

September 2024



Industry Report on India Mid-Scale Hotels Market

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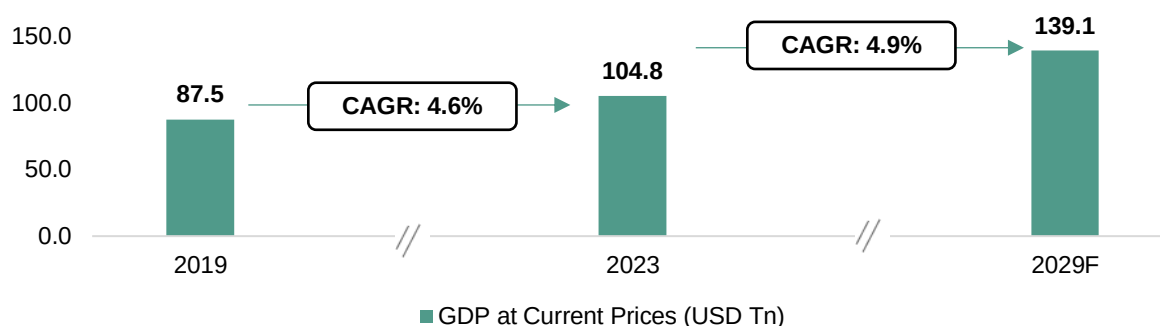
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1. EXECUTIVE SUMMARY

Global Macroeconomic Scenario

The nominal GDP at a global level stood at USD 104.8 Tn in 2023 and witnessed a CAGR of 4.6% between 2019-2023. The same is expected to grow at a CAGR of 4.9% during 2023-2029 owing to the growth prospects in major economies driven by high government and private spending, rapidly subsiding inflation rates, and advanced economies easing their fiscal policies.

Figure 1.1 Global GDP (at current prices) Outlook in USD Tn, 2019-2029F



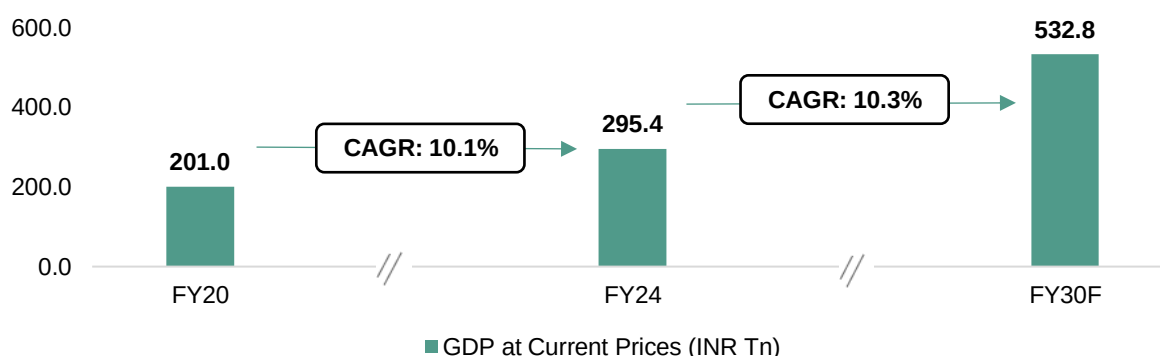
Source: World Economic Outlook, 2024 (IMF) & Ken Research Analysis

Note: F represents Forecasted figures

India Economic Outlook

In FY24, India's nominal GDP reached INR 295.4 Tn, and it is projected to grow at a CAGR (FY24-FY30) of 10.3%. This rapid growth positions India as the fastest-growing economy, driven by favorable demographics, rising Gross National Disposable Income, and expansion in the service and industrial sectors, among other factors.

Figure 1.2 India GDP (at current prices) Outlook in INR Tn, FY20-FY30F



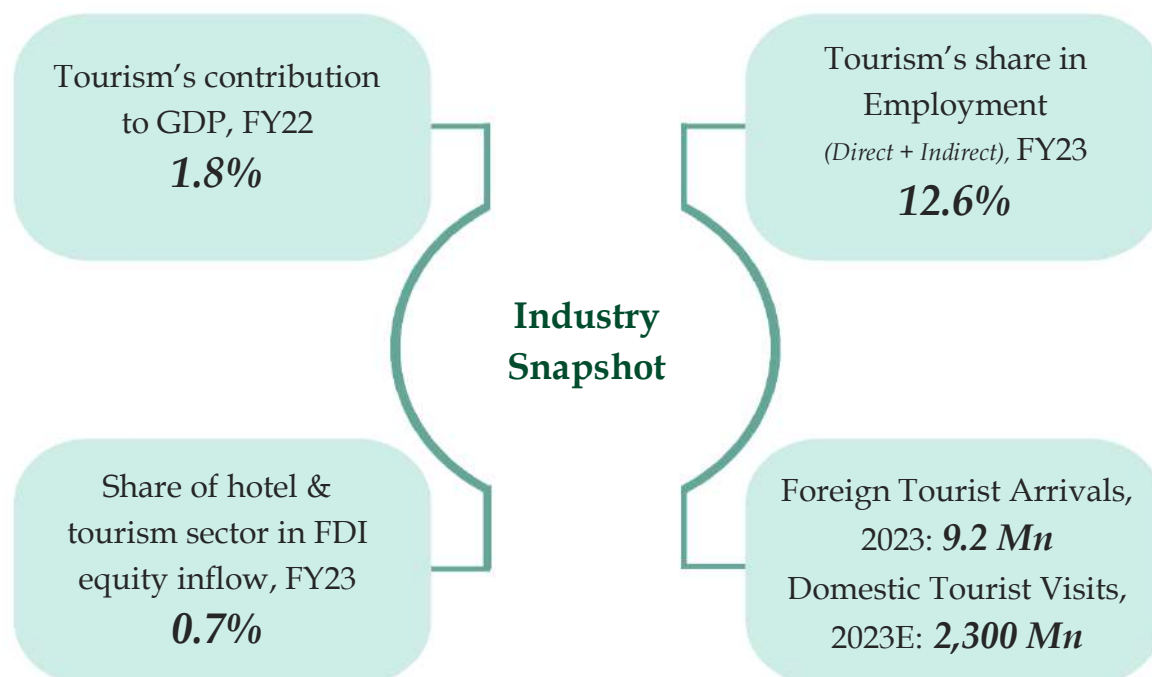
Source: Ken Research Analysis and World Economic Outlook, 2024 (IMF)

Note: F represents Forecasted figures, FY represents the Financial Year ending on March 31

India Tourism and Hotel Industry

In India, the tourism and hospitality industry, one of the “sunrise sectors,” has emerged as a key growth driver in the services sector. It acts as a stimulant for the growth of multi-use infrastructure, including world-class hotels, resorts, exquisite restaurants, efficient transportation networks (aviation, roads, shipping, and railways), and state-of-the-art healthcare facilities.

Figure 1.3 Tourism Industry Overview in India



Source: Ministry of Tourism, Industry Articles & Ken Research Analysis

India Hotels Market

In 2023, India's hotel market had a total supply of over 400,000 rooms, with around 183,000 rooms (44%) under chain-affiliated hotels, while the rest were independent establishments. The market's Average Daily Rate (ADR) was INR 6,021, with an occupancy rate of 63.3%.

The overall market generated revenue of INR 836.7 billion, with room revenue being the primary contributor at INR 578.8 billion revenue generation.

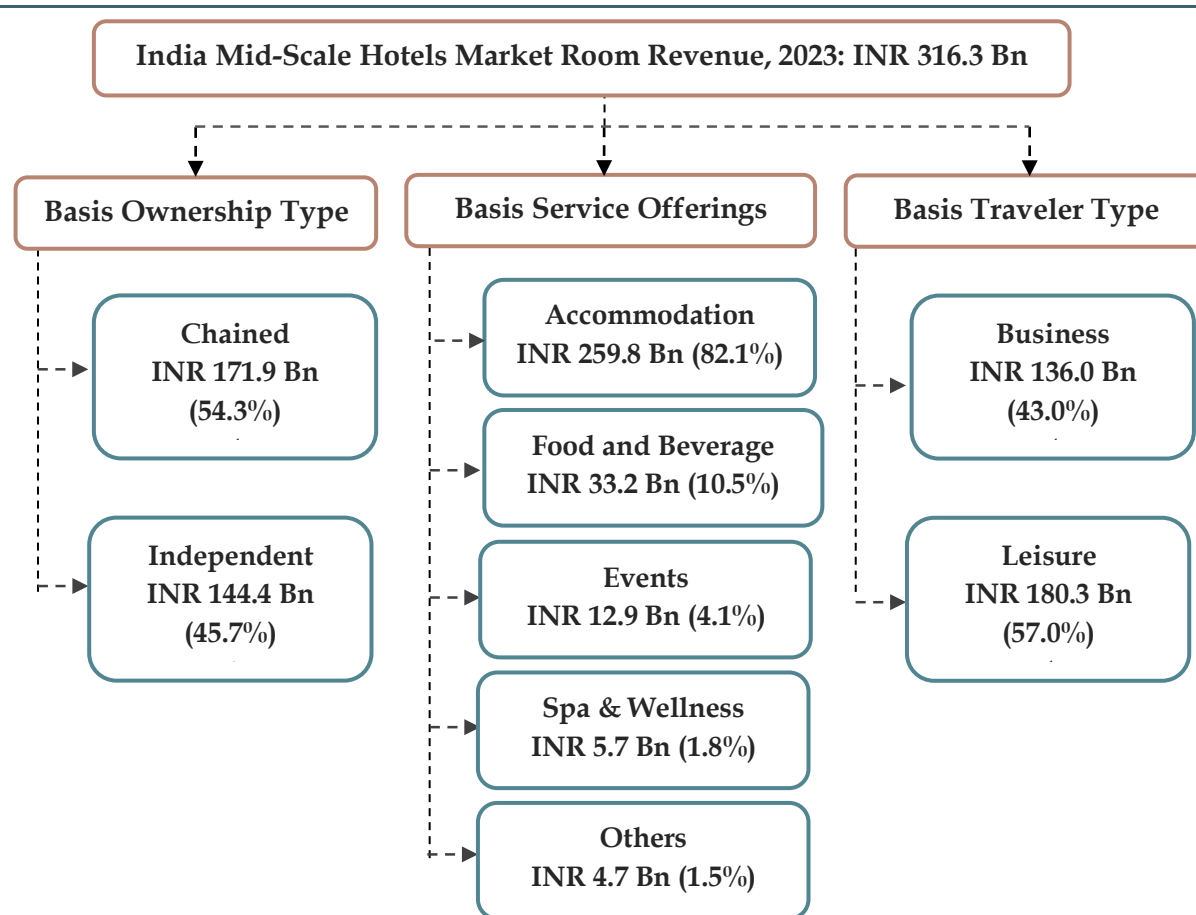
India Mid-Scale Hotels Market

The mid-scale hotel segment¹ in India represents approximately 56% of the total hotel room supply across the country. In 2023, this market provided 232,377 rooms and generated total revenues of INR 316.3 billion.

The Average Daily Rate (ADR) for these hotels was INR 4,806, with occupancy rates ranging from 63% to 64%, resulting in a Revenue Per Available Room (RevPAR) of INR 3,061.

Within this segment, chained hotels accounted for 111,264 rooms and generated revenue of INR 171.9 billion.

Figure 1.4 India Mid-Scale Hotels Market in Revenue Terms (INR Bn), 2023

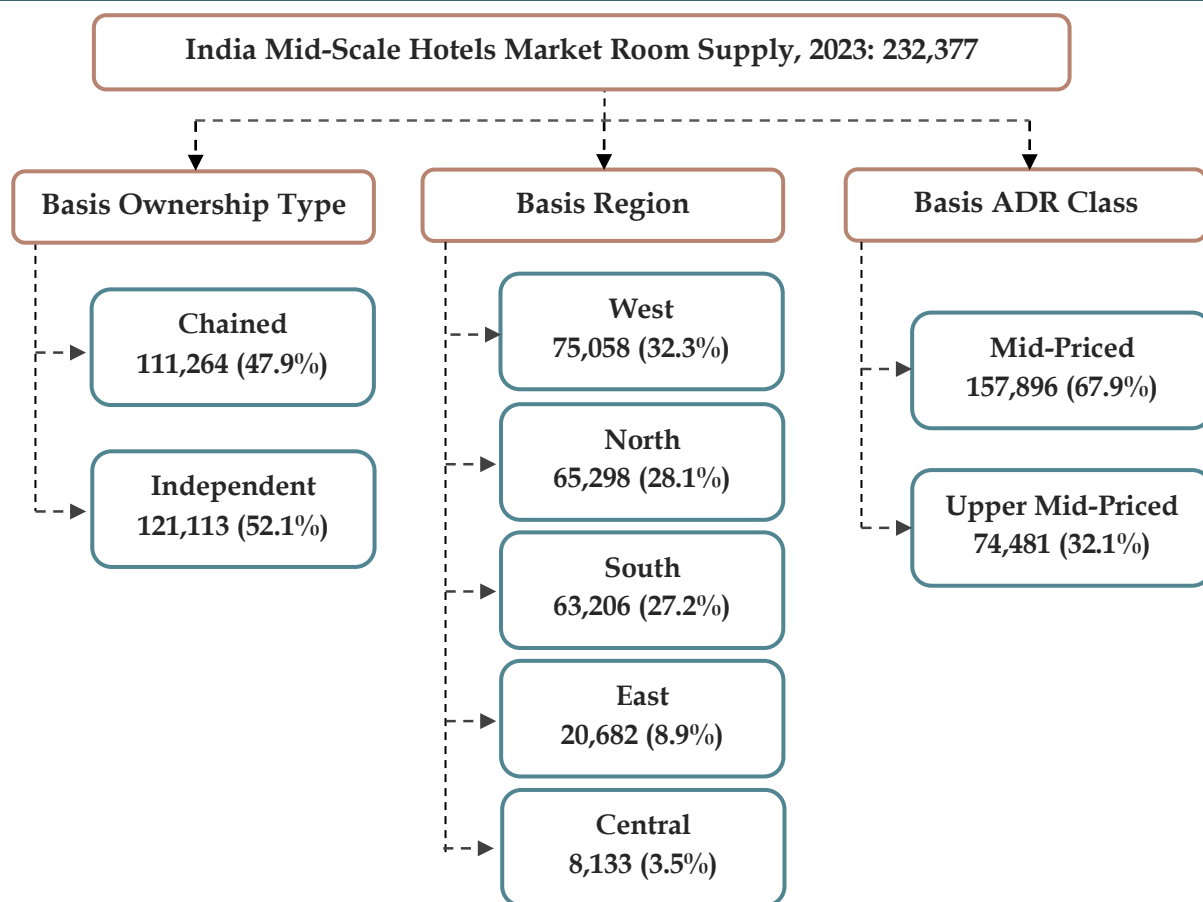


Source: Ken Research Analysis

Note: *Others include laundry and housekeeping services, Concierge services, Co-Working spaces, Technology services, etc.

¹ Mid-scale hotels in India have been defined as hotels, which typically offer rooms with an Average Daily Rate (ADR) between INR 3,000 and INR 7,500.

Figure 1.5 India Mid-Scale Hotels Market in terms of Room Supply, 2023



Source: Ken Research Analysis

Note: **North** includes Chandigarh, Delhi, Haryana, Punjab, Jammu and Kashmir, Ladakh, Uttar Pradesh, Uttarakhand; **West** includes Damam & Diu, Gujarat, Rajasthan, Maharashtra, Goa; **Central** includes Madhya Pradesh and Chhattisgarh; **East** includes Bihar, Sikkim, West Bengal, Odisha, Assam, Arunachal Pradesh, Mizoram, Tripura, Nagaland, Manipur, Meghalaya; **South** includes Karnataka, Telangana, Andhra Pradesh, Kerala, Tamil Nadu, Puducherry, Andaman and Nicobar Islands and Lakshadweep

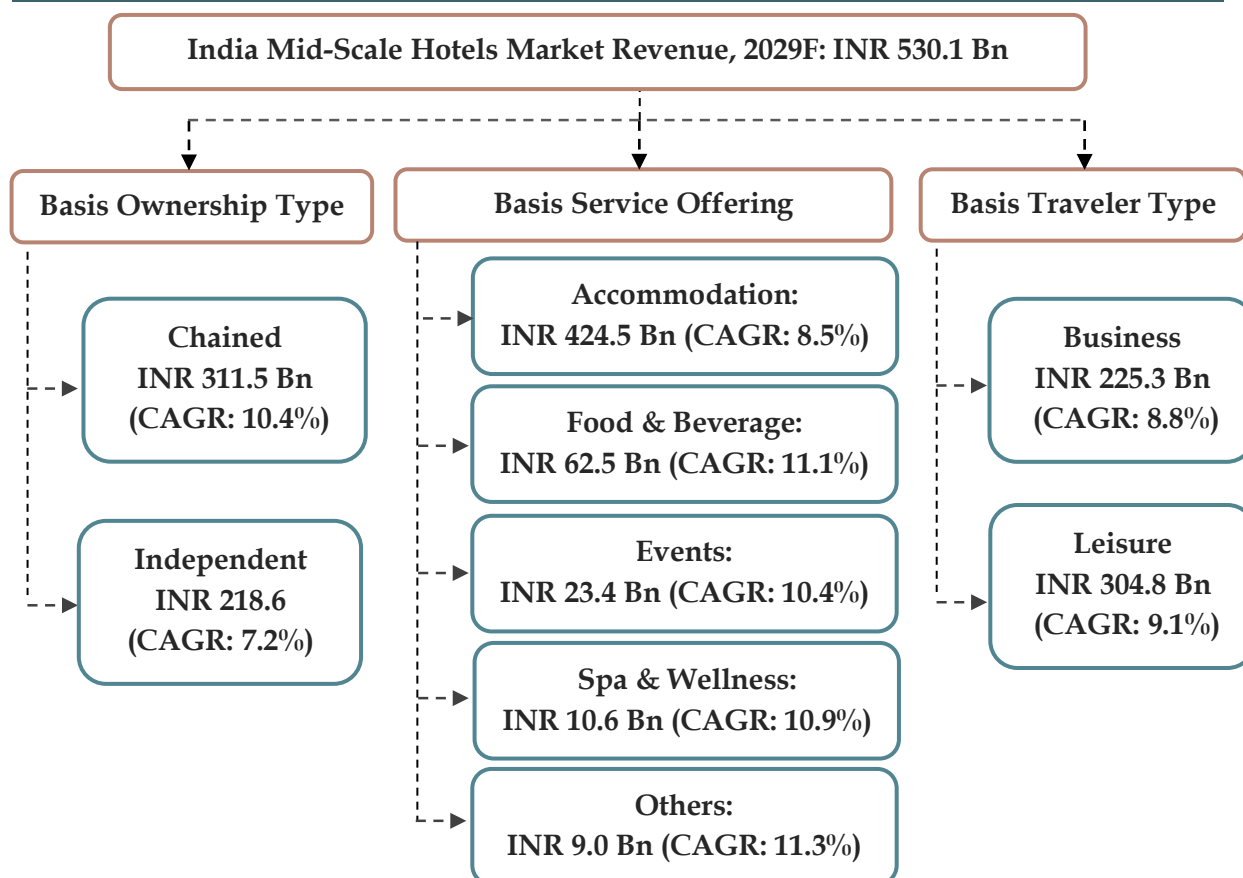
Note: Mid-Priced Category includes hotel rooms with ADR ranging between INR 3,000 – INR 5,000; Upper Mid-Priced Category includes hotel rooms with ADR ranging between INR 5,000 – INR 7,500

Table 1.1 Industry Overview – India Mid-Scale Hotels Market

Key Trends	Growth Drivers	Challenges & Threats
- Rise of Branded Hotels in Mid-Scale Segment - Technology & Digital Transformation - Tier-II & III cities as Emerging Markets - Religious and Spiritual Tourism	- Rising Disposable Income and Affluence - Urbanization & Infrastructural Development - Rise in Bleisure (Business + Leisure) Travel in India	Market challenges: - Increasing Competition - Shortage of Skilled Labor - Fluctuations in Demand - Consumer Price Sensitivity Market Threats - Alternative Accommodations - Environmental Regulations and Sustainability Pressures

Source: Ken Research Analysis

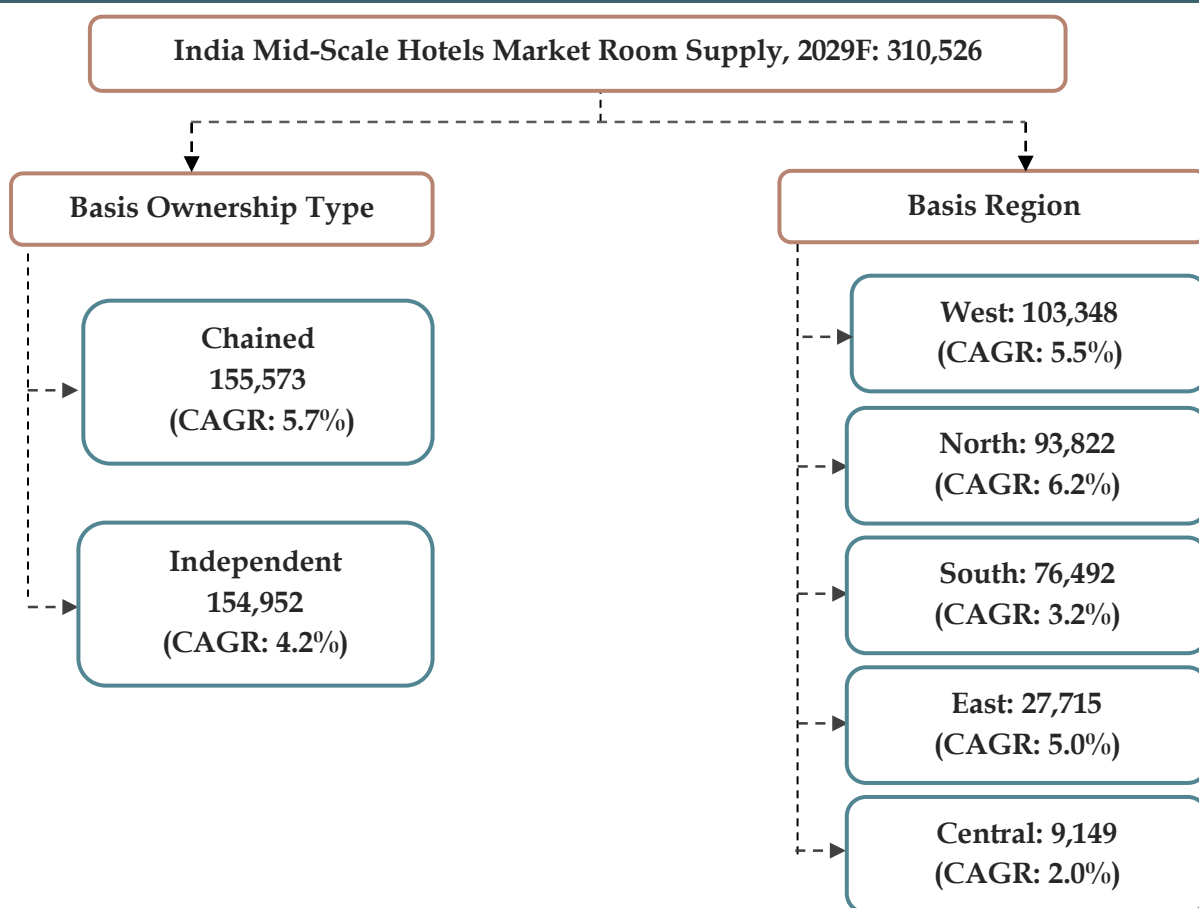
Figure 1.6 India Mid-Scale Hotels Market in Revenue terms, 2029F



Source: Ken Research Analysis; Note: *Others include laundry and housekeeping services, Concierge services, Co-Working spaces, Technology services, etc.; Note: CAGR is calculated for the period from 2023 to 2029F.

The mid-scale hotel market is anticipated to grow at a CAGR of 5.0% in terms of room supply from 2023 to 2029, reaching a total of 310,526 rooms by 2029. Revenue in this segment is projected to increase at a CAGR of 9.0%, resulting in an estimated total of INR 530.1 billion. This growth is driven by rising traveler expectations and the expansion of mid-scale hotel services.

Figure 1.7 India Mid-Scale Hotels Market in terms of Room Supply, 2029F



Source: Ken Research Analysis

Note: **North** includes Chandigarh, Delhi, Haryana, Punjab, Jammu and Kashmir, Ladakh, Uttar Pradesh, Uttarakhand; **West** includes Damam & Diu, Gujarat, Rajasthan, Maharashtra, Goa; **Central** includes Madhya Pradesh and Chhattisgarh; **East** includes Bihar, Sikkim, West Bengal, Odisha, Assam, Arunachal Pradesh, Mizoram, Tripura, Nagaland, Manipur, Meghalaya; **South** includes Karnataka, Telangana, Andhra Pradesh, Kerala, Tamil Nadu, Puducherry, Andaman and Nicobar Islands and Lakshadweep

Note: Mid-Priced Category includes hotel rooms with ADR ranging between INR 3,000 – INR 5,000; Upper Mid-Priced Category includes hotel rooms with ADR ranging between INR 5,000 – INR 7,500

Note: CAGR is calculated for the period from 2023 to 2029F.

Overview of Major Players

Table 1.2 Overview of Major Players in Mid-Scale Hotels Market of India, FY23 in INR Crore

Financial Parameters	Lemon Tree	Roots Corp. (Ginger)	Bloom Hotels	Fortune Park	Royal Orchid	Sayaji Hotels
Operational Hotels	100+	57	55+	48	100+	26
Number of rooms	9,000+	~6,000	4,300+	3,800+	5,900+	1,800+
Total Revenue	875.0	306.7	144.0	44.4	263.5	271.1
EBITDA	544.2	74.0	12.4	8.0	81.8	82.9
PAT	139.7	71.1	6.0	5.3	49.2	35.1

Source: Interview with Industry Experts, Company Financial Reports and Ken Research Analysis

Market Opportunity for The Grand Continent Hotels in International Market

Table 1.3 Mid-Scale Hotel Market Size in International Markets

Region	Market Size, 2023 in USD Mn	Market Size, 2029F in USD Mn	CAGR (2023- 2029F)
London	2,932.1	3,667.5	3.8%
Dubai	2,168.8	3,236.6	6.9%
Maldives	1,655.6	2,799.7	9.1%
Singapore	1,362.9	1,774.8	4.5%
Bangkok	931.1	1,494.1	8.2%
Manila	529.8	747.3	5.9%
Riyadh	341.3	566.1	8.8%
Jakarta	314.5	474.6	7.1%
Georgia	275.4	395.1	6.2%
Abu Dhabi	219.8	303.0	5.5%
Baku	45.3	80.2	10.0%

Source: Industry Association and Government Portals of respective cities, Interview with Industry Experts, and Ken Research Analysis

2. MACROECONOMIC OVERVIEW

2.1. GLOBAL MACROECONOMIC SCENARIO

“Global nominal GDP has grown at a CAGR of 4.6% over the past five years (Figure 2.1). Three years post the largest economic shock, recovery continues with widening regional growth disparities.”

After a strong initial rebound from the depths of the COVID-19 pandemic, the pace of recovery has moderated. Several forces are holding back the recovery. Some reflect the long-term consequences of the pandemic, Russia’s war in Ukraine, and increasing geo-economic fragmentation. Others are more cyclical, including the effects of monetary policy tightening necessary to reduce inflation, withdrawal of fiscal support amid high debt, and extreme weather events.

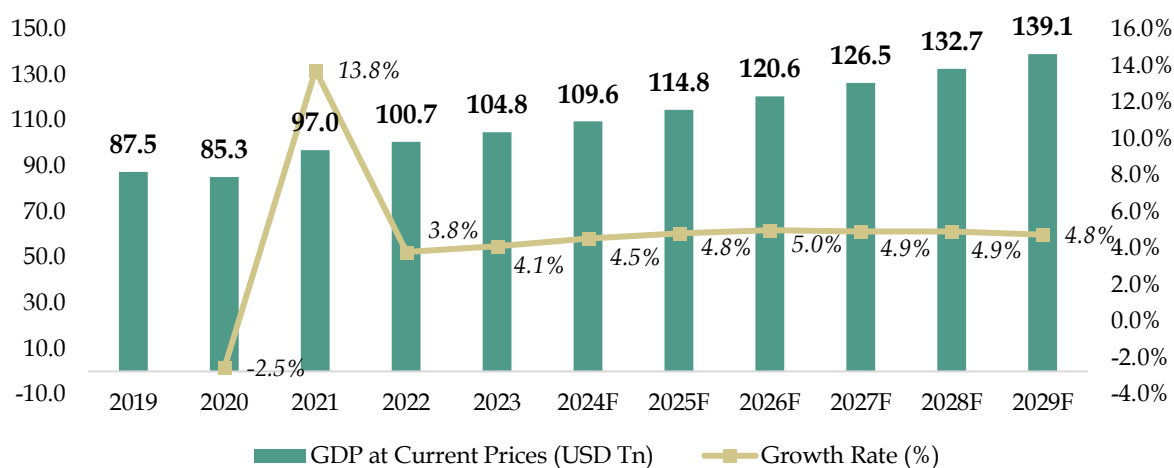
According to the International Monetary Fund (IMF)’s World Economic Outlook growth projections, the global economic growth for CY23 was 4.1% year-on-year (y-o-y), up from 3.8% in CY22 (Figure 2.1) due to recovery from the COVID-19 pandemic, fiscal and monetary stimulus, stabilized supply chains, increased consumer spending, digital transformation, a rebound in international trade, and renewed business investments in technology and healthcare. The global economic growth for CY24 is projected to stand at 4.5%, attributed to growth resilience in major economies driven by high government and private spending, rapidly subsiding inflation rates, and advanced economies easing their fiscal policies. Global inflation is forecast to decline steadily, from 6.2% in 2023 to 5.3% in 2024 and 4.0% in 2025.²

For advanced economies, growth is expected to slow down from 5.5% in 2023 to 4.0% in 2024¹. The United States, the world’s largest economy, is expected to see a drop in GDP

² International Monetary Fund

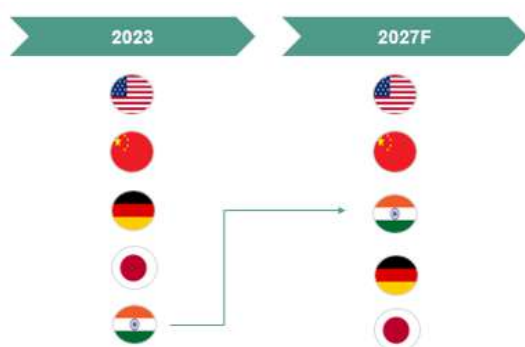
growth from 6.3% in 2023 to 5.2% in 2024. Consumer spending, a key driver of its economy, is likely to weaken due to various factors, including high interest rates and a softening labor market. The Euro area experienced a significant growth of 9.0% in 2023 and is expected to stabilize at 3.4% growth rate in 2024 & 2025 after a decline of 3.6% in 2022. This recovery is underpinned by stronger household consumption as the impact of energy price shocks diminishes, coupled with a decrease in inflation, thereby bolstering real income growth. Japan & Germany also face significant economic headwinds, with growth rates forecasted at -2.4% & 2.9% respectively in 2024.

Figure 2.1 Global GDP (at current prices) Outlook, 2019-2029F



Source: Ken Research Analysis and World Economic Outlook, 2024 (IMF)

Note: F represents Forecasted figures

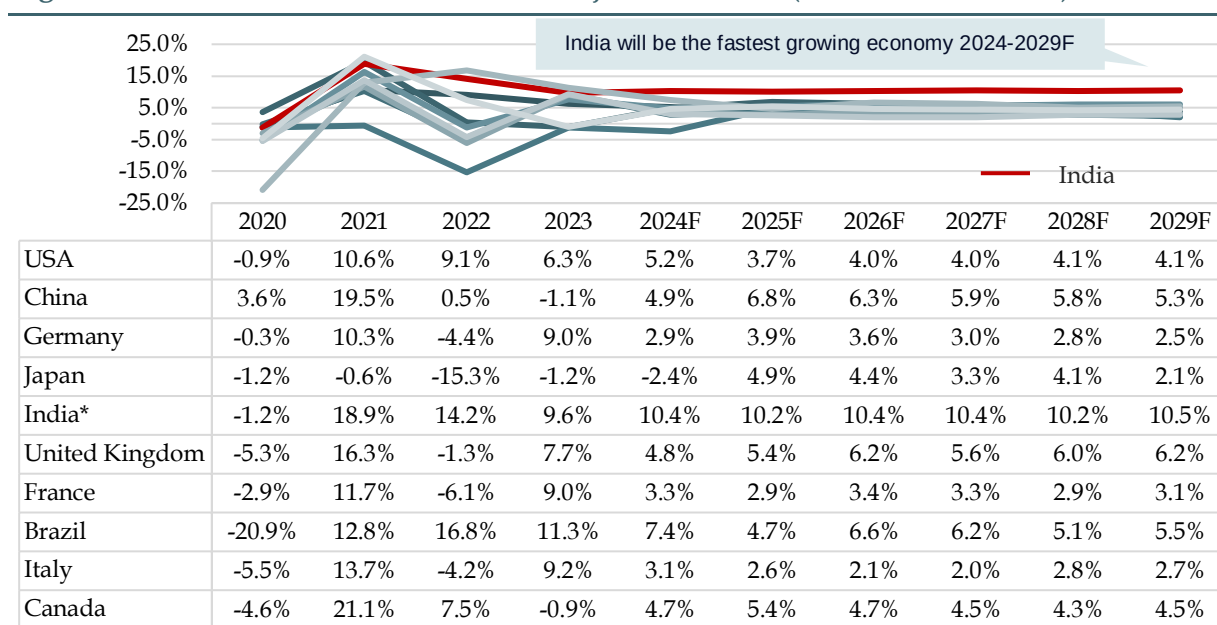


Conversely, emerging economies, which saw a modest GDP growth of 2.2% in 2023, are projected to accelerate significantly to 5.2% in 2024. In China, growth is projected to rise from -1.1% in 2023 to 4.9% in 2024, with rising production demand, stable prices and employment rates, improvement in the service sector and growing market confidence. Besides, India stands out as the fastest growing economy among the major

economies. By CY27, the Indian economy is estimated to emerge as the third largest economy globally, hopping over Japan and Germany.

India has shown a fair degree of resilience to the four Cs affecting the global economy – COVID-19, conflict (geopolitical), climate change, and central bank actions. Despite Covid-19's impact, high inflationary environment and interest rates globally, and the geopolitical tensions in Europe, India has been a major contributor to world economic growth. India is increasingly becoming an open economy as well through growing foreign trade. Despite the global inflation and uncertainties, Indian economy continues to show resilience. This resilience is mainly supported by stable financial sector backed by well-capitalized banks and export of services in trade balance. With this, the growth of Indian economy is expected to fare better than other economies majorly on account of strong investment activity bolstered by the government's capex push and buoyant private consumption, particularly among higher income earners.

Figure 2.2 Trend in GDP Growth across Major Economies (Growth Rates, in %)



Source: Ken Research Analysis and World Economic Outlook, 2024 (IMF); Note: F represents Forecasted figures

* Numbers for India are for Financial Year (Financial Year 2020-2021 is 2020 and so on) and as per IMF forecast.

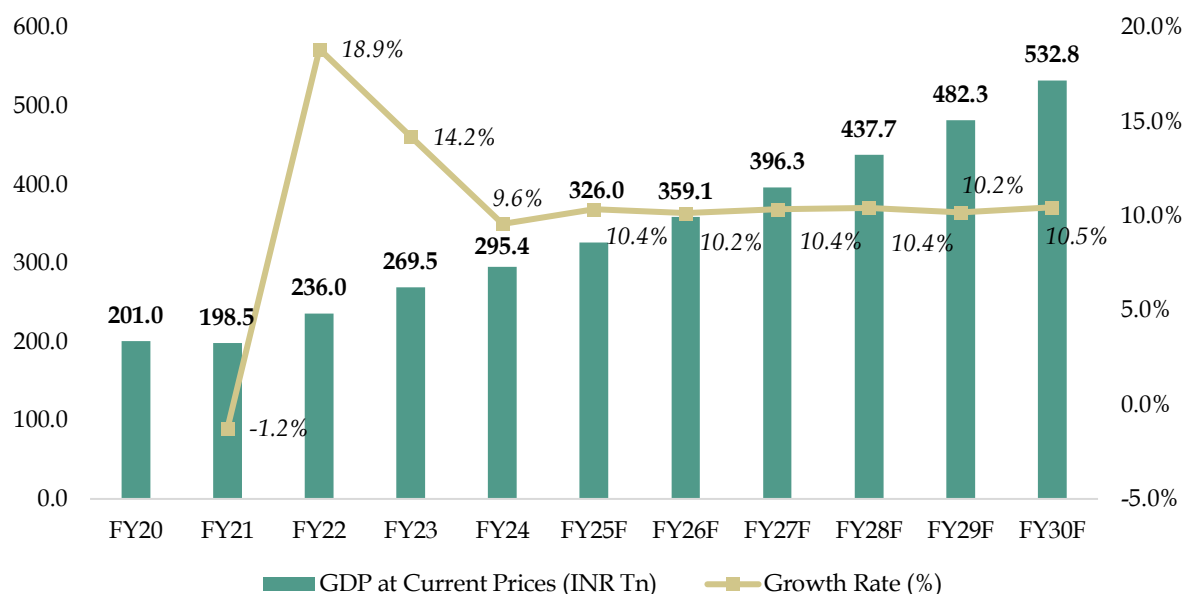
2.2. INDIAN ECONOMIC OUTLOOK

GDP Growth and Outlook

"India has emerged as the fastest-growing major economy in the world with nominal GDP growth rate of 10.4% expected in 2024, backed by its robust democracy and strong partnerships." (Figure 2.2)

Strong economic growth in the first quarter of FY23 helped India overcome the UK to become the fifth-largest economy after it recovered from the COVID-19 pandemic shock. India's appeal as a destination for investments has grown stronger and more sustainable because of the current period of global unpredictability and volatility, and the record amounts of money raised by India-focused funds in 2022 are evidence of investor faith in the "Invest in India" narrative.

Figure 2.3 India's GDP (at current prices) Outlook, in INR Tn FY20-FY30F



Source: Ministry of Statistics and Programme Implementation (MoSPI), World Economic Outlook, 2024 (IMF), Ken Research Analysis;

Note: F represents Forecasted figures, FY represents the Financial Year ending on March 31

In FY22, the economy recovered from the pandemic-related stress as restrictions were eased and economic

activity resumed, though inflation spiraled in the last quarter due to geopolitical pressures, with a GDP print of 18.9% vs -1.2% in FY21. In FY23, GDP rose 14.2% on strong growth momentum propelled by investments and private consumption. (Figure 2.3) The share of investments in GDP rose to an 11-year high of 34% and that of private consumption to an 18-year high of 58.5%.³

In FY24, nominal GDP grew at 9.6% and was estimated at INR 295.4 Tn (Figure 2.3) - driven by continued strong investment and subdued private consumption growth. Nominal GDP, or GDP at current prices in the March quarter of FY24, is estimated at INR 78.28 lakh crore, against INR 71.23 lakh crore in the year-ago period, showing a growth rate of 9.9% Additionally, India is expected to grow faster than China as well as the global average in CY2024.

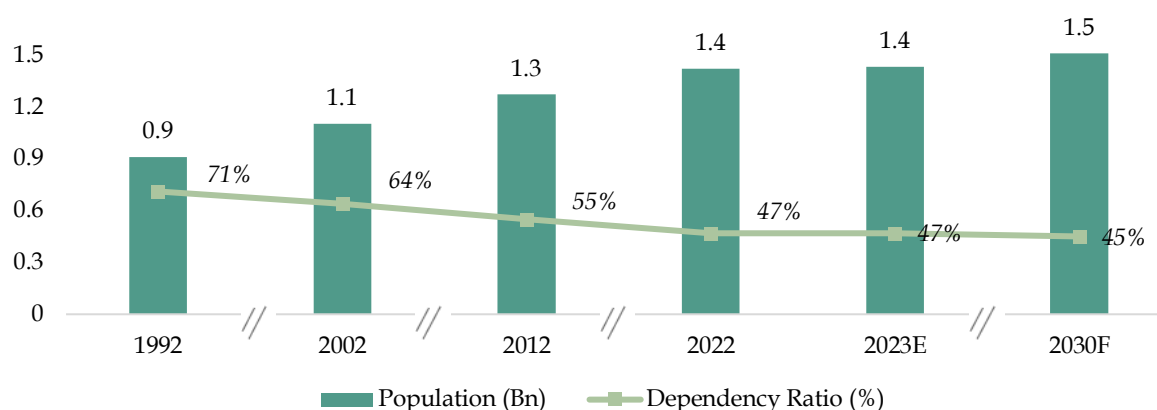
Overview on Key Demographic Parameters

The trajectory of economic growth of India and private consumption is driven by socio-economic factors such as demographics and urbanization

"India's GDP growth is driven by its rapidly expanding working-age population, with the Age Dependency Ratio expected to fall to 45% by 2030" (Figure 2.4).

According to the World Bank, India's population in 2022 exceeded 1.42 billion, slightly surpassing China's population of 1.41 billion, making India the most populous country in the world.

³ International Monetary Fund

Figure 2.4 Trend of Indian Population (in Bn) and vis-à-vis Dependency Ratio (%)

Source: World Bank Database & Ken Research Analysis

Note: E stands for Estimated; F stands for Forecasted

The Age Dependency Ratio measures the number of dependents (individuals younger than 15 and older than 64) relative to the working-age population (ages 15 to 64). This ratio has been on a downward trend, dropping from a high of 76% in 1982 to 47% in 2022. This decline signifies an increasing share of the working-age population generating income, a positive indicator for economic growth.

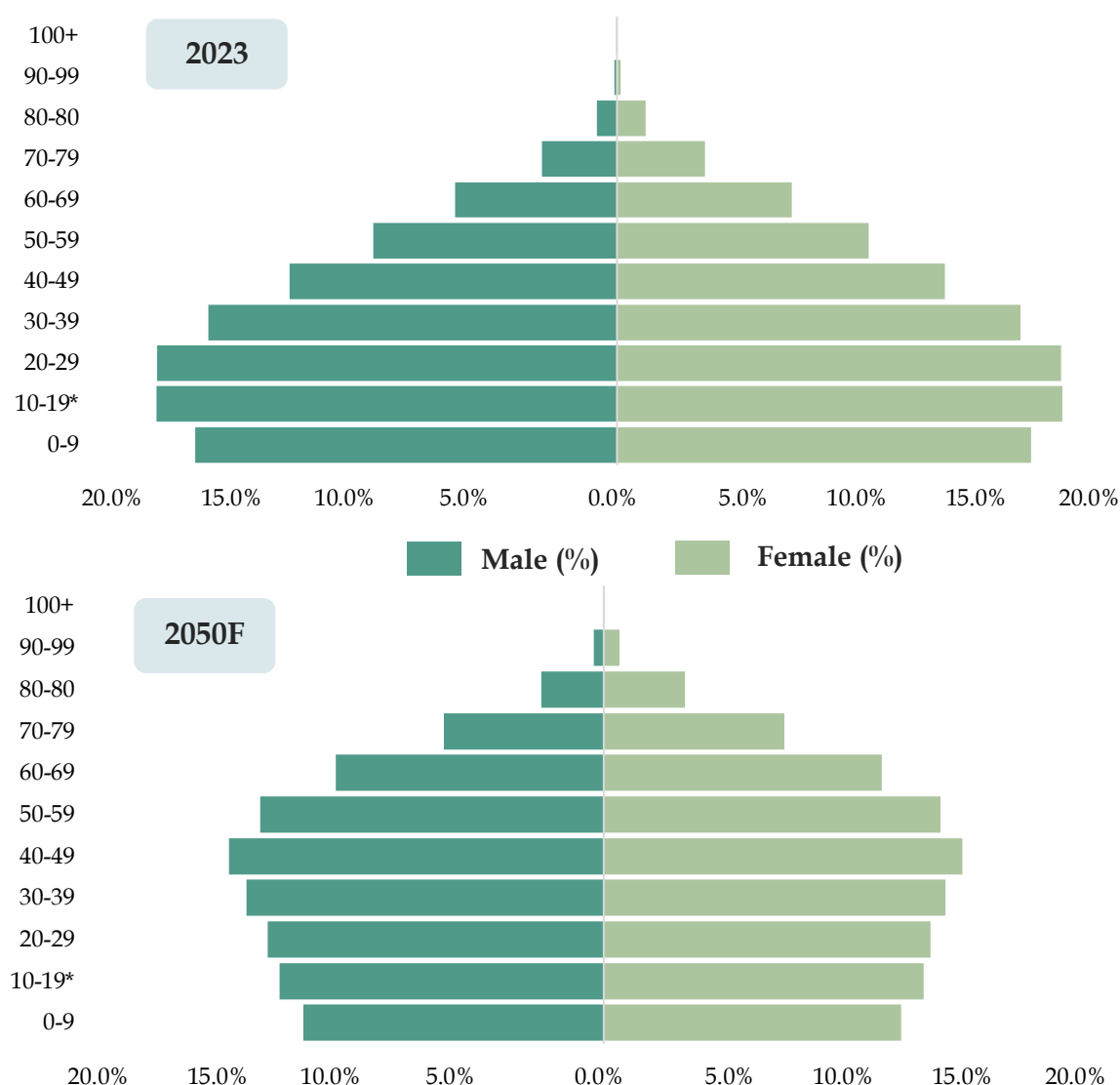
“India has entered a 37-year period of demographic dividend in 2018 due to lowering dependency ratio. Till 2055, India’s working-age population will be larger than the dependent population. During this period, countries experience a major growth rate. Japan, China and Singapore have already benefited from this.”

With a median age of 29, India boasts one of the youngest populations globally. Each year, a substantial number of young citizens enter the workforce, contributing to the potential for a significant ‘demographic dividend’. This term refers to the economic growth potential that arises when the working-age population is healthy, educated, and gainfully employed, accompanied by a low proportion of young dependents.

A large working population also brings enhanced discretionary spending power and a greater inclination to travel, which could benefit the mid-scale hotel sector. Business and downtown hotels, as well as leisure hotels, can be expected to grow by offering a balance of quality services and value that aligns with this demographic’s travel needs and preferences.

India's population pyramid reveals that over two-thirds of the population is of working age, with the elderly comprising less than 7%. By 2050, (Figure 2.5) the population distribution is expected to show a broad base extending into middle age (30-59 years). This age group typically represents the core of the labor force, driving sustained economic productivity and growth.

Figure 2.5 Population Pyramid Trend of India, 2023 & 2050F



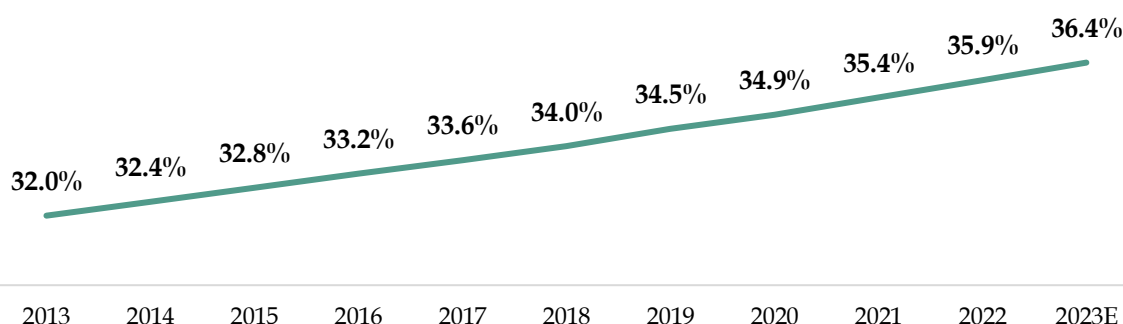
Source: UNPFA & Ken Research Analysis; Note: F refers to Forecasted figures

“By 2036, India’s towns and cities will be home to 600 million people, or 40% of the population, up from 31% in 2011, with urban areas contributing almost 70% to GDP.”⁴

The urban population is significantly growing in India. It is estimated to have increased from 403 million (31.6% of total population) in 2012 to 508 million (35.9% of total population) in the year 2022.⁵

Urbanization creates the need for jobs, thereby attracting investment and development of multiple business sectors, including manufacturing and services. 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 in metro cites, primary and secondary cities and towns.**

Figure 2.6 Urbanization Trend (%) in India, 2013-2023E



Source: World Bank Database & Ken Research Analysis

Note: E refers to Estimated figures

“Consumer demand in India expected to grow at healthy pace with rising per capita income”

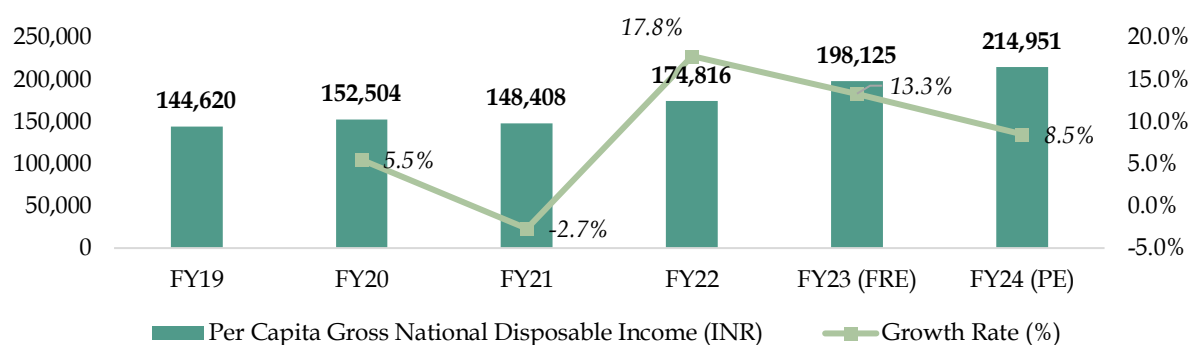
Gross National Disposable Income (GNDI) is a measure of the income available to the nation for final consumption and gross savings. Between the period FY19 to FY24, per capita GNDI at current prices registered a CAGR of 8.2%.

⁴ World Bank

⁵ Ministry of Housing and Urban Affairs

India's per capita Gross National Disposable Income, a broad indicator of living standards, rose from Rs 198,125 in FY23 to Rs 214,951 in FY24, logging growth rate of 8.5%. (Figure 2.7) Growth was driven by improved job opportunities, supported by overall GDP expansion. More disposable income drives more consumption, thereby driving economic growth.

Figure 2.7 Per Capita Gross National Disposable Income (Current Price) in INR, FY19-FY24

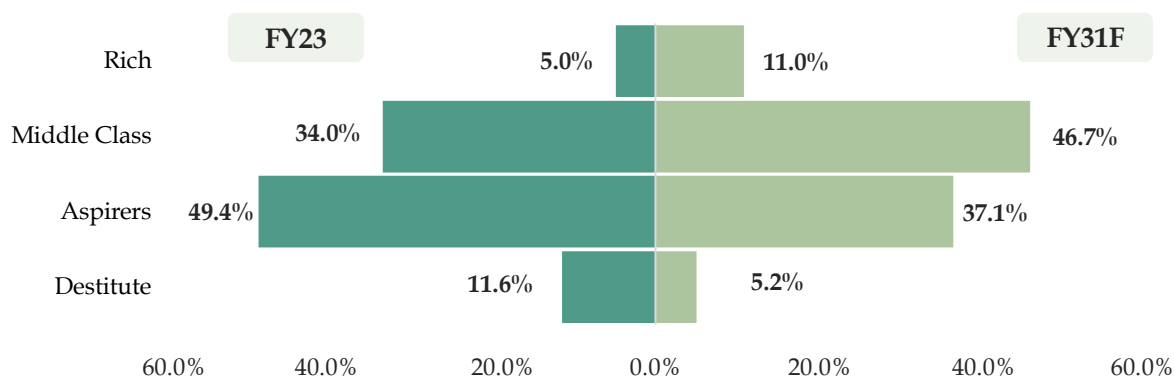


Source: MOSPI & Ken Research Analysis; Note: FRE: First Revised Estimates; PE: Provisional Estimates
 Note: FY represents the Financial Year ending on March 31

With incomes rising, there is significant upward mobility, with sections of the middle class is also slowly graduating to the upper class due to attitudinal and lifestyle changes creating demand potential for different services (rooms, F&B, functions, entertainment) at upper tier hotels.

The rich-income population is projected to grow the fastest, at 11.5% followed by middle-class population, at 5.0% annually between FY23 and FY31.

Figure 2.8 Indian Population - Segmented by Income Levels, FY23 and FY31F



Source: ICE 360° Survey and Ken Research Analysis

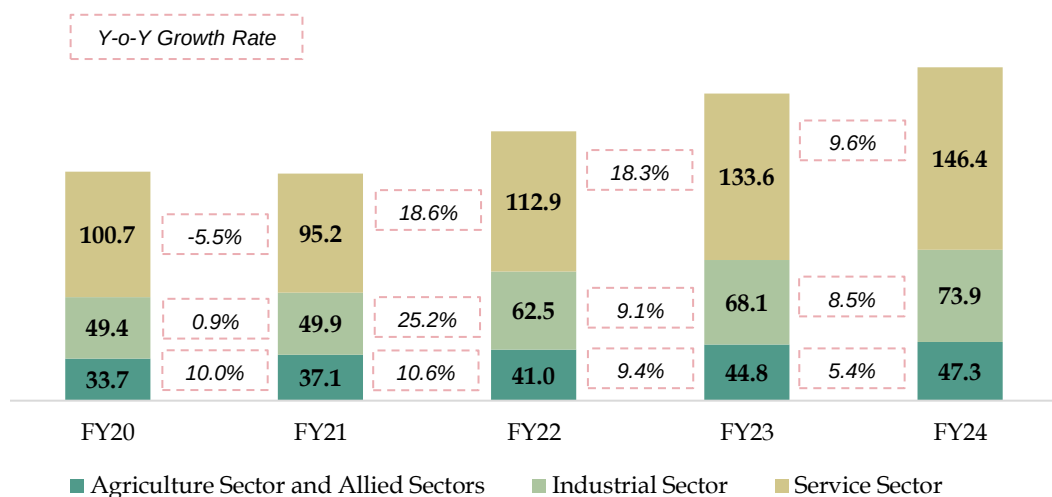
Note: F refers to Forecasted; FY represents the Financial Year ending on March 31

The **Destitutes** are defined as those earning less than INR 125,000 annually, representing the lowest income bracket. The **Aspirers** fall into the next tier, with annual earnings ranging from INR 125,000 to INR 500,000. Moving up the income ladder, the **Middle Class** encompasses individuals earning between INR 500,000 and INR 3,000,000 annually. Finally, the **Rich Class** includes those with annual earnings exceeding INR 3,000,000, representing the highest income group.

Sectoral Gross Value Addition Composition

“Of the three major sectors, the service sector has been the fastest-growing sector in the last 5 years registering a CAGR of 9.8%.”

Figure 2.9 Sectoral Gross Value Addition to Indian Economy in INR Tn and Growth Scenario, FY20-FY24



Source: Ministry of Statistics and Programme Implementation (MoSPI) & Ken Research Analysis

Note: FY represents the Financial Year ending on March 31

The agriculture sector was holding growth momentum till FY18. In FY19, the acreage for the rabi crop was marginally lower than the previous year, which affected agricultural performance. FY20 witnessed growth on account of improved production. During the pandemic-impacted period of FY21, the agriculture sector was largely insulated as timely and proactive exemptions from COVID-induced lockdowns facilitated uninterrupted harvesting of rabi crops and sowing of kharif crops. However, supply chain disruptions impacted the flow of agricultural goods, leading to high food inflation and an adverse initial impact on some major agricultural exports. Performance remained steady in FY22.

In FY23, the agriculture (including livestock, forestry & fishing) sector performed well despite weather-related disruptions, such as uneven monsoon and unseasonal rainfall, impacting yields of some major crops. It clocked a growth of 9.4% y-o-y, garnering INR 44.8 trillion. In FY24, this sector expanded at a slower pace of 5.4%, with the weakest monsoon experience caused by El Nino conditions. (Figure 2.9)

In the Interim Budget 2024-25, the government plans to boost private and public investment in post-harvest activities and expand the application of Nano-DAP across agro-climatic zones. Strategies for self-reliance in oilseeds and dairy development are to be formulated, alongside ramping up the Pradhan Mantri Matsya Sampada Yojana and establishing Integrated Aquaparks. Allocation for the PM-Formalisation of Micro Food Processing Enterprises scheme has increased from INR 639 crores in FY24 to INR 880 crores in FY25.

The industrial sector witnessed a CAGR of 9.8% for the period FY16 to FY19. From March 2020 onwards, the nationwide lockdown due to the pandemic significantly impacted industrial activities. In FY20 and FY21, this sector experienced turbulence due to the pandemic, recording growth rates of -1.0% and 0.9% respectively, on a y-o-y

basis. With the opening up of the economy and resumption of industrial activities, it registered y-o-y growth of 25.2% in FY22.

The industrial output in FY23 grew by 9.1%, with an estimated value of INR 68.1 trillion, owing to a rebound in manufacturing activities and healthy growth in the construction sector. The industrial sector grew by 8.5% in FY24 owing to positive business optimism and strong growth in new orders that supported manufacturing output. (Figure 2.9) The industrial growth was mainly supported by sustained momentum in the manufacturing and construction sectors. Within manufacturing, industries such as pharma, motor vehicles, metals, and petroleum witnessed higher production growth during the quarter.

India's industrial sector is experiencing strong growth, driven by significant expansion in manufacturing, mining, and construction. This growth is supported by positive business sentiment, declining commodity prices, beneficial government policies like production-linked incentive schemes, and efforts to boost infrastructure development. These factors collectively contribute to the sustained buoyancy in industrial growth.

The Services sector recorded a CAGR of 11.2% for the period FY16 to FY20, led by trade, hotels, transport, communication, services related to broadcasting, finance, real estate, and professional services. This sector was the hardest hit by the pandemic and registered an 5.5% y-o-y decline in FY21. The easing of restrictions aided a fast rebound in this sector, with y-o-y growth of 18.6% and 18.3% witnessed in FY22 and FY23 respectively.

Overall, in FY24, benefiting from pent-up demand, the service sector was valued at INR 146.4 trillion and registered growth of 9.6% y-o-y. (Figure 2.9) Within services, there was a broad-based improvement in growth across different sub-sectors. However, the sharpest jump was seen in financial, real estate, and professional services. Trade, hotels, and transport sub-sectors expanded at a

healthy pace, gaining from strength in discretionary demand.

Growth Trend in Investment and Consumption Demand

“India is one of the most attractive FDI destinations in the world today with a total FDI inflow of USD 71 Bn in FY24.”

The Government has put in place an investor friendly Foreign Direct Investment (FDI) policy under which most sectors except certain strategically important sectors are open for 100% FDI under the automatic route.

Measures taken by the Government on FDI Policy reforms have resulted in increased FDI inflow in the country. FDI inflow in India stood at USD 36 billion in 2013-14 and registered its highest ever annual FDI inflow of USD 84 billion in FY22.

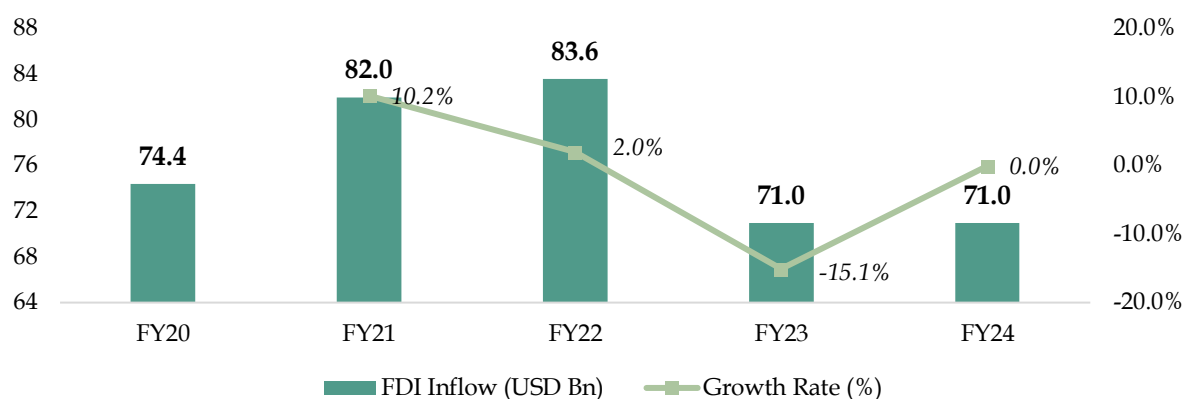
Total FDI inflows in the country in the FY 2023-24 is USD 70.95 Bn and FDI equity inflows stands at USD 44.42 Bn.

Singapore (26.6%), Mauritius (18%), USA (11.3%), Netherland (11%) and Japan (7.2%) emerge as top 5 countries for FDI equity inflows into India FY 2023-24.

Top 5 sectors receiving highest FDI Equity Inflow during FY 2023-24 are Manufacturing (20%), Electricity and Other Energy Generation Distribution & Transmission (12%), Computer Services (11%), Financial Services (10%), Retail and wholesale trade (9%)

Top 5 States receiving highest FDI Equity Inflow during FY 2023-24 are Maharashtra (30%), Karnataka (22%), Gujarat (17%), Delhi (13%), and Tamil Nadu (5%).⁶

⁶ Press Information Bureau

Figure 2.10 Foreign Direct Investment in USD Billion and Y-o-Y Growth Rates, FY20-FY24

Source: Invest India, Make in India, Press Information Bureau & Ken Research Analysis

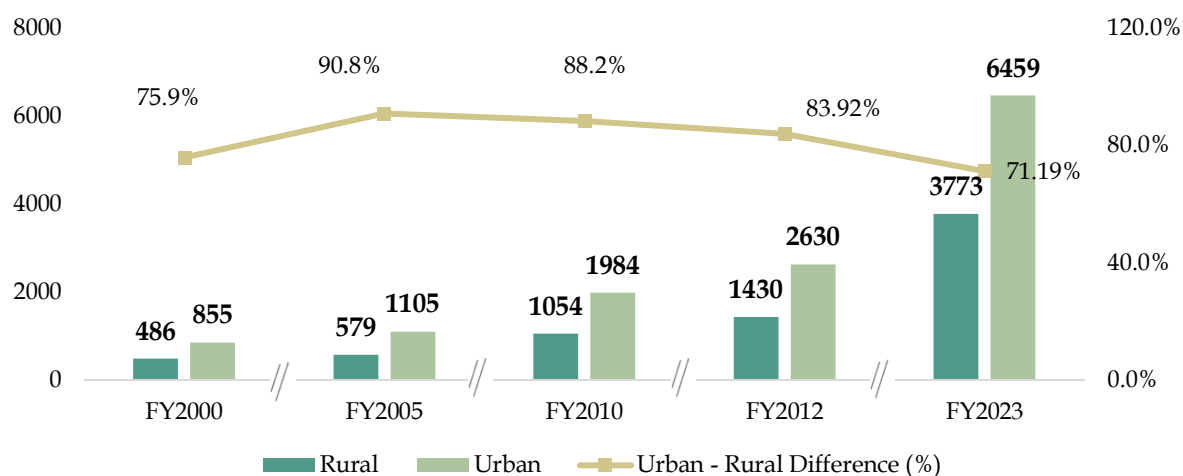
Note: FY represents the Financial Year ending on March 31

Monthly Per Capita Consumption Expenditure (MPCE) implies summary of level of household consumption expenditure. Average estimated MPCE in FY23 has been INR 3,773 in rural India and INR 6,459 in urban India. In rural India, food items account for 46% of the total MPCE, while in urban India, this share is 39%.

The bottom 5% of India's rural population, ranked by MPCE, has an average MPCE of INR 1,373 while it is INR 2,001 for the same category of population in the urban areas. (Figure 2.11)

Among the states, MPCE is the highest in Sikkim for both rural and urban areas (Rural – INR 7,731 and Urban – INR 12,105). It is the lowest in Chhattisgarh (Rural – INR 2,466 and Urban – INR 4,483). The rural-urban difference in average MPCE, among the states is the highest in Meghalaya (83%) followed by Chhattisgarh (82%). Among the UTs, MPCE is the highest in Chandigarh (Rural – INR 7,467 and Urban – INR 12,575), whereas, it is the lowest in Ladakh (INR 4,035) and Lakshadweep (INR 5,475) for rural and urban areas respectively.⁷

⁷ Ministry of Statistics and Programme Implementation (MoSPI)

Figure 2.11 Average Monthly Per Capita Consumption Expenditure (MPCE) in INR, Current Prices

Source: Ministry of Statistics and Programme Implementation (MoSPI) & Ken Research Analysis

Note: FY represents the Financial Year ending on March 31

Inflation scenario & interest rate movement

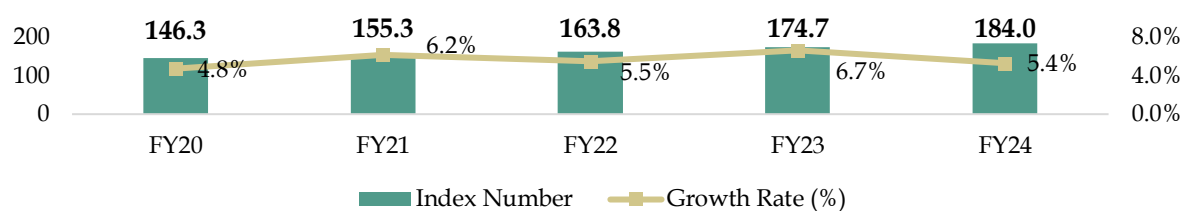
“India’s consumer price index (CPI), which tracks retail price inflation, stood at an average of 5.4% in FY24” (Figure 2.12)

In FY22, CPI stood at an average of 5.5% within the RBI’s targeted tolerance band of 6%. However, consumer inflation started to upswing from October 2021 onwards and reached a tolerance level of 6% in January 2022. Following this, CPI reached 6.9% in March 2022. CPI remained elevated at an average of 6.7% in FY23, above the RBI’s tolerance level. However, there was some respite toward the end of the fiscal year, with retail inflation standing at 5.7% in March 2023 and at 5.4% for the entire FY24, tracing back to the RBI’s tolerance band. Apart from a favorable base effect, the relief in retail inflation came from a moderation in food inflation.

In the current fiscal year FY24, the CPI moderated for two consecutive months to 4.7% in April 2023 and 4.3% in May 2023. This trend snapped in June 2023, with CPI rising to 4.9%. In July 2023, the CPI had reached the RBI’s target range for the first time since February 2023 at 7.4%, largely

due to increased food inflation. This marked the highest reading observed since the peak in April 2022 at 7.8%. The notable surge in vegetable prices and elevated inflation in other food categories such as cereals, pulses, spices, and milk drove this increase. Further, the contribution of food and beverages to overall inflation had risen significantly to 65%, surpassing their weight in the CPI basket.

Figure 2.12 Retail Price Inflation in terms of index and Growth Rate (%) (Base: 2011-12=100)



Source: Ministry of Statistics and Programme Implementation (MoSPI) & Ken Research Analysis

Note: FY represents the Financial Year ending on March 31

In August 2023, food inflation witnessed some moderation owing to the government's active intervention. This was further moderated for the second consecutive month in September 2023 to 5%, led by a sharp correction in vegetable prices and lower LPG prices. Helped by deflation in the fuel and light category, retail inflation in October 2023 softened to 4.9%. This trend reversed in November 2023 due to a spike in certain vegetable prices as well as sticky inflation in non-perishable food items such as cereals, pulses, and spices, and the CPI rose to 5.6%. In December 2023, elevated food prices and an unfavorable base drove headline inflation to a four-month peak of 5.7%. However, in January 2024 and following months, food prices softened marginally, and inflation was reported lower than 5.1%.

While the consistent decrease in core inflation due to falling commodity prices and diminishing demand-side pressures is encouraging, the ongoing high food inflation, potentially exacerbated by a projected drop in Kharif production and uncertainties around Rabi sowing, remains worrisome.

Table 2.1 Consumer Price Index Rate in %, FY22-FY24

Year	Apr	May	Jun	Jul	Aug	Sep	Aug	Nov	Dec	Jan	Feb	Mar
FY22	4.3%	6.3%	6.3%	5.6%	5.3%	4.4%	4.5%	4.9%	5.6%	6.0%	6.1%	7.0%
FY23	7.8%	7.0%	7.0%	6.7%	7.0%	7.4%	6.8%	5.9%	5.7%	6.5%	6.4%	5.7%
FY24	4.7%	4.3%	4.8%	7.4%	6.8%	5.0%	4.9%	5.6%	5.7%	5.1%	5.1%	4.9%

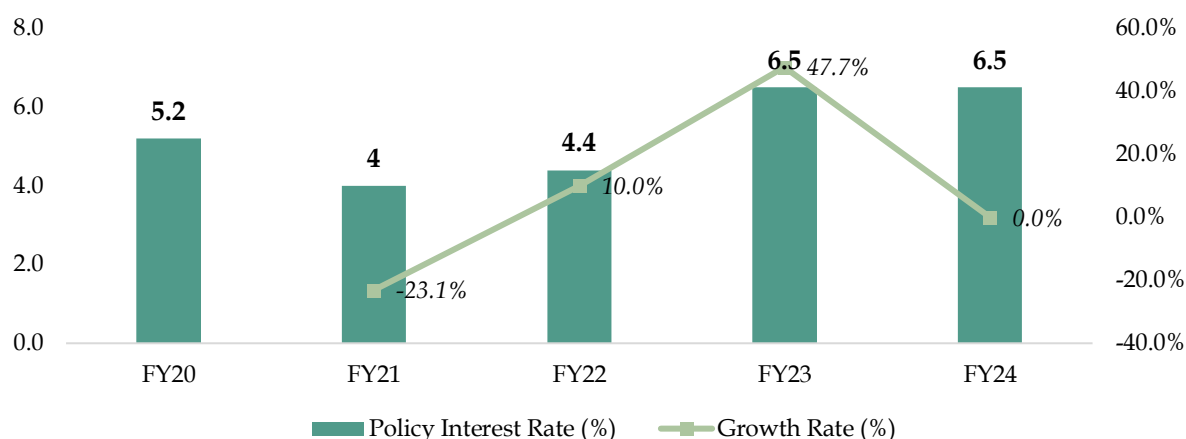
Source: MOSPI and Ken Research Analysis

Note: FY represents the Financial Year ending on March 31

At the beginning of FY22, the Reserve Bank of India (RBI) maintained a relatively stable repo rate of 4%. This was part of the accommodative stance taken since the onset of the COVID-19 pandemic to support economic recovery. In FY23, as inflation began to rise more significantly, particularly due to supply chain disruptions and increased global commodity prices, the RBI faced pressure to address inflationary concerns. In response, the RBI started increasing the repo rate. The first hike occurred in May 2022, moving the rate from 4% to 4.4%. Subsequent hikes followed as inflation continued to remain above the RBI's tolerance band.

In 2022, the RBI announced an increase in repo rate by 35 basis points. This was the fifth increase in 2022 post a 40 bps hike on May 4, 2022, and three consecutive 50 bps hikes each on June 8, 2022, August 5, 2022, and September 30, 2022. The revision took the repo rate to 6.25%.

In February 2023, The RBI increased the repo rate for the sixth time. The 25 bps hike took the repo rate to 6.5%. The RBI kept the repo rate unchanged during the first Monetary Policy Committee (MPC) meeting of FY23-24. The repo rate stands at 6.5%. In view of global inflation, the repo rate remains unchanged post several MPC meetings at 6.5%.

Figure 2.13 Repurchase Rate (REPO Rate) Trend and Y-o-Y Growth Rate (%), FY20-FY24

Source: Ministry of Statistics and Programme Implementation (MoSPI) & Ken Research Analysis

Note: FY represents the Financial Year ending on March 31

Way Forward

The long-term outlook for the Indian economy is supported by a number of key growth drivers. An important positive factor for India is its large and fast-growing middle class, which is helping to drive consumer spending. The rapidly growing Indian domestic consumer market as well as its large industrial sector have made India an increasingly important investment destination for a wide range of multinationals in many sectors, including manufacturing, infrastructure and services. The digital transformation of India that is currently underway is expected to accelerate the growth of e-commerce, changing the retail consumer market landscape over the next decade. This is attracting leading global multinationals in technology and ecommerce to the Indian market. By 2030, 1.1 billion people in India will have internet access, more than doubling from the estimated 500 million internet users in 2020. The rapid growth of e-commerce and the shift to 4G and 5G smartphone technology will boost home-grown unicorns like online e-commerce platform Mensa Brands, logistics startup Delhi very and the fast-growing online grocer Big-Basket, whose e-sales have surged during the pandemic. The large increase in FDI

inflows to India that has been evident over the past five years is also continuing with strong momentum evident even during the pandemic years of 2020-2022. India's strong FDI inflows have been boosted by large inflows of investments from global technology MNCs such as Google and Facebook that are attracted to India's large, fast-growing domestic consumer market, as well as a strong upturn in foreign direct investment inflows from manufacturing firms. Overall, India is expected to continue to be one of the world's fastest growing economies over the next decade. This will make India one of the most important long-term growth markets for multinationals in a wide range of industries, including manufacturing industries such as autos, electronics and chemicals to services industries such as banking, insurance, asset management, health care and information technology.

3. INDIA TOURISM INDUSTRY OVERVIEW

Tourism and hospitality industry play an important role in the country's economic growth. The appeal of the industry lies in the multitude of its impact on any economy. The tourism and hospitality industry, including travel and hospitality services such as hotels, is widely recognized as the engine of development, and socio-economic growth, and a major source of foreign exchange earnings for an economy. **In India, the tourism and hospitality industry, one of the "sunrise sectors", has emerged as a key growth driver in the services sector.**

It acts as a stimulant for the growth of multi-use infrastructure, including world-class hotels, resorts, exquisite restaurants, efficient transportation networks (aviation, roads, shipping, and railways), and state-of-the-art healthcare facilities.

India proudly boasts a tapestry of geographical diversity, encompassing awe-inspiring world heritage sites and niche tourism offerings such as captivating cruise tourism, exhilarating adventure tourism, renowned medical tourism, and mesmerizing eco-tourism. These unique offerings have resulted in an exponential increase in tourist arrivals, opening up vast employment opportunities.

The country, with a rich cultural and historical heritage, diversity in ecology, terrains, and myriad attractions, is one of the most popular holiday destinations worldwide, which has resulted in the rise of the Indian tourism and hospitality industry among all the services sectors in the country.

India's ranking in the Global Travel and Tourism Development Index (TTDI)

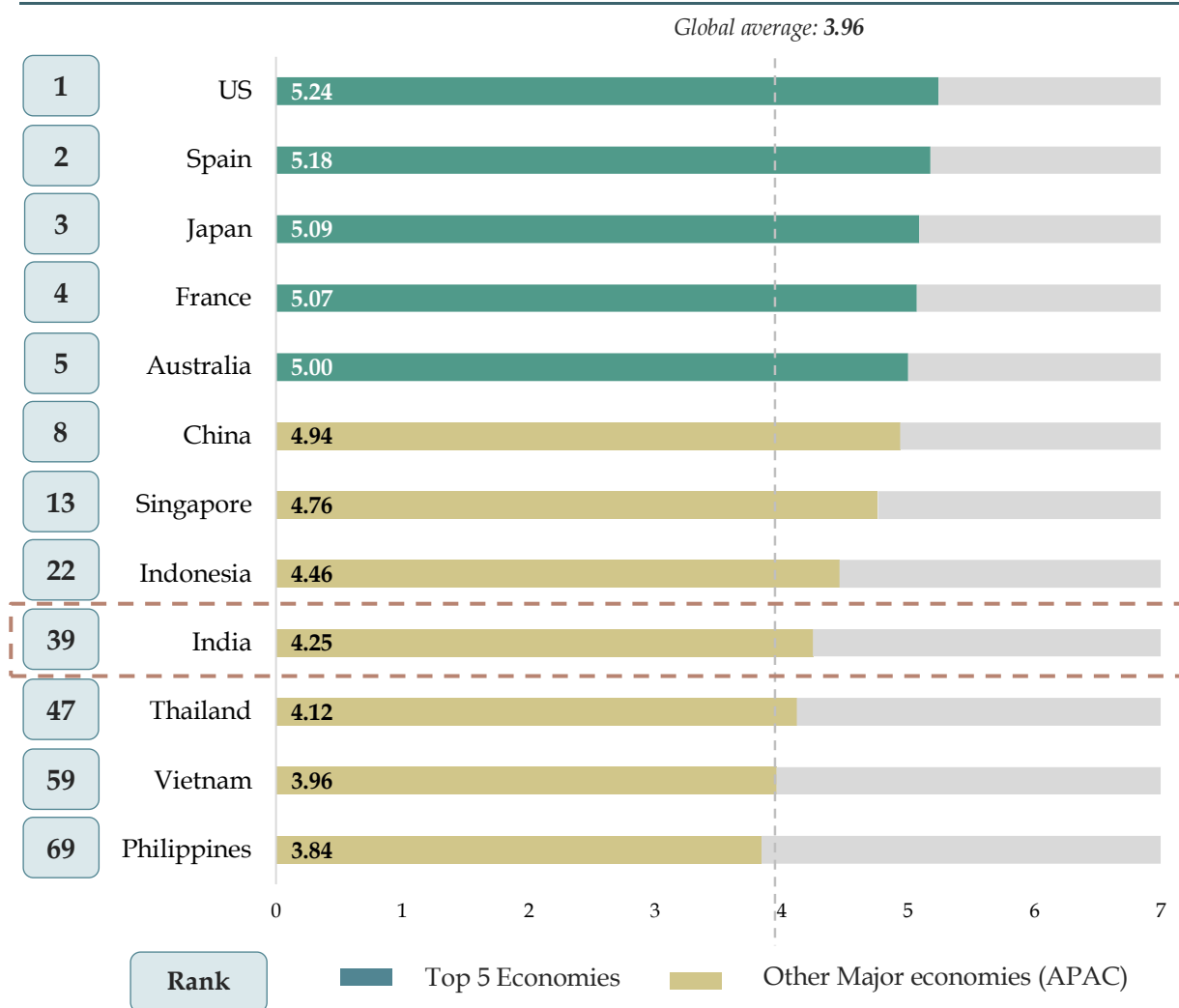
The Travel and Tourism Development Index (TTDI) released by The World Economic Forum evaluates the set of factors and policies that enable the sustainable and resilient development of the Travel and Tourism (T&T) sector across various economies. Covering 119 economies, the TTDI assesses how these factors and policies contribute to the overall development and competitiveness of a country's travel and tourism industry.

In 2024, Japan (3rd) is the top performer in the APAC region, with Australia (5th) and China (8th) ranking in the global top 10. China also has the region's largest and the world's second-largest T&T economy, **while India (39th) has the largest T&T sector in South Asia and scores as the TTDI's top lower-middle-income economy.**

According to the index, which was compiled in collaboration with the UK-based University of Surrey, **India demonstrates high price competitiveness (18th) and possesses competitive air transport (26th) as well as ground and port (25th) infrastructure.**

India's robust natural (6th), cultural (9th), and non-leisure (9th) resources contribute to its travel appeal, with the country being one of only three to secure a top 10 ranking across all resource pillars.

Figure 3.1 Travel & Tourism Development Index 2024 overall rankings

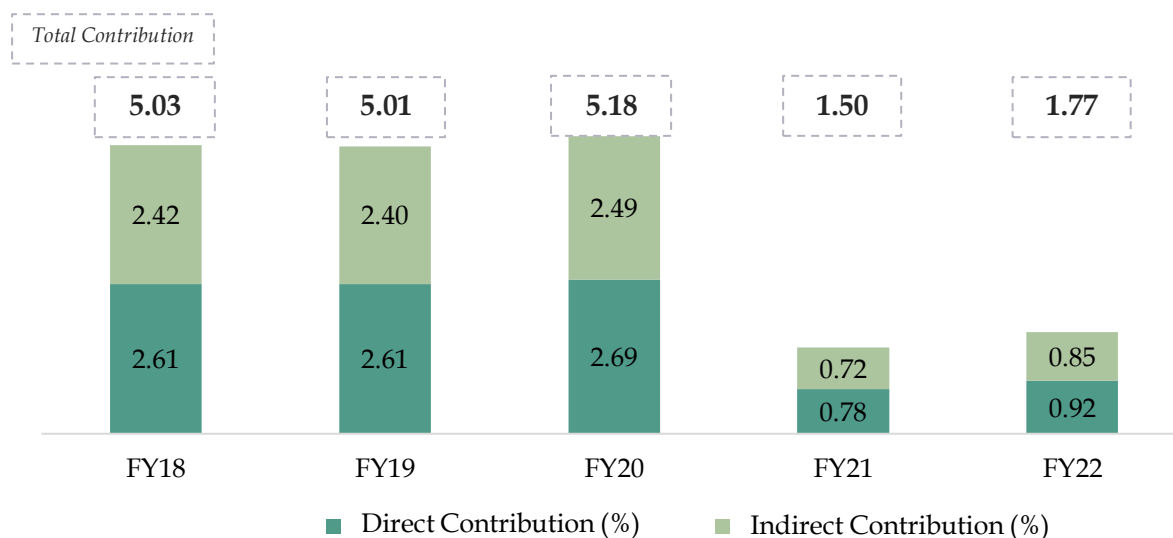


Source: World Economic Forum & Ken Research Analysis; Note: Index results represent the latest data available at the time of collection (end of 2023); Overall scores range from 1 to 7 where 1 = worst and 7 = best

Contribution of Tourism to India's GDP and Employment Scenario

India's total tourism GDP stood at INR 4,15,689 Cr. of which direct contribution stood at INR 2,16,185 Cr in FY22.

The share of tourism in the GDP declined in FY21 to 1.50% from 5.18% in FY20 due to the Covid pandemic. However, in the post-pandemic year FY22, the share of tourism in the total GDP increased to 1.77%.

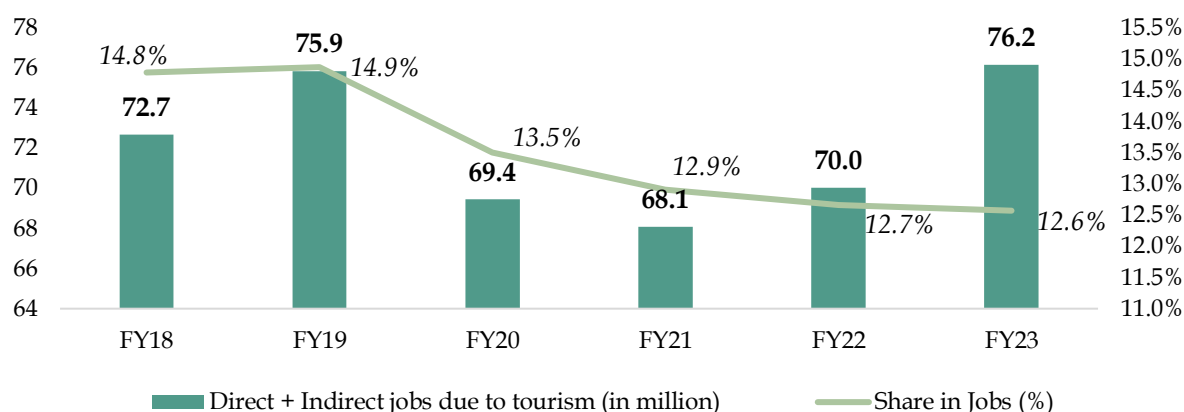
Figure 3.2 Contribution of Tourism to GDP in %, FY18-FY22

Source: Ministry of Tourism, Govt. of India & Ken Research Analysis

Note: FY represents Financial Year ending on March 31

The share of Tourism employment in the total employment of the economy declined in FY21 to 12.91% from 13.50% in FY20. In the post-pandemic year FY22, the share of Tourism employment was 12.66%.

Figure 3.3 depicts this contribution of tourism sector to India's employment.

Figure 3.3 Contribution of Tourism to Employment in terms of Number of Jobs (in Million) and Share (in %), FY18-FY23

Source: Ministry of Tourism, Govt. of India & Ken Research Analysis

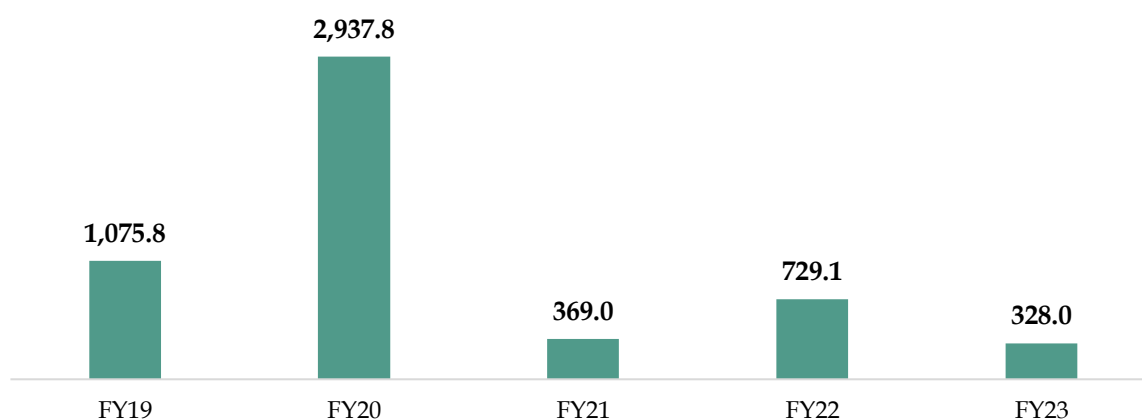
Note: FY represents Financial Year ending on March 31

Foreign Direct Investment in Tourism and Hospitality Sector

Embracing a progressive outlook, India welcomes 100% Foreign Direct Investment (FDI) in the tourism industry under the automatic route. Additionally, 100% FDI is permitted for tourism construction projects, including the development of exquisite hotels, resorts, and unparalleled recreational facilities.

In FY23, FDI equity inflow to the hotel and tourism industry in India amounted to around USD 328.0 Mn, accounting for 0.7% of the total FDI equity inflows into the country. Over the last 5 years, cumulative FDI equity inflow in the sector stood at USD 5,439.6 Mn.

Figure 3.4 FDI Equity Inflow in Hotel and Tourism Sector, FY19-FY23 in USD Mn



Source: Ministry of Finance, Govt. of India & Ken Research Analysis

Note: FY represents Financial Year ending on March 31

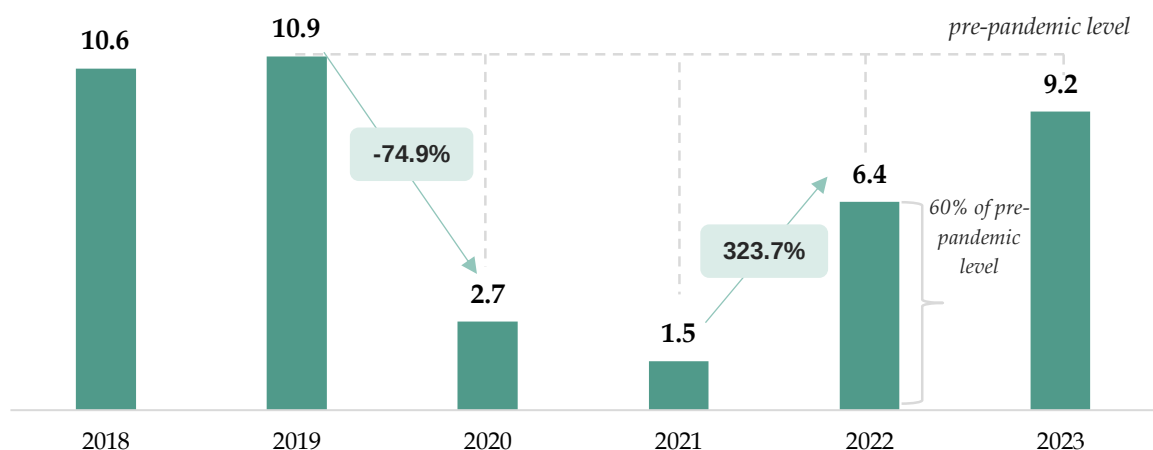


Foreign Tourist Arrivals

The Foreign Tourist Arrivals (FTAs) in India continued to grow from 2.54 million in 2001, 6.31 million in 2011 to reach 10.93 in year 2019. However, due to Covid -19 Pandemic across the world and subsequent lockdown announced in India in year 2020, FTAs drastically decreased in year 2020. Subsequently, after opening of the economy, tourism has shown increasing signs of revival. In year 2022, India registered 6.44 million FTAs i.e. attained around 60% of

pre-pandemic level with a growth of 323.7% over 2021. In 2023, 9.23 million foreign tourists visited India. Although the FTAs arrival tally still remains less than the pre-pandemic number of 10.93 million in 2019, 2024 numbers are expected to surpass it.

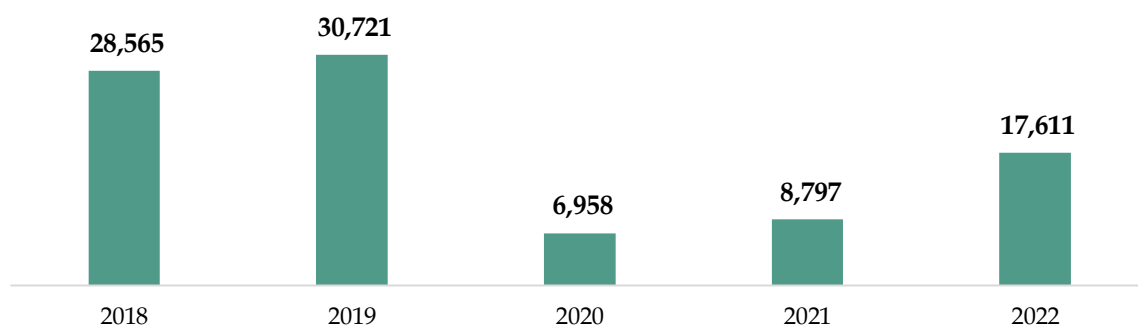
Figure 3.5 Foreign Tourists Arrivals in India in Million, 2018-2023



Source: Bureau of Immigration, Govt. of India & Ken Research Analysis

Tourism continues to play an important role as a foreign exchange earner for the country. In 2022, foreign exchange earnings (FEEs) from tourism were USD 17.611 billion as compared to USD 8.797 billion in 2021, registering a growth of 100.19% and achieved 57.33% recovery as compared to pre-pandemic year 2019.

Figure 3.6 Foreign Exchange Earnings from Tourism in India in USD Mn, 2018-2022



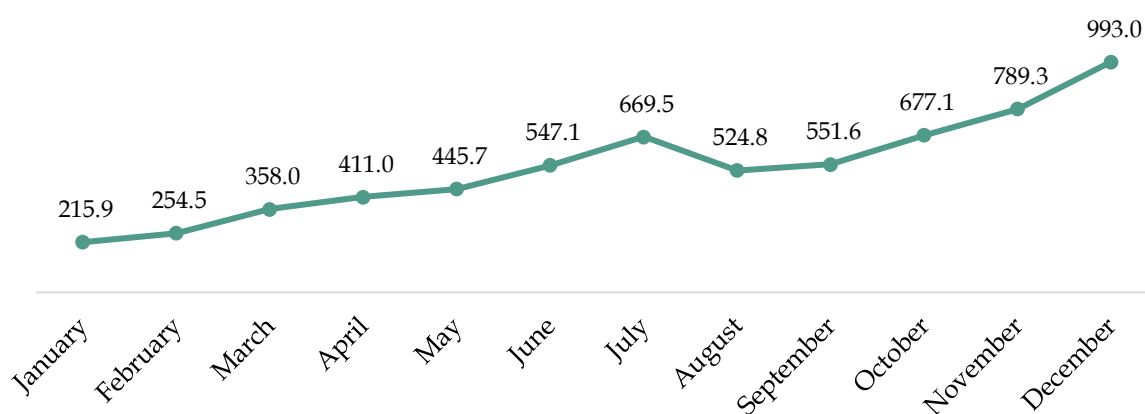
Source: Ministry of Tourism, Govt. of India & Ken Research Analysis

In 2022, the top 15 source countries for FTAs in India were the United States, Bangladesh, United Kingdom, Australia, Canada, Sri Lanka, Germany, Nepal, Singapore, Malaysia, France, Russian FED, Japan, Thailand & China. The top 15 nations accounted for approximately 78.6% of total FTAs in India.

Air travel is the most chosen mode of transportation. Around 83.5% of the FTAs entered India via air, 16.2% via land, and 0.3% via sea routes. Additionally, around 46% of the foreign tourists arrived in India through the Delhi and Mumbai airports.

Seasonality of FTA is reflected in Figure 3.7. The winter months are clearly preferred for travel into India, particularly for discretionary travel.

Figure 3.7 Foreign Tourists Arrival Month-wise Seasonality in '000 India, 2022

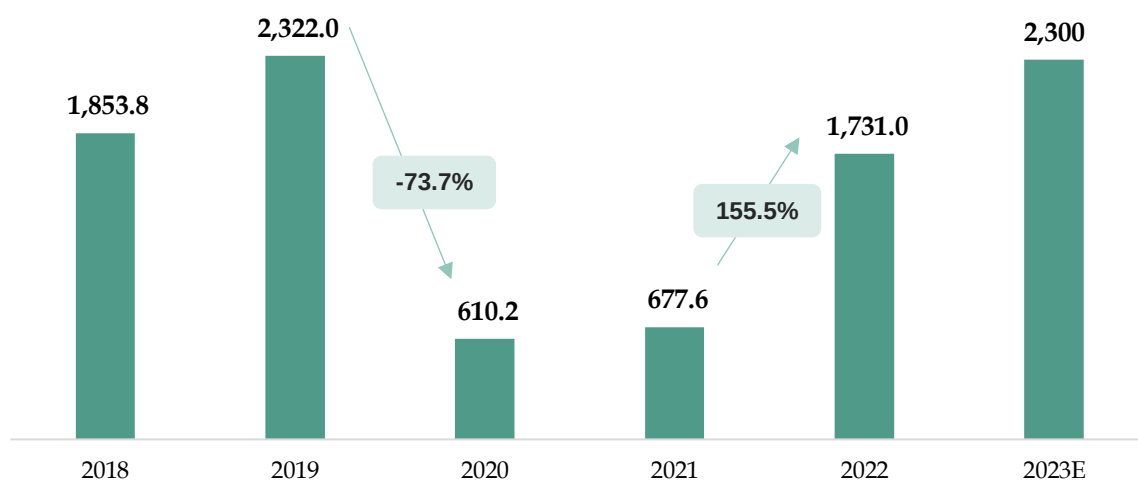


Source: Ministry of Tourism, Govt. of India & Ken Research Analysis

Domestic Tourist Visits

India received 1731.01 million domestic tourist visits in 2022, an increase of 155.45 % from 677.63 million in 2021. In 2023, the number of domestic tourist visits in India stands at around 2,300 million.

Figure 3.8 Domestic Tourist Visits in India in Million, 2018-2023

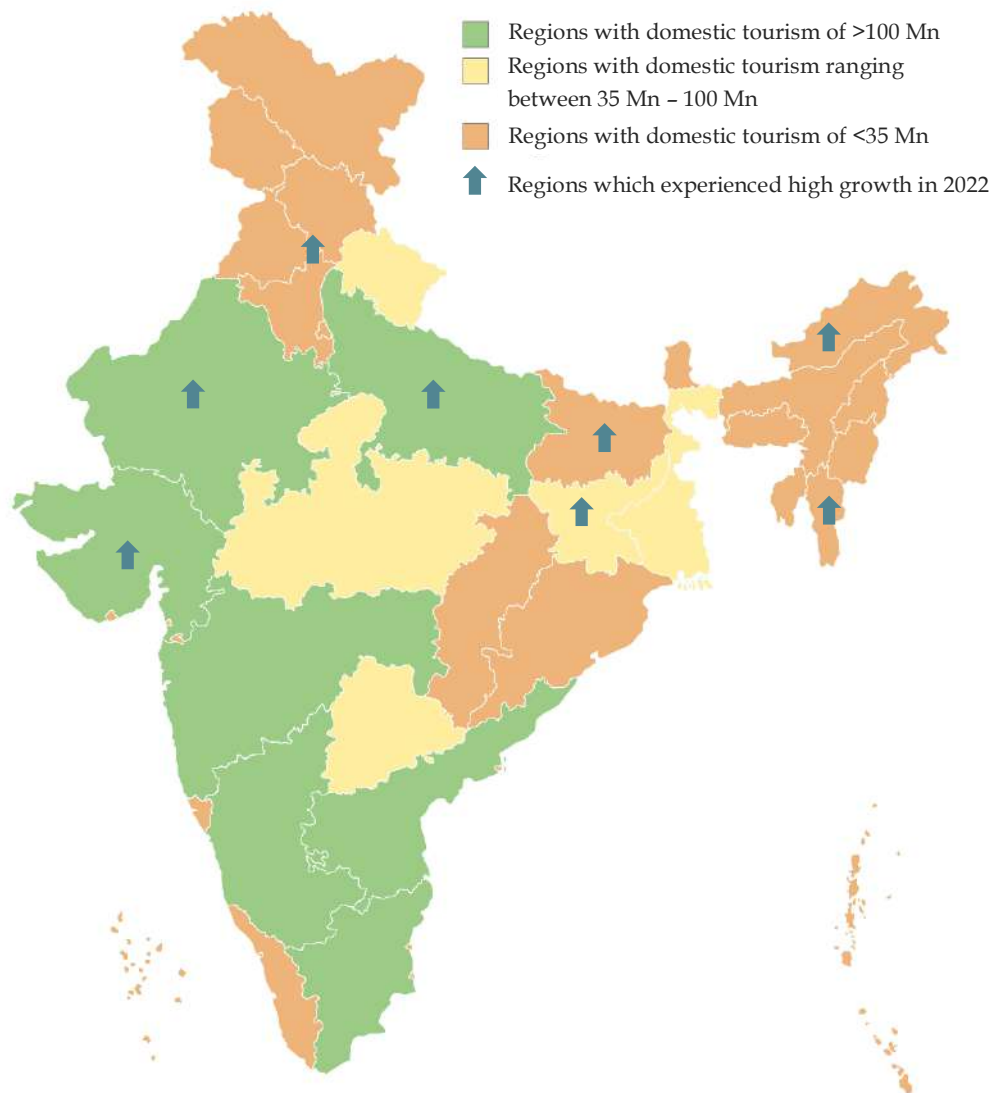


Source: Bureau of Immigration, Govt. of India & Ken Research Analysis

Domestic tourist visits have grown substantially post pandemic, fueled by rising disposable incomes, an expanding middle class, and a shift in lifestyle choices that prioritize travel and leisure. Additionally, better road networks, improved rail and air connectivity, and the expansion of affordable accommodation options have made travel more accessible to a wider audience.

The top 5 states in domestic tourist visits in 2022 were Uttar Pradesh (317.9 Mn), Tamil Nadu (218.6 Mn), Andhra Pradesh (192.8 Mn), Karnataka (182.4 Mn) and Gujarat (135.8 Mn) with their respective shares being 18.4%, 12.6%, 11.1%, 10.5% and 7.8%. These 5 States accounted for about 60.5% of the total domestic tourist visits in the country.

Figure 3.9 State/UT-wise Domestic Tourist Visits Concentrations, 2022



Source: Ministry of Tourism, Govt. of India & Ken Research Analysis

A shift in consumer behavior is also playing a critical role in boosting domestic travel. **There is a growing interest in experiential tourism, with travelers seeking out offbeat destinations, eco-tourism, and wellness retreats. Weekend getaways, spiritual tourism, and short leisure trips are becoming increasingly popular, especially among younger travelers.** Furthermore, the rise of digital platforms and social media has made it easier for travelers

to discover and plan their trips, contributing to the steady increase in domestic tourism.

There has also been an increased interest in domestic travel and travel to unexplored destinations in the country, especially because of the country's improved infrastructure.

Staycations and experience travel increased in 2023. Family travel bookings witnessed a 64% year-on-year increase, while solo travel bookings increased by 23%. Two people traveling together accounted for 50% of all bookings. It has also recorded December and May as the most preferred months for travel.⁸

Table 3.1 Notable Trends in Tourism in India

Initiative	Description
Lighthouse Tourism	- The government is planning to boost tourism in India by leveraging lighthouses in the country. - Of the 65 lighthouses planned for development as places of tourist interest, the maximum 13 are located in Gujarat. - The lighthouses will feature museums, amphi-theatres, open air theatres, cafeterias, children's parks, eco-friendly cottages
Wellness tourism/ Staycation	- Wellness tourism is slated to grow at an average annual rate of 7.5% in FY 2022-23. - The Ministry of Tourism has extended its Market Development Assistance (MDA) scheme to wellness tourism service providers including accredited wellness centres.
Cruises	- In 2021, the Ministry of Tourism sanctioned various projects for the development of Cruise Terminals and related infrastructure at the major ports for USD 18.38 million under the Scheme for 'Assistance to Central Agencies for Tourism Infrastructure Development'. - Government of India has estimated that India would emerge with a market size of 1.2 million cruise visitors by 2030-31. The Government is planning to set up five cruise terminals in the country and increase cruise ships to 1,000.

⁸ MakeMyTrip

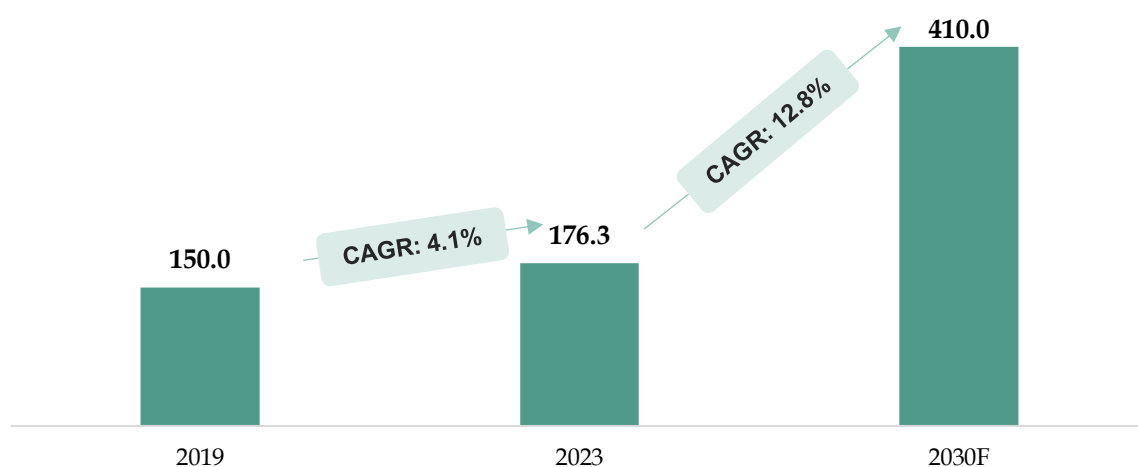
Adventure	• Adventure tourism market is estimated to grow at a CAGR of 17.4% from 2017- 2023 in India. • Adventure tourism is the key to make India a 12-month destination for tourists. • In July 2021, Modair, India's leading adventure travel company begins offering exciting sky adventure tourism services for the first time in India with a variety of flight activities including adventure flying, cockpit flying and skydiving.
Camping Sites	• Promotion of camping sites have been encouraged with adequate acknowledgement of its adverse effects on the environment. - Besides providing unique rewarding experiences, responsible conduct of camping can be a major source of economic opportunity in remote areas as well as an instrument of conservation. - The Ministry of Tourism has created a policy for development and promotion of caravan and caravan camping parks
Airlines	• For 2022, Domestic Revenue Passenger- Kilometres (RPKs) in India accounted for 85.7% of 2019 levels while December 2022 stood 3.6% below traffic for the same month in 2019. • In the last five years, the number of airline passengers increased from 60 million in 2013-14 to 145 million, and 400 million passengers are expected to travel by 2027.
Intercity Cab & Bus	• - In FY20, the intercity cab and bus market was estimated at ~US\$ 2.2 billion and ~US\$ 9.0 billion, respectively, and projected to grow and double in size by FY27, driven by the increasing demand from consumers in India.
Travel Agents	• India's travel market was US\$ 75 billion in size pre-pandemic, expected to cross US\$ 125 billion by FY27. • Travel booking channels would continue to be dominated by the presence of agents, whose market share is expected to be maintained at a consistent 50%+ between FY20- 27, translating into a cumulative booking value of US\$ 65 billion in FY27.

Source: IBEF & Ken Research Analysis

Discretionary Spending on Tourism in India

The number of travelers taking more than three trips a year in 2023 has grown by 25.0% as compared to 2019.⁹ Indians are also spending more discretionary income on travel. The growing middle-income population remains a prime driver for the same. The number of households earning USD 35,000 annually is expected to increase fivefold over the next ten years, driving a boom in discretionary spending.¹⁰

Figure 3.10 Indians Spend on Travel and Accommodation in USD Bn, 2019-2030F



Source: Industry Articles & Ken Research Analysis

Note: F represents Forecasted figures

Government Initiatives and Policy Support

The Government of India allocated INR 2,479.62 Cr for the Ministry of Tourism to support various government initiatives under Union Budget FY25. In the FY25 budget, the government announced the development of the Vishnupad Temple at Gaya and the Mahabodhi Temple at Bodh Gaya in Bihar, with plans to transform them into world-class pilgrim and tourist destinations modeled on the successful Kashi Vishwanath Temple Corridor. Additionally, support was pledged for the development of

⁹ MakeMyTrip

¹⁰ Booking.com

Nalanda as a tourist center and the revival of Nalanda University. To boost tourism in Odisha, the government will assist in enhancing the state's scenic beauty, temples, monuments, wildlife sanctuaries, and beaches. A comprehensive development initiative for Rajgir, a site of religious significance for Hindus, Buddhists, and Jains, was also proposed.

Table 3.2 Government Initiatives to propel growth in India's Tourism Sector

Initiative	Description
Global Tourism Investors Summit (GTIS)	- As an initiative under India's G20 Presidency, the Ministry of Tourism, Government of India organized the country's first Global Tourism Investors' Summit (GTIS) to showcase opportunities for investment and trade while fostering tourism and development nationwide. - As stated by Shri G. K. Reddy, Hon'ble Minister for Tourism & Culture, and DoNER, India's current investment landscape positions it as an ideal destination for investment in diverse sub-sectors of the tourism industry, including adventure tourism, eco-tourism, rural tourism, and others.
Swadesh Darshan & Swadesh Darshan 2.0	- The Swadesh Darshan scheme by the Ministry of Tourism aims to develop a comprehensive framework for the holistic development of tourist destinations. With an outlay of INR 1,750 Cr for FY 2024-25 in the Union Budget 2024-25, the scheme is designed to promote responsible and sustainable tourism practices nationwide through collaborative efforts with the state governments, Union Territory authorities, and local governments. - Swadesh Darshan 2.0 is the evolution of the existing flagship scheme, Swadesh Darshan, by the Ministry of Tourism to foster the spirit of Aatmanirbhar Bharat and promote the country as a prominent tourism destination. The scheme envisions developing sustainable and responsible tourism destinations with a focus on self-employment, youth skilling, private sector investments, and local culture.

PRASHAD Scheme

- Launched in 2014-15 by the Government of India under the Ministry of Tourism, the Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive (PRASHAD) seeks to enhance religious tourism in India by developing and identifying pilgrimage sites across the nation.
- Since the expansion of domestic tourism primarily depends on pilgrimage tourism in India, The Ministry has sanctioned a total of 46 projects at a cost of Rs.1629.17 Crore. In addition, a total of 26 new sites have also been identified for development under PRASHAD Scheme.

National Strategy for Sustainable Tourism

- Launched in 2022, the National Strategy for Tourism seeks to establish and promote India as an ideal global destination for responsible and sustainable tourism.
- Since tourism is a major contributor to greenhouse gas (GHG) emissions, the Ministry of Tourism strives to ensure low to zero pollution rates by enforcing effective strategies, including efficient utilization and reduced dependency on fossil fuels, resourceful utilization of land, and others.

Source: Industry Articles & Ken Research Analysis

Table 3.3 State-level Initiatives to Boost Travel and Tourism

Initiative	Description
AP Tourism Trade (Registration and Facilitation) Guidelines, 2020	• In the state budget 2022-23, the Government of Andhra Pradesh allocated INR 290.3 crores (USD 38 million) for the Youth Advancement, Tourism, and Culture Department. To promote tourism in Andhra Pradesh, there are plans to develop sports in the state, promote Telugu language, and prioritize artist welfare.
Initiatives by MDoNER for the development of Tourism sector in NER	• The Ministry of Development of the Northeastern Region is promoting research and development on Craft Tourism and allied activities such as Nature Tourism, Rural & Agrotourism Tourism, Heritage Tourism, Cultural Tourism, Community-Based Tourism, etc. • Moreover, a regional action plan is being drawn, for the development of tourism in consultation with states and active stakeholders. This is implemented across Eco/Wildlife, Cultural and Heritage, Rural Homestays and Adventure, MICE, and

	Education/Medical Tourism sub-sectors, through an appropriate inter-Ministerial Task Force.
Maharashtra Tourism Department for 'Rethinking Tourism'	- The Department launched 75 videos of Mumbai - that cover 200 places of tourist interest in Mumbai for locals as well as national and international tourists. - The launch of 'Kaano dekhi with Unlimited Maharashtra' Podcast, inauguration of seven city brochures and four TV campaigns are expected to promote specific tourist destinations and experiences in Maharashtra.
Rethinking Tourism Activities in J&K	- The Union Government made a record budget allocation of INR 786 crores in the budget for the tourism sector here which is INR 509 crores higher than the last budgetary allocation with an intent to boost tourism and allied services in Jammu and Kashmir. - J&K Bank has formulated an exclusive scheme to provide hassle-free credit for the conversion of residential properties into tourist guest houses. - Tourist huts, viewpoints, community sheds and various other useful structures have been developed to further push tourism in the union territory (UT). Plan allocation for all 20 districts of the UT has more than doubled from INR 5,136 crores in 2020-2021 to INR 12,600 crores in 2021-2022.
Upgrading Sundarbans in West Bengal	The Ministry is planning to set up eco-friendly hotels and entertainment arenas around the mangrove forest in Sundarbans with the help of the private sector. The Government is also weighing possibilities of starting houseboat services by 2022-2023 in several large waterbodies
Karnataka Tourism Circuits	In 2022, the state government announced the development of tourism circuits of Mysuru-Belur-Halebeedu and Hampi-Badami-AiholePattadakal. This is expected to eventually boost the development of the hospitality industry in the state.

Source: Hotel Association of India & Ken Research Analysis

4. INDIA HOTELS INDUSTRY LANDSCAPE AND POSITIONING OF MID-SCALE HOTELS

India's hotel industry has witnessed a robust turnaround in demand after the pandemic, led by the rising discretionary spending on tours and travels, revenge tourism, improving economic environment fueling corporate travels and revival of mega wedding season and other cultural events.

As of 2023, India has over 400,000 keys including branded hotels and independently run hotels. Of this, the current branded inventory market size as of 2023 stands at ~180,000, accounting for around 44% of the overall market.

Figure 4.1 India Hotels Industry KPIs, 2023

	Rooms Supply	Occupancy Rate	Average Daily Rate
Overall Market	~400,000	63 - 64%	INR 6,000-6,500
Branded Hotels	~180,000	63 - 64%	INR 7,400-7,600
Independent Hotels	~230,000	62 - 63%	INR 4,800-5,000

Source: Ken Research Analysis

Classification of India Hotels Market:

India's hotel industry can be classified into various segments based on their market positioning by Average Daily Rate (ADR). These segments cater to diverse traveler preferences, offering distinct levels of services and amenities. Each segment plays a crucial role in meeting the

needs of different traveler demographics and enhancing the overall hospitality landscape in India.

Figure 4.2 India Hotels Market Classification basis ADR classes

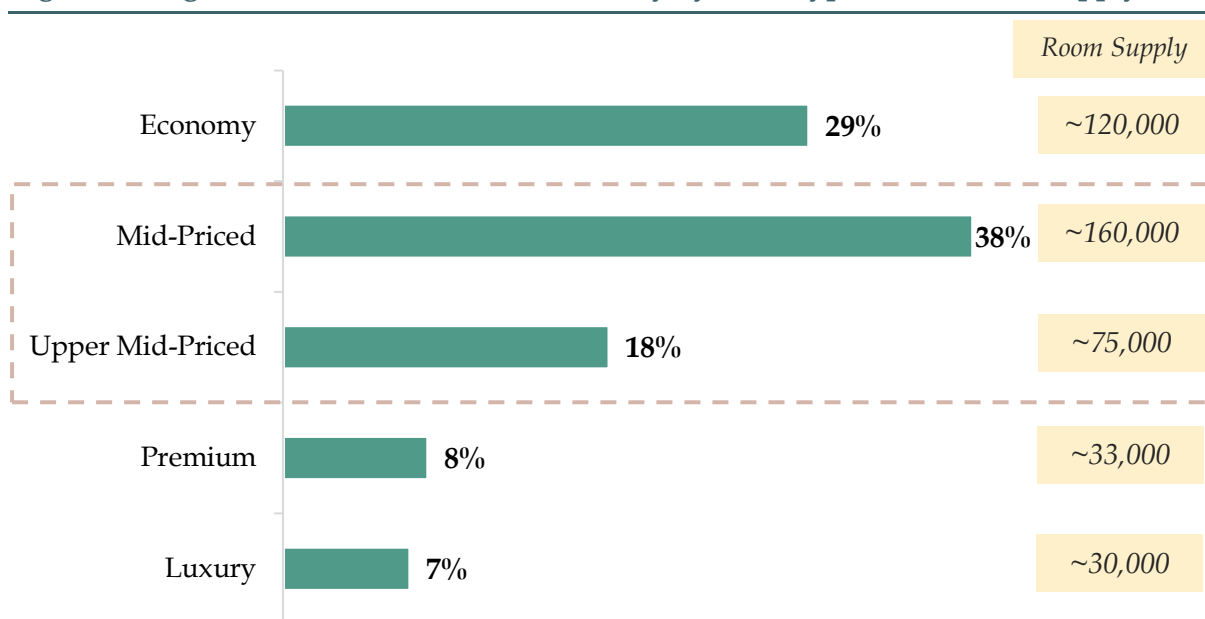
Economy	Mid-Priced	Upper Mid-Priced	Premium	Luxury
				
ADR: <INR 3,000	ADR: INR 3,000 – 5,000	ADR: INR 5,000 – 7,500	ADR: INR 7,500 – 10,000	ADR: >INR 10,000
Economy hotels offer budget-friendly stays with essential services, typically including basic rooms, free Wi-Fi, and limited amenities like continental breakfast or parking	Mid-Priced Hotels offer affordable stays with moderate services, including amenities like free Wi-Fi, breakfast, fitness center	Upper mid-priced hotels provide enhanced comfort with additional amenities like dining options, upgraded rooms, and business facilities, at a reasonable cost	Premium hotels provide high-quality service with upscale amenities, featuring fine dining, spacious rooms, concierge services, and premium wellness facilities	Luxury hotels deliver top-tier experiences with personalized service, lavish accommodations, fine dining, and exclusive amenities like spas, chauffeur services, and private suites

Source: Ken Research Analysis

Figure 4.3 illustrates the segmentation of India's hotel room supply across these segments. Hotel rooms in the INR 3,000-5,000 ADR range are particularly prominent, reflecting strong demand for affordable yet comfortable accommodations.

Mid-Scale Hotels (Mid-priced and Upper Mid-priced together) constitute approximately 56.0% of the total room supply, signifying their dominance in catering to a broad spectrum of business and leisure travelers. This trend underscores the growing preference among travelers for value-driven options that offer a balance of quality service, convenience, and affordability.

Figure 4.3 Segmentation of India Hotels Industry by Hotel types basis Room Supply, 2023



Source: Ken Research Analysis

Note: The market segments within the box collectively represent the mid-scale hotels market

The Indian mid-scale hotels segment has emerged as a critical growth driver within the broader hospitality industry, fueled by a combination of rising domestic travel, changing consumer preferences, and increasing disposable incomes. **This segment caters to the rapidly growing middle-class and value-conscious travelers, positioning itself between the budget and luxury hotel categories, offering a balance of affordability and comfort.**



5. INDIA MID-SCALE HOTELS MARKET

Travelers today are seeking more than just basic accommodation; they expect comfortable stays, modern amenities, and services that align with international standards, all while remaining cost-conscious. This shift has significantly contributed to the growth of the mid-scale market, transforming it into one of the most competitive and innovative segments in India.

The growth of domestic tourism, changing lifestyles, increasing affinity towards competitively priced branded hotels and expansion of business activity to Tier 2 & 3 cities have bolstered the popularity of Mid-market or Midscale hotels in India in the recent past. Both domestic and international hotel companies with established as well as new midscale brands have increased their presence in the country to leverage the growing demand from middle-income domestic travelers and international budget travelers, especially in Tier 2, 3 & 4 cities.

“In the past, hotels have been categorized as either luxury or budget hotels, but with the growing demands and desires of travelers wanting more comfort and amenities without extravagant spending, many hotels are finding a sweet spot in the middle.”

The India mid-scale hotels market has evolved significantly over the past decade. Initially dominated by independent hotels and regional players, the segment saw a shift as international and national hotel chains recognized the potential in catering to middle-income travelers. Indian hotel chains such as Bloom hotels, Fortune Park,

Ginger, Lemon Tree Hotels, Royal Orchids, Sarovar Hotels, Sayaji Hotels, The Grand Continent Hotel and more have established a strong presence across the country, offering standardized yet affordable experiences. At the same time, global brands like Holiday Inn Express, ibis, and Fairfield by Marriott have expanded their mid-scale portfolios in India.

Mid-scale hotels in India are increasingly transitioning from the traditional economy select-service model to a more comprehensive full-service approach, driven by evolving customer expectations and heightened

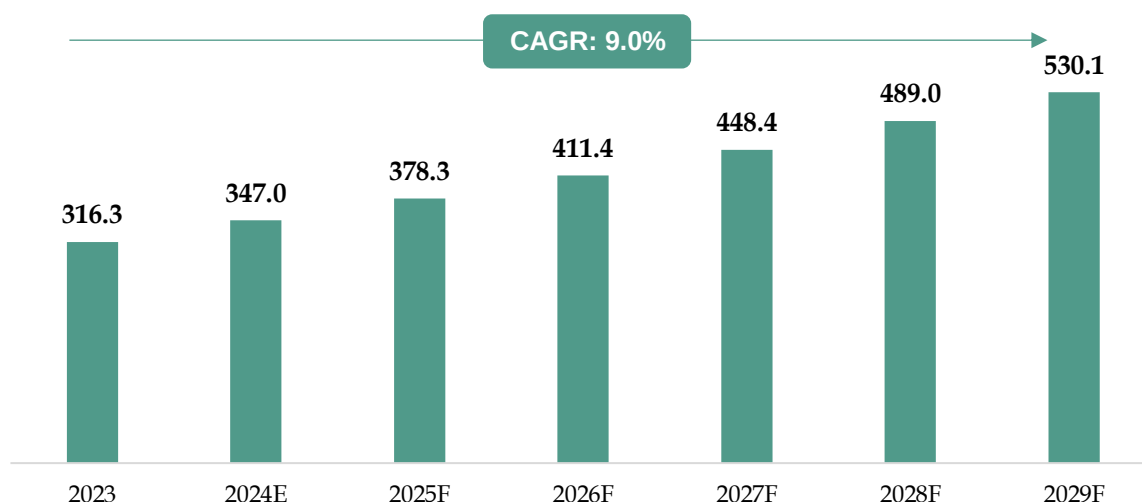
competition. Originally, these hotels focused primarily on offering basic services such as clean rooms, limited dining options, and essential amenities at affordable prices. However, as travelers seek more enriched experiences, mid-market hotels have expanded their offerings to enhanced facilities like multiple dining options, wellness centers, meeting spaces, and recreational services.

Trends such as flexible booking options, dynamic pricing, standardized guest experience, integrated leisure and business amenities are becoming vital differentiators for mid-scale hotels in capturing the evolving preferences of modern travelers.

5.1. INDIA MID-SCALE HOTELS MARKET SIZE AND SEGMENTATION, 2023-2029F

India's mid-scale hotels market generated a revenue of INR 316.3 billion in 2023 and is projected to expand at a CAGR of 9.0% from 2023 to 2029, reaching an estimated revenue of INR 530.1 billion by the end of the forecast period.

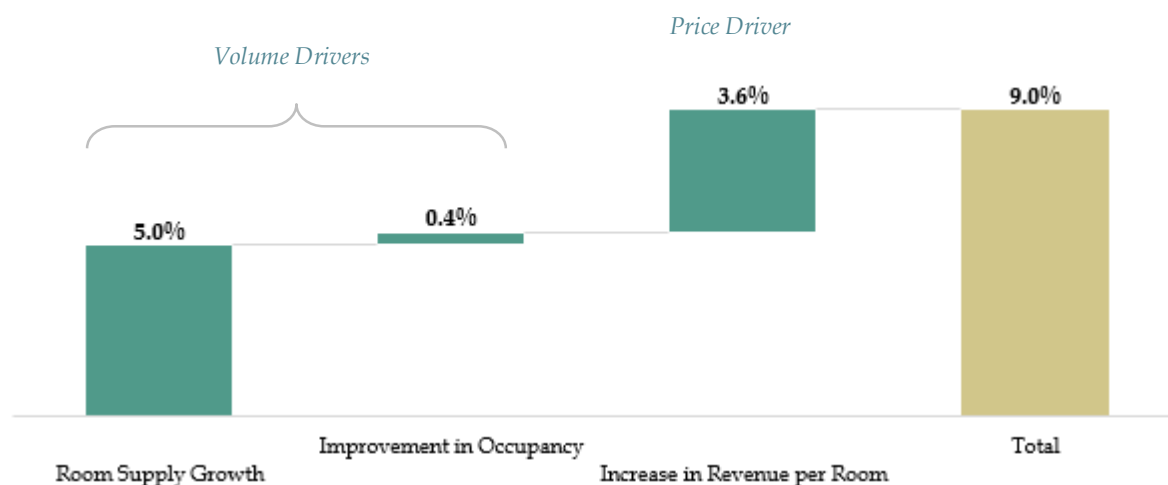
Figure 5.1 India Mid-Scale Hotels Market Size in Value (Revenue Generation), in INR Bn, 2023-2029F



Source: Ken Research Analysis; Note: F represents Forecasted figures

Note: F represents Forecasted figures

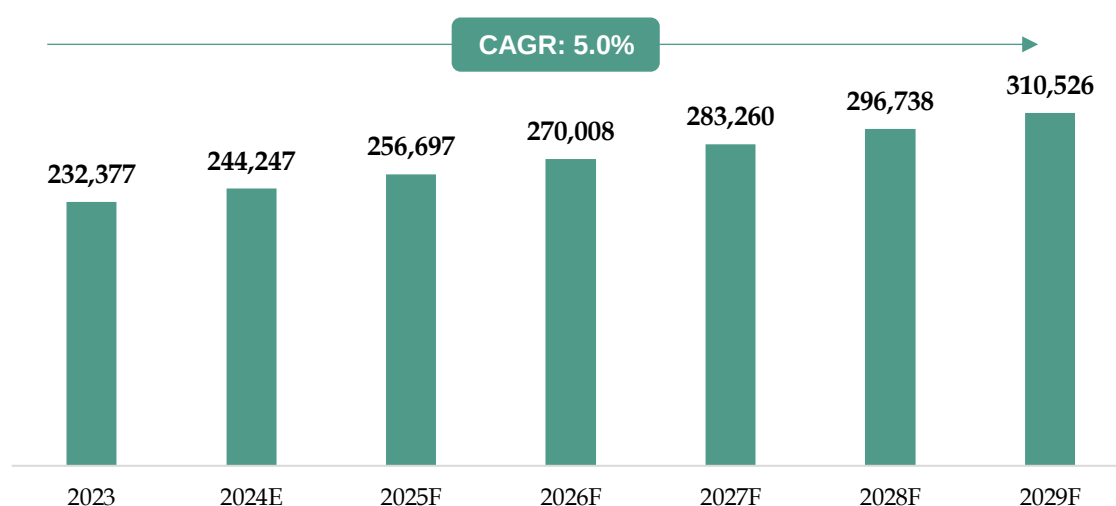
Figure 5.2 CAGR Growth Component Split in India Mid-Scale Hotels Market, 2023-2029



Source: Interviews with Industry Experts, Industry Articles & Ken Research Analysis

As of 2023, the mid-scale hotels market in India offered an estimated 230,000 rooms across both branded and independent properties. This supply is projected to grow at a CAGR of 5.0% from 2023 to 2029, driven by an increasing number of hotel developments and expansions within this category.

Figure 5.3 India Mid-Scale Hotels Market Size in Volume (Rooms Supply), 2023-2029F



Source: Ken Research Analysis; Note: F represents Forecasted figures

“The concept of “lean luxury” will become popular in India with a vast market of travelers who seek value for money – comfortable, contemporary, and convenient stays at affordable prices.”

The market has significant potential for expansion in the coming years, fueled by several key factors such as the robust increase in domestic tourism; the growing middle class, alongside their evolving lifestyles; a significant uptick in business travel, particularly from small and medium-sized enterprises (SMEs); and the broadening scope of business activities into Tier 2, 3, and 4 cities.

Furthermore, the advent of the digital era and the spread of online travel agencies (OTAs) have significantly simplified the process for travelers to locate and reserve hotel accommodations, enhancing accessibility and visibility for the midscale segment. Together, these economic, social, and technological trends are spurring demand for midscale hotels, which provide a blend of quality, affordability, and convenience, amidst a landscape of rising consumer expectations.

Market Key Performance Indicators

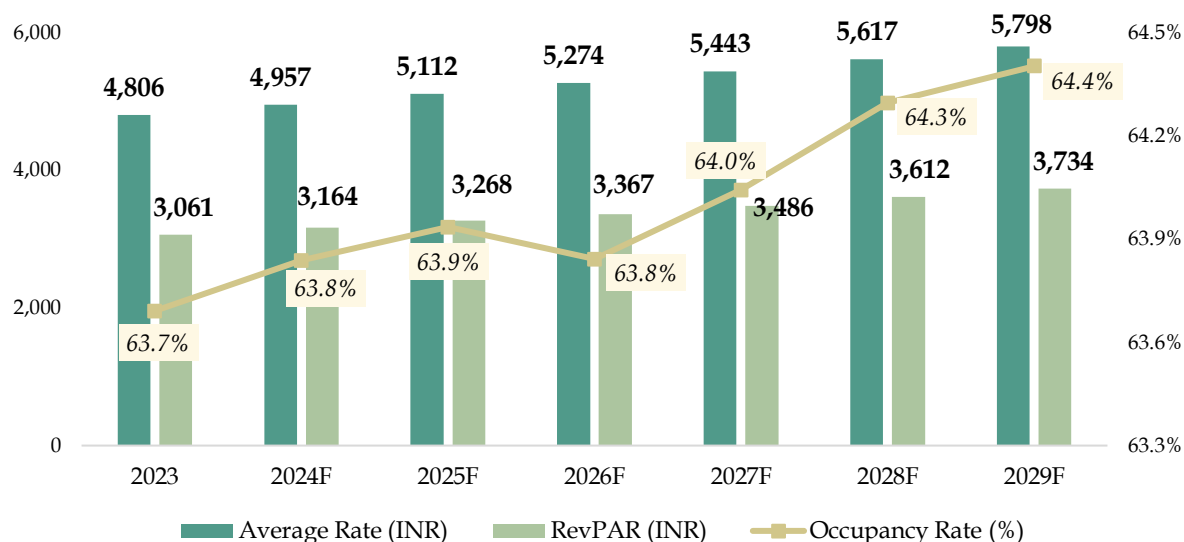
The COVID-19 pandemic significantly impacted the Indian mid-scale hotels market, leading to a decline in key performance indicators such as Revenue per Available Room (RevPAR), Occupancy Rate, and Average Daily Rate (ADR) from 2019 to 2021. However, the industry witnessed a strong recovery in 2022, with both ADR and RevPAR surpassing pre-pandemic levels, while occupancy rates showed substantial improvement.

As of 2023, the Average Daily Rate (ADR) in the mid-scale hotels market of India stood at INR 4,806, with an occupancy rate of 63.7%, resulting in a RevPAR of INR 3,061.

Looking ahead, with continued growth in domestic tourism, rising demand from business travelers, and increased digital adoption in the hospitality sector, the ADR is projected to reach INR 5,798 by 2029, reflecting a CAGR of 3.2%. Occupancy rates are also expected to see an upward trend, driven by improved infrastructure, expansion of travel segments, and a focus on value-driven

offerings, reaching 64.4% by 2029, with RevPAR rising to INR 3,734.

Figure 5.4 KPIs for India Mid-Scale Hotels Market, 2023-2029F



Source: Ken Research Analysis; Note: F represents Forecasted figures

Unit Economics of a Mid-Scale Hotels in India:

The mid-scale hotels segment in India is heavily driven by the preferences of cost-conscious yet experience-focused travelers. **Unlike luxury hotels, where additional services contribute significantly to the overall revenue, mid-scale hotels see a dominant reliance on room revenue, reflecting the priorities of their typical guests.**

Understanding the unit economics of this segment is essential for optimizing profitability, as hotels must strike a balance between offering quality accommodations and managing operational expenses efficiently. This section delves into the financial structure of a typical mid-scale hotel, highlighting key revenue sources and expense drivers that may shape its operational success.

Room revenue, constituting 80-85% of total revenue, remains the primary source of income for mid-scale hotels, underscoring the importance of maintaining high occupancy rates and optimizing room pricing strategies.

Labor cost is one of the largest components of the expense structure, a reflection of the service-oriented nature of the hospitality industry. Efficient staff management, training, and adopting automation technologies can help mitigate these expenses without compromising service quality.

In the current scenario, operating profit margin ranges between 30% to 45%. Tight control over operational expenses, especially SWB and HLFP (Table 5.1), will be key to improving margins. The implementation of automation, sustainable practices, and energy-efficient technologies will allow hotels to cut unnecessary costs.

Table 5.1 Unit Economics of a Mid-Scale Hotel in India

Particulars (INR Cr.)	Values
Number of Rooms	100
Number of Room nights available	36,500
Occupancy (%)	63.7%
Room nights occupied	23,178
ADR (INR)	4,806
Total Rooms Revenue	11.1
Food and Beverage Revenue	1.4
Events and Other Revenue	1.0
Total Revenue	13.5
SWB (Salary, Wages, Benefits) Expense	2.1
HLFP (Heat, Light, Fuel, Power) Expense	1.1
Cost of Food & Beverages consumed	1.4
Other Expenses	3.4
Total Expenses	8.0
Operating Profit	5.5

Source: Interviews with Industry Experts & Ken Research Analysis

Note: Following assumptions are made: (i) The model assumes a typical mid-scale hotel with 100 rooms available for operations throughout the year. (ii) Full operational capacity with no seasonal closures or maintenance downtime

Market Segmentations

By Ownership Type:

The India mid-scale hotels market is broadly segmented into two categories basis ownership type: **chained or branded hotels** and **independently owned hotels**. As of 2023, independent hotels continue to dominate the market in terms of the number of properties. However, there is a noticeable shift in consumer preference toward branded hotels, driven by demand for standardized services and consistency in offerings. **While independent hotels retain a significant market share, they face challenges in competing with the consistency and brand recognition that larger hotel chains provide.**

In 2023, the supply of chained mid-scale hotel rooms reached 111,264, accounting for a 47.9% share of the mid-scale segment. (Figure 5.5)

The overall revenue generated from chained and independent mid-scale hotel segments stood at INR 171.9 Bn & INR 144.4 Bn respectively.

Table 5.2 Chained vs Independent Mid-Scale Hotels Market basis important KPIs, 2023

KPI	Chained Mid-Scale Hotels	Independent Mid-Scale Hotels
Average ADR	INR 5,166	INR 4,476
Occupancy Rate	~64.0%	~63.5%
Revenue Generated	INR 171.9 Bn	INR 144.4 Bn

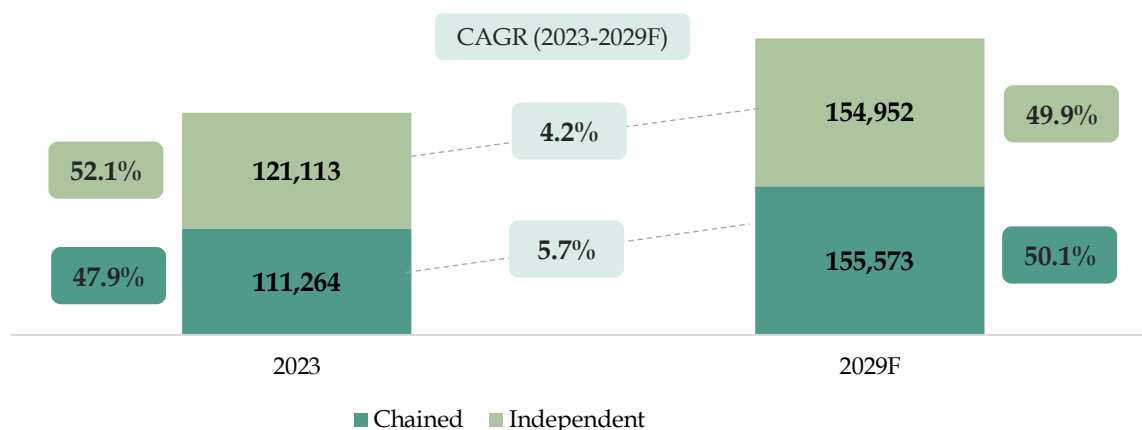
Source: Interviews with Industry Experts & Ken Research Analysis

The chained mid-scale hotel segment is projected to grow at a CAGR of 5.7% from 2023 to 2029, reaching 155,573 rooms by the end of the forecast period. Conversely, the supply of rooms in independent mid-scale hotels is expected to grow at a slower CAGR of 4.2% during the same period.

In response to the increasing demand for branded accommodations, there is a rising trend of major hotel

chains acquiring or taking over independent properties. This allows them to rapidly expand their portfolio while enhancing the value proposition of previously unbranded hotels.

Figure 5.5 India Mid-Scale Hotel Rooms Supply by Ownership Type, 2023 & 2029F

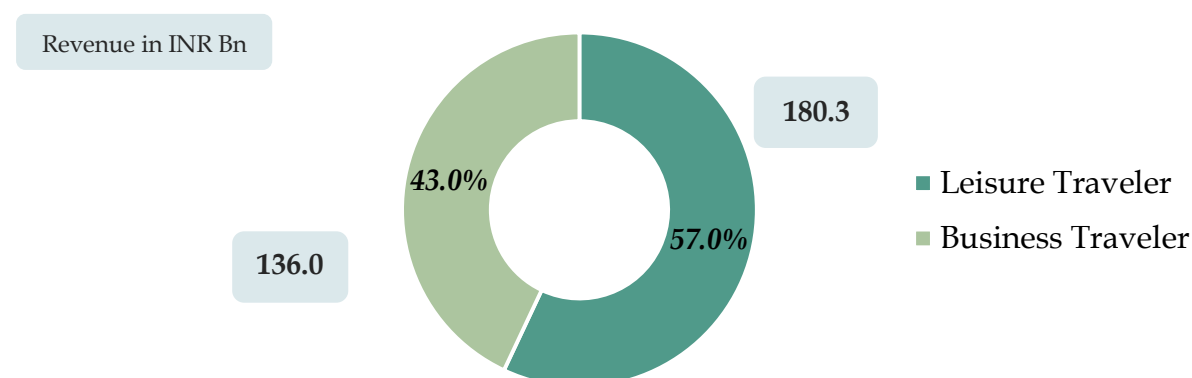


Source: Ken Research Analysis; Note: F represents Forecasted figures

By Traveler Type:

The India mid-scale hotel market is segmented primarily into two customer types: business travelers and leisure travelers. **In 2023, leisure travelers dominated the market, accounting for 57.0% of total revenue, generating INR 180.3 billion. Business travelers contributed 43.0% of the revenue, amounting to INR 136.0 billion.**

Figure 5.6 Split of India Mid-Scale Hotel Market by Traveler Type, 2023



Source: Ken Research Analysis

The emphasis on mid-scale accommodations by corporate clients stems from the need to balance travel budgets while still ensuring a satisfactory level of service and amenities for business meetings and stays. **In 2023, India's business travel spending surged by almost 25%** reaching 78% of pre-pandemic levels. In 2024, the projected growth in business travel and meetings and events, is likely to grow by 18%. India is the ninth-largest market globally for business travel expenditure and the fourth-largest in the Asia Pacific region.¹¹

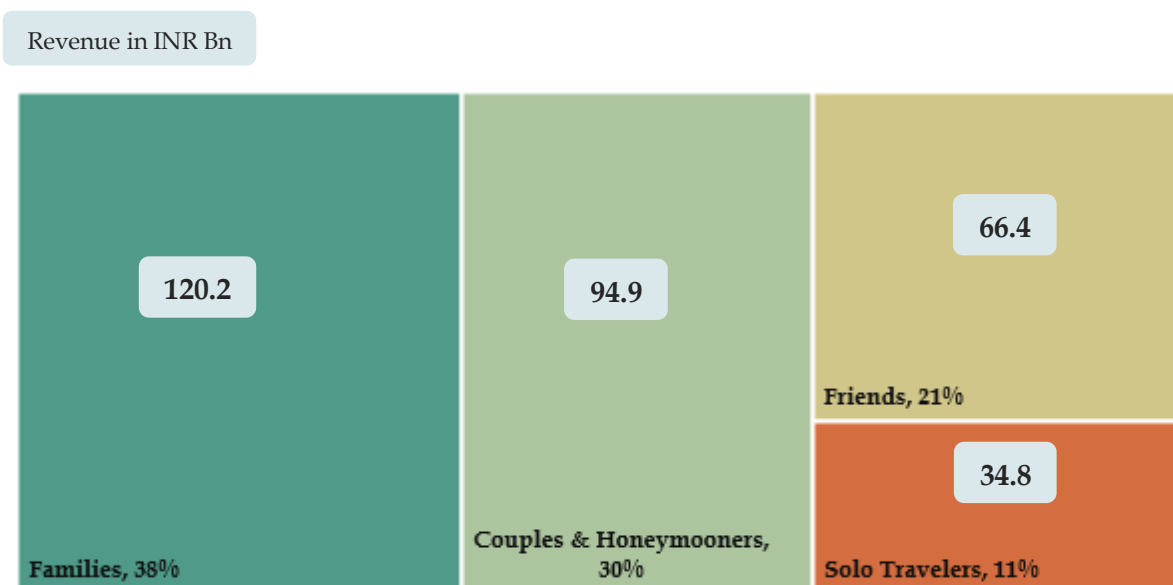
Mid-scale hotels offer an appealing mix of affordability and amenities, making them the go-to option for leisure travelers seeking comfortable yet reasonably priced stays. The Leisure segment continues to expand and contribute positively. Room revenue share of 5 markets – Goa, Jaipur, Udaipur, Uttarakhand and HP almost doubled, from 8.5% for 2019 to 16.9% for 2023.¹²

In 2023, the **leisure traveler** segment of India's mid-scale hotel market was led by **families**, contributing **38.0%** of total revenue, or **INR 120.2 billion**. Families continue to be a key driver in this space, particularly due to the need for affordable, family-friendly accommodations that cater to larger groups, especially in popular vacation destinations. **Couples and honeymooners** made up **30.0%** of the segment, generating **INR 94.9 billion** in revenue, as mid-scale hotels provide a balance of comfort and affordability, making them ideal for romantic getaways and honeymoon packages. The **friends** segment, accounting for **21.0%** and generating **INR 66.4 billion**, is largely fueled by the increasing trend of group leisure trips, especially among young professionals who seek cost-effective accommodations without compromising on quality or shared experiences. Lastly, **solo travelers**, although a smaller segment at **11.0%** with **INR 34.8 billion** in

¹¹ Skift¹² Horwath

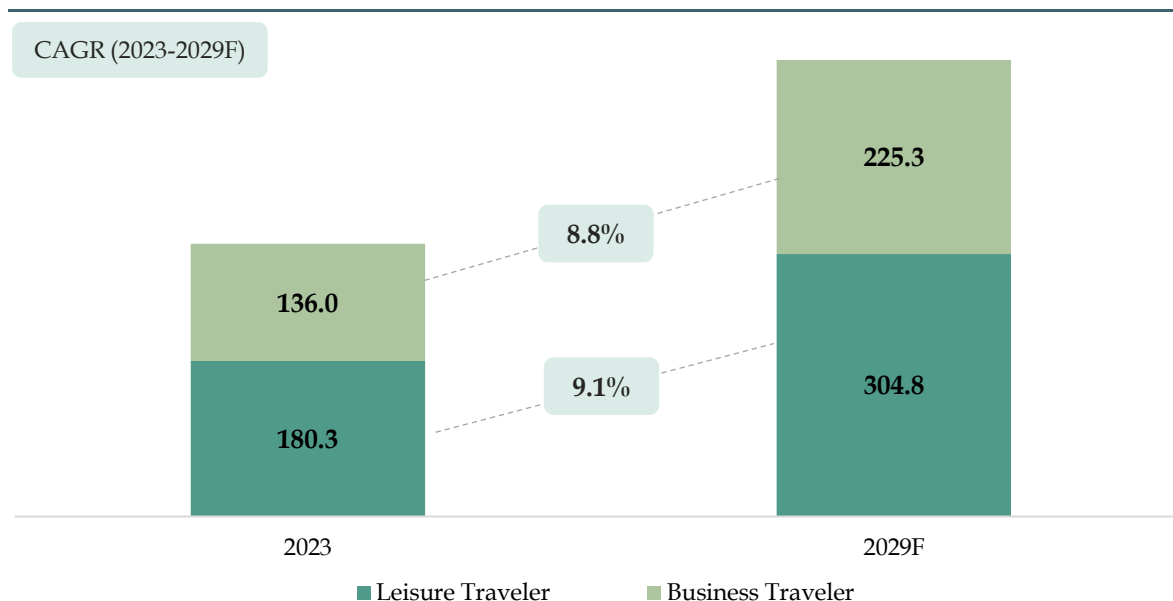
revenue, reflect a growing trend of independent travel. Mid-scale hotels are often the preferred choice for these travelers due to their combination of affordability, convenience, and safety, particularly in urban and adventure-centric destinations.

Figure 5.7 Split of India Mid-Scale Hotel Market by Leisure Traveler Type, 2023



Source: Ken Research Analysis

While, the business travelers' segment is expected to grow at a CAGR of 8.8% to reach revenue generation of INR 225.3 Bn in 2029, the leisure segment will continue to dominate with revenue share of 57.5% and CAGR of 9.1% during the forecast period.

Figure 5.8 India Mid-Scale Hotels Revenue (in INR Bn) by Traveler Type, 2023 & 2029F

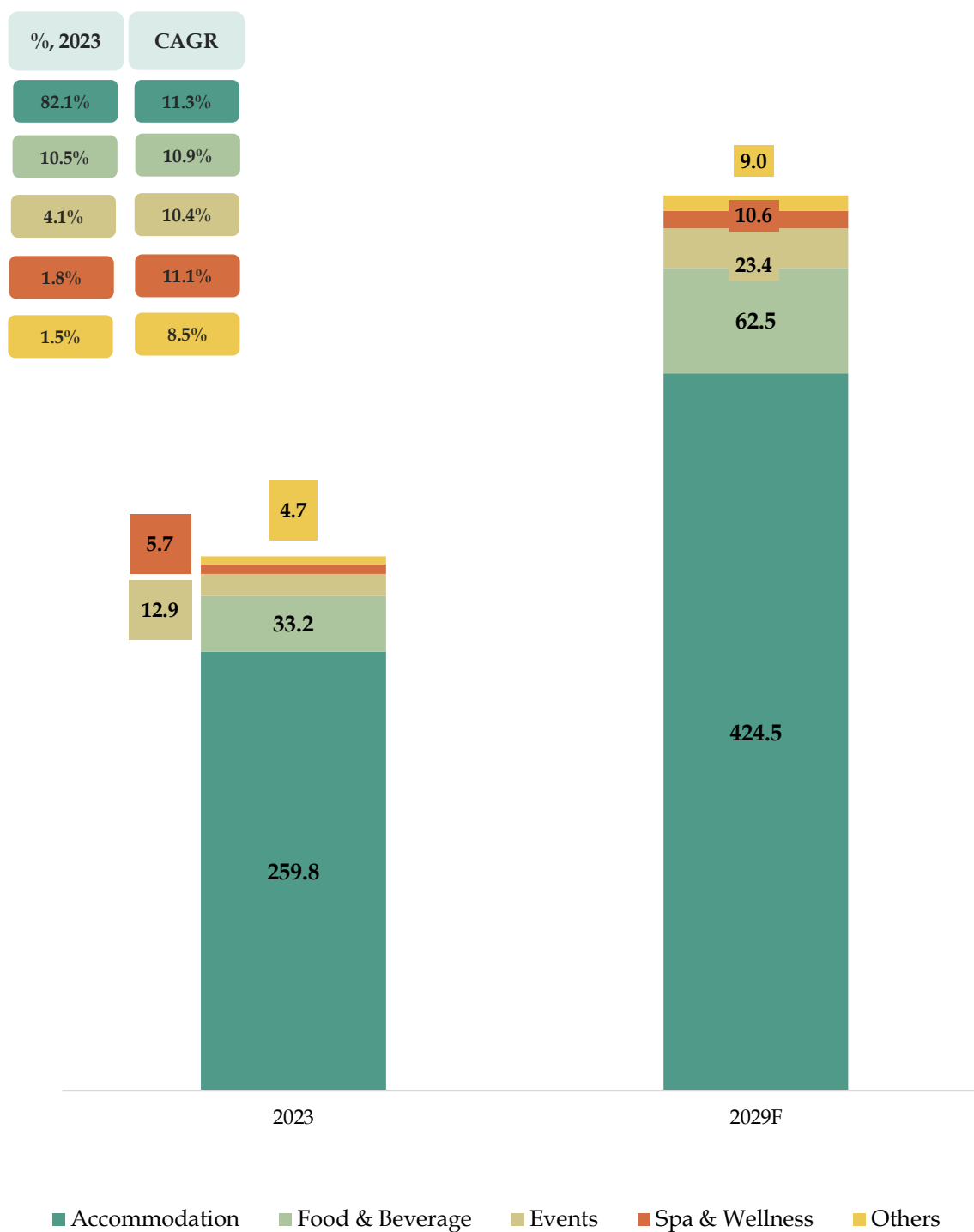
Source: Ken Research Analysis; Note: F represents Forecasted figures

By Service Offerings:

India's mid-scale hotels offer a diverse range of services, catering primarily to room accommodation, food and beverage services, event hosting, and spa & wellness amenities. However, at the mid-scale level, accommodation dominates the revenue structure, accounting for over 80% of total revenue in 2023, driven by the affordable yet comfortable lodging it provides to both business and leisure travelers. Food and beverage services rank second in revenue contribution, largely due to the growing demand for on-site dining and catering services at mid-scale hotels.

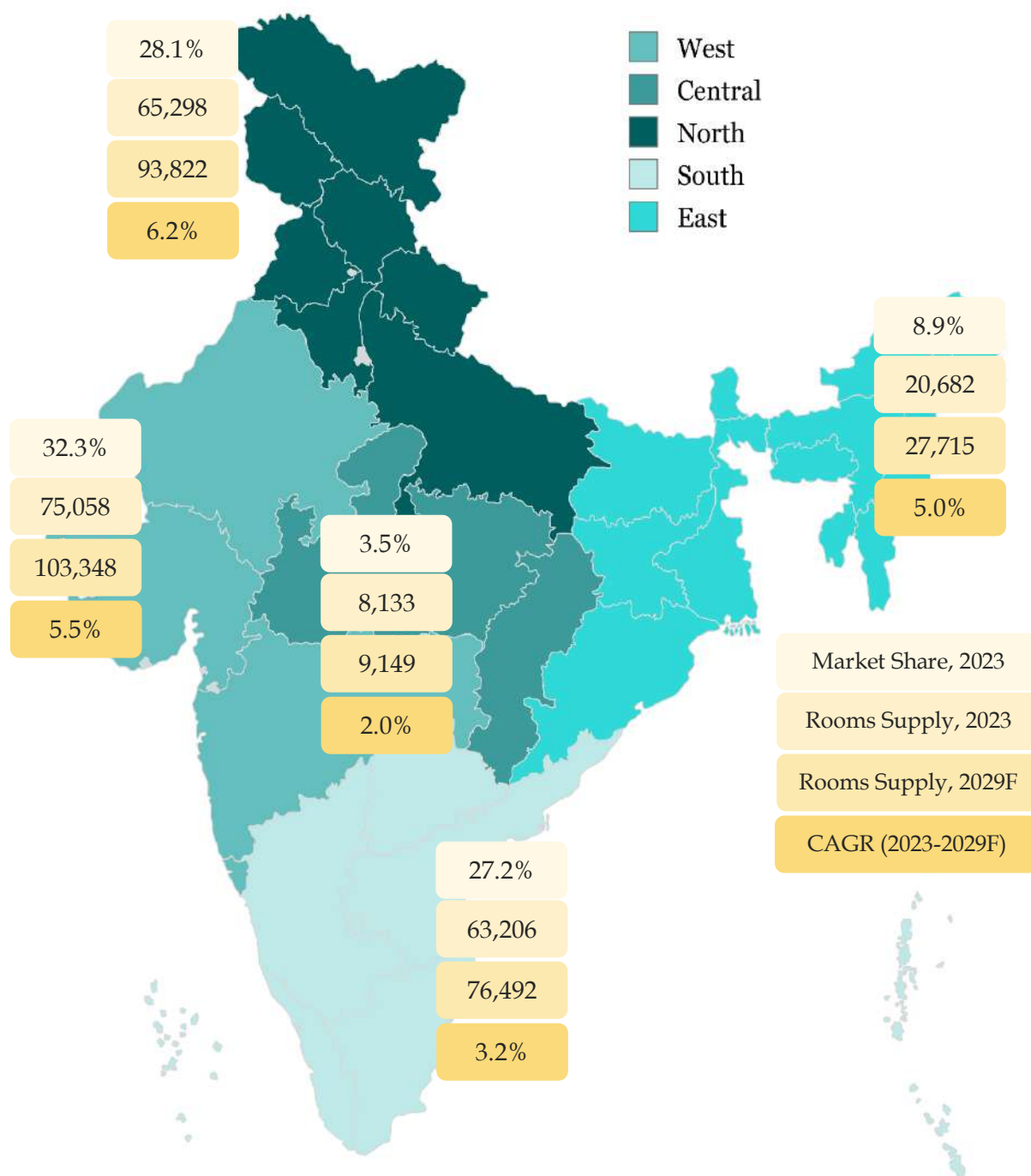
By 2029, the revenue split shows increasing diversification: accommodation will still command the largest share but food and beverage, events, and wellness offerings will continue to catch up, driven by rising traveler expectations and increased competition in the mid-scale hospitality sector.

Figure 5.9 India Mid-Scale Hotels Revenue (in INR Bn) by Service Offerings, 2023 & 2029F



Source: Ken Research Analysis; Note: F represents Forecasted figures

Note: Others include laundry and housekeeping services, Concierge services, Co-Working spaces, Technology services, etc.

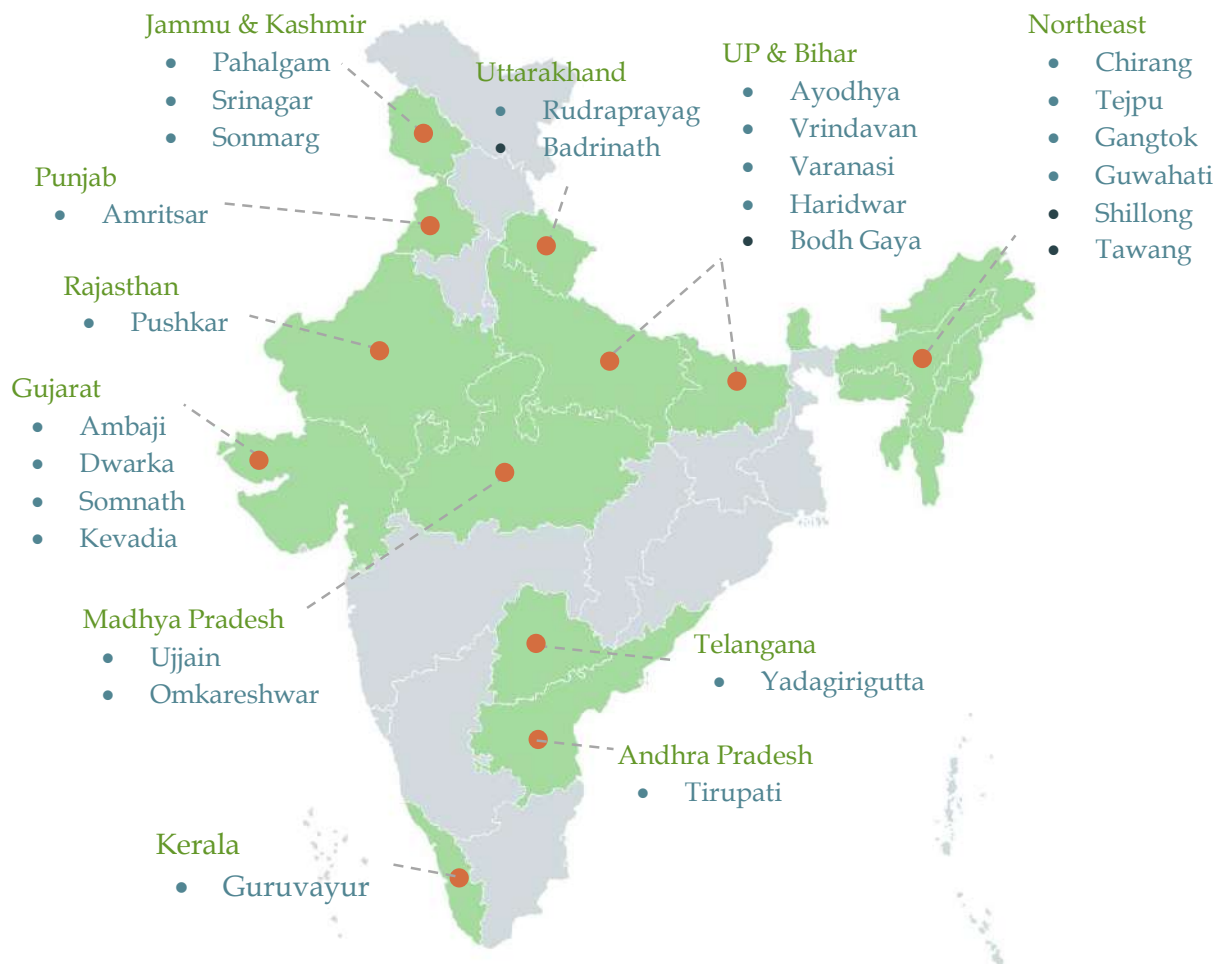
By Regions:**Figure 5.10 Split of India Mid-Scale Hotels Market by Regions, 2023**

Source: Ken Research Analysis

Note: **North** includes Chandigarh, Delhi, Haryana, Punjab, Jammu and Kashmir, Ladakh, Uttar Pradesh, Uttarakhand; **West** includes Damam & Diu, Gujarat, Rajasthan, Maharashtra, Goa; Central includes Madhya

Pradesh and Chhattisgarh; **East** includes Bihar, Sikkim, West Bengal, Odisha, Assam, Arunachal Pradesh, Mizoram, Tripura, Nagaland, Manipur, Meghalaya; **South** includes Karnataka, Telangana, Andhra Pradesh, Kerala, Tamil Nadu, Puducherry, Andaman and Nicobar Islands and Lakshadweep

Figure 5.11 Emerging Regions and Tourism Destinations



Source: Ken Research Analysis

5.2. REGIONAL ANALYSIS OF INDIA MID-SCALE HOTELS MARKET – KEY MARKETS

Table 5.3 India Hotel Market Trends in Key Cities

City	Description
Mumbai	- Mumbai is the capital city of the Indian state of Maharashtra, lies on the Konkan coast on the west coast of India and has a deep natural harbor. - Of the five largest hotels opened in 2023, three were located in Mumbai, including Aurika Skyline, which is India's fourth largest and Mumbai's third largest hotel, with over 600 rooms. Additionally, Mumbai is home to India's second-largest midscale hotel, Ginger Santacruz.
New Delhi	- Delhi, the capital city of India, is located in the northern part of the country and is a vibrant blend of rich history, diverse culture, and modern urban development. - Delhi's hotel industry, with minimal room supply growth in the past 7 years, has seen a boost due to a more confident pricing strategy, especially in luxury and Aerocity hotels. The G20 summit played a role, but the real change came from aligning prices with international standards. This approach led to a 9.8% increase in demand and significant ADR growth, with upper-midscale and mid-economy segments seeing rises of 25% and 45%, respectively.
Bengaluru	- Bengaluru, located in southern India, is a major technology hub known for its vibrant IT industry, innovative startups, and lively cultural scene. - Bengaluru, despite the largest hotel market in terms of inventory among major business cities, continues to struggle with a slow return to office-based work and a lack of momentum in IT park-focused micro-markets. The city's heavy reliance on the IT sector underscores the need for positive developments, such as the upcoming Aero SEZ, to boost overall performance.

Hyderabad

- Hyderabad, located in southern India, is a major IT and business hub known for its thriving technology sector, historic landmarks, and vibrant cuisine.
- Hyderabad's hotel industry has demonstrated moderate to positive performance across all key parameters. The city's luxury and upper-upscale segment has seen significant gains, with increased rates and strong segmental growth despite limited overall supply expansion. The addition of new high-end properties, such as the second Westin, has contributed positively to the market. Additionally, the upscale and mid-economy segments have shown impressive growth, with notable increases in revenue per available room reflects its growing importance as a major business hub with solid infrastructure.

Chennai

- Located on the southeastern coast of India, Chennai is a major cultural and economic hub being an important center for the automobile & ancillary, manufacturing, and services sectors (IT/ITeS and financial institutions).
- In Chennai, the Old Mahabalipuram Road (OMR) area, which accounts for 27% of the city's hotel supply, faces significant supply pressure and competition from serviced apartments and guest houses. Demand primarily comes from IT/ITeS professionals and extended stays related to projects and training. Although segmental parameters are above the all-India average, the area still has room for improvement.

Goa

- Situated on India's southwestern coast, Goa is renowned for its picturesque beaches, vibrant nightlife, and popular tourist attractions.
- Goa, despite facing challenges, remains a popular destination with high visitation numbers. The recent development of the new airport is a positive step forward, enhancing connectivity and visitor experience. While the ADR for luxury and upper-upscale resorts has room for improvement, the destination's vibrant appeal continues to attract tourists. Addressing issues such as alternative accommodations and capacity constraints through strategic planning can further strengthen Goa's position as a top travel destination.

Jaipur

- Found in the northwestern part of India, Jaipur, also known as the Pink City, is famous for its historic forts, palaces, and rich Rajasthani culture.
- Jaipur is witnessing a resurgence in the luxury sector, with significant growth driven by a select number of high-end properties. The upper-upscale and midscale segments are still catching up, with some potential for improvement. The city continues to excel in the wedding and MICE markets, though there is a need to balance this with a stronger focus on leisure travel to fully utilize the market potential. Despite slight declines in occupancy rates compared to 2019, the overall hotel sector in Jaipur shows promising opportunities for growth and enhancement.

Udaipur

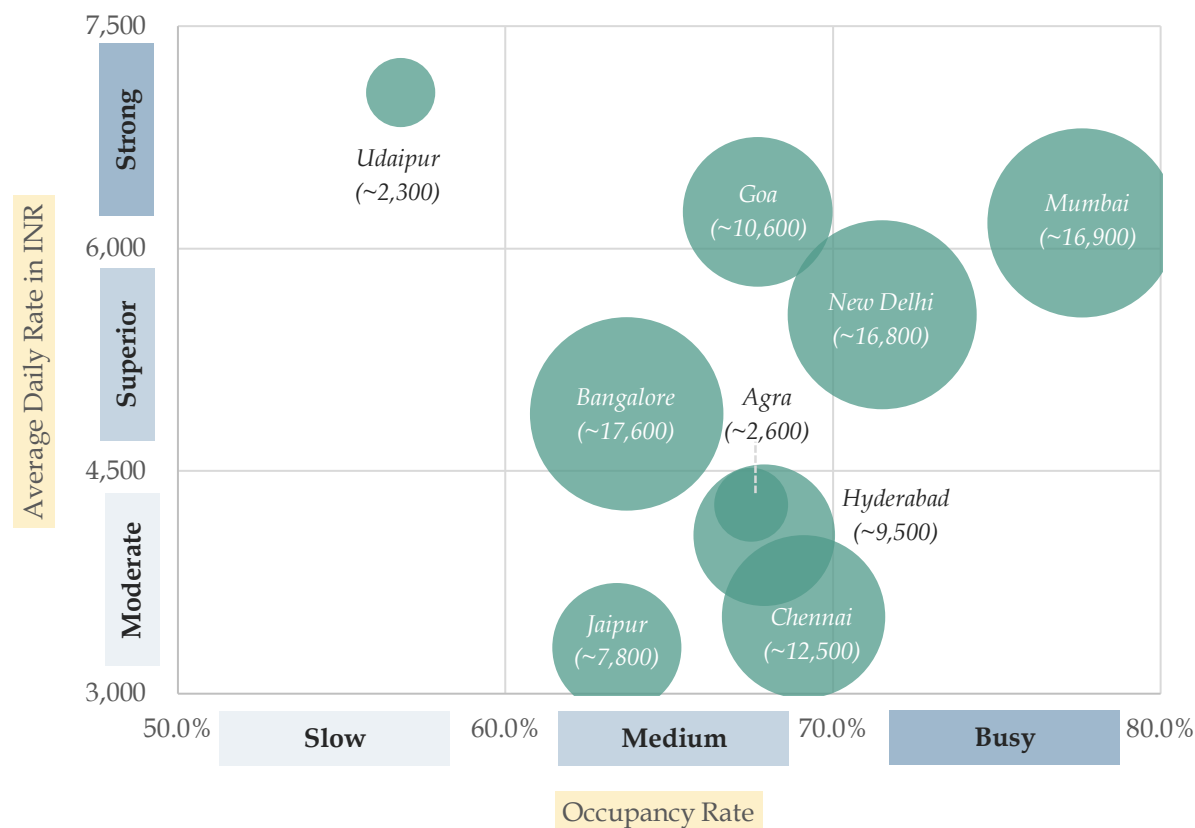
- Located in southern Rajasthan, Udaipur is celebrated for its stunning lakes, palaces, and vibrant arts scene, earning it the nickname 'City of Lakes'.
- Udaipur's hotel market has shown growth, with its ADR significantly exceeding the all-India average, largely driven by its luxury and upper-upscale hotels. The city continues to attract high-value guests, and there is further potential for expansion and improvement in overall market performance.

Agra

- Positioned in northern India, Agra is best known for housing the iconic Taj Mahal and its historical significance in the Mughal era.
- Agra is showing positive growth with a 5% demand CAGR since 2019, driven by increased connectivity to nearby cities like Kanpur, Lucknow, Noida, and Delhi. Despite challenges with its inconvenient airport for civilian use, the city's hotel market is thriving and has strong potential for continued development.

Source: Horwath HTL & Ken Research Analysis

Figure 5.12 Performance Matrix of Major Cities in India Mid-Scale Hotel Market



Source: Ken Research Analysis

Note: The size of the bubbles represents the room supply in the mid-scale hotel market for each city, with the room supply indicated in brackets next to the city name.

5.3. REGULATORY LANDSCAPE

In India, the hotel industry is primarily regulated by the **Ministry of Tourism**, which oversees the promotion and development of tourism, including hotel classification into different star categories (1-Star to 5-Star) based on quality and services. The Ministry also provides policy frameworks, issues guidelines, and implements schemes to support the sector. **State Tourism Departments** manage licensing and ensure compliance with local regulations at the state level. Additionally, the **Federation of Hotel and Restaurant Associations of India (FHRAI)** helps promote

industry standards, while hotels must comply with food safety regulations from the **Food Safety and Standards Authority of India (FSSAI)** and other local laws.

Table 5.4 Regulations around Indian Hotel Industry

Parameter	Description
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The **Ministry of Tourism** plays a vital role in enhancing the overall tourism experience by ensuring high standards in hotel facilities, amenities, and services. To achieve this, the Ministry has introduced voluntary schemes for the approval of hotel projects and classification of operational hotels. The HRACC division is responsible for the categorization of the establishments under the heads of restaurants, tented accommodations, Time Share Resorts, Air Catering units, standalone restaurants, guest house, apartment hotels, convention centers, motels, Over the Top (OTT) Aggregators, Bed and Breakfast facilities.

- Hotel Project Approval Categories: Approval is available for 5-Star, 4-Star, 3-Star, 2-Star, 1-Star, and Heritage (Basic) hotels
- Star Classification for Operational Hotels: Classification can also be applied for 5-Star Deluxe, 5-Star (with/without alcohol), 4-Star (with/without alcohol), 3-Star, 2-Star, and 1-Star hotels.

Star Classification of Operational Hotels

Checklist for Services and Facilities for Hotels:

■ Necessary ■ Desirable

Facilities/Services	1 Star	2 Star	3 Star	4 Star	5/5 Star D
Full time operation 7 days a week in season	■	■	■	■	■
Necessary trading licenses	■	■	■	■	■
Public Liability Insurance	■	■	■	■	■
Minimum 10 lettable rooms	■	■	■	■	■
Minimum bedroom size in sq. ft	120	120	130	140	200
Suite (2 Rooms with separate sitting area)	■	■	■	■	■

All rooms with attached bathrooms	All	All	All	All	All
Lounge or sitting area in lobby					
Valet Parking					
Minimum 1 Room for differently abled					
Staff with English Speaking skills					
Supervisory Staff (%)	20%	20%	40%	40%	80%
Code of conduct for safe tourism					
Security - CCTV, Id verification, Fire Safety, Staff etc.					
Eco-friendly practices: Sewage treatment, waste management etc.					

Application Process for classification / reclassification of operational hotels

- Hotel projects are approved during the implementation stage, and hotels are classified upon meeting the necessary standards once operational.
- Applications for approval of hotel projects or for classification/reclassification of operational hotels must be submitted online through the official portal (<https://www.hotelcloud.nic.in>) with the requisite fees paid digitally.
- Applications for hotels under 3-Star, 2-Star, and 1-Star categories should be directed to the Regional Director of the India Tourism Office where the hotel is located.
- The application form should include the hotel's proposed name, promoter's details (name, business background, contact info), ownership status with relevant documents, hotel site location and details (area, ownership/lease, land use permit, distance from key landmarks), and project specifics like feasibility report, planned star category, and room details.

Classification / Re-classification Fee Structure (INR)

1-Star	6,000
2-Star	8,000
3-Star	10,000
4-Star (with or without Alcohol service)	15,000
5-Star (with or without Alcohol service)	20,000
5-Star Deluxe	25,000

Hotel Projects Approvals:

- Project approvals and star categorization of hotels come under the purview of the regional tourism office and, in higher star categories under the Central Government.
- For Hotel under the 1 to 3 Star category, jurisdiction lies with the Regional Indian Tourism Office – Divided into 4 zones (North, South, East & West).
- For hotels under the 4- & 5-Star Heritage category, jurisdiction lies with the Ministry of Tourism – Central Government.
- Project approval is valid for five years but expires three months before the end date or when the hotel becomes operational, whichever is earlier. An extension of one year may be granted in exceptional cases if requested at least three months before expiry. The full project approval fee must be paid for any extension, and incomplete applications are not accepted.

Following are the licenses that are required for the hotel's registration, commencement and operations:**Licenses Required for the Hotelier**

- Building Completion Certificate (CC)
- Occupancy Certificate (OC)
- Shops and Establishment Act Registration
- Consent under Water Act and Air Act (SPCB)
- License from Municipal Corporation for water, electricity, sanitation
- Employees State Insurance Act Registration
- Apprenticeship Act Registration
- Eating and Lodging License
- Eating House License

- Board Signage and Neon Sign License
- Limited Money Exchange License (RBI)
- Factory License for Laundry (SPCB)
- Mild Liquor License (Excise Department)
- Bar License
- Public Performance License (PPL)
- Cold Storage License (FSSAI)
- FSSAI License

Hotel Sector GST Rates

GST Rates for Hospitality Industry:

- Accommodation Services: Value Less than or equal to 7500: 12% and Greater than 7500: 18%
- Banquet Hall Renting: 18%
- Restaurant Services: 5% without ITC (compulsory) /18% with ITC
- Outdoor Catering: 5% without ITC (compulsory) /18% with ITC
- Guest Transportation: 5% without ITC; 12% with ITC
- Laundry services: 18%
- Doctor on Call service: 18%
- Spa Service: 18%
- Health Club Service: 18%

Source: Ministry of Tourism, Govt. of India

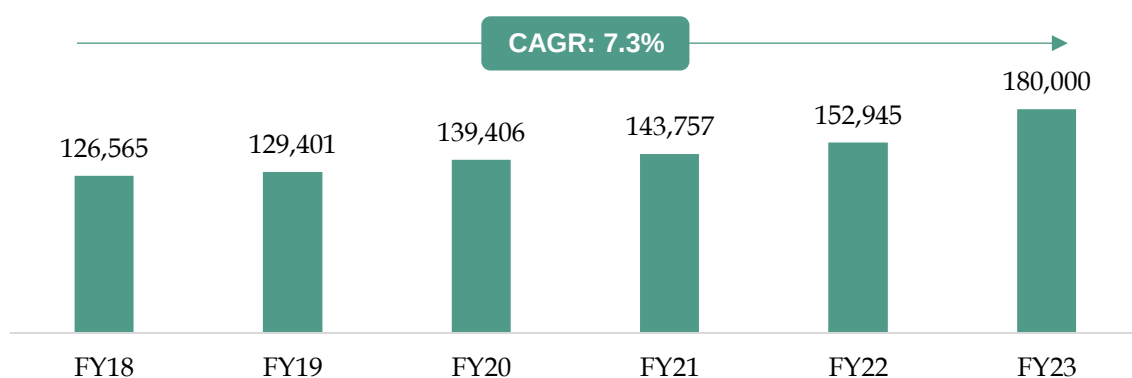
5.4. KEY TRENDS AND DEVELOPMENTS

Rise of Branded Hotels in Mid-Scale Segment

The mid-scale hotel segment is experiencing a significant shift as budget-conscious consumers increasingly prioritize trust and reliability in their accommodations. This has led to a growing demand for branded hotels, with many standalone properties converting to established hotel chains. The appeal of branding offers a win-win for both standalone hotels and chains, driving higher occupancy rates and improved Average Daily Rates.

Conversions often take place through various models, such as management contracts, where the hotel owner retains ownership while the chain handles operations; franchise agreements, where the chain provides branding and marketing support; or lease agreements, where the owner rents the property to the chain. For example, Fern, a midscale hotel brand, opened 1,500 new rooms in 2022, with 70% being conversions from unbranded hotels.¹³ Fern also signed 24 new hotels that year, seven of which were conversions. This trend reflects the broader industry shift towards brand trust, signaling a new era of growth and consolidation in the mid-scale hotel segment.

Figure 5.13 Branded Hotels Supply in the Overall Indian Hotel Market, FY18-FY23



Source: Hotelivate

¹³ Economic Times

Technology & Digital Transformation

The mid-scale hotel segment is witnessing a significant transformation driven by technological advancements aimed at enhancing guest experiences and operational efficiency. One of the key trends is the rise of contactless and automated services. Mid-scale hotels are adopting mobile check-ins, keyless room access, and automated customer support through chatbots. **For example, Sarovar Hotels has reimagined the check-in process, allowing guests to comfortably sit in the lounge and check in via a tablet brought to them by staff.** They are also leveraging WhatsApp groups to monitor guest requests and ensure any issue is addressed swiftly, escalating complaints if not resolved within 30 minutes. This real-time approach ensures a smooth, efficient operation while also improving guest satisfaction.

Hotels are also adopting smart devices for energy management, housekeeping, and room service, cutting down operational costs and optimizing resource usage.

Current investments in digital tools and automation are not enough to create lasting impact across the mid-scale segment. To truly revolutionize, hotels must explore a variety of avenues – from artificial intelligence (AI) and machine learning (ML) to virtual reality (VR) and smart devices. For instance, virtual reality can offer immersive previews of rooms and destinations, allowing potential guests to experience the hotel's offerings before they book.

Tier-II & III cities as Emerging Markets

With increasing disposable incomes and a growing middle class, tier-2 & 3 cities are emerging as important economic centers, attracting both business and leisure travelers. In addition to the growth of small towns, the hospitality industry is also benefiting from the **over-saturation of major metro cities**. Cities like Mumbai, Delhi, and Bangalore have reached a saturation point with the existing number of hotels, which means that the demand for hotels is shifting to smaller cities.

There is also increasing mid-level corporate demand and increasing presence in these cities as a result of government focus on developing economic zones in these cities. For example, the development of Dholera city near Ahmedabad as a social economic hub will create demand in the city which accounts for a shifting focus of key players in India to smaller non-metro cities.

Indian hotel brands, including Indian Hotels of the Tata Group and the Leela Group, are actively targeting smaller towns, with IHCL already operating Ginger, in most Tier-2 and Tier-3 cities and state capitals. **Radisson Group has also planned expansion into smaller towns, such as Katra near Jammu and Jalandhar in Punjab.** The hotel segment's foray into smaller towns is partly due to the significant improvement in rail, road, and air connectivity in these areas.

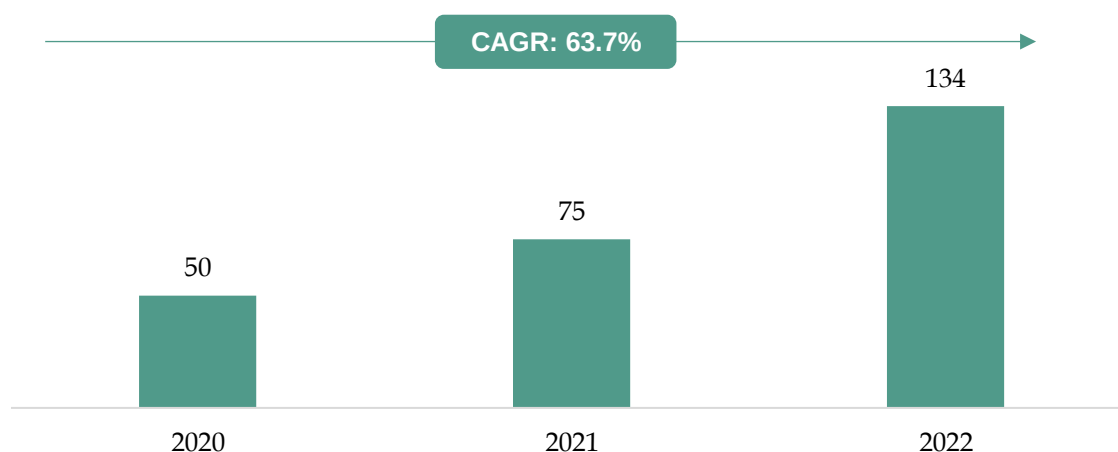
Religious and Spiritual Tourism

India is home to a wealth of sacred sites such as Amritsar, Varanasi, Rishikesh, Katra, Kedarnath, and Tirupati, which are playing a crucial role in shaping the country's growing domestic tourism industry. Following the pandemic, travel motivated by spiritual and religious reasons has become a clear trend among travelers. **A 2022 ICICI Direct survey highlighted this, noting Varanasi's remarkable 720 lakh tourists, which significantly surpassed Goa's 85 lakh visitors.** According to the Ministry of Tourism, these religious hubs contributed approximately ₹1.3 lakh crore in revenue and attracted around 1.43 billion visitors in 2022. Contrary to the belief that spiritual tourism primarily appeals to older generations, this trend spans across age groups.

Beyond the well-known destinations, lesser-explored cities are also seeing an increase in spiritual and religious tourism, driven by government initiatives. Ayodhya, for instance, is undergoing a transformation with the redevelopment of the Ram Mandir, projected to draw 3 lakh visitors daily. Despite the significant potential, the

sector remains largely unorganized. To fully capitalize on these opportunities, stakeholders must recognize the potential of this sector and develop unique, high-quality offerings to benefit from the growth of spiritual and religious tourism in India.

Figure 5.14 India Spiritual Tourism Revenue in '000 Crore



Source: IBEF

5.5. KEY GROWTH DRIVERS

Rising Disposable Income and Affluence

With the Indian middle class growing and having more spending power, domestic tourism is increasing, leading to a growing demand for hotel accommodations. In the first three months of 2024, Indian airports served 97 million passengers, a number that took an entire year to reach just a decade ago¹⁴. **With more people willing to spend on experiences, travel has become a priority for many Indian households.** Moreover, mid-scale hotels have adapted to the evolving needs of their guests by incorporating technology and personalized services. Features such as free Wi-Fi, flexible check-in/check-out policies, and loyalty

¹⁴ Mastercard Economics Institute

programs further enhance their appeal, making them a preferred choice for a growing segment of the population. As more consumers move into the middle-income bracket, the demand for quality yet affordable accommodation is rising, positioning mid-scale hotels perfectly to meet this growing need. **Unlike budget hotels, which often lack essential services and amenities, mid-scale hotels offer well-appointed rooms, superior customer service, and facilities like dining, fitness centers, and business services.** This makes them an attractive option for middle-income families, business travelers, and leisure tourists who seek comfort and convenience at a reasonable price.

Urbanization & Infrastructural Development

Urbanization and infrastructure development are pivotal factors **driving the growth of the mid-scale hotel market in India, particularly in tier 2 and tier 3 cities.** As these markets experience rapid urbanization, improved connectivity, and enhanced infrastructure, they are becoming increasingly attractive for both travelers and hotel developers. The rise of tier 2 and tier 3 cities can be largely attributed to better connectivity through improved road, rail, and air transport options, which have made these cities more accessible and are encouraging both leisure and business travel.

The Indian Government is actively promoting infrastructure development to support economic growth and attract investments in emerging markets. Significant projects, such as the Mumbai Trans Harbour Link and the Dwarka Expressway, are set to enhance connectivity in major metropolitan areas, reducing travel times and making these regions more appealing for businesses and travelers alike. Additionally, projects like the Vizhinjam International Transshipment Deepwater Multipurpose Seaport in Trivandrum and the Delhi-Dehradun Expressway are expected to drive real estate activity and enhance tourism prospects in their respective areas. These infrastructure advancements not only boost local

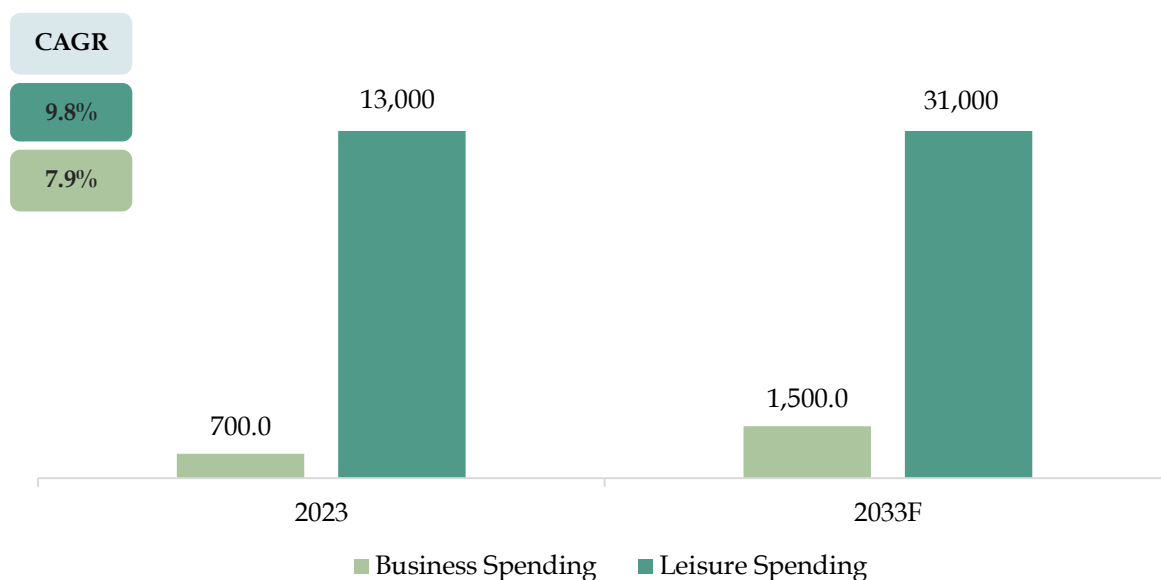
economies but also stimulate the hospitality sector by creating a demand for accommodation options.

Rise in Bleisure (Business + Leisure) Travel in India

Business travel remains a predominant source of demand for hotels located primarily in business-oriented locations such as Bengaluru Whitefield, Hinjewadi Pune, Gurugram, and Cyberabad in Hyderabad. **India's economic growth, coupled with the rising number of small and medium-sized enterprises (SMEs) and startups, has led to an uptick in business travel.** Mid-scale hotels, offering affordable yet quality services, are positioned to cater to this segment. Additionally, the growing trend of corporate meetings, incentives, conferences, and exhibitions (MICE) in tier-2 and tier-3 cities has created further demand for mid-scale accommodations, which are ideally suited to meet the needs of budget-conscious business travelers.

Greater affordability, changing attitudes towards lifestyles and improved road and air connectivity have materially encouraged short stay vacations, including those taken on weekends and extended weekends. **Despite being cost-conscious, young Indian travelers prioritize comfort and convenience, showing willingness to spend on services that minimize friction,** such as expedited airport transfers or room service. Tourists are also going beyond the traditional leisure destinations and have started to explore the lesser-known destinations in India. Owing to these factors, there has been an increased interest from both hotel developers & operators to explore opportunities in these destinations hence leading to growth of mid-scale hotel market in India.

Figure 5.15 India Business and Leisure Spending (Inbound + Domestic) in INR Bn



Source: World Travel and Tourism Council

5.6. MAJOR MARKET CHALLENGES & THREATS

Market Challenges:

Increasing Competition

The mid-scale hotel market in India is experiencing heightened competition, driven by both established chains and new entrants. **This intensifies the struggle for market share and puts pressure on hotels to differentiate themselves through unique value propositions, service quality, and competitive pricing.** With the entry of new players and aggressive expansion by established brands, maintaining a competitive edge requires continuous innovation and strategic positioning. For chain hotels, leveraging brand reputation, standardized service quality, and operational efficiencies can provide a competitive edge. However, independent hotels often struggle with brand recognition and consistent service delivery, making them more vulnerable to competitive pressures.

Shortage of Skilled Labor

Most branded hotels in India today are severely underpowered. **The current shortfall in the branded hotels space is 80,000-100,000 people. These hotels require 1.2-1.5 million people every year and this requirement is growing at a CAGR of 5.5-5.6%¹⁵.** This shortage hampers operational efficiency, impacts service quality, and constrains growth potential, posing a critical challenge for maintaining competitive standards and meeting increasing market demands.

Fluctuations in Demand

The India mid-scale hotel market faces significant challenges due to fluctuations in demand. The peak season, from October to April, benefits from high activity such as weddings, but July to September see a marked slowdown. **This reliance on seasonal variations affects occupancy rates and RevPAR, leading to slower growth during off-peak months.** Additionally, the market is vulnerable to economic fluctuations and external factors like political instability or pandemics, further complicating revenue stability and forecasting.

Consumer Price Sensitivity

Price sensitivity among consumers has become a significant challenge in the mid-scale hotel sector. **With a growing number of budget-conscious travelers and increased price comparison tools, guests are more focused on finding the best value for their money.** Chains with well-established brands might leverage their scale to offer competitive pricing or value-added services without compromising profitability. In contrast, independent hotels, which may lack the same scale efficiencies, face greater pressure to adjust pricing strategies and offer

¹⁵ Economic Times

compelling value propositions to attract price-sensitive customers.

Market Threats:

Rising Competition from Alternative Accommodations

The diversified offerings from hospitality industry in terms of alternative accommodation option like homestays, villas, hostels, apartments, short-term rentals are playing an important role in meeting the evolving demands of travelers. These alternatives often offer unique experiences and competitive pricing, attracting a segment of travelers seeking more personalized or cost-effective options, posing a significant threat to mid-scale hotels.

According to Booking.com's Travel Predictions 2023, a significant 64% of Indian travelers now seek "off-grid" style vacations. Travelers are actively seeking unconventional and unique stays to enhance their travel experiences such as villas, treehouses, camps, boathouses and other distinctive options, rather than traditional hotel settings. According to Booking.com's recent earnings results, alternative accommodations room nights globally rose about 45.0% year-on-year, representing about 33.0% of the brand's total room nights.

Environmental Regulations and Sustainability Pressures:

Increasing environmental regulations and sustainability expectations are putting pressure on mid-scale hotels to adopt eco-friendly practices. Compliance with regulations related to waste management, energy efficiency, and resource conservation can lead to increased operational costs. Hotels need to integrate sustainable practices into their operations and communicate their environmental initiatives to meet regulatory requirements and appeal to eco-conscious travelers.

6. COMPETITIVE LANDSCAPE

India's mid-scale hotel market is dynamic and highly competitive, driven by the country's growing middle class, increasing domestic travel, and expanding business hubs across metros and Tier II & III cities. The sector serves a diverse clientele, including budget-conscious business and leisure travelers, who seek a balance between affordability and comfort. This demand has created a competitive environment where both domestic and international players vie for market share through geographic expansion, service differentiation, and aggressive pricing strategies.

The market has also seen significant interest from international hotel brands, which are expanding their mid-scale offerings in India. These global players bring established brand names and loyalty programs, often appealing to business travelers and foreign tourists. However, they face stiff competition from domestic chains that better understand local consumer preferences and are more agile in adapting to regional market needs.

Amid this competitive landscape, the importance of brand differentiation, customer experience, and technology integration has become increasingly crucial. Chains that can innovate, whether through digital booking platforms, loyalty programs, or unique service offerings, are better positioned to capture market share. Additionally, scaling operations quickly to increase room inventory, particularly in non-metro cities, is seen as a critical success factor for mid-scale hotel operators.

6.1. OVERVIEW OF THE MAJOR PLAYERS IN INDIAN MID-SCALE HOTELS MARKET

Table 6.1 Company Overview of Major Players in India Mid-Scale Hotels Market

Player	Lemon Tree Hotels	Ginger Hotels	Bloom Hotels	Fortune Park Hotels	Royal Orchid	Sayaji Hotels
Establishment Year & Parent Company	2004, Lemon Tree Hotels Limited (LTHL)	2004, IHCL	2011, Imperativ Hospitality	1995, ITC Ltd.	1973, Royal Orchid Hotel	1982, Sayaji Hotels Ltd.
Operational Hotels	100+	57	55+	48	100+	26
Number of rooms	9,000+	~6,000	4,300+	3,800+	5,900+	1,800+
Key Locations	NCR, Mumbai, Kolkata, Bengaluru, Hyderabad, Ahmedabad, Chandigarh, Jaipur, Udaipur, Kochi, Ludhiana & others	Bangalore, Chennai, Goa, New Delhi, Pune, Mumbai & others	Mumbai, Bengaluru, Delhi, Gurugram, Pune, Goa, Udaipur, Amritsar, Kochi & others	Goa, Ahmedabad, Gandhinagar, Madhurai, Gurugram, Kolkata & others	Agra, Ahmedabad, Chennai, Surat, Dwarka, Udaipur & others	Indore, Pune, Vadodara, Raipur, Morbi, Bhopal & others
Sub-Brands	- Aurika Hotels and Resorts - Lemon Tree Premier - Lemon Tree Hotels - Red Fox by Lemon Tree Hotels - Keys Prima by Lemon Tree Hotels - Keys Select by Lemon Tree Hotels - Keys Lite by Lemon Tree Hotels	NA	- Bloom Hotel - Bloom Hub - Bloom Suites - Bloom Rooms - Bloom Boutique - X by Bloom	- Fortune Select - Fortune Park - Fortune Resort - Fortune Inn	- Royal Orchid - Royal Orchid Central - Royal Orchid Suites - Regenta	- Sayaji - Effotel - Enrise

Source: Ken Research Analysis

6.2. FINANCIAL SNAPSHOT OF MAJOR PLAYERS

Table 6.2 provides a snapshot of the financial performance of key players in India's mid-scale hotel market for FY23. Lemon Tree leads with the highest revenue, PAT, and EBITDA, showcasing its dominant position. Roots Corp. (Ginger) and Royal Orchid follow, with a significant gap from Lemon Tree but still maintaining strong profitability. Bloom Hotels, Fortune Park and Sayaji Hotels, while smaller, reflect steady growth, indicating rising competition in the segment.

Table 6.2 Overview of Major Players in Mid-Scale Hotels Market of India, FY23 in INR Cr

Financial Parameters	Lemon Tree	Roots Corp. (Ginger)	Bloom Hotels	Fortune Park	Royal Orchid	Sayaji Hotels
Total Revenue	875.0	306.7	144.0	44.4	263.5	271.1
EBITDA	544.2	74.0	12.4	8.0	81.8	82.9
PAT	139.7	71.1	6.0	5.3	49.2	35.1

Source: Interview with Industry Experts, Company Financial Reports and Ken Research Analysis

Table 6.3 presents key financial metrics of Lemon Tree Hotels Pvt. Ltd. The company's revenue has grown at a CAGR of 86.4% over the last two financial years.

Table 6.3 Financial Overview of Lemon Tree Hotels Ltd. FY21-FY23 in INR Crore

Financial Parameters	FY21	FY22	FY23
Total Revenue	251.7	402.2	875.0
EBITDA	168.8	223.0	544.2
PAT	(182.6)	(138.4)	139.7
EBITDA Margin	67.1%	55.4%	62.2%
Net Profit Ratio			
PAT/Net Sales	-72.5%	-34.4%	16.0%

Debt to Equity Ratio			
Debt	2,279.9	2,236.2	2,318.9
Equity	1,535.0	1,398.9	1,413.4
Debt/Equity	1.5	1.6	1.6
Return on Equity Ratio			
PAT/ Shareholder Equity	-11.9%	-9.9%	9.9%
Return on Capital Employed			
EBIT/Shareholder Equity & Total Liabilities	1.6%	3.3%	12.0%
EBIT	61.3	118.7	447.6
Shareholder Equity & Total Liabilities	3,814.8	3,635.0	3,732.3

Source: Interview with Industry Experts, Company Financial Reports and Ken Research Analysis

Note: Debt/Equity = Total Liabilities / Total Shareholders' Equity

Table 6.4 presents key financial metrics of Ginger Hotels. The company's revenue has grown at a CAGR of 50.8% over the last two financial years.

Table 6.4 Financial Overview of Roots Corporation Limited (Ginger Hotels) FY21-FY23 in INR Crore

Financial Parameters	FY21	FY22	FY23
Total Revenue	134.9	179.5	306.7
EBITDA	(35.1)	(3.1)	74.0
PAT	(49.4)	(33.9)	71.1
EBITDA Margin	-26.0%	-1.7%	24.1%
Net Profit Ratio			
PAT/Net Sales	-36.6%	-18.9%	23.2%
Debt to Equity Ratio			
Debt	542.2	551.7	443.9
Equity	145.4	111.7	247.9
Debt/Equity	3.7	4.9	1.8
Return on Equity Ratio			
PAT/ Shareholder Equity	-34.0%	-30.4%	28.7%

Return on Capital Employed			
EBIT/Shareholder Equity & Total Liabilities	-10.6%	-6.2%	5.1%
EBIT	(73.2)	(41.0)	35.6
Shareholder Equity & Total Liabilities	687.5	663.4	691.8

Source: Interview with Industry Experts, Company Financial Reports and Ken Research Analysis

Note: Debt/Equity = Total Liabilities / Total Shareholders' Equity

Table 6.5 presents key financial metrics of Fortune Park Hotels Ltd. The company's revenue has grown at a CAGR of 58.2% over the last two financial years.

Table 6.5 Financial Overview of Fortune Park Hotels Limited FY21-FY23 in INR Crore

Financial Parameters	FY21	FY22	FY23
Total Revenue	17.7	25.4	44.4
EBITDA	(8.3)	0.5	8.0
PAT	(6.3)	0.2	5.3
EBITDA Margin	-46.7%	2.1%	18.0%
Net Profit Ratio			
PAT/Net Sales	-35.5%	0.7%	12.0%
Debt to Equity Ratio			
Debt	6.3	7.2	14.3
Equity	18.9	19.2	24.4
Debt/Equity	0.3	0.4	0.6
Return on Equity Ratio			
PAT/ Shareholder Equity	-33.2%	1.0%	21.9%
Return on Capital Employed			
EBIT/Shareholder Equity & Total Liabilities	-33.0%	1.7%	20.3%
EBIT	(8.3)	0.5	7.8
Shareholder Equity & Total Liabilities	25.2	26.4	38.7

Source: Interview with Industry Experts, Company Financial Reports and Ken Research Analysis

Note: ROS = Return on Sales

Debt/Equity = Total Liabilities / Total Shareholders' Equity

Table 6.6 presents key financial metrics of Royal Orchid Hotels Ltd. The company's revenue has grown at a CAGR of 80.6% over the last two financial years.

Table 6.6 Financial Overview of Royal Orchid Hotels Limited FY21-FY23 in INR Crore

Financial Parameters	FY21	FY22	FY23
Total Revenue	80.8	138.5	263.5
EBITDA	(11.2)	22.9	81.8
PAT	(40.0)	26.8	49.2
EBITDA Margin	-13.8%	16.6%	31.1%
Net Profit Ratio			
PAT/Net Sales	-49.5%	19.3%	18.7%
Debt to Equity Ratio			
Debt	245.9	215.8	226.9
Equity	173.0	147.0	197.0
Debt/Equity	1.4	1.5	1.2
Return on Equity Ratio			
PAT/ Shareholder Equity	-23.1%	18.2%	25.0%
Return on Capital Employed			
EBIT/Shareholder Equity & Total Liabilities	-7.3%	1.9%	15.0%
EBIT	(30.4)	6.8	63.5
Shareholder Equity & Total Liabilities	418.9	362.8	423.9

Source: Interview with Industry Experts, Company Financial Reports and Ken Research Analysis

Note: Debt/Equity = Total Liabilities / Total Shareholders' Equity

Table 6.7 presents key financial metrics of Sayaji Hotels Ltd. The company's revenue has grown at a CAGR of % over the last two financial years.

Table 6.7 Financial Overview of Sayaji Hotels Limited FY21-FY23 in INR Crore

Financial Parameters	FY21	FY22	FY23
Total Revenue	86.9	172.0	271.1
EBITDA	21.4	56.2	82.9
PAT	(52.5)	33.0	35.1
EBITDA Margin	-13.8%	16.6%	31.1%
Net Profit Ratio			
PAT/Net Sales	-60.4%	19.2%	12.9%
Debt to Equity Ratio			
Debt	221.3	163.1	122.2
Equity	107.3	214.9	249.0
Debt/Equity	2.1	0.8	0.5
Return on Equity Ratio			
PAT/ Shareholder Equity	-49.0%	15.4%	14.1%
Return on Capital Employed			
EBIT/Shareholder Equity & Total Liabilities	-2.0%	8.5%	16.9%
EBIT	(6.4)	32.1	62.7
Shareholder Equity & Total Liabilities	328.5	378.0	371.1

Source: Interview with Industry Experts, Company Financial Reports and Ken Research Analysis

Note: Debt/Equity = Total Liabilities / Total Shareholders' Equity

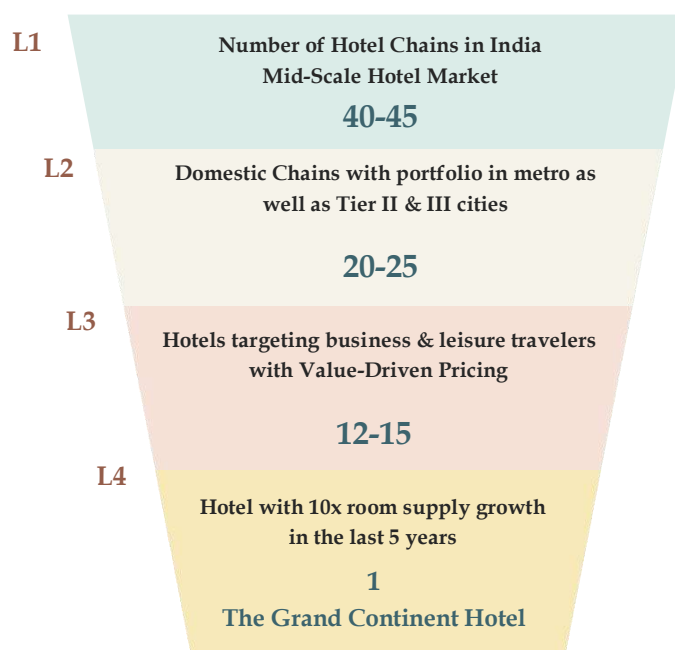
7. MARKET POSITIONING AND OPPORTUNITY FOR THE GRAND CONTINENT HOTELS

Market Positioning of The Grand Continent Hotel in India Mid-Scale Hotels Market

India's mid-scale hotel market is highly competitive, with 40-45 hotel chains operating across the country. Within this broad landscape, 20-25 domestic chains stand out by maintaining a strong presence in both metros and expanding into Tier II & III cities. These chains are leveraging geographic diversification to tap into high-growth regions beyond the major urban centers.

A more focused segment of 12-15 chains targets budget-conscious travelers, offering rooms with below-industry-average ADR (Average Daily Rate). These hotels prioritize affordability, catering to the needs of cost-sensitive travelers looking for value-driven services.

At the forefront of market growth, The Grand Continent Hotels has notably expanded its room supply by 10x over the past five years (Figure 7.1). **This rapid expansion, unmatched by competitors, highlights its aggressive strategy to capture increasing demand in both metro and non-metro areas. This growth not only sets it apart but also positions The Grand Continent Hotels to capitalize on future opportunities in India's mid-scale hotel market.**

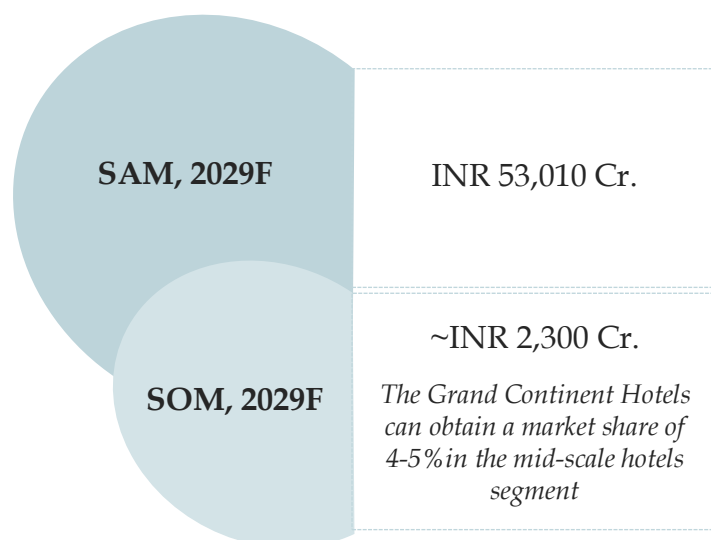
Figure 7.1 Positioning of The Grand Continent Hotels in India Mid-Scale Hotels Market

Source: Ken Research Analysis

Opportunity for the Grand Continent Hotels in the Indian Market

By 2029, The Grand Continent Hotels is poised to tap into a Serviceable Addressable Market (SAM) of INR 53,000 crores, with a Serviceable Obtainable Market (SOM) of around INR 2,300 crores in India's mid-scale hotels segment. This sizable market presents a strong growth opportunity for the brand, especially as consumer demand for affordable, high-quality accommodations continues to rise. The Grand Continent Hotels, with its value-driven pricing strategy and focus on delivering a premium guest experience, is uniquely positioned to capture a significant share of this market. As the brand continues to expand, it is well-placed to meet evolving customer expectations, solidifying its reputation as one of the fastest-growing players in the domestic hospitality sector.

Figure 7.2 Positioning of The Grand Continent Hotels in India Mid-Scale Hotels Market



Source: Ken Research Analysis

Note: It is assumed that The Grand Continent Hotels will experience a 10X growth in room supply by 2029, consistent with the trend of the past five years, while the ADR and occupancy rate are expected to remain stable.

Market Opportunity in International Mid-Scale Hotels Market

Table 7.1 Mid-Scale Hotel Market Trends in Major regions as opportunity for Mid-Scale Hotels

Region	Market Trend(s)
Middle-East	
Dubai	- The UAE, specifically Dubai, Ras Al Khaimah, and Abu Dhabi, has been a popular destination for hotel investment due to its expanding tourism offerings, favorable regulatory environment, and high occupancy rates. Significant investments in infrastructure development and tourism promotion have supported the hospitality industry's growth over the last 15 years. - Dubai's mid-scale hotel segment offers over 50,000 rooms and generated USD 2.2 billion in revenue in 2023 - Over 25% of Dubai's hotel rooms are five-star, surpassing other major cities globally. This creates a clear gap in the mid-scale segment, where Dubai is now focusing on expanding its hotel inventory to meet growing demand. The ADR range of USD 85-95 is a market sweet zone

in Dubai's hotel market. This segment is relatively underserved by competitors, presenting a prime opportunity for new entrants.

Abu Dhabi

- There is a growing demand for affordable hotel accommodations in Abu Dhabi, catering to frequent travelers and the price-sensitive segment.
- Abu Dhabi's mid-scale hotel segment offers **over 11,000 rooms and generated USD 219.8 million in revenue in 2023. The ADR range of USD 70-80 is an optimal price point in Abu Dhabi's hotel market.** This range is relatively underexploited, offering a significant opportunity for new entrants aiming to establish themselves in the mid-scale segment.

Riyadh

- Demand for **internationally-branded midscale and economy hotels, catering to the corporate sector**, is rising in Saudi Arabia, especially Riyadh, offering opportunities for hotel companies in the under-supplied market
- Riyadh has achieved one of KSA's largest ADR of the overall hotel market standing at around USD 213 in 2023. **The mid-scale segment generated a revenue of USD 341.3 Mn IN 2023**

Baku

- The Government is determined to make Baku a leading travel destination in the Caucasus region, hence the priority status of tourism among other industries to diversify the city's economy.
- Influx of additional international hotel brands servicing the needs of more value-minded travel segments is expected in the city. **The development pipeline confirms future openings under diverse brands, including Hilton Garden Inn, Courtyard by Marriott, Ibis and Novotel.**
- Baku's mid-scale hotel segment generated a revenue of over USD 45 Mn in 2023 and is expected to register one of the highest CAGRs of over 10% during 2023-2029F

Southeast Asia

Manila

- Post-pandemic recovery of hotels in Metro Manila is accelerating, with **4 million tourist arrivals in the first nine months of 2023.** This was nearly double the 2.65 million tourist arrivals from February to December 2022.
- Manila hotels continue to see rising occupancies and rates due to **brisk take-up from businessmen as well as exponential rise in demand for**

	meetings, incentives, conferences, and exhibitions (MICE) facilities. With this, the mid-scale hotel market is on the rise, taking the revenue generation 2023 to USD 217.5 Bn.
Jakarta	• 1,621 hotel rooms are expected to enter the market in 2024, which will grow the supply by 2.9%¹⁶. Out of this around 40% of rooms are expected to belong to the mid-scale category. RedDoorz, Pan Pacific Hotels are some players who recently expanded in this segment. • Resurgence in business activities in the post-election landscape is likely to drive the market.
Bangkok	• Investment in the industry is mostly being made by large operators in the construction of new hotels in regional centers, tourist areas, and border zones. • These developments generally target the budget hotels and mid-range hotels (3-4 star) segments, and examples include Hop Inn (operated by Erawan Group), Fortune D (part of CP Land) and COSI (run by Central Plaza).
Singapore	• With Singapore's ADR exceeding USD 300 for the upscale hotel segment, there's a key opportunity in the mid-scale segment for value-for-money stays. Recent developments have expanded the mid-scale range, with 35-40% of hotel rooms now mid-scale. According to Ken Research analysis, the ADR range of USD 105-115 represents a whitespace opportunity in Singapore's hotel market. This range is underrepresented by competitors, creating a unique chance for new entrants to offer a comfortable stay with premium features at value-based pricing. • This creates a significant opportunity to cater to the growing "bleisure" traveler market, as the country saw 115% increase in the number of visitors last year, from 6.3 million in 2022 to 13.6 million in 2023¹⁷
Other	

¹⁶ JLL¹⁷ Singapore Tourism Board

Maldives	- 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 with 115% increase in the number of visitors last year, from 6.3 million in 2022 to 13.6 million in 2023¹⁸ - 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 - With luxury resorts dominating the market and ADR exceeding USD 600, the Maldives is attracting significant investor interest in the mid-scale segment, targeting value-conscious travelers.
Georgia	- In 2023-2024, a total investment of USD 82 has been allocated for hotel development in the country. According to the 2024 plans of the National Tourism Administration, the investment will increase to 370 USD in 2024-2027 - With Georgia's rapidly expanding tourism sector, 292 new hotels are set to be built between 2023 and 2025¹⁹, with the majority concentrated in Tbilisi, the capital. This increase in room supply is part of the government's strategy to attract more tourists and stimulate economic growth. - Currently, Georgia offers over 45,000 hotel rooms, with 20,000 in the mid-scale segment. The mid-scale market is poised for strong growth, with projected revenue CAGR of 6.2% from 2023 to 2029.
London	- As one of the main financial hubs in Europe, and with its rich cultural heritage, London benefits from both leisure and business demand. - Supply in London currently stands at close to 1,500 properties comprising almost 140,000 rooms²⁰. There are currently 128 properties in the pipeline for London, all expected to open by 2028, an increase of 11.8% on the current supply. These hotels will bring nearly 17,000 new rooms to the market.²¹ - London's hotel supply has surged, especially in the luxury segment since the 2012 Olympics, but mid-scale developments have lagged behind. This creates a clear opportunity for investors to fill the gap,

¹⁸ Ministry of Tourism Maldives

¹⁹ National Tourism Administration, Georgia

²⁰ HVS

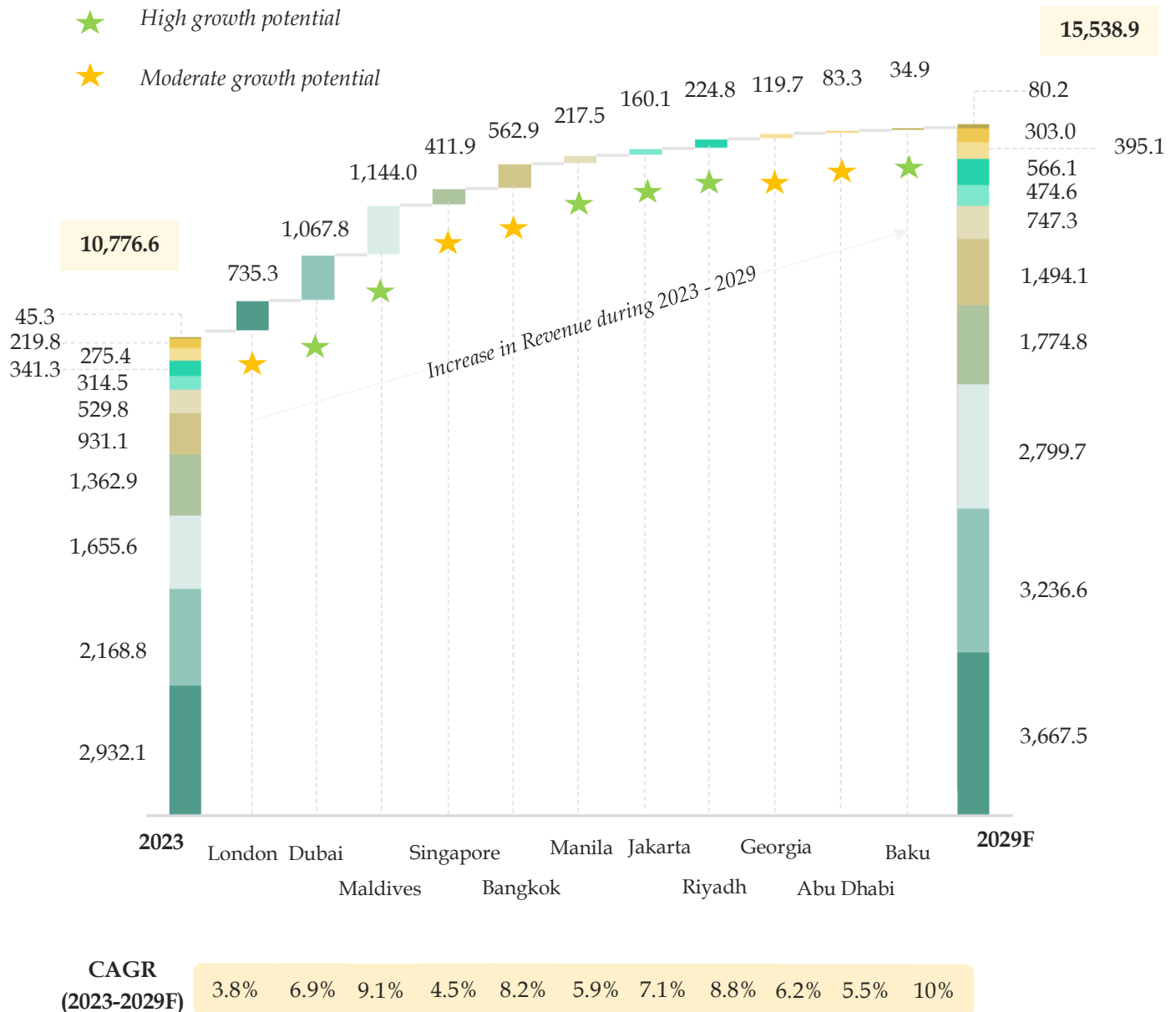
²¹ HVS

particularly in areas outside central London where affordable accommodation is in high demand.

- The ADR range of USD 120-130 is considered a sweet spot in London's hotels market, offering a significant opportunity for new entrants. Hotels that provide a comfortable stay with premium features at value-based pricing are well-positioned to tap into this segment, catering to guests seeking affordability without compromising on quality.
- Regenerating districts like **East London, Stratford, and Battersea** still **lack sufficient mid-scale options**, offering a prime opportunity to capture rising visitor traffic while avoiding intense competition in central zones.

Source: Industry Reports, Interviews with Industry Experts and Ken Research Analysis

Note: The mid-scale hotel market in each region is defined by the ADR range, which varies across locations. Following are the ADR ranges for mid-scale hotel rooms in different regions: London (USD 120-260), Dubai (USD 80-190), Maldives (USD 350-600), Singapore (USD 100-210), Bangkok (USD 50-110), Manila (USD 50-120), Jakarta (USD 25-90), Riyadh (USD 60-150), Georgia (USD 40-100), Abu Dhabi (USD 60-150), and Baku (USD 60-150)

Figure 7.3 Market Size of Mid-Scale Hotel Industry in International Markets, 2023 & 2029F

Source: Ken Research Analysis; Note: F represents Forecasted figures

Note: The mid-scale hotel market in each region is defined by the ADR range, which varies across locations. Following are the ADR ranges for mid-scale hotel rooms in different regions: London (USD 120-260), Dubai (USD 80-190), Maldives (USD 350-600), Singapore (USD 100-210), Bangkok (USD 50-110), Manila (USD 50-120), Jakarta (USD 25-90), Riyadh (USD 60-150), Georgia (USD 40-100), Abu Dhabi (USD 60-150), and Baku (USD 60-150)

8. RESEARCH METHODOLOGY

8.1. MARKET DEFINITIONS

India Mid-Scale Hotels Market in Value: Total revenue generated by mid-scale hotels in India, which typically offer rooms with an Average Daily Rate (ADR) between INR 3,000 and INR 7,500. This includes income from various service offerings such as room accommodations, food and beverage services, events, spa & wellness, and other ancillary services.

India Mid-Scale Hotels Market in Volume: Total hotel rooms supply or available rooms within India, where ADR falls between INR 3,000 and INR 7,500.

Average daily rate: ADR represents hotel room revenues divided by total number of room nights sold in a given period (including rooms that were available for only a certain portion of that period)

Average Occupancy: Average occupancy represents the total number of room nights sold in a given period divided by the total number of room nights available at a hotel or group of hotels in the same period

RevPAR: This metric reflects how well mid-scale hotels are filling rooms and maximizing their revenue potential on a per-room basis. RevPAR is calculated by multiplying the ADR (₹3,000 to ₹7,500) by the occupancy rate.

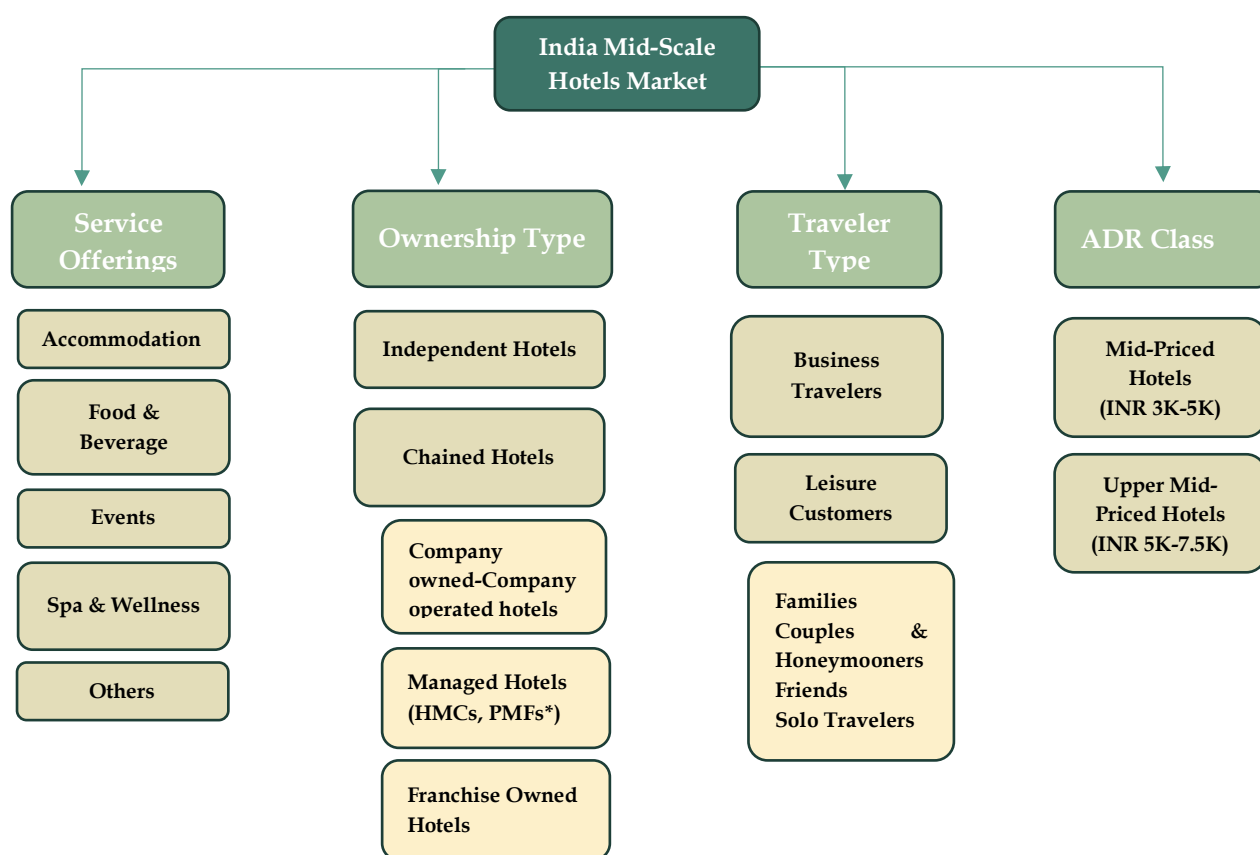
Chain-affiliated hotels: These are hotels that are (i) Company owned-Company Operated (ii) Managed Hotels, or (iii) Franchise Operated. These include all international global and domestic chains operating in India.

Independent hotels: Hotels that operate independently and are not associated with any major hotel chain or brand. These hotels are typically standalone entities and do not adhere to the standardized practices like large hotel groups.

8.2. PRODUCT TAXONOMY

The India hotels market serves a diverse range of travelers, each with varying needs and preferences, through different hotel categories. These categories can be segmented based on factors such as star ratings, average daily rates (ADR), and ownership models. From budget hotels catering to cost-conscious travelers to premium and luxury offerings that focus on high-end services, the market spans a wide spectrum. Mid-scale hotels, in particular, occupy a crucial position within this taxonomy, catering to both business and leisure travelers who seek a balance between affordability and comfort (Figure 8.1).

Figure 8.1 Market Taxonomy of India Mid-Scale Hotels Market



Note: Others include laundry and housekeeping services, Concierge services, Co-Working spaces, Technology services, etc.

* Hotel management companies, Property management firms

8.3. MARKET SIZING AND MODELING

CONSOLIDATED RESEARCH APPROACH

Hypothesis Creation: The research team had first framed a hypothesis about the market through analysis of existing industry factors, obtained from company reports and from magazines, journals, online articles and data from various industry sources, articles and company profiles.

Hypothesis Testing: The research team has then conducted computer assisted telephonic interviews (CATIs) with the management of the companies (C-level executives, Operational Heads, Regional Heads, and others) to get their insights on the market and to seek justification to the hypothesis framed by the team.

Sanity Checking: General consensus on data collected from primary research and public and proprietary databases has been reached by comparing it with macro-

economic factors and analyzing the data points from supply as well as demand side. Data has been collected and verified through cross-sanity checking between primary and secondary sources. Secondary data sources include the analysis of existing industry factors, obtained from company reports, proprietary databases, magazines, journals and online articles. The secondary data sources are used to form the initial perception and contention on several forces playing their role in determining the future growth in the industry.

Interpretation and Proofreading: The final analysis was then interpreted in the research report by our expert team well versed with the hospitality industry.

LIMITATIONS

The future growth rate is primarily based on expected increases in hotel supply and ADR growth. These projections have been validated through interviews with industry experts from various segments, although their estimates may not always fully account for external uncertainties, such as economic downturns, inflationary pressures, or shifts in consumer behavior. While the model provides a reasonable forecast, there is inherent unpredictability due to these external factors. Ken Research has employed a robust sampling technique to validate the findings, ensuring a sufficient number of strata to reduce the margin of error. The significance level in the model is targeted to remain within 5-10%.

8.4. GLOSSARY

ADR: Average Daily Rate

APAC: Asia-Pacific

Bn: Billion

CAGR: Computed Annual Growth Rate

CPI: Consumer Price Index

Cr: Crore

DTV: Domestic Tourist Visits

EBITDA: Earnings before Interest, Tax, Depreciation, and Amortization

E: Estimated

F: Forecasted

FDI: Foreign Direct Investment

FEE: Foreign Exchange Earnings

FTA: Foreign Tourist Arrival

FY: Financial Year

GDP: Gross Domestic Product

GVA: Gross Value Added

HLFP: Heat, Light, Fuel, Power

HRACC: Hotel & Restaurant Approval & Classification Committee

INR: Indian Rupee

MICE: Meetings, Incentives, Conferences, Events

Mn: Million

MoSPI: Ministry of Statistics and Programme Implementation

MPCE: Monthly Per Capita Consumption Expenditure

OTA: Online Travel Agencies

PAT: Profit After Tax

RBI: Reserve Bank of India

REPO: Repurchase Option

RevPAR: Revenue per Available Room

ROE: Return on Equity

ROS: Return on Sales

SAM: Serviceable Addressable Market

SME: Small & Medium-sized Enterprises

SOM: Serviceable Obtainable Market

SWB: Salary, Wages, Benefits

Tn: Trillion

USD: United States Dollar

UT: Union Territory

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