Oct 2010

Hospitality in India

Maple Capital Advisors
Engaging to Create Value

Tourism Finance Corporation of India Ltd.
helping tourism grow

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Introduction

Dear Reader,

It is indeed our pleasure, to bring together this research publication on the Indian hospitality sector, a sector which is one of the core focus areas for Tourism Finance Corporation of India Ltd.. This is an initiative to share our sector knowledge, insights and further enhance sector interest based on our unparalleled sectoral experience of principal financing and endeavor to graduate our value added portfolio offerings to the benefit of our clients.

We are also pleased to associate with entrepreneurial professional platforms like Maple Capital Advisors, given their insights in the equity and M&A space in the sector and common knowledge based philosophy of enhancing customer value.

Given the crossroads that we are at, in a country that is transforming fast as an investment and tourist destination, the sector has significant growth prospects and our objective was to present this opportunity in an insightful perspective and a quick reckoner to someone with existing or emerging interest.

India, with a highly underpenetrated hospitality sector as compared to the west and relatively under developed allied infrastructure today presents a significant opportunity for existing future strategic players. The sector also has its challenges, key being land prices especially where the capacity utilisations are healthy, and the opportunity exists to develop destinations amidst challenges of logistic linkages.

We believe the sector will see increasing level of organized players from a fragmented state today as quality pre requisites become standard, as do efficiencies of supply chain, quality manpower etc.

Alternate forms like bed & breakfast, time share, destination resorts, motels, highway hotels and increasing penetration of organized players in tier 1 and tier 2 towns are expected.

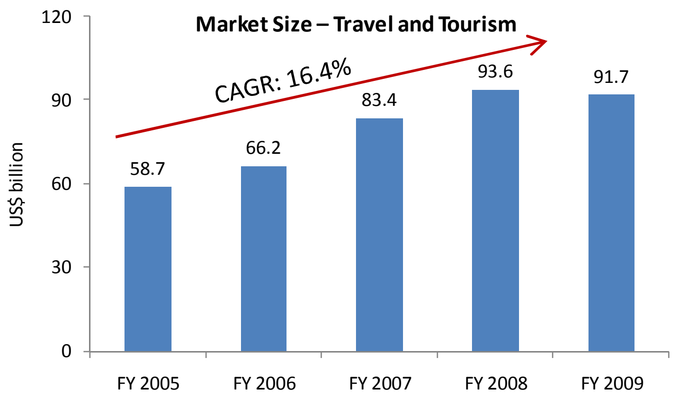
The government has played an important role over the years from the state to centre level through fiscal and non fiscal measures and we expect increasing role of the government in further bridging gaps in the industry with other emerging and developed markets to put India an important and sought after destination on tourism and hospitality.

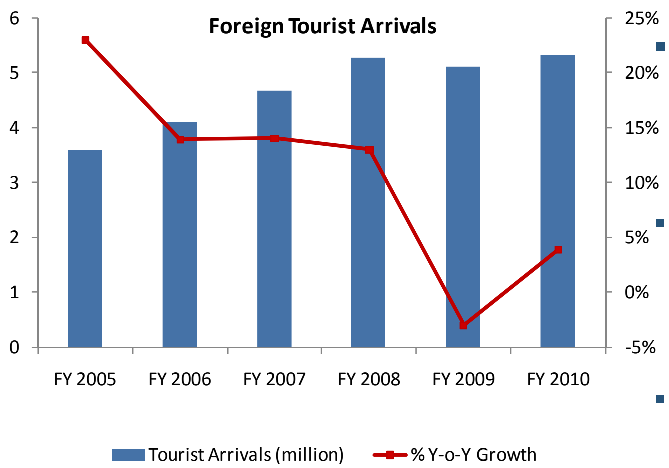
I hope you find our findings enriching and we look forward to your comments or insights on our findings.

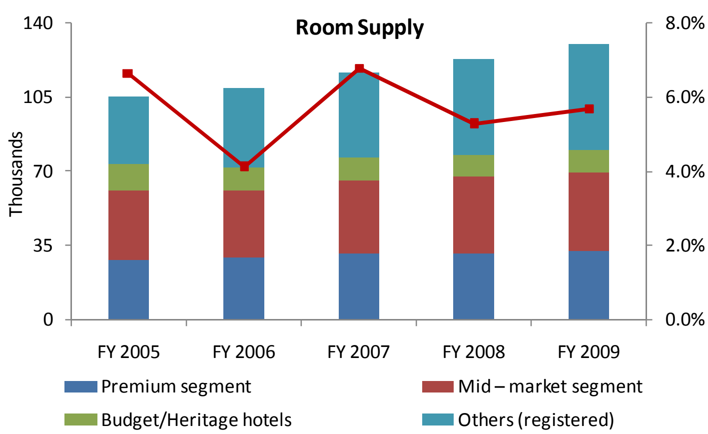
Mrs. Archana Capoor
Chairman & Managing Director
Tourism Finance Corporation of India Ltd.

Overview – Indian travel and tourism industry on a strong rebound

The travel and tourism market in India reached US$ 91.7 billion in 2009, growing at a compounded annual growth rate (CAGR) of 16.4% over the past five years. The market is expected to touch approximately US$ 266.1 billion by 2019 on back of continued economic growth and India attractiveness in the global context.







Sector Highlights

- The sector has high correlation with the travel and tourism sector which has displayed buoyant growth.
- International tourist arrivals in India have increased at a CAGR of 8.1% between 2005 and 2010, reaching 5.3 million.
- Continued domestic economic growth and investments in infrastructure i.e airports(world class in New Delhi, Mumbai, Bangalore, Hyderabad and many more following), roads, rail and air connectivity has enhanced demand for organised hospitality and hotel rooms.
- The current count of hotel rooms is 130,000, and the country is expected to require an additional 50,000 rooms(~USD 6-7 bn) over the next two to three years, according to World Travel and Tourism Committee (WTCC) estimates.
- In recent times, the product mix is shifting as the country has witnessed huge growth in budget, mid-market hotels, premium hotels in larger cities and alternate forms all of which are increasingly targeted by organised hotel chains.
- Both domestic and international players have planned large-scale investments in the hospitality industry thus the demand supply gap is expected to be bridged significantly even though this may not be pan India and evenly distributed.

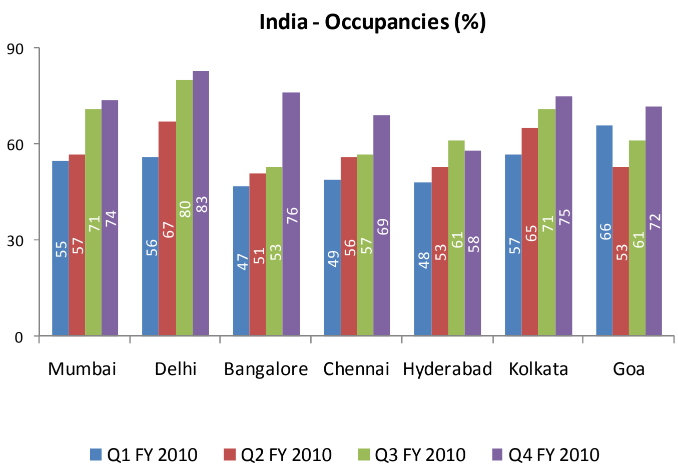
Global Comparison

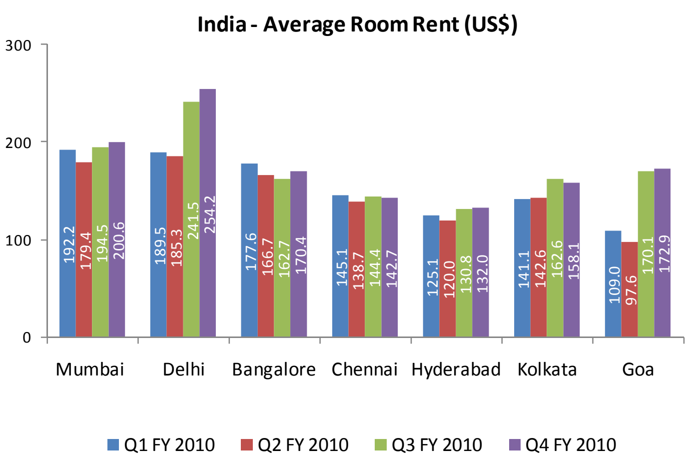
- India occupies the forty-sixth position among the top sixty tourist destinations globally.
- The country lags behind global peers in the average number of rooms per branded hotel. Singapore has almost three times the average number of rooms compared to India (100).
- The country's ratio of hotel rooms to the population stands at one room per 10,000 people. In comparison, the U.S. has approximately 1.6 rooms per 100 people.

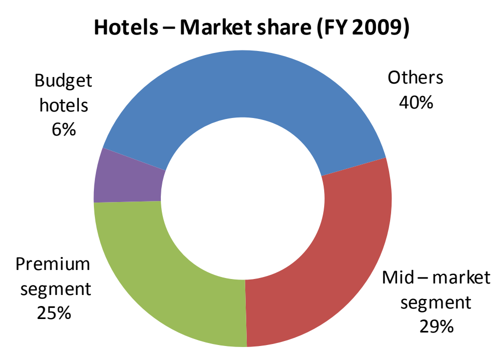
While India has a lot to catch up with some of the developed markets, the current economic environment is enabling increasing investments in the sector which will change the face of hospitality in India in the next 5-10 years.

Source: TFCI, Ministry of Tourism, IBEF, First Call Research
INR/USD = 0.0211

Overview – Occupancies to witness uptrend







Growth Drivers

- Increased inbound tourist arrivals due to preference towards India for leisure and business travel.
- Increased domestic business travel due to higher corporate spending.
- Growing domestic leisure travel because of rising income levels and affordability.
- Favorable government policies.
- Increased medical tourism.

Trends

- Occupancy levels are rebounding towards the peak levels of 2007/08 at all key markets from middle of the year.
- Average room rentals still compare on the higher side and nearly at par with developed markets driven by distortion of supply and land costs which in key cities are comparable or higher than many developed markets.
- Average room rental rates (ARR) are growing at a slow pace as market focuses on regaining peak occupancy levels.
- Increasing supply, higher price sensitivity of international tourists(high contributor esp. in premium category) will continue to limit ARR growth even as they may be short term distortions.
- Organised play will increase with international and domestic chains enhancing presence and with their efficiencies of service platforms and supply chains, this trend will see a sharp rise as occupancies will be driven by quality with increasing supply.

India is an inflexion point in the Hotel Industry, with buoyant demand, increasing occupancies and increasing pipeline of quality supply. With supportive government initiatives to optimize land costs, the sector will see even greater momentum of investments.

Source: TFCI, IBEF, First Call Research, Indian Hotels Analyst Presentation

Competitive Landscape

- The Indian hotel industry is highly fragmented with high number of unorganised players. This is however changing rapidly.
- Several international players, including InterContinental, Marriott, Starwood and Accor have entered the Indian hospitality space and new ones joining every month.
- In addition to forming alliances with local hotel chains or real estate players, international players have started using the inorganic route to strengthen their presence in the country.

Some of the key players

Players	Segment Presence	Brands
Indian Hotels	Luxury, mid-segment and budget	Taj, Gateway, Vivanta and Ginger
ITC Welcomgroup	Luxury, budget and heritage	ITC Hotel – Luxury Collection, WelcomHotel – Sheraton, Fortune and WelcomHeritage
EIH	Business , leisure and cruises	Oberoi and Trident
Carlson	Luxury, business, economy and cruises	Radisson Hotels and Resorts, Park Plaza, Country Inns & Suites, Park Inn
InterContinental	Luxury, mid-segment and business	InterContinental, Crowne Plaza, Holiday Inn, Holiday Inn Express, Hotel Indigo, Staybridge Suites, Candlewood Suites

Future Plans of some key players

Players	Planned Investment	Details
Indian Hotels	NA	Plans to construct 50 budget hotels under the Ginger brand over the next four years
EIH	NA	Plans to develop 750 additional hotel rooms under the Trident brand over the next 2.5 years
Carlson	US$ 35 million	Plans to increase its presence in India to 78 hotels by 2012, from 28 in 2009
Marriott	NA	Plans to open 30 hotels in India over the next three years

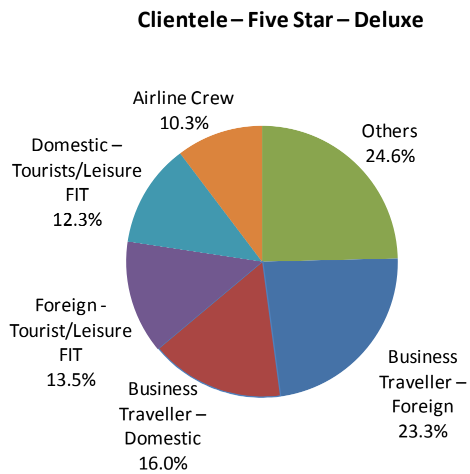
Future Supply – Mid-market and Budget Segment

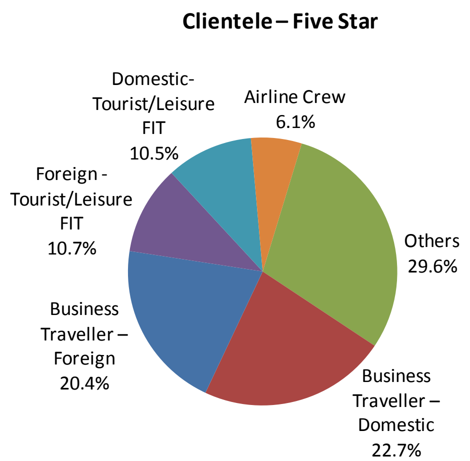
Hotels	Number Of Rooms	Year of Completion
Ibis Hotels	2,909	2012
Sarovar Hotels	3,014	2012
Keys Hotels	3,000	2013
Lemon Tree Hotels	3,492	2013
Ginger Hotels	4,541	2011
Peppermint Hotels	1,500	2013
Fortune Hotels	5,077	n/a

The market will see a good mix of Indian and International Hotel Chains and is expected to get even more organised across categories in the years to come.

Source: TFCI, IBEF

Premium/Luxury hotels

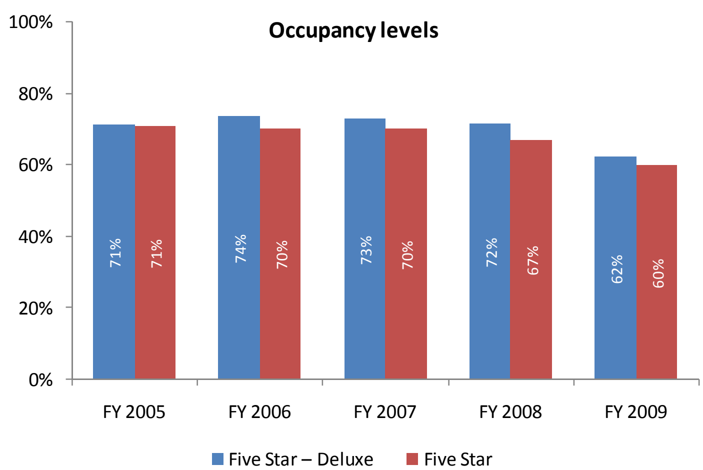


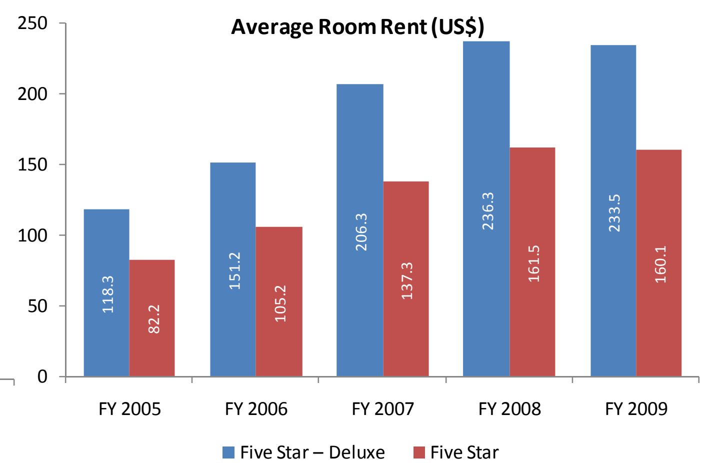


Segment Highlights

- This segment has grown the fastest during the last five years, clocking a CAGR of 12.0%.
- The segment includes:
  - Five-star deluxe hotels
  - Five-star hotels
- The average rooms per hotel stand at 177 and 147 in five-star deluxe and five-star hotels, respectively.
- The estimate for constructing a single five-star room stands at approximately US$ 0.26 million.

Guest Analysis	Five – Star Deluxe (Days)	Five – Star (Days)
Avg. Stay of Foreign Guests	3.0	3.6
Avg. Stay of Domestic Guests	2.3	2.1
Avg. Stay of Business Guests	2.4	2.0
Avg. Stay of Leisure Guests	2.1	2.5
Percentage of Repeat Guests	34.6	27.2

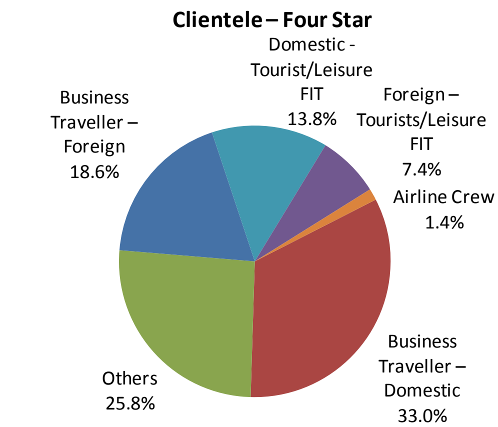


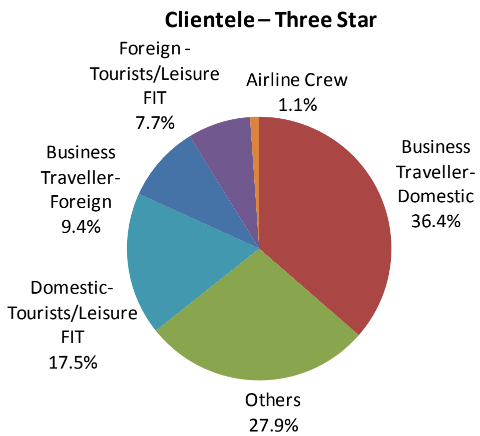


Demand for premium-segment rooms to witness a CAGR of 13.0% over FY2010E-13E, whereas supply expected to record a CAGR of 10.8% over FY2010-13E

Source: TFCI

Mid-market hotels





Segment Highlights

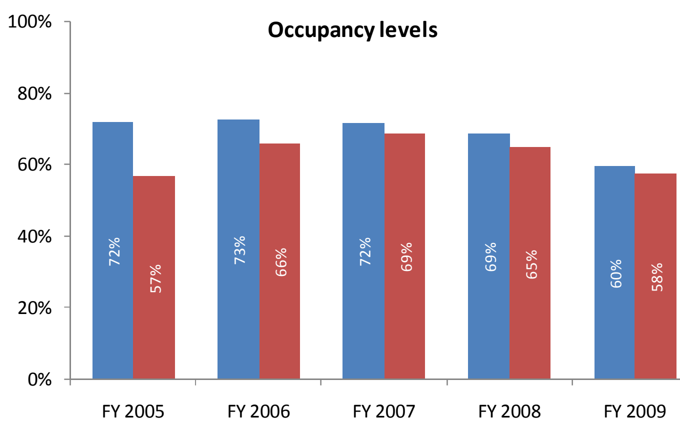
Four-star hotels

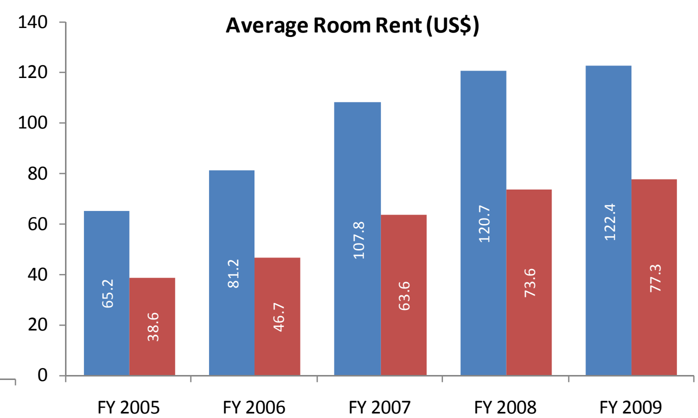
- These hotels are primarily located near dining areas, shopping malls and cinema halls.
- Major characteristics include good service levels accompanied by large and well-furnished rooms.
- The estimate for constructing a single four-star room stands at approximately US$ 0.15 million plus land costs.

Three-star hotels

- These hotels are located near or within prime business districts.
- The majority of clients are business travelers looking for affordable accommodation
- The estimate for constructing a single four-star room stands at approximately US$ 0.07 million plus land costs

Guest Analysis	Four Star (Days)	Three Star (Days)
Avg. Stay of Foreign Guests	3.3	4.0
Avg. Stay of Domestic Guests	2.1	3.3
Avg. Stay of Business Guests	2.7	3.2
Avg. Stay of Leisure Guests	2.5	2.4
Percentage of Repeat Guests	42.0	45.6

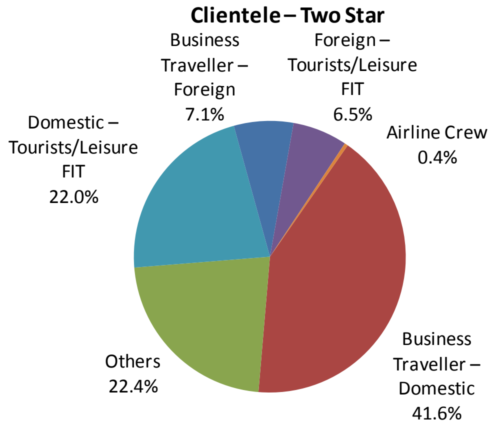


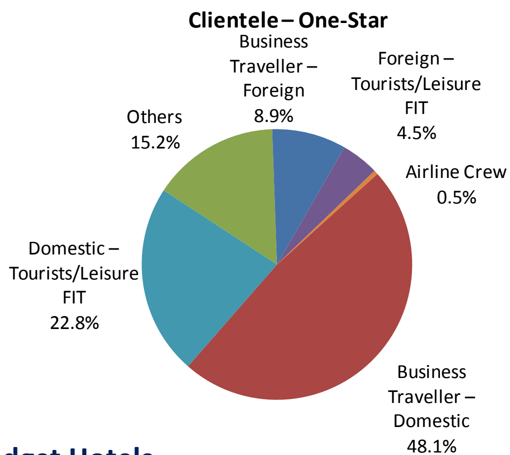


In smaller cities, hospitality chains are expected to offer product mix inclined towards business and budget hotels, a shift away from the luxury segment

Source: TFCI

Budget hotels/Others





Budget Hotels

- These hotels have been traditionally associated with unorganized, low-priced and nonstandard services.
- The segment includes:
  - Two-star hotels
  - One-star hotels
- Middle class and upper middle class customers use the services of economy hotels, popularly known as budget hotels and discount hotels.
- The estimate for constructing a single budget hotel room stands in the range of US$ 0.03-0.05 million.

Others

- Service Apartments
  - This segment's growth is being driven by an increasing inflow of expatriates and travelers staying for long durations.
  - Demand for these apartments is directly connected to the strong presence of a multinational population.
  - Growth in the IT, BPO, manufacturing and tourism sectors has fuelled the growth of service apartments in India.
  - These apartments enjoy better occupancy rates and a 10.0-12.0% difference in bottom line compared to hotels.
  - Apartments include Taj Wellington Mews, Homestead Serviced Apartments, Marriott Executive Apartments, Star City, Grand Hyatt Residences and Seasons.
- Homestay
  - Customers include foreign tourists and domestic travelers.
  - Many private players including Homestay, Comfort Homestay and Pride Hospitality have forayed into this segment.
- Bed and Breakfast
  - These accommodations provide overnight stay and breakfast.
  - The objective is to provide a clean and affordable place for foreigners and domestic tourists along with an opportunity for foreign tourists to stay with an Indian family to experience Indian customs and traditions.
- Timeshare Resorts (TSR)
  - There are approximately 4,640 timeshare units and 146,450 members representing approximately 241,330 timeshare weeks.
  - The segment has been growing at 18.0-20.0% y-o-y over the last five to seven years.

Expansion of business activity to tier II and tier III cities has created demand for budget hotels, and increasing long stay customers especially foreigners have enhanced demand for service apartments.

Source: TFCI

Opportunities

Shortage of hotel rooms	▪ The Ministry of Tourism estimates a shortage of 0.15 million hotel rooms, with two-thirds in the budget category. ▪ Global hotel chains including Hilton, Accor, Marriott International, Berggruen Hotels, Cabana Hotels, Premier Travel Inn (PTI), Inter Continental Hotels and Hampshire have all announced major investment plans for the country.
Potential of Business Travel	▪ The share of convention or meetings tourism is miniscule in India in comparison to international standards, which accounts for over 20.0% of all international arrivals.
Investment in smaller cities	▪ Smaller destinations including Udaipur, Thiruvananthapuram, Bhubaneswar, Pune, Kochi and Chandigarh have shown potential for growth due to growing business and leisure travel. ▪ Hospitality chains are expected to increase their presence in smaller towns.
Diversification	▪ Hospitality chains are diversifying towards new product segments, including budget hotels and serviced apartments, in order to tap the potential in the segments. ▪ Indian Hotels has already launched budget hotels in India, while Accor has announced plans to introduce its budget hotel brand, Formule 1, in the country.
Medical tourism and other niche segments	▪ India is emerging as a preferred destination for medical treatment, with medical tourism expected to grow at 29.0% to reach US$ 2.4 billion by 2012. ▪ Other forms of tourism including eco-tourism, wildlife tourism and adventure tourism are gaining popularity in India.
Acquisitions, strategic alliances and partnerships	▪ International hospitality chains are expected to acquire local players to increase their presence in the country. ▪ Domestic and international players are expected to form strategic alliances and partnerships with regional players to expand in the country, reduce risk and optimize resources.

Source: TFCI, IBEF

Challenges

Growing land costs	Land costs have become increasingly important for any project, accounting for around 30.0-50.0% of the total development cost, as opposed to to about 15.0-20.0% internationally.
Regulatory Hurdles	Compliance with a number of regulations related to the preparation and sale of food and beverages, and various laws and regulations governing employee relationships. Hotel owners and operators need to obtain multiple licenses, permits and authorizations, including local land-use permits, building and zoning permits, environmental, and safety permits and liquor licenses
Shortage of skilled employees	The lack of a quality workforce and low retention levels of good professionals at different skill levels is hampering the growth of the hospitality industry.
Intense competition	The industry is witnessing heightened competition with the arrival of new players, new products and new systems.
Customer expectations	With the emergence of India on the global travel map, expectations of customers are rising, making companies focus on customer loyalty and repeat purchases.
Image of the country	The competition from neighboring countries and negative perceptions about the Indian tourism product constrains the growth of tourism. The image of India as a country overrun by poverty, political instability, safety concerns and diseases also harms the tourism industry.
Manual back-end	The majority of the operations data in a hotel is filed in manual log books or is not tracked. Although most reputed chains have implemented IT systems for property management and reservations.
Human resource development	The sector has been focusing on the development of white collar jobs as opposed to blue collar jobs, leading to a shortage of blue collar employees, which might pose a challenge to the industry.

Source: TFCI, IBEF

Development costs & key FDI regulations

Development Costs

Positioning	Typical Development Cost per Key (US$ million)
Luxury	0.26 and above
Upper Upscale	0.18 to 0.26
Upscale	0.12 to 0.18
Mid Market	0.07 to 0.11
Budget	0.05 to 0.07
Economy	0.05 and below

Regulations

Foreign Direct Investment (FDI)-100.0% permission under the automatic route.

For foreign technology agreements, automatic approval is granted subject to:

- Up to 3.0% of the capital cost of the project is proposed to be paid for technical consultancy services.
- Up to 3.0% of the net turnover is payable for franchising and marketing/publicity fees.
- Up to 10.0% of gross operating profit is payable for management fees, including incentives fees.

Other

- Easy availability of funding facilities from banks and financial institutions. External commercial borrowing(ECB) norms allow raising overseas financing for hospitality projects.
- The Centre and State governments are entering into public-private partnerships to increase hotel capacities
- The Ministry of Tourism is upgrading infrastructure facilities at important tourist destinations

The Government of India is promoting the Indian tourism and hospitality industry through the introduction of various policies both fiscal and non fiscal . 100% foreign ownership of hospitality ventures is also allowed under automatic route.

Source: TFCI

Comparable Company Analysis

(All numbers in US$ million, except per share data)

Company	Enterprise Value	LTM Revenue	LTM EBITDA Margin	Enterprise Value Multiple: Revenue LTM	Revenue NFY	Revenue NFY+1	EBITDA LTM	EBITDA NFY	EBITDA NFY+1	P/E LTM	P/E NFY	P/E NFY+1
Premium Hotels												
Indian Hotels Co	USD 2,599	USD 552	16.2%	4.71x	3.72x	3.16x	29.0x	16.5x	12.1x	NM	NM	23.3x
EIH	1515	190	17.9%	7.98x	5.28x	4.63x	NM	19.4x	15.1x	NM	38.3x	26.0x
Hotel Leelaventure	1103	97	29.5%	NM	8.17x	6.01x	38.7x	21.8x	15.3x	NM	31.6x	20.3x
Taj Gvk Hotels & Resorts	253	51	38.3%	4.93x	NA	NA	12.9x	NA	NA	27.7x	NA	NA
Oriental Hotels	196	50	26.4%	3.9x	NA	NA	14.9x	NA	NA	33.2x	NA	NA
Asian Hotels North	102	115	44.7%	0.88x	NA	NA	2.0x	NA	NA	2.8x	NA	NA
Royal Orchid Hotels	95	27	24.2%	3.6x	2.95x	2.24x	14.7x	10.2x	7.0x	32.5x	17.4x	10.6x
Advani Hotels & Res (India)	61	11	0.6%	5.40x	NA	NA	NM	NA	NA	NM	NA	NA
		Mean	24.7%	4.49x	5.03x	4.01x	18.7x	17.0x	12.4x	24.0x	29.1x	20.0x
		Median	25.3%	4.71x	4.50x	3.89x	14.8x	17.9x	13.6x	30.1x	31.6x	21.8x
Mid Market & Budget Hotels												
Viceroy Hotels	249	20	39.7%	NM	9.64x	7.70x	30.8x	28.5x	22.6x	NM	NM	35.4x
Bhagwati Banquets & Hotels	139	19	21.3%	7.44x	NA	NA	35.0x	NA	NA	NM	NA	NA
Sayaji Hotel	86	35	19.8%	2.4x	NA	NA	12.2x	NA	NA	NM	NA	NA
Blue Coast Hotels	66	20	33.4%	3.35x	NA	NA	10.0x	NA	NA	20.2x	NA	NA
CHL	31	16	36.0%	2.0x	NA	NA	5.5x	NA	NA	11.5x	NA	NA
U.P. Hotels	25	13	29.6%	1.91x	NA	NA	6.4x	NA	NA	12.4x	NA	NA
Benares Hotels	13	5	29.1%	2.6x	NA	NA	8.9x	NA	NA	16.9x	NA	NA
Reliable Ventures India	7	3	27.2%	2.60x	NA	NA	9.5x	NA	NA	11.7x	NA	NA
Gujarat Hotels	5	1	91.9%	7.3x	NA	NA	8.0x	NA	NA	14.3x	NA	NA
Cindrella Hotels	2	1	18.1%	2.81x	NA	NA	15.5x	NA	NA	NM	NA	NA
		Mean	34.6%	3.60x	9.64x	7.70x	14.2x	28.5x	22.6x	14.5x	NA	35.4x
		Median	29.4%	2.60x	9.64x	7.70x	9.8x	28.5x	22.6x	13.3x	NA	35.4x
Mahindra Holidays & Resorts	861	106	32.6%	8.1x	6.54x	5.09x	24.8x	18.4x	14.2x	34.5x	32.9x	23.1x
Kamat Hotels (India)	98	23	29.7%	4.27x	NA	NA	14.4x	NA	NA	NM	NA	NA
Country Club India	57	67	27.4%	0.8x	NA	NA	3.1x	NA	NA	3.9x	NA	NA
Graviss Hospitality	55	15	17.7%	3.76x	NA	NA	21.3x	NA	NA	NM	NA	NA
Sinclairs Hotels	34	3	46.9%	NM	NA	NA	23.6x	NA	NA	NM	NA	NA
Savera Industries	18	8	26.0%	2.29x	NA	NA	8.8x	NA	NA	24.7x	NA	NA
Royale Manor Hotels & Indus	9	4	28.2%	2.1x	NA	NA	7.5x	NA	NA	11.1x	NA	NA
Best Eastern Hotels	6	1	34.1%	6.88x	NA	NA	20.2x	NA	NA	NM	NA	NA
Ras Resorts & Apar Hotels	4	1	20.9%	2.9x	NA	NA	14.0x	NA	NA	30.9x	NA	NA
		Mean	29.3%	3.90x	6.54x	5.09x	15.3x	18.4x	14.2x	21.0x	32.9x	23.1x
		Median	28.2%	3.35x	6.54x	5.09x	14.4x	18.4x	14.2x	24.7x	32.9x	23.1x
		Total Mean	29.9%	3.96x	6.05x	4.81x	15.7x	19.1x	14.4x	19.2x	30.1x	23.1x
		Total Median	28.2%	3.45x	5.91x	4.86x	14.0x	18.9x	14.7x	16.9x	32.2x	23.2x

The sector we believe has significant potential upside to be discovered in various stocks across segments especially in backdrop of a lean 2009-10 and significant change in operating dynamics expected in FY 11 season . Given the higher profitability and strong growth environment we expect further re-rating of the budget and mid market segment. Select new issues are also expected in the coming months.

NM indicates multiples which are either negative or out of range
Valuation Date: Oct 1, 2010
Source: Bloomberg

Key M&A Activity

Ann. Date	Acquirer	Target	Deal Value (US$ million)	Stake Acquired (%)
Aug 30, 2010	Reliance Industries	EIH	225.6	14.1
Jun 22, 2010	Trikona Trinity Capital(Seller)	DB Hospitality	21.8	9.5
May 6, 2010	Alta Hotels	Hotel City Inn	1.4	100.0
Mar 30, 2010	ITC	EIH	47.9	15.0
Mar 30, 2010	ITC	Hotel Leelaventure	22.5	8.5
Mar 30, 2010	Clearwater Capital Partners (Cyprus)	Sayaji Hotels	8.6	27.3
Sep 23, 2009	Goldman Sachs Asset Mgmt	Seven-Star Hotel Project in Bengaluru	104.3	73.0
Jun 12, 2009	Indian Hotels	ELEL Hotels and Investments	143.0	85.0
Feb 9, 2009	Unitech (Seller)	Marriott Courtyard Hotel	48.0	100.0
Jan 7, 2009	Unity Realty And Developers	BW Highway Star	1.4	8.0
Jan 5, 2009	Kamat Hotels (India)	BW Highway Star	1.6	9.0
Dec 22, 2008	Jaiprakash Associates	Jaypee Hotels	28.7	27.8
Dec 12, 2008	Duet India Hotels	Dawnay Day Hotels India	33.0	100.0
Dec 9, 2008	Coffee Day Resorts & Hotels	Wilderness Resorts	7.7	100.0
Sep 15, 2008	Sabari Inn	Team International Hotel	2.7	100.0

Source: Bloomberg

Trends

Most transactions have been investments, by select large groups, restructurings or special situations apart from few divestments by groups not core to the business.

The sector represents numerous M&A opportunities on back of following key trends;

- Entry by a wide spectrum of investors in the 2007-2009 period, many of which were non hoteliers.
- Entry of international players that are seeking to have a foothold in the country on back of strong growth in India and weak conditions in developed markets.
- Standards of quality and service will lean away footfalls to organised players thereby leaving limited options for unorganised players.

Challenges on valuations continue to be significant given the distortion in land/asset value and operating value.

Key Private Equity Activity

Ann. Date	Investor	Investee	Deal Value (US$ million)	Stake Acquired (%)
Apr 15, 2010	JPMorgan India Property Mauritius	Viceroy Bangalore Hotels	14.9	49.0
Mar 15, 2010	Kohlberg Kravis Roberts, Standard Chartered PE, New Silk Route	Coffee Day Resorts & Hotels	219.1	NA
Oct 28, 2009	Matrix Partners India	Siesta Hospitality Services	10.0	NA
Oct 10, 2009	Madison India Real Estate Fund	Daman Hospitality	7.8	NA
Jun 15, 2009	Banyan Fund Management	Asiana Hotels and Resorts	32.5	NA
May 26, 2009	Lighthouse Funds	Radiant Hospitality	NA	NA
Mar 20, 2009	Helion Venture Partners	R&R Salons	4.4	NA
Jan 5, 2009	State Bank of India	Mayfair Hotels & Resorts	NA	19.7
Apr 11, 2008	Meridia Capital, The Xander Group	Sinclairs Hotels	3.8	NA

Trends

Private equity(PE) players continue to examine the sector aggressively. Some of the key criterions that have often been emphasized by PE players are;

- Scale and profitability of operations.
- Quality of execution team.
- Return on Capital deployed.
- Growth potential

Key investments have been mostly in asset light models, or alternate forms eg, (service apartments, management platforms etc.) especially in backdrop of the FY09 market conditions

Going forward, we could see increased play of PE in enabling conversion of land banks into operating assets at the right locations, given the wide spectrum of opportunities here and improving market conditions.

Source: Bloomberg

Debt

Ann. Date	Issuing Company	Coupon (%)	Maturity	Amount Issued (US$ million)	Coupon Type
Mar 22, 2010	Indian Hotels	2.0	9-Dec-14	32.0	Fixed
Jan 18, 2010	Indian Hotels	2.0	9-Dec-19	53.3	Fixed
Dec 8, 2009	Indian Hotels	2.0	22-Mar-17	64.0	Fixed
Nov 16, 2009	Bharat Hotels	11.5	16-Nov-15	8.5	Fixed
Feb 6, 2009	Bharat Hotels	12.3	6-Feb-14	5.3	Fixed
Dec 30, 2008	Hotel Leelaventure	13.0	30-Dec-13	12.8	Fixed
Dec 19, 2008	Bharat Hotels	12.3	19-Dec-13	16.0	Fixed
Dec 19, 2008	Hotel Leelaventure	12.5	19-Dec-13	19.2	Fixed
Dec 18, 2008	Indian Hotels	11.8	18-Dec-13	64.0	Fixed
Nov 3, 2008	Neesa Leisure	14.5	1-Jul-15	5.3	Fixed
Mar 14, 2008	Indian Hotels	6.0	13-May-11	128.6	Fixed

Trends

- The backdrop of 2008-09, subdued capital markets made debt the primary source of growth capital in the hospitality sector. We saw some of the established groups raising term financing from banks, financial institutions and bond market. This was particularly efficient in light of the interest rate scenario.

- FY 11, 2nd half could see enhanced activity especially from ECB and FCCB's in view of the comparative interest and exchange rate scenario.

- Domestic banks and institutions continue to be positive on the sector and best positioned with the long term(6-10 years) financing appetite normal to the sector, however rising interest rates as are expected currently will keep established players conservative given they are likely to examine equity, capital markets or overseas debt for their expansion plans.

Source: Bloomberg

Conclusion

Hospitality in India is uniquely positioned to benefit from the India growth story.

In this maiden report we have tried to give a perspective on the macro aspects, select insights into operating models, key opportunities and challenges, M&A, PE, Debt and Capital market activity in the sector.

Some conclusions that emerge are;

- The sector is expected to see strong demand and continued growth, with flight to quality.
- Unique consolidation opportunity on back of unrelated diversifications by many between 2007-2009.
- Role of Government will be key as has been in the past in increasing penetration as land costs need to be addressed for sustainable hospitality models, as also creation of alternate forms of hospitality(medical tourism, spa's) and destinations(golf tourism, heritage and new age destinations) enhance the India attractiveness on the world tourist map. In this respect treatment of hospitality as infrastructure will be very useful and key.
- Regulatory environment on project execution as well as training and education are areas where there is significant room for improvement.
- High level of investor(PE/Capital Market) interest is expected to continue, as also we will see larger platforms emerge beyond the traditional few large Indian groups.
- We expect increasing sourcing of international capital(debt and equity) by players in the sector given interest rate and fundamental factors.

It was indeed interesting and enriching for Maple Capital Advisors to partner with Tourism Finance Corporation of India for this report given the insights they have in the sector and the very active role they maintain by financing and advising in the sector, apart from a wide spectrum of relationships they have in the sector.

We hope the report has been useful and would appreciate your feedback .

Thank you

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Credits- Support & Research

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Tourism Finance Corporation of India Ltd.
helping tourism grow

Tourism Finance Corporation of India Ltd. (TFCI) was established 20 years ago to act as a specialized dedicated Institution to cater to financial requirements of tourism industry.

TFCI provides financial assistance to enterprises, for setting-up and/ or development of tourism-related activities, facilities and services, which inter-alia include hotels, restaurants, holiday resorts, amusement parks and complexes for entertainment, education and sports, safari parks, rope- ways cultural centres, convention halls, all forms of transport industry, travel and tour operating agencies, tourism emporia, sports facilities etc. Besides, TFCI also co-ordinates and formulates guidelines and policies related to financing of such projects.

TFCI provides all forms of financial assistance in tourism industry for new, expansion, diversification / modernisation projects and related activities, facilities and services.

TFCI also provides high-quality consultancy and advisory services to the tourism industry in general and to the investors in particular. TFCI also provides advisory services and funding to infrastructure related projects.

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