



**Horwath HTL**

*Hotel, Tourism and Leisure*

# Industry Report –

Upper Tier Hotels, Maldives

Prepared for:  
Ventive Hospitality Ltd.

2 December 2024

Mr. Ranjit Batra  
CEO  
Ventive Hospitality Limited  
Tech Park One, Tower 'D'  
Next to Don Bosco School  
Off Airport Road,  
Yerwada  
Pune - 411 006

Dear Mr. Batra,

We were retained by Ventive Hospitality Limited (formerly known as ICC Realty (India) Private Limited) to prepare an industry report comprising (a) an overview of the Maldivian hospitality industry, and (b) perspectives on the future outlook for the industry in general. Accordingly, this report concentrates on Luxury, Upper Upscale and Upscale Hotels (“Upper Tier”) in Maldives. We understand that the Company intends to use data from this industry report in connection with the proposed Initial Public Offering (IPO) of the Company.

We issued a report titled Industry Report – Upper Tier Hotels, Maldives (“Report”) on 9 September 2024. Data from this Industry Report was used by the Company in the industry section of the Draft Red Herring Prospectus (“DRHP”) filed with the Securities and Exchange Board of India (“SEBI”) in connection with the proposed Initial Public Offering of the Company.

The Company has further requested us to provide an update to the Industry Report and intends to use data from this updated report for the industry section of Red Herring Prospectus (“RHP”) in connection with the aforementioned proposed Initial Public Offering of the Company.

The updated report is attached herewith. This Report covers the following key aspects:

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

In this Report, we have examined various general and specific aspects relating to Maldives hospitality industry. The focus is on the Upper Tier Hotels as these are relevant to the Company; other segments are discussed only to the extent this is relevant to provide a more comprehensive overview of the industry.

Hotel inventory and other data points used for this Report are as on 30 September 2024. Information on pipeline inventory and other data have been updated based on information available to us upto 15 October 2024; we have not updated this for any events occurring after that date notwithstanding that in some cases the Report may contain a comment on an event after that date. Further, we have no obligation to update the information and our comments for changes and events that occur after the aforesaid dates.

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

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

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

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

Thank you and with regards,

Yours truly,

For Crowe Horwath HTL Consultants Pvt. Ltd.



Vijay Thacker  
Managing Director

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

### Forward-Looking Statements

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

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

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## HORWATH HTL CREDENTIALS

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

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

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

## Overview of Maldives Hospitality Industry



Some key characteristics of Maldives hotel industry are set out herein.

- 1.1 **Resort Destination with Unique Offerings:** Maldives is an island nation spread over 26 major atolls in the Indian Ocean. Over the last 5 decades, it has solidified its status as a widely popular tourist destination given its strong recognition as a leading beach and resort destination adorned with low-lying coral islands, pristine white sand beaches, and azure ocean waters teeming with diverse marine life. Maldives has been ranked consistently as one of the best tourist island destinations globally including World's Leading Destination (2023) and Indian Ocean's Leading Destination (2024) at the World Travel Awards. Its unique "one island one resort" concept enables resorts to offer rooms with direct views and proximity to the seawaters and exclusive use of the island's beach.
- 1.2 **Tourism and Allied sectors significantly contribute to GDP:** The tourism and allied sectors directly contributed 42% of the nation's GDP in CY23 (40% in CY22) and has a significant multiplier effect. The tourism sector generates over 60% of foreign currency earnings in addition to material FDI, tax revenues, and employment.<sup>1</sup>
- 1.3 **Accessibility to various atolls via Male, the Capital City of Maldives:** Maldives has created robust connectivity to its key source markets, to enable convenient travel for visitors right through to the resorts where they are staying. Male is served by several major global airlines with direct flights to Velana airport, Male from 21 countries and 34 destinations as of June 2024 (19 countries in 2019). Tourists travel to various island resorts by boat or sea planes. Geographic spread of resorts in the vast waters of Maldives in the Indian Ocean has been supported by the development of international and domestic airports to the

<sup>1</sup> Source: Maldives Bureau of Statistics and PwC Republic of Maldives - Worldwide Tax Summaries 2022 via Maldives Tourism Climate Action Plan, Ministry of Tourism, Republic of Maldives



North and South of Male, providing convenient access to more distant atolls and resorts. In all, Maldives has 19 airports including 4 international airports. 30 international carriers operated flights to Maldives in CY23.<sup>2</sup>

- 1.4 **Market dominated by chain-affiliated hotels:** As of September 30, 2024, Maldives has 22.6k hotel and resort rooms across various segments, developed on numerous islands, distinctive of Maldives' "one-island-one-resort" concept. Top 5 atolls - Kaafu, Raa, Alifu Dhaalu, Baa and Dhaalu - comprise 69% of the luxury inventory and continue to attract global tourists due to concentrated presence of top global and domestic chains. Vention Hospitality resorts are in the key atolls, with 7.8%, 2.6% and 8.3% share of total inventory in Alifu Dhalu, Kaafu and Raa atolls respectively. 74% of Maldives' inventory is chain affiliated (international and domestic chains), with increasing management participation by international hotel chains. Resorts are typically of moderate size, ranging from 80-100 keys.
- 1.5 **Robust post Covid recovery:** The Maldives market recovered rapidly post-Covid, with tourist arrivals recovering to 110% from 2019. Maldives received 1.9 million foreign tourists in 2023 from various international source markets (including long-haul markets); momentum has continued in Jan-Sep 24 with 10% growth in the period compared to last year. Maldives has remained a popular tourist destination and continues to draw tourists from major global source markets including Europe, Russia and China. By nature, Maldives is a high rate destination with multiple luxury resorts and demand at luxury pricing. While source market contributions did vary over these years, the destination's popularity resulted in uptick in demand from Europe, Russia and India offsetting demand loss from certain other markets which were still closed in 2022 (notably China). CY23 FTA from China was only two-thirds of CY19 levels, indicating opportunity for future FTA increases. Further growth in arrivals is expected in the short to medium term given Maldives' strong reputation as a leading beach and resort destination and the upcoming opening of the new airport terminal at Velana, Male which will increase airport capacity from 1.5 million per annum to 7.5 million per annum.
- 1.6 **Demand spread across luxury hotels commanding high ADRs:** Maldives benefits from sizeable demand for Luxury and Upper Upscale (Lux-UpperUp) hotels, consistent with the fundamental attractiveness of the destination. Demand for premium experiences has resulted in approximately 34% and 19% of inventory being of Luxury and Upper Upscale hotels, respectively with this quality being sought by global travellers. ADR levels for the period between CY19 and Jan-Sep 24 for the Lux-UpperUp segment ranged between US\$ 656 - US\$ 817.<sup>3</sup>
- 1.7 **Global Spending on Luxury Leisure:** As per McKinsey report (*The State of Tourism and Hospitality 2024*), global spending on luxury leisure hospitality was US\$ 239 billion in 2023 and is projected to reach US\$ 391 billion in 2028 growing at CAGR of 10.3%. Share of very high net worth and high net worth individuals is projected to be increase to 58% in 2028 from 49% in 2023.
- 1.8 **Limited upcoming supply:** Based on available data, the actual identifiable pipeline of resorts is limited, comprising 20 resorts with 2,569 rooms having specific project timelines and progress for completion by end 2026. Actual fructification of other new projects can be expected to be gradual (only 143 hotels / resorts opened between 2001 and 2024). Expected supply in the Upper Tier resorts is significantly lower, at 7.1% CAGR for Jan-Sep 24 - 2026, given multiple barriers in creation of Lux-UpperUp and upscale resorts in Maldives; this will materially benefit existing inventory as demand continues to grow.<sup>4</sup>
- 1.9 **Barriers to construction and operation of hotels:** Resort development and operations carry high costs (typically 4-6x of construction costs in India), as almost all material and supplies need to be imported and transferred by sea to each island. The high costs pose a material barrier to entry, requiring substantial equity financing capacity and debt support, with greater viability risk. Consequently, new projects could take longer time to complete than anticipated, with resultant cost escalations – both factors, create a competitive advantage for existing resorts. Project implementation periods often stretch over 5-8 years; with 3-5 years further required for operational stability, resorts take substantial time to become competitively relevant from the time the project is conceived / announced.

<sup>2</sup> Source: Maldives Airports Company Limited

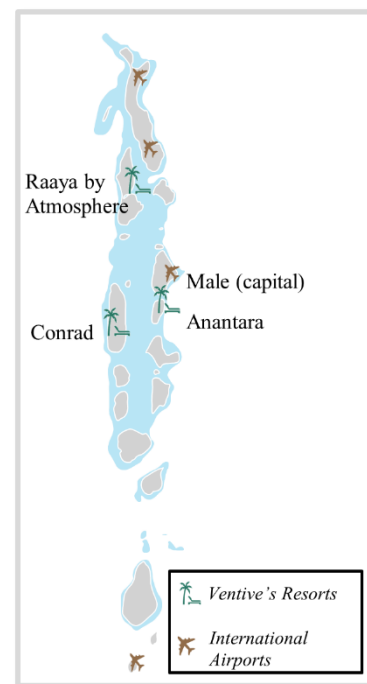
<sup>3</sup> Costar- Industry Data

<sup>4</sup> Source: Ministry of Tourism, Republic of Maldives

## Overview of Maldives and its Economy

### Geographical Characteristics of Maldives:

The Republic of Maldives is an archipelago of 26 major atolls (chains of coral islands), located in the Indian Ocean southwest of India. The islands are spread over 820 kilometres from the northernmost Ihavandhippolhu Atoll to the southernmost Addu Atoll. Of 1,190 coral islands in the archipelago, only 202 are inhabited. The map shows a geographic overview of the Republic of Maldives.



### Maldives - Uniqueness of Tourism Offerings

The Maldives is a widely popular, time-tested, island destination in the Indian ocean, known for its surrounding azure waters, pure white sand beaches and coral reefs. Its shallow lagoons offer the special advantage of being conducive for casual swimming and development of high-end water villas to add valuable resort inventory that may be restrained by the land size of the island. Maldives is conveniently accessible via direct and long-haul flights from major global demand source areas (including convenient transit via the Middle East).

### Comparison with Select Island Destinations

Maldives, Mauritius, and Seychelles are among the key island tourism destinations in the Indian Ocean; Bali and Phuket are to the east of the Indian Ocean and are also popular destinations for beach tourism in the wider Southeast Asian region. Each of these attract regional and long-haul visitation.

Some key distinctions between these destinations are:

- **One island, one resort:** Maldives is the only destination globally where resorts are located on various individual islands across a vast area of the ocean, based on the 'one island, one resort' principle. Resorts in Seychelles are mostly located on three large islands – Mahe, Praslin and La Digue. Mauritius, Bali and Phuket have several resorts located on a single main island. Resorts in the Maldives, with superior guest experience and facilities, are largely able to capture the entire guest spending on F&B, spa, and other activities.
- **Government policy support on Tourism:** Maldives relies heavily on tourism as the primary contributor to economic activity and GDP; as such, its policies earnestly consider the needs of the tourism sector.
- **Larger visitor numbers:** Maldives attracts more visitation than Mauritius and Seychelles. The table below provides a comparison of international tourist arrivals at these destinations.

#### International Tourist Arrivals - Other Select Island Destinations

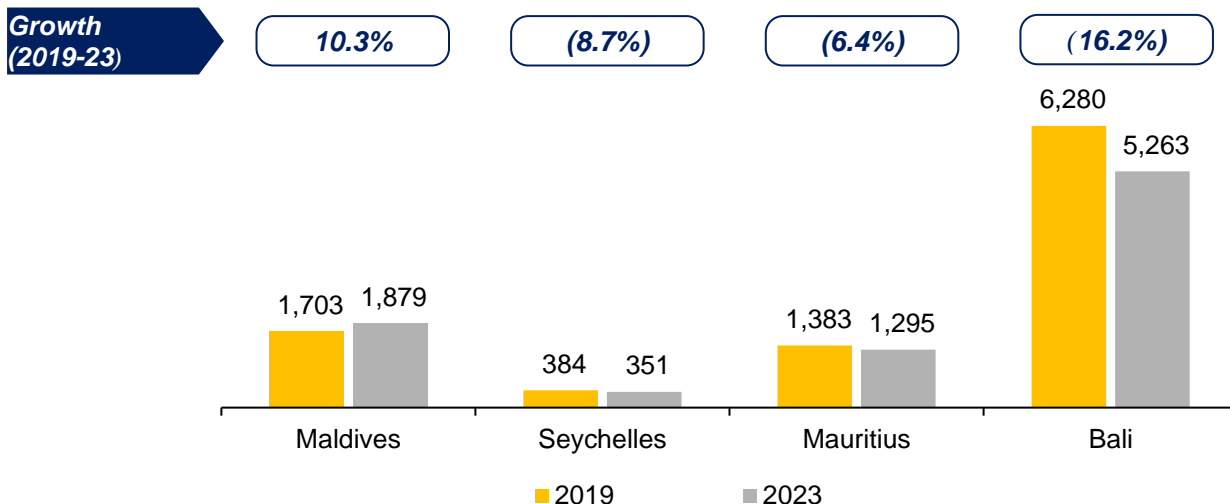
Year	Maldives	Seychelles	Mauritius	Bali
CY 2015	1,234,248	276,233	1,151,252	4,000,000
CY 2019	1,702,887	384,204	1,383,488	6,280,000
CY 2022	1,675,303	332,068	997,290	2,155,777
CY 2023	1,878,543	350,879	1,295,410	5,263,258
Jan-Sep 24	1,492,027	231,131 <sup>#</sup>	971,800	4,749,449

<sup>#</sup>For the period of 1 January 2024 to 1 September 2024

Source: Tourism yearbook 2023 and 2024 Maldives, Statistics of Bali Province, Seychelles Visitors Arrivals Snapshot (Week 52) and Statistics of Government of Mauritius



Tourist arrival Growth (2019 - 2023) in '000s

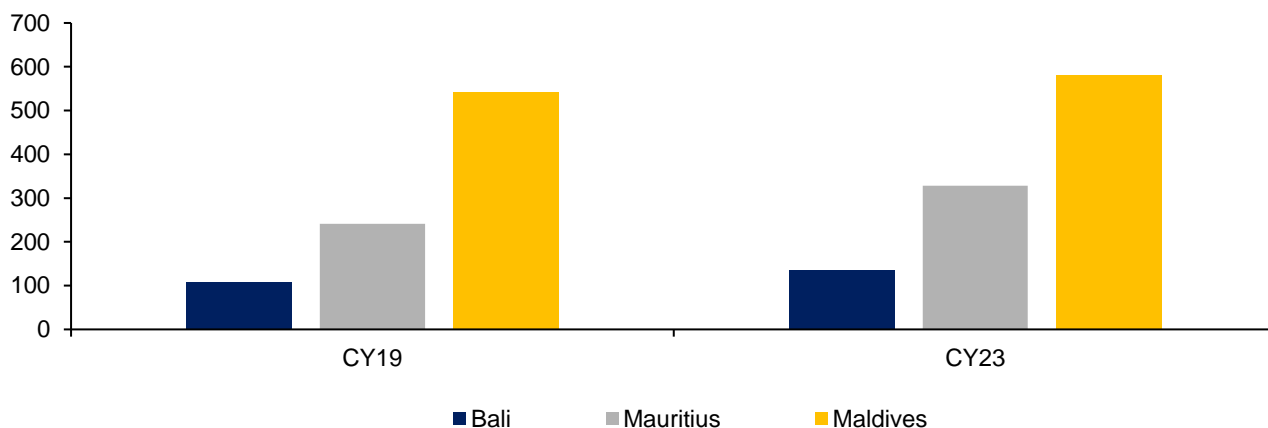


Source: Tourism yearbook 2023 Maldives, Statistics of Bali Province, Seychelles Visitors Arrivals Snapshot (Week 52) and Statistics of Government of Mauritius

Note: While Bali is included as it is a popular beach resort destination in the region, its geographic proximity to Australia draws a mass of tourists that renders effective comparability to be limited.

- Higher Room Rates in Maldives:** Maldives draws significantly higher ADR than Mauritius, Bali and Phuket, gaining from substantial Lux-UpperUp demand. For 2023, Maldives ADR was at US\$ 582<sup>5</sup>, higher compared to Bali and Mauritius. Seychelles had comparable ADR levels to Maldives for 2023 (US\$ 589)<sup>6</sup>, while having much lesser Lux-UpperUp inventory and lesser connectivity with direct flights from only 14 countries.

CY23 vs CY19 ADR (in US\$) Performance Comparison



Source: CoStar

Note: Seychelles data not available for 2019

<sup>5</sup> Source: Costar

<sup>6</sup> Source: Costar

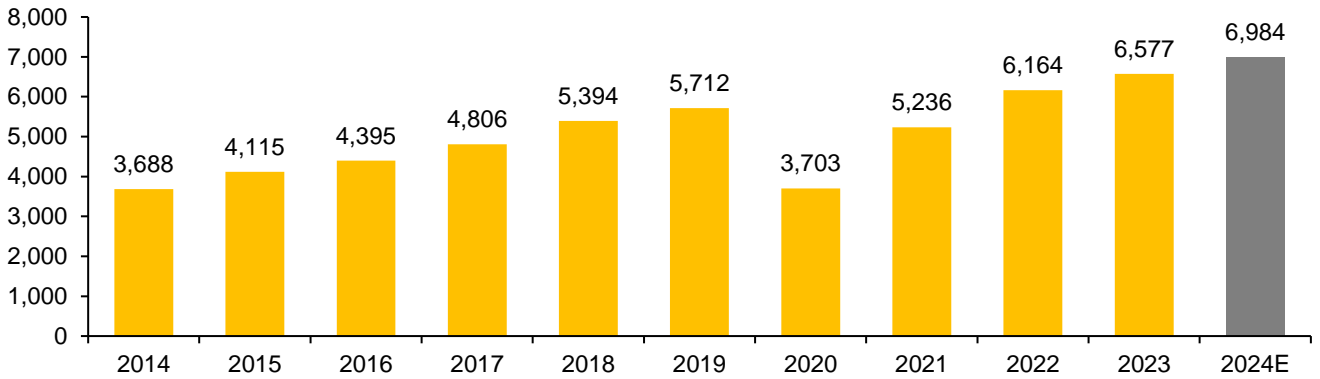
**Maldives – Economic Overview**

**Maldives GDP**

Gross Domestic Product (GDP) is estimated to be US\$ 6.9 billion in CY 24 (+6.2% YoY). GDP is reflected in the Chart below and reflects steady growth from CY 2015-19 (+8.5% CAGR), strong recovery post pandemic with CY 2024 GDP expected to be 22.3% above 2019 GDP (4% CAGR).

IMF’s World Economic Outlook Report (October 2024) forecasts GDP (in US\$) growth at 6.2% for CY 2024, 9.4% for CY 2025, 7% for CY 2026 and average 6.6% from CY 2027 – 2029.

**GDP Chart (US\$ Mn)**



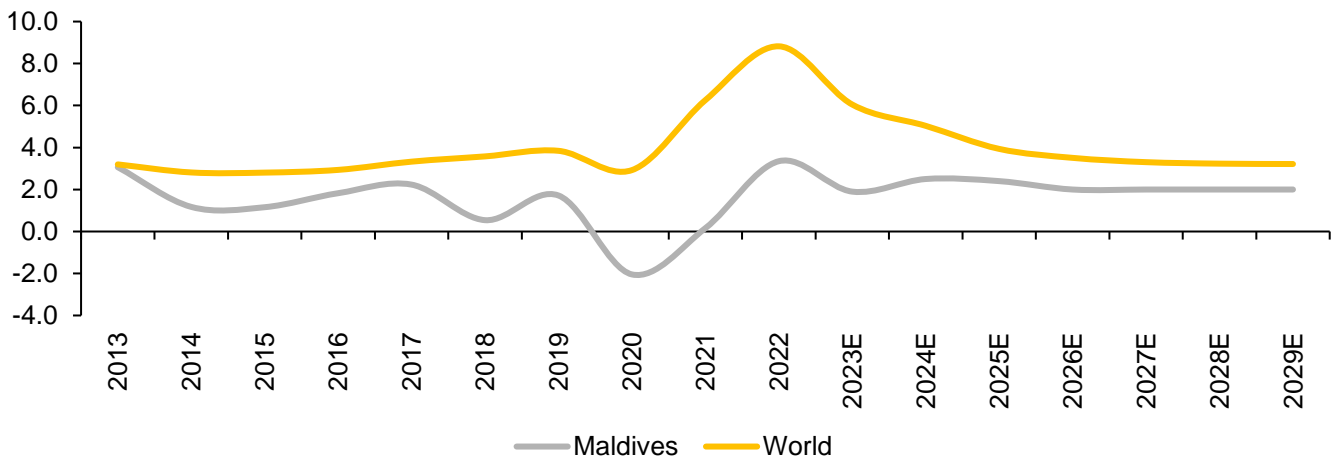
Source: Statistical Pocketbook of Maldives 2024, Maldives Bureau of Statistics & IMF – 2024, World Economic Outlook - October 2024

**Inflation (CY)**

The Inflation Rate averaged 1% from 2013 until 2022, increasing to 1.9% in 2023. Inflation is forecasted at 2.5% for 2024, 2.4% for 2025 and subsequently at around 2% between 2026 and 2029. Inflation in Maldives has remained lower than global inflation rates with this trend expected to continue over the next 4-5 years. Lower inflation aids in lower operating costs incurred by resorts, in turn improving the operating margins.

Inflation in Maldives for 2024 is estimated at 2.5%. The other island destinations such as Mauritius and Seychelles inflation for same period is at 3.5% and 1.4% respectively.<sup>7</sup>

**Inflation Rate CY (%)**



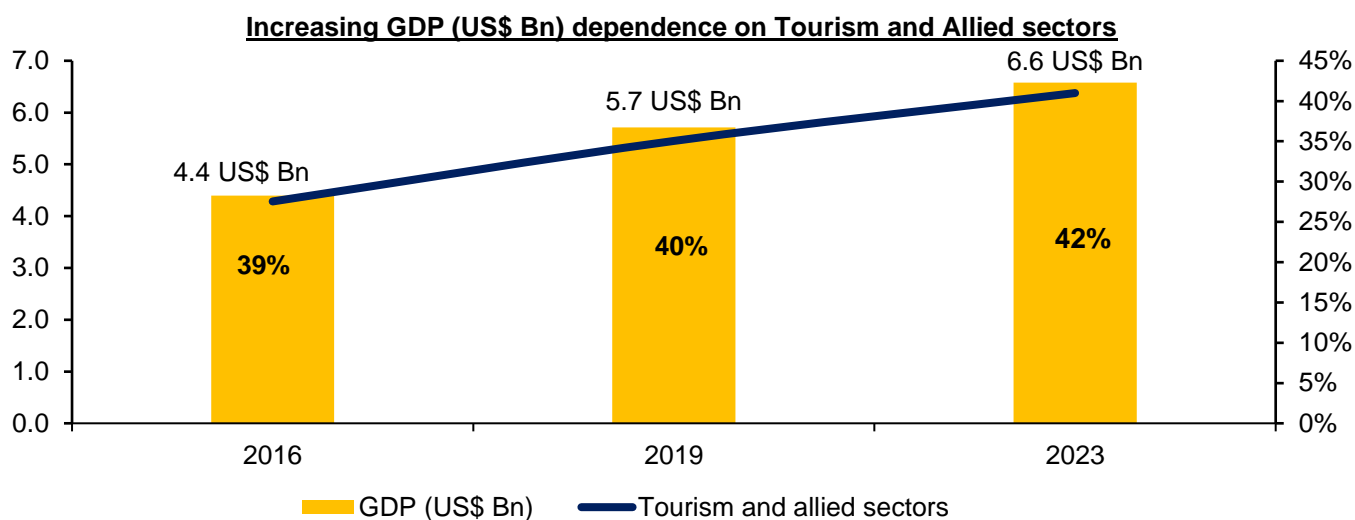
Source: World Economic Outlook, IMF, October 2024

<sup>7</sup> Source: World Economic Outlook, IMF, October 2024

## Travel and Tourism in Maldives

### Tourism and Allied Sector Contribution to GDP

The Maldivian economy is highly dependent on Tourism and allied sectors as a source of foreign currency and contributor to GDP. In CY23, Tourism and Allied Sectors contributed 42% of Maldives GDP (40% in CY19). The tourism and allied sector has been consistently growing since CY16 in terms of percentage share of GDP from 39% to 42%.



Source: Maldives Bureau of Statistics and Ministry of Tourism, Republic of Maldives

Note: Tourism and allied sectors include transportation and real estate

Maldives government has released the Fifth Tourism Master Plan (2023-2027) to address various areas of tourism industry. It focuses on promoting sustainable tourism and coordinates tourism development – some key goals include attracting and retaining a world-class tourism workforce, achieving net zero emission, accelerating 360 digitisations, and building climate resilient assets.

### Existing International Airports at Maldives:

- Male Velana International Airport (“MVIA”) is the main international gateway with annual passenger capacity of 1.5 mn. The airport connects to over 34 international destinations with over 30 international airlines<sup>8</sup>, and functions alongside the world’s largest seaplane operation. This airport is currently undergoing an expansion with investment of US\$ 1bn.
- The other international airports are Maafaru and Hanimaadhoo (both located north of Male), and Gan, located in the southern region of the country. Presently, these airports serve more domestic flights, enabling visitors to arrive at Male and conveniently reach resorts further from the Capital.

### Expansion Projects at Maldives Airports:

- MVIA is being further upgraded and expanded with a new passenger terminal building, a second runway, cargo terminal complex, fuel farm and a seaplane terminal. The new terminal building would accommodate up to 7.5 million passengers a year (5x increase); the second runway will provide capacity support. The new modern terminal is expected to open in December 2025. The seaplane terminal Noovilu, located at the eastern lagoon area of the airport, has a capacity of 100 seaplanes.
- Hanimadhoo International Airport Redevelopment is intended to upgrade the infrastructure to international standards and serve as a catalyst for the development of northern Maldives. Construction commenced in January 2023 with an expected capacity of 1.3 million passengers per annum. The airport will also have a seaplane terminal for parking seaplanes and provide anchorage for ferries.

<sup>8</sup> Source: Maldives Airports Company Limited

- Gan International Airport expansion is expected to complete by end of 2025. This includes construction of an air traffic control tower, fire station, as well as an upgrade of the existing terminal, parking facilities, roads, duty-free shops and restaurants. The airport will have a capacity to serve 1.5 million passengers annually.
- Upon completion of expansion at all the above airports, the aggregate capacity for international operations will be 10.3 million passengers per annum.

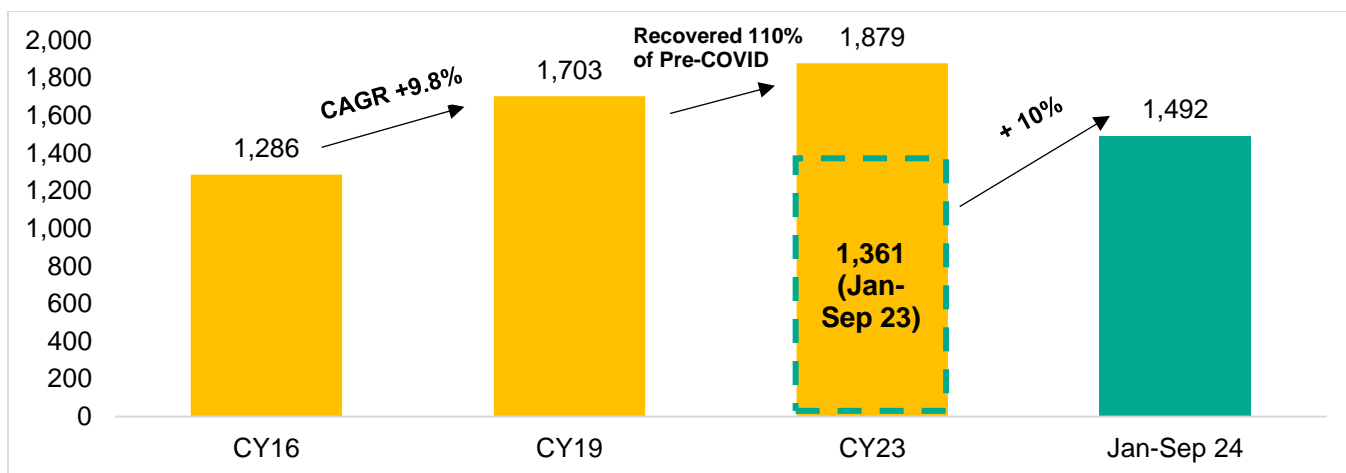
### Overview of Key Demand Drivers

In this section, we provide an overview of several key factors that impact demand for hotels, performance of the hotel sector and future development of the sector.

#### Foreign Tourist Arrivals (FTA)

Maldives benefited from early travel resumption by certain markets post pandemic, particularly as its island-based resort structure offered substantial Lux-UpperUp exclusivity in comparison to other destinations. Tourist arrivals for Jan-Sep 24 totalled 1.49 million, despite of decrease in Indian tourist by 40%, total tourist arrivals has seen increase of 9.6% . The increase is majorly contributed by China, tourist arrival have seen recovery by 51% in Jan-Sep 24 compared to corresponding previous period. YoY for this period. As per estimation provided by Ministry of Finance’s recently released macroeconomic update, FTA is estimated to cross 2 million in CY24.

**Foreign Tourist Arrivals by Air ('000)**



Avg. Length of Stay (Days)	6.0	6.3	7.6	7.7

Source: Ministry of Tourism, Republic of Maldives

**FTA Source Markets – By Countries**

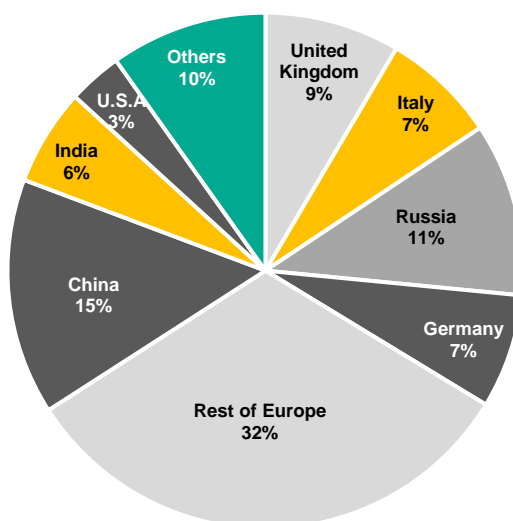
**Globally Diversified Customer Profile (Contribution in Arrivals)**

	2016	2019	2023	Jan-Sep 24	Jan-Sep 23
United Kingdom	101,843	126,199	155,994	126,534	108,815
Italy	71,202	136,343	118,525	107,055	84,177
Russia	46,522	83,369	209,146	162,289	156,905
Germany	106,381	131,561	135,091	106,805	91,060
Rest of Europe	249,228	356,467	435,953	480,631	419,134
China	324,326	284,029	187,125	221,144	145,986
India	66,955	166,030	209,193	90,389	149,587
U.S.A	32,589	54,474	74,838	50,414	53,759
Others	287,089	364,415	352,678	146,766	151,625
<b>Total</b>	<b>1,286,135</b>	<b>1,702,887</b>	<b>1,878,543</b>	<b>1,492,027</b>	<b>1,361,048</b>

Source: Ministry of Tourism, Republic of Maldives

- Maldives has a diverse pool of demand from across the globe, which provides the ability to overcome temporary demand decline from local issues in specific source markets.
- Europe and UK demand contributes materially to the higher ADR levels in the market
- China is a key source market; although Chinese demand post Covid was slow to recover, it accounted for 15% of Jan-Sep 24 market share and carries space and opportunity for growth.
- Visitors from USA are increasing, notwithstanding the long-haul travel. This augurs well for ADR levels at the Lux-UpperUp hotels.

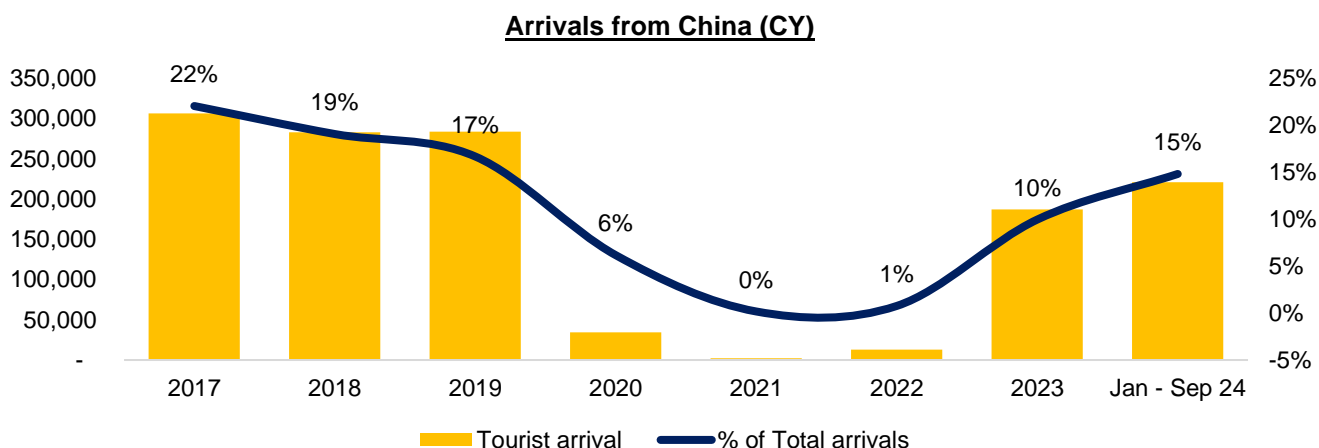
**Global Diversified Customer Profile Jan-Sep 24 (% share in arrivals)**



Source: Ministry of Tourism, Republic of Maldives

**Demand recovery from China**

- China had emerged as a top source market for visitors to Maldives but its stringent zero-COVID policy materially constrained overseas travel. While borders were eventually reopened in Jan’23, the recovery in outbound tourism has been slower due to slower ramp up of flight connectivity. Chinese arrivals into Maldives is regaining momentum but still fall short of pre-Covid levels.



Source: Ministry of Tourism, Republic of Maldives

**Ease of access and On-arrival Visa**

Maldives provides on-arrival visa for all tourists irrespective of nationality, offering convenience and flexibility to tourists and encouraging foreign travel.

**Airline Connectivity**

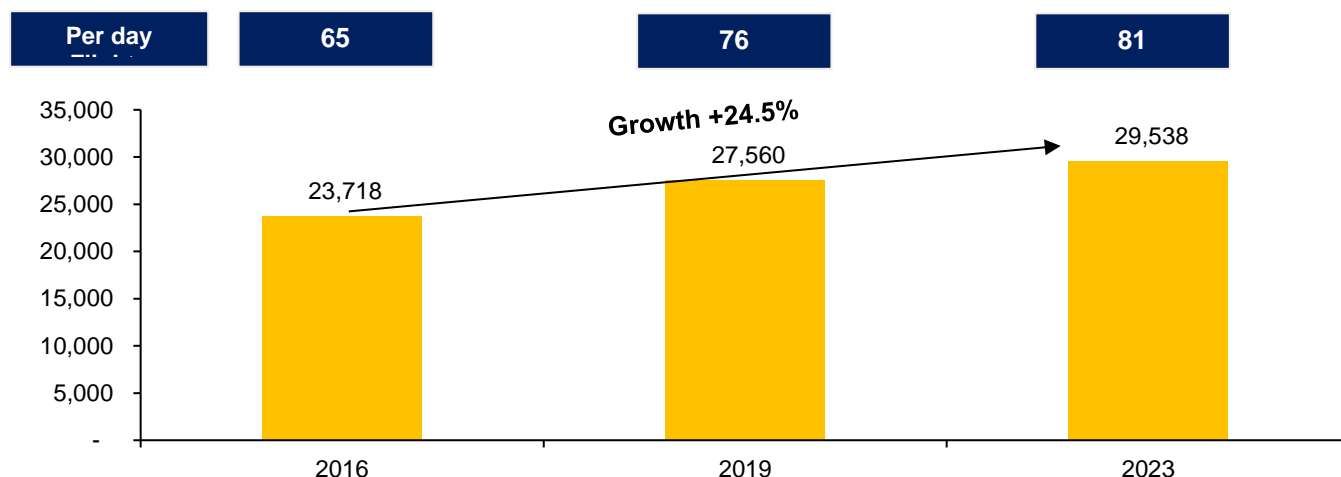
- Middle Eastern connectivity to Maldives has grown materially, also serving as a transit hub for flights between America and Europe.
- Weekly passenger capacity offered to Maldives by some major airlines are:

Airlines	Sep-24	Mar-24	Mar-19
Emirates	12,558	10,038	10,038
Qatar Airways	7098	7,098	4,886
Indigo	4,116	5,000	2,520
Sri Lankan Airlines	4,179	4,081	6,237
Aeroflot	2,212	3,714	1,870
Etihad Airways	3,311	3,311	2,569

Source: Maldives Airports Company Limited via Flightera.com



**Number of International Flights**



Source: Maldives Bureau of Statistics

**Overview of Key Supply Drivers**

**Supply Classification**

Segmental pacification is based on classification adopted for CoStar reporting purposes, to the extent the resorts are participating with CoStar. This basis is summarised 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.
- **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- Economy segment:** Midscale refers to three/two-star hotels characterized by moderate room sizes, quality and pricing, and a lower extent of services. The economy segment is typically two-star hotels providing functional accommodation and limited services being focussed on price consciousness.

In respect of resorts not participating in CoStar reporting, classification is made as follows:

- If the management company / brand represents a hotel chain that is otherwise classified by CoStar, such classification has been used.
- In other cases, classification is made based on review of general pricing offered by these resorts and the general price range expected to be applicable to the various hotel sectors.

Consistent with the reporting pattern across the DRHP, inventory data for pipeline hotels is considered only up to CY26, based on data that was available as of 15 October 2024.

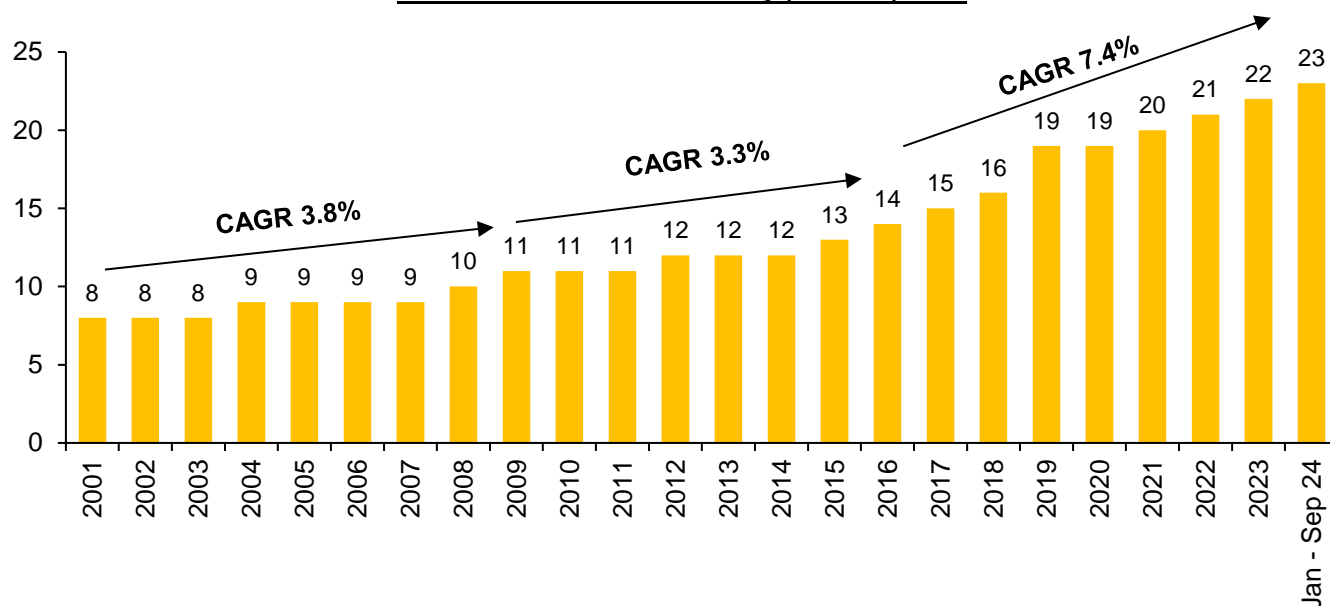
**Ventive Portfolio has three resorts in Maldives all positioned as luxury**– (a) Conrad, Maldives; (b) Anantara, Maldives, and (c) Raaya by Atmosphere, Maldives.

Conrad is among the first internationally branded resort in Maldives; it opened in 1997 as Hilton and was repositioned as a luxury Conrad in 2007; its private accommodation comprised as an integrated undersea residence called Muraka is reportedly the first such resort product globally along with an underwater restaurant known as Ithaa.

**Maldives Inventory**

The long-standing popularity of the destination is reflected in inventory expansion from about 8k keys in 2000 to 22.6k keys at the end of Sep24. Material expansion occurred between 2016 and 2021 (7.6k keys added in this period). Overall inventory growth displayed in the chart below.

**All Maldives Rooms Inventory (in '000s) – CY**



Source: Horwath HTL

Based on available data, the actual identifiable pipeline of resorts comprises only 20 resorts with 2,569 rooms – these have specific project timelines and progress for completion by end 2026. Actual fructification of other new projects can be expected to be gradual (only 132 hotels / resorts opened between 2001 and 2024); while 143 hotel and resort projects are listed by the government, there are no details of progress, timelines or even certainty of implementation particularly given the rising development costs, funding challenges and foreign exchange crises; thus, project materialisation would likely be partial and over the much longer term

**Segmental Composition (Inventory in 000s)**

- Tourist demand is significantly higher for luxury and upper upscale resorts. Though there has been supply of relevant inventory in last decade, creating new supply is difficult on account of multiple challenges. Since 2001, the Upper Tier (Lux-Upper Up and Upscale) segment inventory has increased from 36% to 68% as at Jan-Sep 24.
- The significant share of upper tier supply is consistent with the destination’s quality and appeal. Overwater villas with direct access to the Indian Ocean provides a unique experience, additional privacy, and engenders a propensity to pay higher room rates for upper tier resorts.
- Expected supply in the Upper Tier resorts for Jan-Sep 24 - 2026 at a CAGR of 7.1%.

### Inventory Composition (000s) - CY

Segments	2001	2015	Jan-Sep 24	2026	CAGR 2001-15	CAGR 2015 - Jan-Sep 24	CAGR Jan-Sep 24 - 2026
Luxury	1	4	8	9	11.2%	8.5%	5.4%
Upper Upscale	1	2	4	5	3.5%	10.6%	3.6%
Upscale	1	1	3	4	4.0%	9.4%	15.5%
<b>Upper Tier Total</b>	<b>3</b>	<b>7</b>	<b>15</b>	<b>18</b>	<b>6.8%</b>	<b>9.3%</b>	<b>7.1%</b>
<b>Total</b>	<b>8</b>	<b>13</b>	<b>23</b>	<b>NA</b>	<b>3.5%</b>	<b>6.8%</b>	<b>NA</b>

Source: Horwath HTL

### Top International chains

The table below summarises the top 10 international chains at Upper Tier level.

Atmosphere Core has the largest inventory with 1,443 rooms and about 6.4% supply share in all segments. Sun Siyam with 1,312 rooms has the second largest presence among international chains. Most major global brands such as Marriott, Hilton, IHG, Accor, Four Seasons, Minor, and Shangri La etc have a presence in the Maldives.

Ventive Hospitality holds asset of Hilton (Conrad, Maldives), Atmosphere Core (Raaya by Atmosphere, Maldives) and Minor Hotels (Anantara, Maldives)

### International Chains (Upper Tier) - Top 10

Resorts	Rooms	Resorts/Hotels
Atmosphere Core	1,443	9
Sun Siyam	1,312	5
Marriott	784	7
Minor	660	5
Hilton	636	4
Accor	613	6
Cinnamon	450	4
Cocoon Collection	413	3
Club Med	324	2
IHG	292	3

Source: Horwath HTL

### Resort Management Structure

Between CY 2001 and September 2024, international chains have gained material inventory share. The table below summarises the inventory composition by nature of resort management.

### Foreign & Domestic Chain Affiliated Inventory

	2001			2023			Jan-Sep 24		
	Maldivian	International	Independent	Maldivian	International	Independent	Maldivian	International	Independent
<b>Overall</b>	<b>38%</b>	<b>29%</b>	<b>32%</b>	<b>18%</b>	<b>56%</b>	<b>26%</b>	<b>18%</b>	<b>56%</b>	<b>26%</b>
Luxury	6%	88%	6%	6%	83%	11%	6%	81%	13%
Upper-Up	6%	88%	7%	2%	78%	20%	3%	80%	18%
Upscale	34%	18%	48%	20%	59%	21%	21%	55%	24%
Mid-Eco	53%	10%	37%	40%	21%	39%	40%	17%	42%
Others	48%	0%	52%	26%	7%	67%	33%	0%	67%

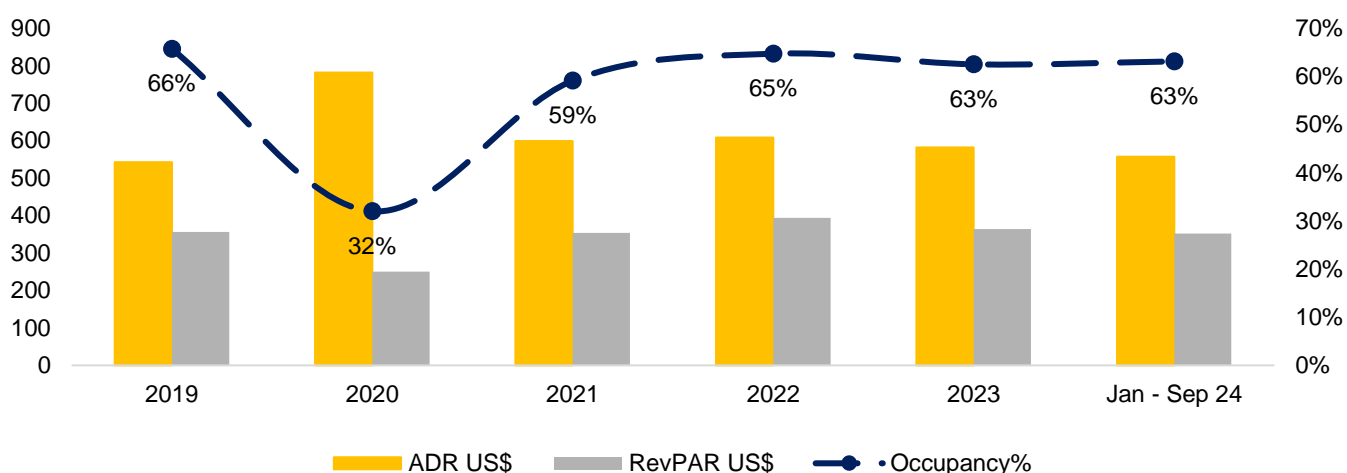
Source: Horwath HTL

- The overall share of chain affiliated supply (Maldivian + International) has increased from 68% to 74% between 2001 to Jan-Sep 24. The ratio between international and Maldivian chains has evolved substantially with international chains now having 56% supply share, gaining 10.3k rooms in this period. On the other hand, inventory under Maldivian chain management only grew from 3k rooms in CY 2001 to 4k rooms as of Jan-Sep 24<sup>9</sup>, causing its supply share to decline from 38% to 18%.
- While international chains largely maintained their supply share of Lux-UpperUp resorts, there has also been a material gain in supply share at the upscale, mid-scale and economy segments.
- As of Jan-Sep 24, International chains have 78% of their total supply in the Lux-UpperUp segment, which is also consistent with the market need for superior quality and price positioning of the destination to tourists.

### Hospitality Industry Performance Overview

- The chart below shows performance of hotels / resorts for the Maldives market that are participating with CoStar, across all segments, for the calendar years 2019 to 2023 and Jan-Sep 24. Occupancy for Jan-Sep 24 is not reflective of overall occupancy trends as it covers only the high season.

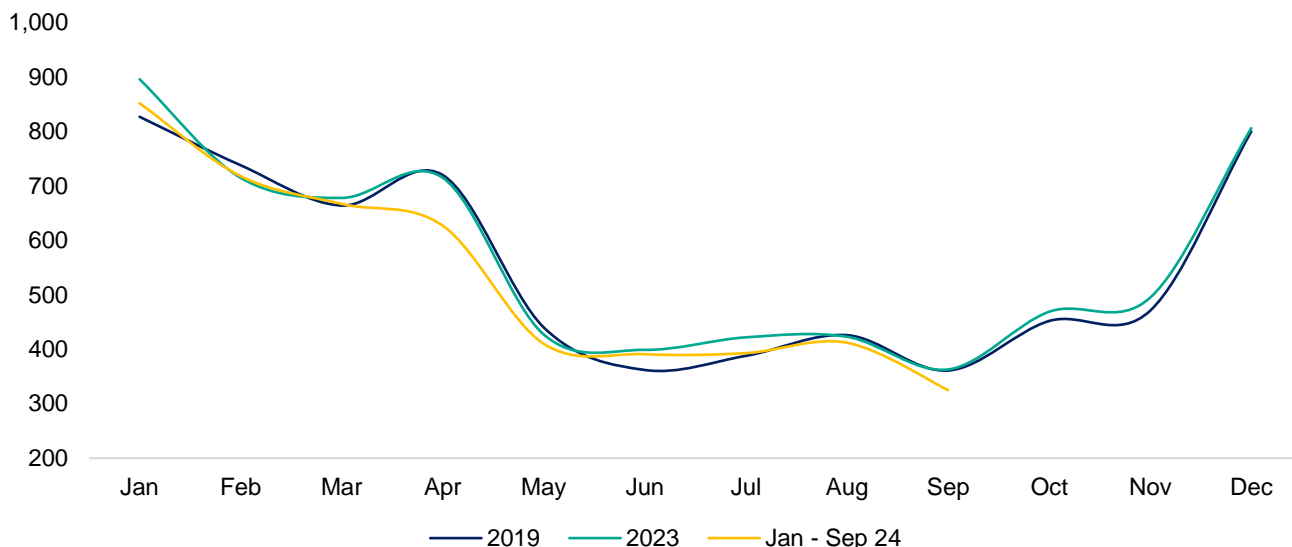
**Maldives Hotel Market Performance – CY**



Source: CoStar

<sup>9</sup> Source: Horwath HTL

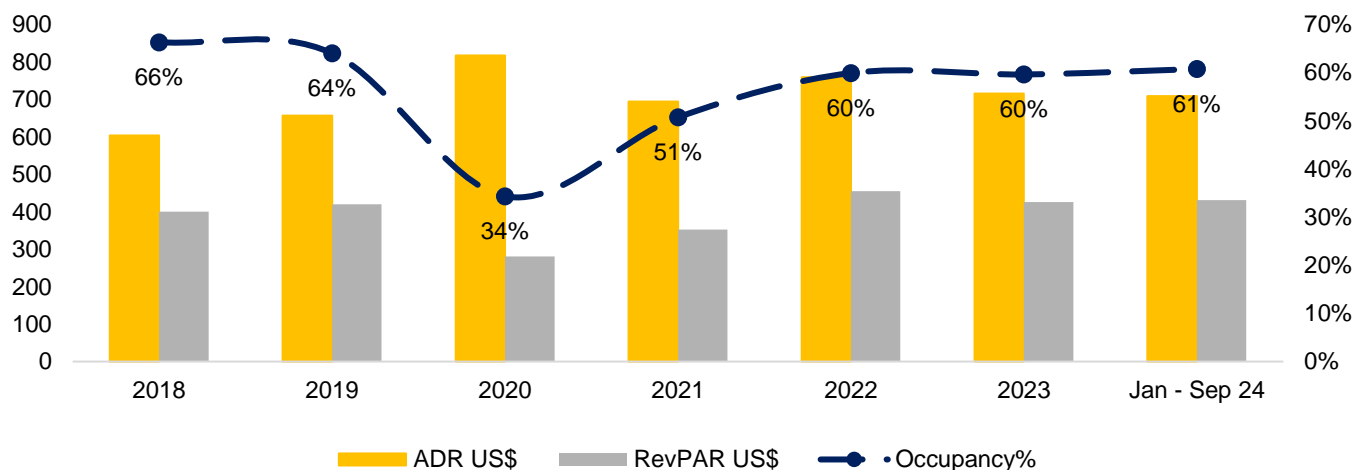
**Maldives Hotel Market ADR (US\$) Monthly Performance - CY**



Source: CoStar

- The Maldives hotel market generally experiences better performance in the last and first quarter of CY relative to the second and third quarter of the CY.
- Occupancy has largely remained in the mid-60's (65% / 63% for CY22 / CY23)<sup>10</sup>. Steady occupancy levels post Covid highlight strong demand for the market.
- Market-wide, ADR levels have increased to \$582 for CY 2023 (\$542 in CY19)<sup>11</sup>. Market-wide ADR levels are impacted by increased supply of mid-tier resorts. On the other hand, ADR for Lux-UpperUp resorts has increased to \$747 for CY 2023 (\$681 in CY19)<sup>12</sup>

**Luxury and Upper upscale Performance**



Source: CoStar

Segmental ADRs have seen a growth trend between CY19 and CY23. Lux-UpperUp resorts are able to drive better demand and pricing due to the exclusiveness and seclusion offered under “One-island; One-resort” policy.

<sup>10</sup> CoStar- Industry Data  
<sup>11</sup> CoStar- Industry Data  
<sup>12</sup> CoStar- Industry Data

Occupancy and rates have seen a flattening or decline trend in 2023 as Maldives competed for business with other lower cost beach destinations that opened after remaining closed or restricted for travel after the pandemic.

### **Comparative Performance Index – Occupancy, ADR and RevPAR Index from 2019 to 2024**

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

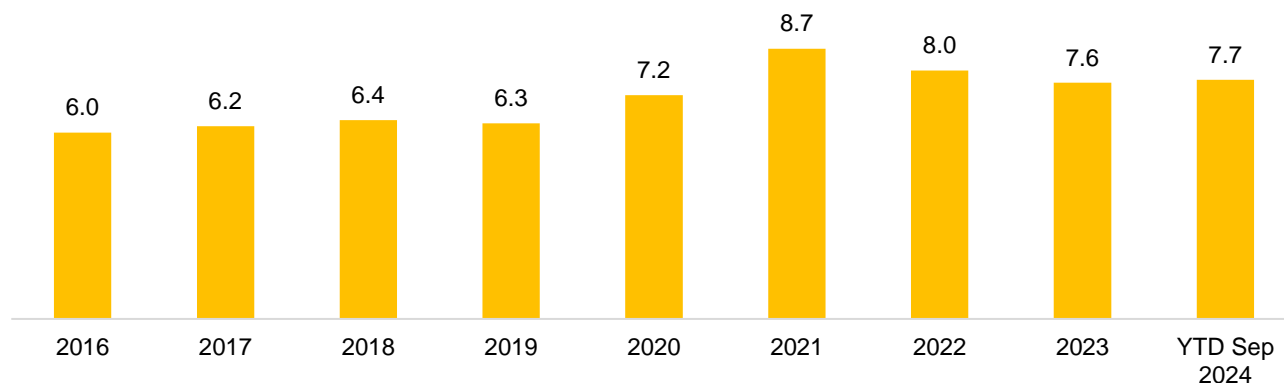
<b>Performance Parameter</b>	<b>Ventive Maldives vs Maldives Overall</b>	<b>Ventive Maldives Lux-UpperUp vs Maldives Lux-UpperUp</b>	<b>Conrad, Maldives vs Maldives Lux-UpperUp</b>	<b>Anantara, Maldives vs Maldives Lux-UpperUp</b>
<b>Occupancy Index</b>				
2019	1.08	1.18	1.12	1.23
2020	1.10	1.09	0.78	1.56
2021	0.88	0.94	0.93	0.95
2022	0.85	0.91	0.70	1.12
2023	0.80	0.84	0.74	0.92
Jan-Sep 24	0.75	0.78	0.86	0.97
<b>ADR Index</b>				
2019	1.23	0.98	1.12	0.88
2020	1.05	0.97	1.14	0.84
2021	1.32	1.07	1.39	0.87
2022	1.51	1.17	1.48	0.97
2023	1.52	1.18	1.47	1.00
Jan-Sep 24	1.32	1.04	1.30	1.03
<b>RevPAR Index</b>				
2019	1.32	1.15	1.25	1.08
2020	1.16	1.06	0.89	1.32
2021	1.16	1.01	1.30	0.83
2022	1.28	1.07	1.04	1.09
2023	1.21	0.99	1.09	0.92
Jan-Sep 24	0.99	0.81	1.12	1.00

Source: Hotel Performance – Ventive Hospitality Management; Market Performance – CoStar  
 Indices data excludes Atmosphere Raaya as the hotel has opened only during 2023.

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.



### Average Length of Stay (Days) - CY



Source: Ministry of Tourism, Republic of Maldives

- With blended work-and leisure trips becoming more common with companies adopting remote work policies, longer average length of stays of about 8 days in the last three years has been observed since Covid.
- Length of stay varies by market with travellers from Asian markets typically having a shorter stay, likely due to convenient proximity of the destination, while long haul visitors from Europe and USA tend to stay for one week or longer.

### Cost of Development per Key

Development costs are impacted by various factors such as the size of the resort, number of water villas constructed, project standards and related choice of material, staffing needs relative to project standard, island environment treatment issues etc.

Consequently, development costs are materially higher than in several other markets and can also materially vary for the factors stated above.

High development costs provide a material advantage to operating resorts that have been developed at lower historical costs; these too may carry sizeable costs for renovation and renewal but nevertheless gain from the lower initial costs incurred.

### Barriers to entry

Establishing new resorts in Maldives carries several challenges which limits the effective pace of development. Key barriers to entry for resort development in the Maldives include:

- **Project cost:** The need for importing and transporting all project material to the resort island materially adds to the time and costs associated with development. Further, several projects have lagoon cottages / villas which are attractive to guests and yield higher room rates; however, the underlying development effort for constructing such cottages / villas with a foundation within a lagoon are substantially high. Consequently, we find development costs to be higher than in India by a factor of 4-6 times across different categories of hotels. For example, a high-end luxury hotel in India would cost INR 25 million per room while the same would cost approximately INR 160 million per room in the Maldives.
- **Project Financing:** The high development cost requires substantial equity commitment and term debt to finance. As a result, the availability of sufficient promoter funding for debt service can prove to be restrictive in the pursuance of new development projects. Term debt needs to be largely sourced from outside the Maldives because of lending capacity limitations by banks in the Maldives and the substantial need for project spending in foreign exchange due to large imports. Banks in Singapore, India, China and the Middle East have provided term funding often based on the corporate base of the project promoters. Considering the high public debt scenario in the Maldives, international lending for projects will be more selective, and may carry higher cost, thereby further curtailing the number and scale of projects that can support high-cost development project.
- **Project Sites and Environment:** Project sites have been available in the Maldives through leases offered by the governments across multiple islands. Numerous leases have been signed for future trading / future development, rather than acquiring the lease right with a specific project intent. This factor, combined with the cost and funding aspects, has restricted total project count. Islands taken up for development require

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investment towards land filling (for expansion or strengthening of the island mass) to enable development in the lagoons. Land leases are typically granted on a 50 year basis, which provides developers with a moderate timeframe to generate returns on their investment post-development.

From a location standpoint, the natural beauty of the Indian Ocean is supportive of developing exclusive resorts on remote island in distant Atolls. At the same time, availability of projects sites closer to Male is more restrictive and comes with higher lease costs, posing challenges for future developments. The resultant travel distance adds to challenges regarding development and operating overheads, in addition to lengthy and expensive transport costs for guests.

## **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.