Courtyard by Marriott, Pune, DoubleTree by Hilton, Pune, and Oakwood Residences, Pune

Source: Hotel Performance – Ventive Hospitality Management; Industry Performance - CoStar

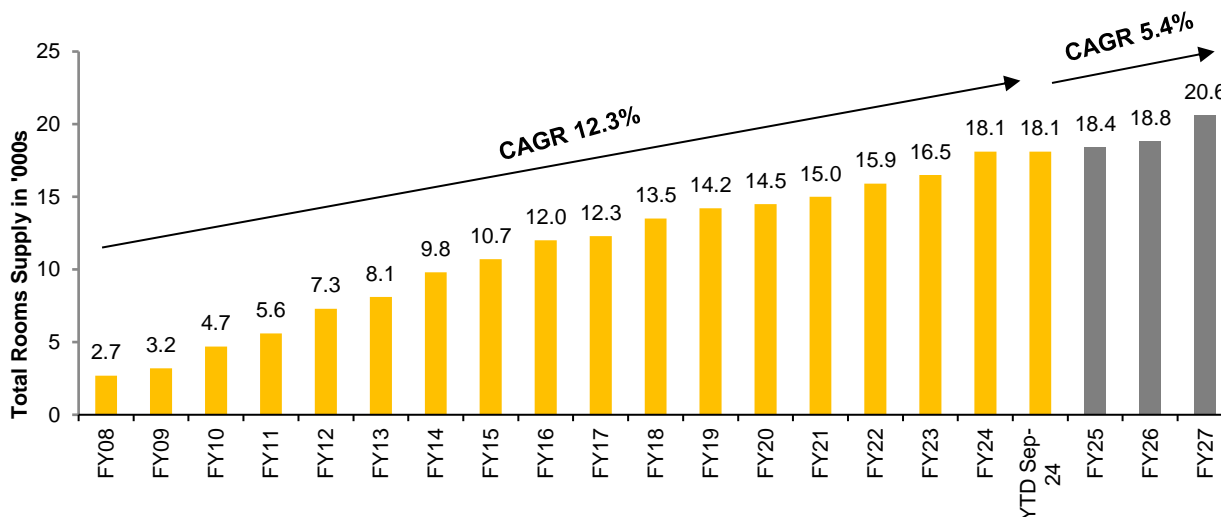
Indices interpretation: Occupancy, ADR and RevPAR indices > 1 reflects Company performance higher than market; =1 reflects Company performance equal to market; < 1 reflects Company performance less than market.

Bengaluru Hotel Market

Hotel Inventory:

Hotel inventory in Bengaluru grew at a 12.3% CAGR between FY08 to YTD Sep 24, and materially up to 2016. Inventory growth between FY16 to YTD Sep 24 slowed to 5.6% CAGR. Going forward, supply growth is expected to be modest, adding only 2.5k rooms up to FY27, at 5.4% CAGR.

Bengaluru Chain Affiliated Inventory



Source: Horwath HTL

Segmental Inventory:

Bengaluru has balanced inventory across segments, with 5.6% CAGR from FY15 to YTD Sep 24. The upper-tier segment has grown by 5.7% CAGR while the mid-tier segment grew at 5.6%. Inventory in the upper-tier segment is expected to grow at a CAGR of 6.1% from YTD Sep-24 to FY27.

Bengaluru Segmental Inventory

Category	FY01	FY15	YTD Sep 24	FY27	Inventory CAGR FY15 – YTD Sep-24	Inventory CAGR YTD Sep-24 - FY27
Upper-Tier	1.0	6.2	10.4	12.1	5.7%	6.1%
Mid Tier	0.1	4.6	7.7	8.5	5.6%	4.3%
Total	1.1	10.7	18.1	20.6	5.6%	5.4%

Source: Horwath HTL

Key Demand Drivers

- Bengaluru is the third largest urban agglomeration in India by size³⁶ and referred to as the ‘Silicon Valley’ of India because of presence of strong IT and technology setup. It contributes 36% to state GDP and the per capita income at Rs. 621k is significantly higher than the national average³⁷. It has third busiest airport in India.³⁸
- Key sectors that have presence in Bengaluru include IT & ITeS, biosciences, pharma, manufacturing, electronics, aviation and aerospace, professional services, education, healthcare and retail.
- Startup Hub of India: Global Startup Ecosystem Index report issued by Israel based StartupBlink place Bengaluru as the strongest startup ecosystem in India and eighth globally.

³⁶ Source: Census of India - 2011

³⁷ Source: Karnataka State Economic Survey 2022-23

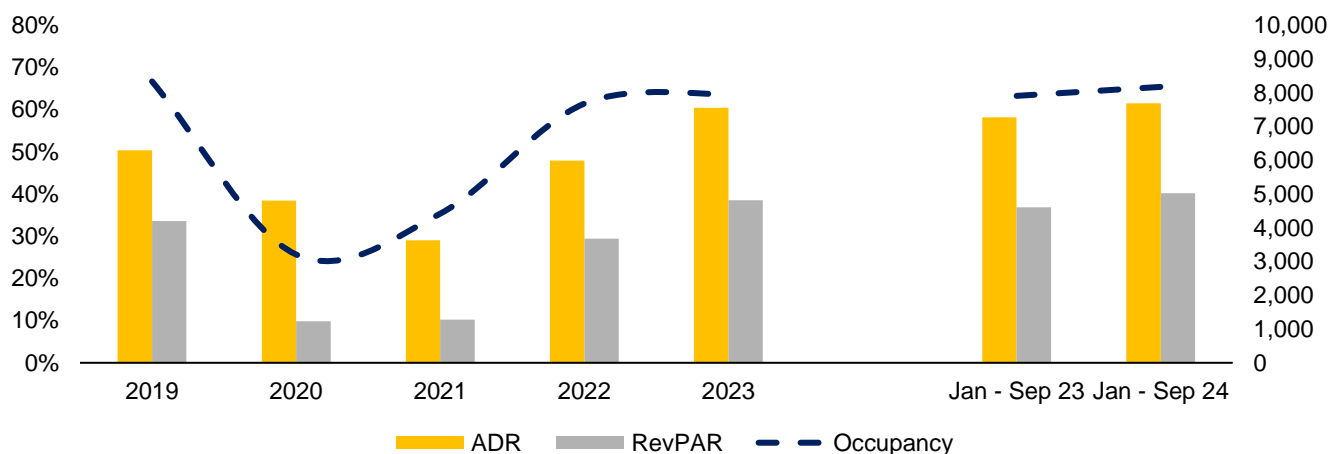
³⁸ Source: Airports Authority of India

- It is the largest hub of semiconductor design companies, outside the Bay Area in California. Nearly 70% of the chip designers in India work in Bengaluru and around 80% of the sector’s revenues in design are from Bengaluru.³⁹
- The city is also emerging as a hub for aerospace and defence activities.
- At the end of Q3 2024 Bengaluru had 227 msf of office stock, which was the highest office stock among major cities in Asia Pacific region⁴⁰. It has several Global Capability Centres (GCCs) such as Cisco, Deloitte, Dell, ADP, IBM, Veritas, Okta, UPS, Kraft Heinz etc.

Hotel Performance:

- On city-wide basis, Bengaluru has the largest hotel room inventory in India (about 18k rooms) and the largest inventory of commercial office space among Asian cities.
- Recovery post COVID was more gradual than several other Key Markets but has continued to gain momentum as the IT sector returns to office-based working and with growing activity in the aerospace sector with global companies setting up R&D and manufacturing bases in the Aerospace SEZ near Bengaluru airport. Passenger numbers have surpassed pre-COVID levels, having achieved 38 mn passengers in FY24 and about 20.3 mn passenger as of Apr-Sep 24.⁴¹
- Continued return to office by the IT sector, and related increase in inbound travel will enable further demand accretion which will be beneficial to hotel occupancy and ADRs.
- While Bengaluru was among the few markets which was slow to recover post COVID due to wider scale WFH, the reversal of WFH is expected to materially propel demand and related ADR growth. ADR in 2023 was 20% higher than 2019 ADR.⁴²
- Jan-Sep 24 ADR was at Rs. 7.6k (5.6% higher than Jan-Sep 23) along with 2.1% increase in occupancy (65%) resulting in 9.2% YoY RevPAR growth.⁴³
- Bengaluru demographics, with a growing workforce size and younger profile workforce, point to larger F&B spends at hotels with the requisite appeal.

Bengaluru Market Performance



Source: CoStar

The upscale and upper midscale segment has outperformed the market in CY22 and CY23, with RevPAR growth materially emanating from ADR increases. ADR for CY23 crossed Rs. 6.8k with 19.1% growth over CY22 while maintaining comparable occupancy⁴⁴. ADR for Jan-Sep 24 has touched 7k for the first time increased by 26% over Jan-Sep 19 and 3% over Jan-Sep 23.⁴⁵

³⁹ Source: Aerospace and Defence, Invest India Presentation June 2019 - Government of Karnataka

⁴⁰ Source: Office space data provided by CBRE

⁴¹ Source: Airport Authority of India

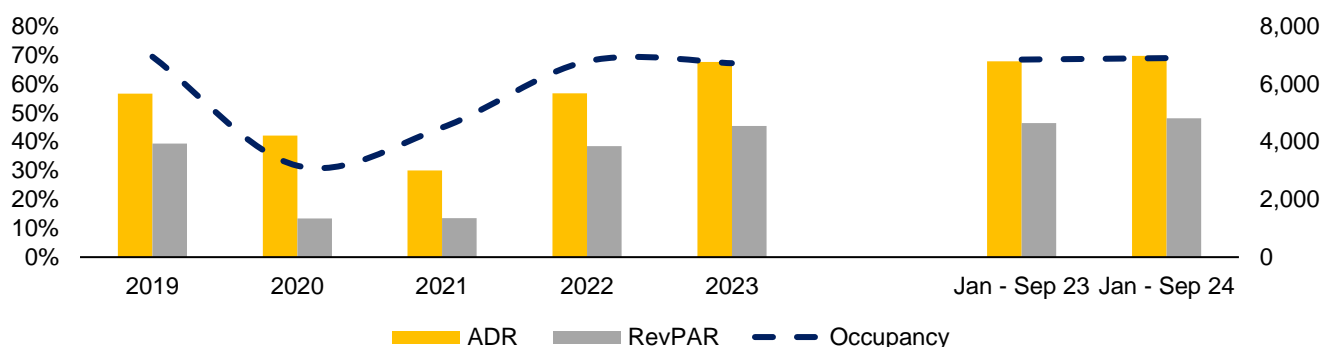
⁴² CoStar – Industry Data

⁴³ CoStar – Industry Data

⁴⁴ CoStar – Industry Data

⁴⁵ CoStar – Industry Data

Bengaluru Performance Upscale and Upper Midscale Segments



Source: CoStar

Improved accessibility through Bengaluru airport expansion:

Bengaluru International Airport Ltd (BIAL) that operates Kempegowda International Airport (KIA) has a master plan for 3 airport terminals. Currently Bengaluru has 2 terminals operating domestic and international flights. Bengaluru airport is expected to cross 60 mn passengers in the next 5-8 years. The Karnataka Government is also contemplating a new airport in Bengaluru on the Tumkur Road. The need for a new airport comes as KIA expects to reach its structural capacity of 92 mn passengers by 2032-33.

Comparative Performance Index – Occupancy, ADR and RevPAR Index from 2019 to Jan-Sep 24

The occupancy, ADR and RevPAR indices (hotel performance for occupancy, ADR and RevPAR over the market occupancy, ADR and RevPAR) for Bengaluru Hotels are provided below

Comparison between Ventive hotels performance and respective market / market segmental performance

Performance Parameter	Ventive Bengaluru vs Bengaluru Overall	Ventive Bengaluru vs Bengaluru Upscale-UpMid
Occupancy Index		
2019	1.05	1.01
2020	0.79	0.64
2021	0.79	0.62
2022	1.05	0.95
2023	0.99	0.94
Jan-Sep 24	1.03	0.97
ADR Index		
2019	1.07	1.18
2020	1.21	1.38
2021	0.79	0.95
2022	1.01	1.06
2023	1.02	1.14
Jan-Sep 24	1.09	1.20
RevPAR Index		
2019	1.12	1.20
2020	0.95	0.88
2021	0.62	0.59
2022	1.06	1.01
2023	1.00	1.06
Jan-Sep 24	1.12	1.17

Ventive Bengaluru and Ventive Bengaluru - Upscale and UpMid comprise Marriott Aloft Whitefield, Bengaluru, and Marriott Aloft ORR, Bengaluru

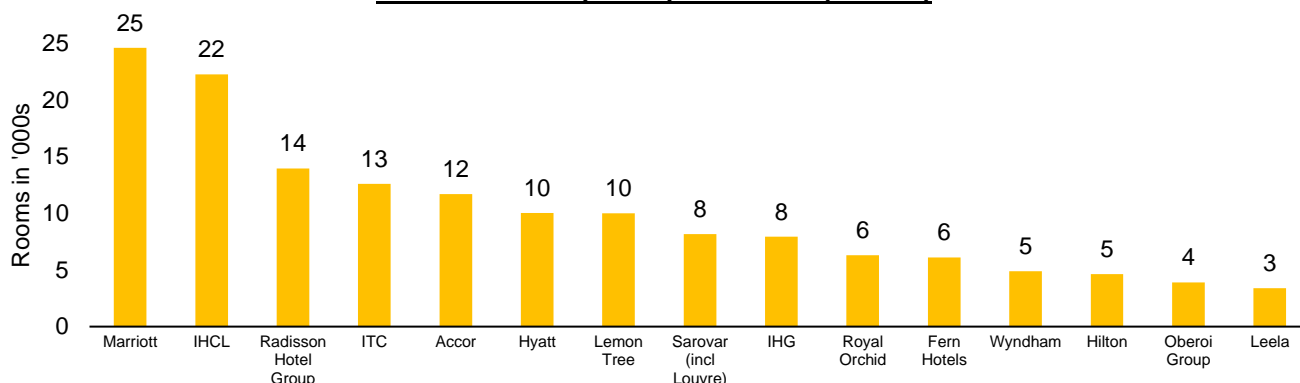
Source: Hotel Performance – Ventive Hospitality Management; Market Performance - CoStar

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.

Inventory composition – Hotel Chains:

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

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

Operating Performance Parameters

Operating Performance Comparison

Tables below provides a summary of operating performance including F&B Revenue of select listed hotel companies, that own 1.5k or more rooms, for FY22 to Apr-Sep 24. Hospitality segment data of listed companies that operate predominantly in other business (non-hotel) segments is not included.

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

Company [@]	FY22			FY23			FY24			Apr-Sep 24		
	Rev	EBITDA	%	Rev	EBITDA	%	Rev	EBITDA	%	Rev	EBITDA	%
IHCL	32,114	5,599	17%	59,488	19,435	33%	69,517	23,401	34%	34,865	10,610	30%
EIH	10,440	574	5%	20,964	6,750	32%	26,260	10,416	40%	11,825	3,764	32%
Chalet [§]	4,100	661	16%	10,281	4,327	42%	12,932	5,742	44%	6,607	2,728	41%
Lemon Tree ^{**}	4,163	1,397	34%	8,786	4,563	52%	10,768	5,358	50%	5,532	2,516	45%
SAMHI	3,331	218	7%	7,614	2,606	34%	9,787	2,879	29%	5,274	1,862	35%
JHL [*]	3,438	1,015	30%	7,173	3,224	45%	8,263	3,197	39%	4,277	1,406	33%
ASPHL	2,678	583	22%	5,244	1,771	34%	5,917	2,052	35%	2,946	980	33%
Total / Avg	60,264	10,047	17%	119,550	42,676	36%	143,444	53,045	37%	71,326	23,866	33%
Chalet (Total)^{§§}	5,297	1,204	23%	11,780	5,023	43%	14,370	6,044	42%	7,523	3,040	40%

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

§§ Revenue and EBITDA for the entire company (all segments)

**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.

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

Company [@]	FY22			FY23			FY24		
	Revenue #	F&B	%	Revenue #	F&B	%	Revenue #	F&B	%
IHCL	32,114	10,594	33%	59,488	21,348	36%	69,517	23,861	34%
EIH	10,439	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	60,263	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

@ 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.

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 availability of foreign exchange debt funding for hotel projects. While the hotel / resort sector can obtain Substantial foreign currency revenue earned by the hotel / resort sector, temporary currency shortages 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.