

Report

India | July 2024

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India Hospitality Industry Overview

Prepared for SUBA Hotels

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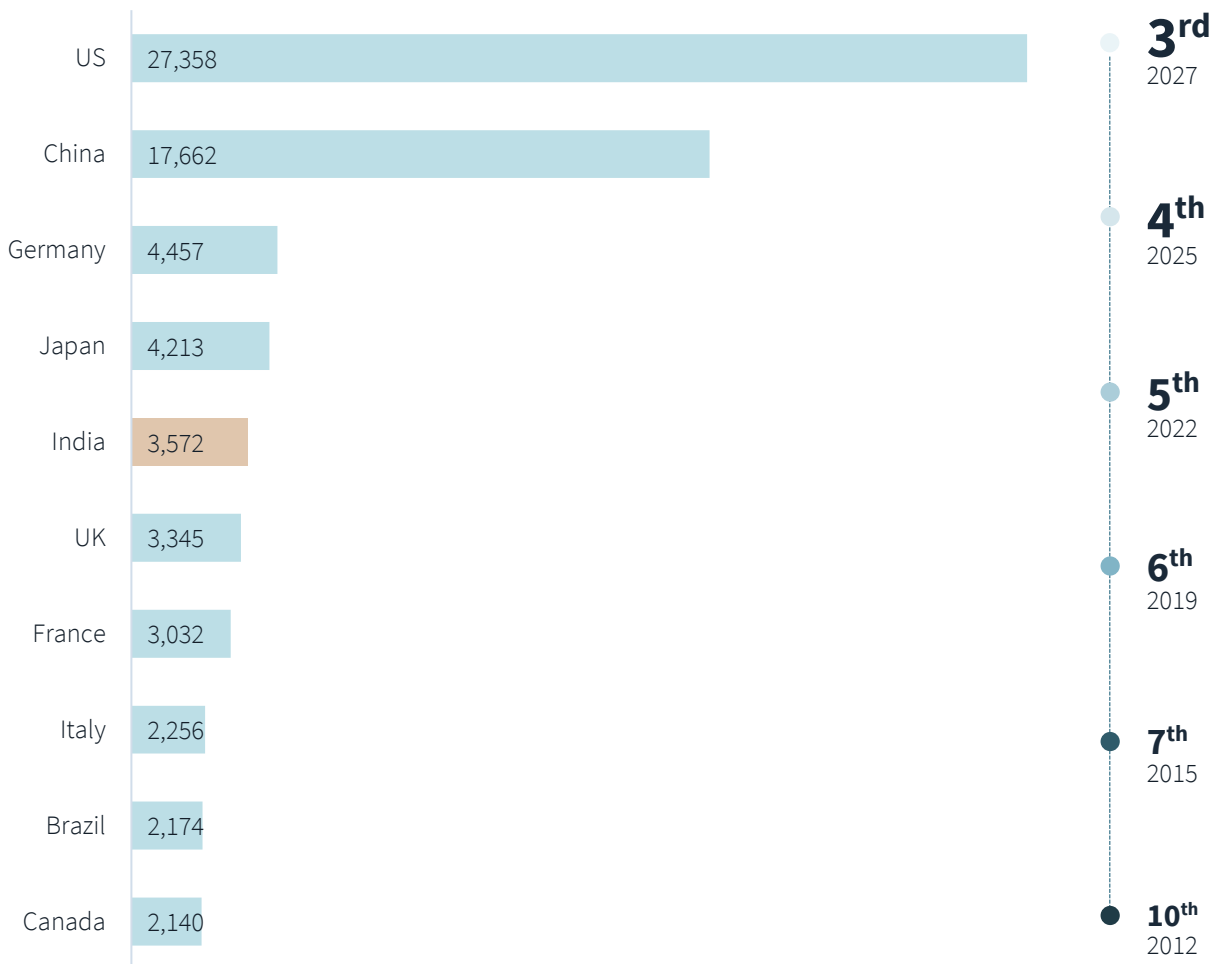
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1. Overview of the Indian Economy

Introduction

India stands as the most populous country in the world with an estimated population of 1.44 billion people¹. Over its extensive history spanning thousands of years, India has undergone significant transformation to emerge as a highly dynamic and diverse economic force. India's economy exhibits remarkable growth, positioning it among the fastest-growing economies worldwide. This success can be attributed to a range of factors, including its diverse population, robust domestic consumption, strategic geographical location, skilled workforce, and thriving entrepreneurial ecosystem. Currently, India is the world's fifth-largest economy in terms of nominal gross domestic product (GDP). Looking to the future, it is projected that within the next four years, India will surpass both Germany and Japan to become the world's third largest economy. This underscores the significant growth potential and undeniable momentum of India's economy.

Figure 1.1: GDP 2023, current prices (USD bn)



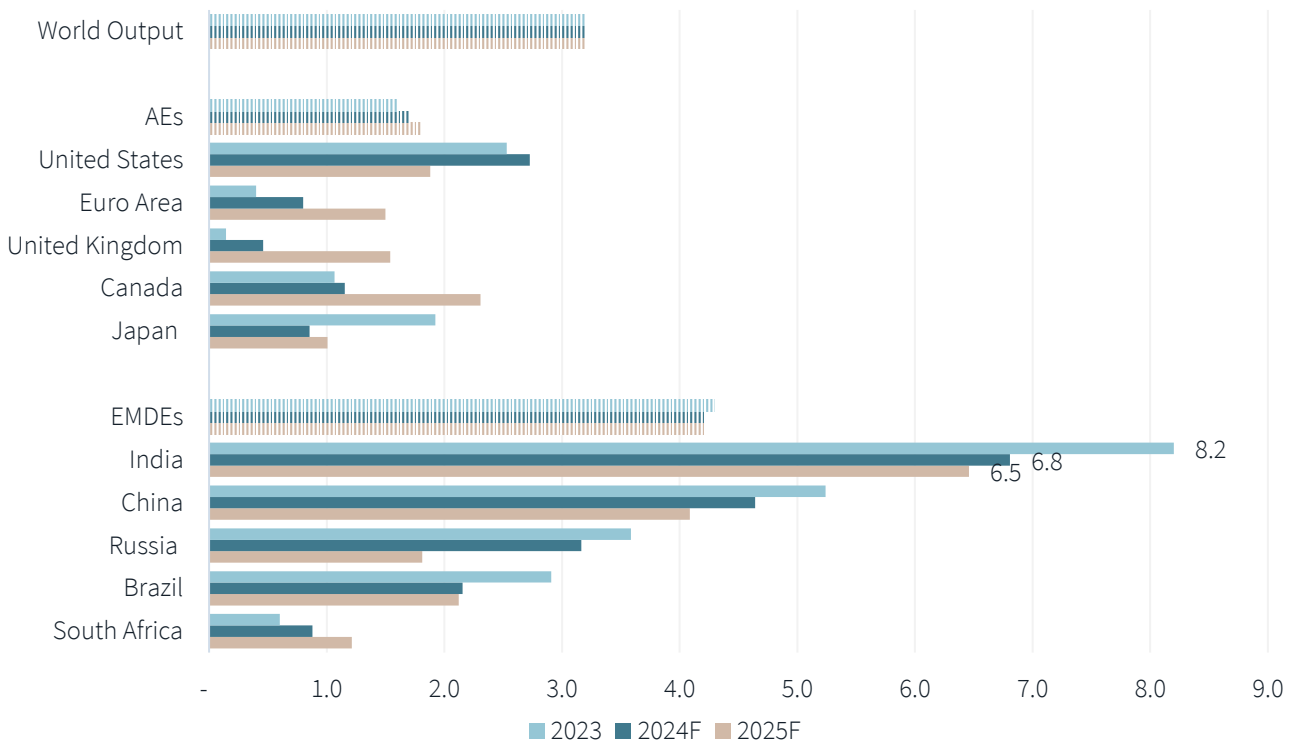
Source: IMF World Economic Outlook Database, April 2024; RBI

¹ UN World Population Prospects 2022

The global economy has demonstrated remarkable resilience despite multiple shocks and is now beginning to embrace a sense of cautious optimism, even in the face of ongoing geopolitical risks. In the past, the global economic landscape has been disrupted by several events. These shocks, although severe, were spaced out over time, allowing economies to gradually recover and bolster their defences in preparation for the next challenge. However, this changed at the beginning of the third decade of this millennium, as three distinct shocks hit the global economy within a mere span of three years. Barely had the COVID-19 pandemic receded when the Russia-Ukraine conflict flared up, triggering a worldwide inflation spike. The central banks of advanced countries responded with synchronized policy rate hikes to curb inflation. Yet, the global economy managed to avoid a recession. Growth has remained steady, with headline inflation converging towards target levels faster than anticipated. Although there are positive developments, challenges persist and risks to the global economic outlook are evenly balanced.

Looking ahead, global growth is projected to continue at the same pace in 2024 and 2025. Nevertheless, the projected growth rates for these years are still below the pre-pandemic (2017-19) annual average of 3.4%². This reflects the impact of restrictive monetary policies and the withdrawal of fiscal support. Advanced economies are expected to see a slight increase in growth, driven primarily by a recovery in the euro area from low growth in 2023. In contrast, emerging market and developing economies are expected to experience stable growth, with some regional differences. Among the major emerging market economies, India is expected to experience strong GDP growth at 6.8% 2024 and 6.5% in 2025, defying global trends. This robustness can be attributed to the strength in domestic demand and the increasing working-age population.

Figure 1.2: Gross Domestic Product, constant prices; percentage change



Source: IMF World Economic Outlook Database, April 2024; RBI
 Note: For India, data and forecasts are presented on a fiscal year basis, 2023 refers to FY 2023-24 and so on
 AEs – Advanced Economies; EMDEs – Emerging Market and Developing Economies

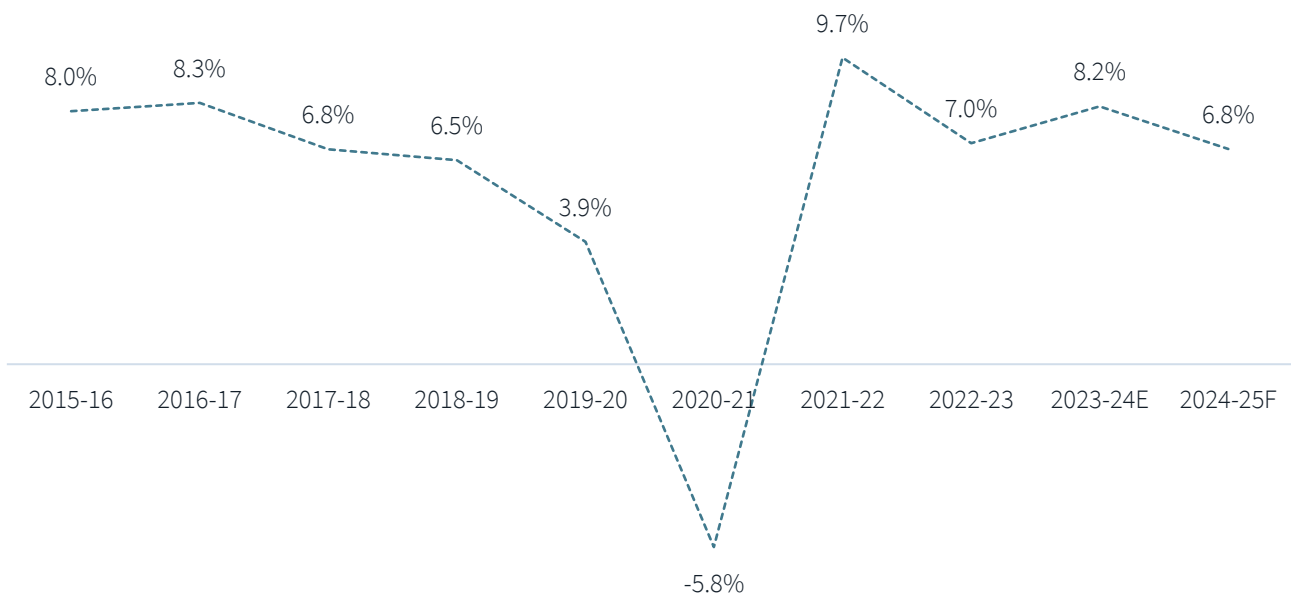
² Source: IMF World Economic Outlook Database, April 2024

Trends in Key Economic Indicators

The Indian economy was already grappling with challenges prior to the start of 2020, when the COVID-19 pandemic hit, exacerbating the situation. The pandemic and the subsequent measures taken to curb the spread of the virus presented one of the most formidable economic obstacles for India. As a result, GDP contracted by 5.8% in FY 2020-21.

However, driven by a resurgence in domestic consumption, the Indian economy made a remarkable recovery in FY 2021-22, surpassing the pre-pandemic levels of 2019-20 in terms of real GDP. In the following fiscal year, India grew by 7.0%, even without the advantage of a base effect, solidifying its position as the fastest-growing major economy globally. The Indian economy continues to experience robust momentum, with an accelerated pace of expansion in FY 2023-24. Real GDP grew by 8.2% year-on-year, propelled by the government’s focus on capital expenditure and strong private consumption. This resilience in the face of global headwinds and tighter monetary policies speaks volumes about the underlying strength of the Indian economy. Looking ahead, while global growth is anticipated to remain subdued, India is expected to defy these trends and continue its impressive growth trajectory.

Figure 1.3: Real annual GDP growth



Source: IMF World Economic Outlook Database, April 2024; RBI

The services sector, also known as the tertiary sector, is a pivotal driver of India's GDP, consistently contributing over 50% to the country's Gross Value Added (GVA). It not only holds dominance in India's GDP but also attracts significant foreign investments, makes substantial contributions to exports, and generates widespread employment.

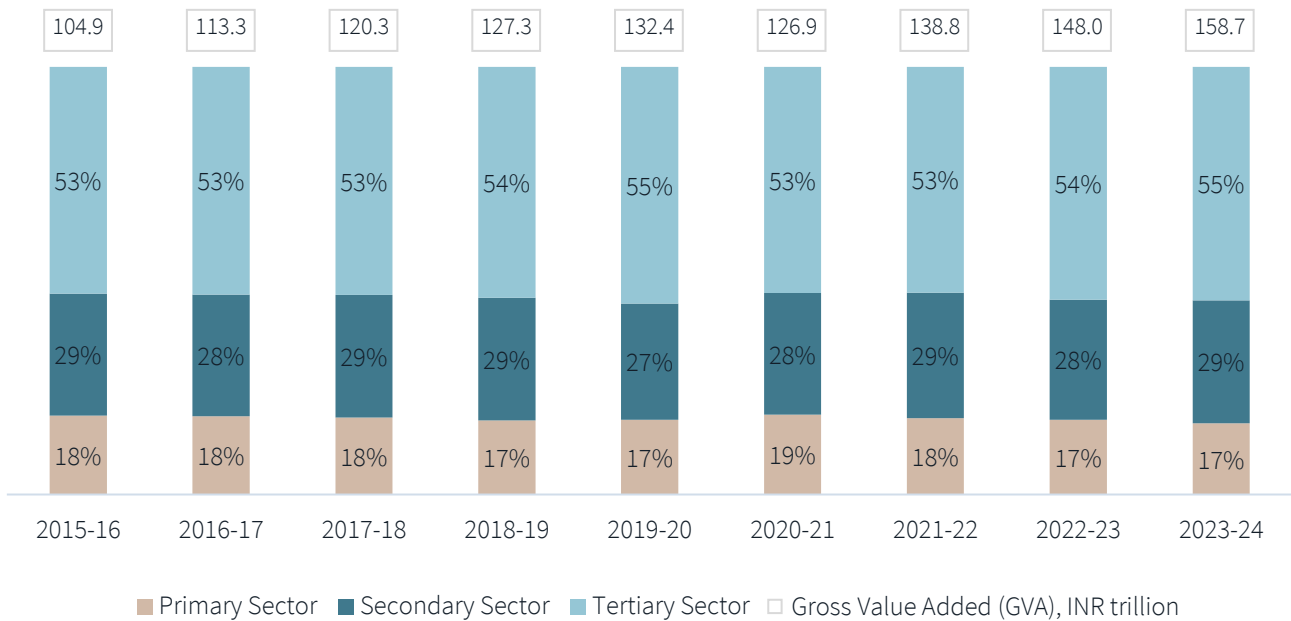
India has risen from the 24th to the 7th position among the world's largest services exporting countries, with remarkable growth since 20013. The telecommunication, computer, and information services export, which accounted for nearly 50% of the total services exports in 2022-23, is the primary contributor to India's services export growth. Additionally, other business services contribute about one-fourth of India's services exports, displaying robust average growth of ~28% over the last two years4. The

³ WTO Trade Outlook, RBI

⁴ RBI

notable increase in exports of telecommunication, computer, and information services, as well as other business services, exemplifies India's position as the favoured choice for multinational corporations seeking to establish Global Capability Centres (GCCs). This development highlights that these GCCs have transitioned from being mere business process outsourcing units to effectively managing high-value and mission-critical operations, assuming responsibility for both business and technological aspects. Additionally, the strong recovery of tourism and other contact services has pushed the overall services sector to reflect strongly in FY 2022-23 and FY 2023-24.

1.4: Contribution of different sectors to GVA, constant prices

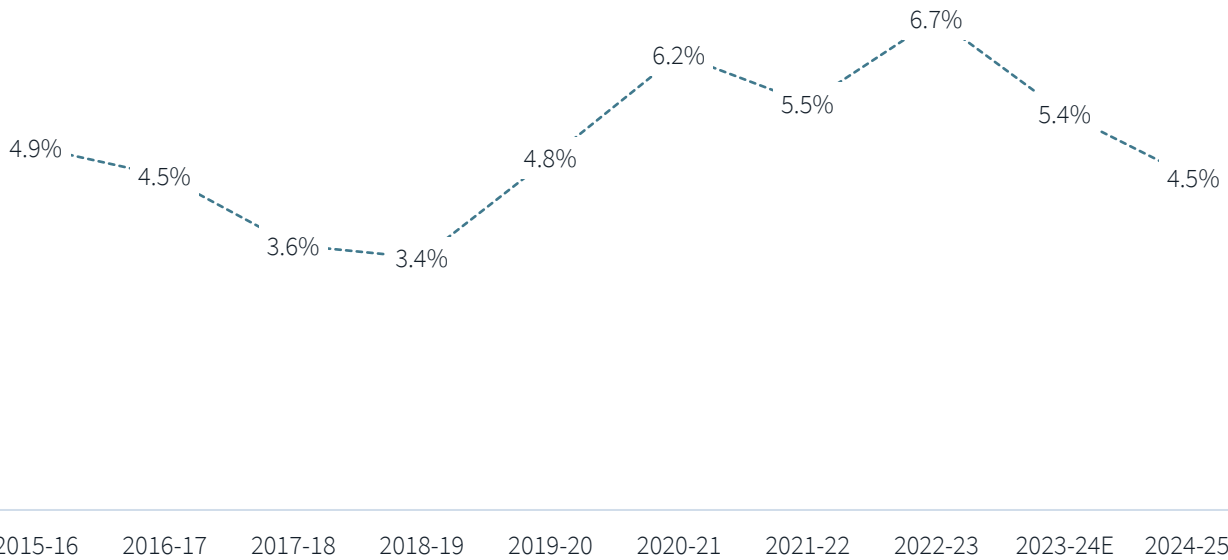


Source: NSO, MoSPI

India's retail inflation, as measured by the Consumer Price Index (CPI), has exhibited a decline from an average of 5.5% in the first half of FY 2023-24 to 5.2% in the latter half. Nevertheless, the inflation trajectory has remained volatile due to sporadic food supply shocks. Notably, a significant increase in vegetable prices led to a sharp rise in headline inflation in November and December 2023. However, in February 2024, retail inflation eased to 5.09% and further decreased to 4.85% in March 2024.

Assuming a normal monsoon, CPI inflation for FY 2024-25 is projected at 4.5%. Despite the expectation of base effects becoming more favourable and bringing headline inflation closer to the RBI's 4% midpoint target in the coming months, the overall outlook remains uncertain. This is primarily due to the potential impact of crop damage caused by heatwaves earlier this year, which could keep food prices elevated for an extended period. Furthermore, the recent strengthening of oil prices may persist as the summer season drives up demand. On the other hand, the forecast of an above-normal monsoon bodes well for inflation levels. These factors have the potential to impact inflation levels and warrant close monitoring.

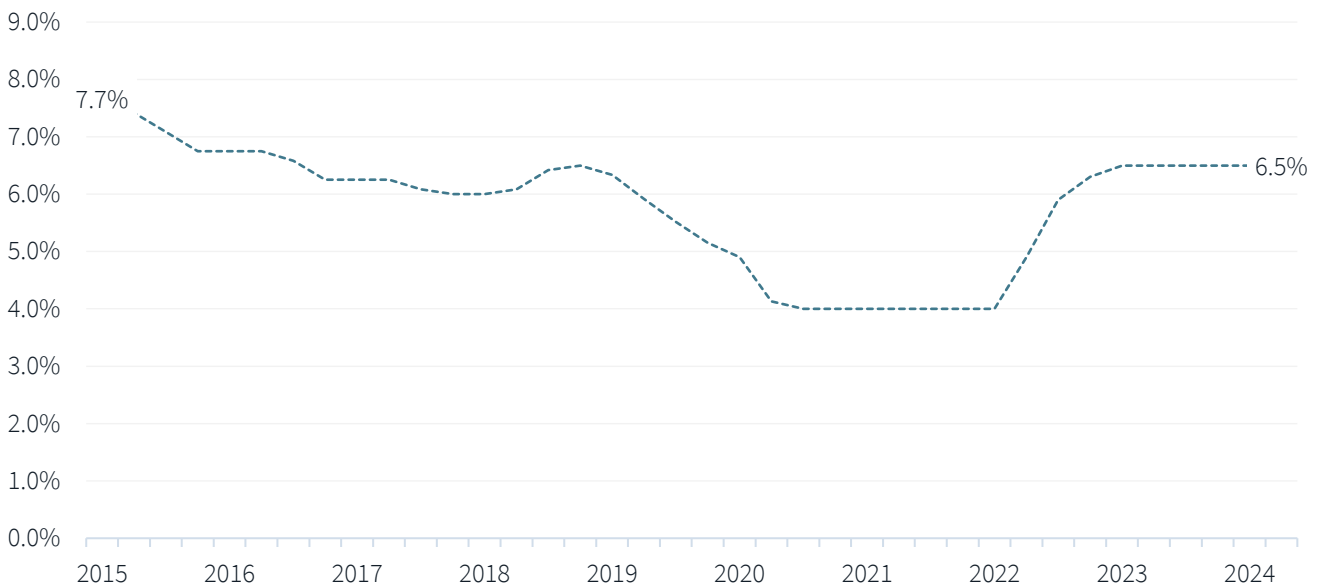
Figure 1.5: CPI inflation



Source: MoSPI, RBI

Headline inflation continues to follow a disinflationary trajectory, benefitting from both monetary policy actions and supply-side developments. Having implemented a cumulative rate hike of 250 basis points between May 2022 and February 2023, which has been gradually seeping into the economy, the Monetary Policy Committee (MPC) decided to keep the policy repo rate unchanged throughout FY 2023-24. With economic growth showing resilience, monetary policy has greater room to prioritize price stability, ensuring that inflation aligns with the target on a sustainable basis. In its current stance, monetary policy remains firmly focused on promoting price stability, effectively anchoring inflation expectations and establishing a robust foundation for sustained growth in the long run.

Figure 1.6: Repo Rate



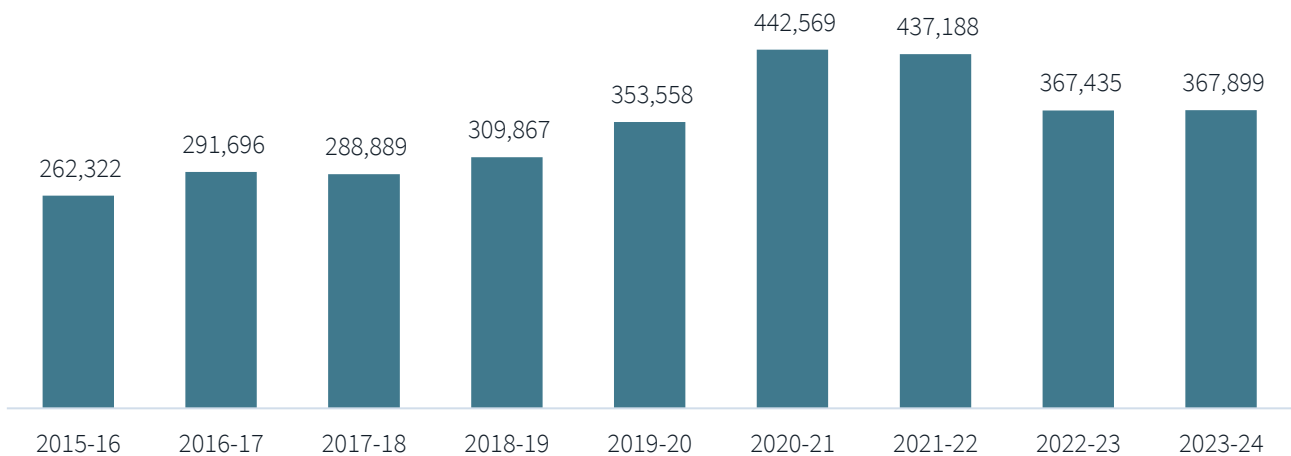
Source: RBI

India has successfully maintained its appeal as an enticing destination for long-term foreign capital investments, benefitting from a consistent inflow of Foreign Direct Investment (FDI) in recent years. In fact, equity inflows surged to a peak of INR 442,569 crores in FY 2020-21. While FDI in many other countries declined during the pandemic, India witnessed record-high foreign

investments in its computer services. India was uniquely positioned to meet the increased demand for outsourcing IT and other business services from nations impacted by lockdown measures following the onset of the pandemic.

In FY 2022-23, FDI in India receded from its peak levels because of the negative shock stemming from the war in Ukraine and the ensuing deepening of geoeconomic fragmentation. In FY 2023-24, FDI equity inflows remained steady, comparable to the levels seen in the preceding fiscal year. This indicates continued confidence in India’s investment environment despite extraneous geopolitical factors.

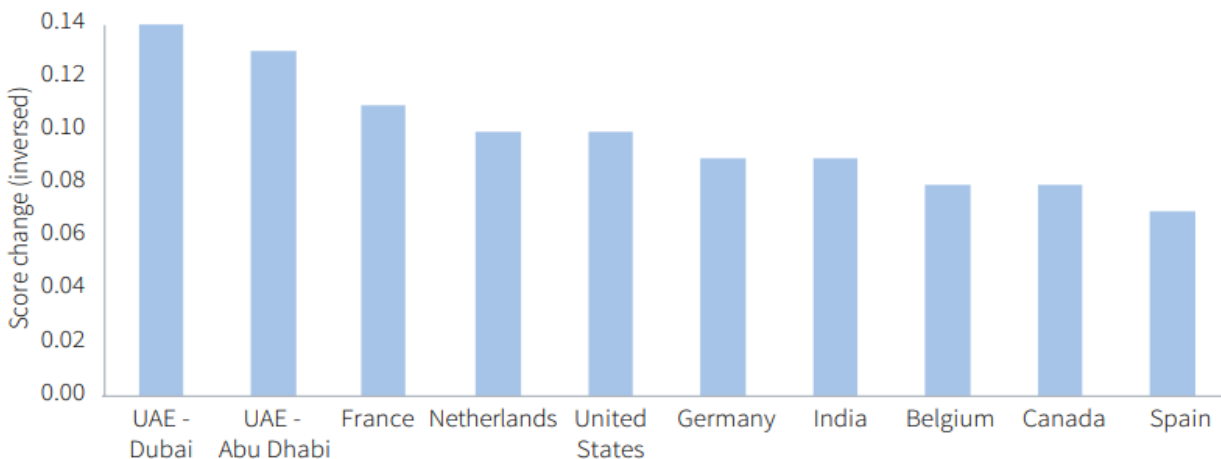
Figure 1.7: FDI equity inflows, INR crore



Source: DPIIT

To attract FDI, the Government has implemented liberal and transparent policies. Most sectors are open for 100% FDI under the automatic route. This includes the tourism and hospitality industries in India, including tourism construction projects like developing hotels, resorts etc. India stands at the cusp of becoming ‘Transparent’. India is among the top ten most improved countries in JLL’s Global Real Estate Transparency Index (GRETI**) 2022 and now stands at the cusp of entering the ‘Transparent’ category. In fact, the country was among the top global improvers across regions and was the most improved amongst all APAC countries for the second time in a row.

Figure 1.8: Top Transparency Improvers, 2020 – 2022

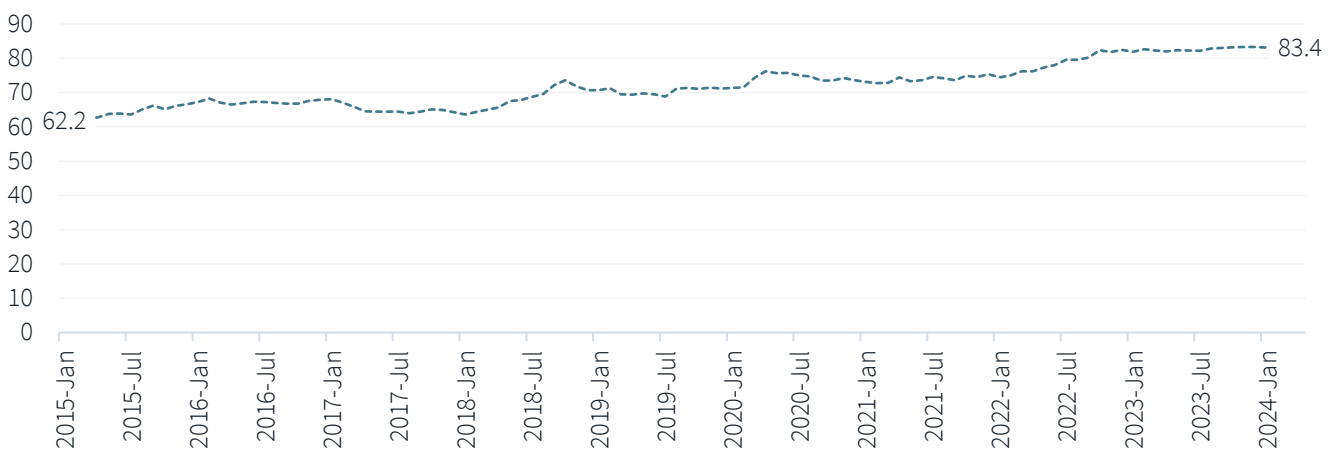


Source: JLL Global Real Estate Transparency Report, 2022

Note: The Global Real Estate Transparency Index (GRETI), produced jointly by JLL and LaSalle Investment Management, has been charting the evolution of real estate transparency across the globe since 1999. Updated every two years, this 12th edition of GRETI is based on a comprehensive survey of the availability and quality of performance benchmarks and market data, governance

Global uncertainty peaked from December 2019 to December 2022, driven by the pandemic and the Russia-Ukraine war. During this time, India faced strong external pressures, especially from March 2022 when advanced economies tightened their monetary policies in response to high inflation. Additionally, global oil prices soared following the war, leading to a decline in India’s forex reserves and depreciation of the Rupee against the US dollar. The INR-USD exchange rate experienced significant movement, with the rupee depreciating approximately 16% within the same period. However, over the past 18 months, India has achieved improved domestic macroeconomic stability through tightened monetary policy, which has attracted capital inflows. As a result, India’s forex reserves made a remarkable recovery and reached an all-time high of around USD 652 billion, as of May 2024. The depreciation of the rupee against the USD in 2023 has been limited due to a significant moderation in the current account deficit (CAD), the revival of capital flows backed by comfortable forex reserves, and, most importantly, India’s macroeconomic stability.

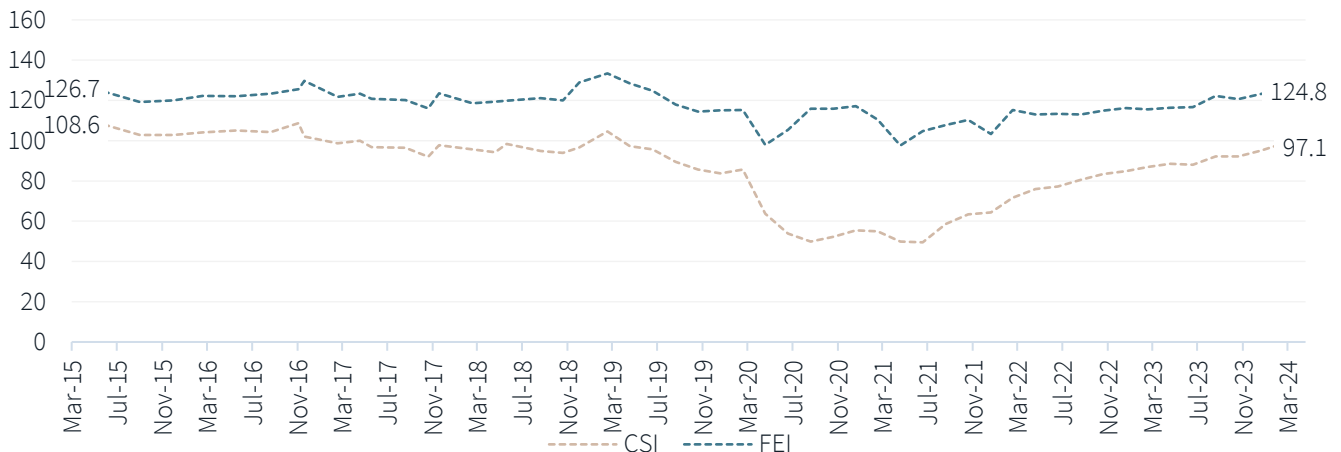
Figure 1.9: Exchange rate of the Indian Rupee vis-à-vis the USD (monthly average)



Source: RBI

RBI’s Consumer Confidence Survey (CCS) collects current perceptions (vis-à-vis a year ago) and one year ahead expectations of households on general economic situation, employment scenario, overall price situation, own income and spending across nineteen major cities. Consumer confidence as reflected in the CSI (Current Situation Index) was at its lowest in July 2021. Since then, CSI has been on a path of sustained recovery and stands at 97.1 in May 2024. For the year ahead, households expect further improvement across parameters like general economic situation, employment prospects and income conditions as reflected in the FEI (Future Expectations Index), which stood at 124.8 in May 2024.

Figure 1.10: Consumer Confidence Indices



Source: RBI

Note: CSI and FEI are compiled based on net responses on the economic situation, income, spending, employment, and the price level for the current period (as compared with one year ago) and a year ahead, respectively. CSI and FEI = 100 + Average of Net Responses of the above parameters

Key capital investments will determine the way forward. In order to sustain the consumption-driven growth led by the upper middle-income population with a propensity to spend, key investments will play an important role in the next two years. This will also allow the sustained momentum of domestic demand and private sector-led growth. Despite the global slowdown, Indian exports performed well, due to goods exports, services exports, and the depreciation of the Indian rupee against the dollar. Growth in investments is crucial to meet the rising demand while ensuring that the growth is non-inflationary in nature.

The Indian economy is well-placed on its growth trajectory given its focus on encouraging investments and growing businesses through public and private spending. The government has also been proactive in creating a healthy environment for businesses through smooth regulatory processes, sustainability schemes, with equal focus on domestic and foreign investments.

2. India Infrastructure Overview

India's path towards achieving developed nation status by 2047 hinges significantly on the improvement of its infrastructure. Developing liveable, climate-resilient, and inclusive cities that drive economic growth is crucial in this journey. As the country steadily advances towards becoming a global economic powerhouse, the importance of having a robust and well-developed infrastructure becomes increasingly evident. A World Bank estimate suggests that India will need to invest USD 840 billion by 2036 into urban infrastructure if it is to effectively meet the needs of its fast-growing urban population.

The government has demonstrated its commitment to this cause through various initiatives and substantial funds allocated for infrastructure development. In fact, under the FY 2023-2024 Union Budget, a significant amount of INR 10 lakh crores has been allocated, almost tripling the capital outlay allotted in the FY 2019-2020 budget. This allocation is specifically focused on the transport and logistics segments, reflecting the government's vision to improve connectivity and facilitate efficient movement of goods and people.

By prioritizing infrastructure development, India aims to create a solid foundation for sustainable growth, attracting investments, and driving economic prosperity. This includes enhancing transport systems, upgrading urban infrastructure, strengthening digital networks, and investing in sustainable energy solutions. These efforts will not only fuel economic expansion but also promote job creation, improve quality of life, and enhance the overall well-being of its citizens.

Government Initiatives

The Indian government has placed significant emphasis on addressing India's infrastructural needs and has implemented various schemes and policies to propel the country's overall capabilities and development.

National Infrastructure Pipeline

Private sector involvement is crucial for financing key infrastructure projects in India, considering the government's fiscal limitations and the importance of prudent spending. In 2020, India introduced the National Infrastructure Pipeline (NIP) with a vision of investing USD 1.4 trillion from 2020 to 2025. Over 80% of this investment will be allocated towards the development of transport, power, water, irrigation, and other urban infrastructure development. These allocations have been made keeping in mind the country's evolving environment and demographics which demand economic growth and improved quality of life via essential government services such as transportation, housing, sanitation, and digital connectivity.

Public-Private Partnerships (PPPs) have been identified as a valuable mechanism to accelerate infrastructure development and facilitate investments outlined in the NIP. Engaging the private sector promotes industry competitiveness, allowing access to a broader talent pool and optimized resource utilization. Initially launched with 6,835 projects, the NIP has expanded to encompass over 9,800 projects spanning 59 sub-sectors, with a capital outlay of ~USD 1,300 billion.

PM Gati Shakti

In 2021, the government introduced the PM Gati Shakti National Master Plan (NMP) with a primary focus on enhancing multimodal connectivity infrastructure in various economic zones within major transport sectors. This program will ensure integrated planning and implementation of infrastructure projects through institutionalizing holistic planning for stakeholders across all categories. Instead of planning & designing separately in silos, the projects will be designed and executed with a common vision. It aims to consolidate the infrastructure schemes of various Ministries and State Governments like Bharatmala, Sagarmala, inland waterways, dry/land ports, UDAN etc. under a unified digital platform. Zones like textile clusters, pharmaceutical clusters, defence corridors, electronic parks, industrial corridors, fishing clusters, agri-zones will be covered to improve connectivity & make Indian businesses more competitive.

It harnesses extensive technology, incorporating spatial planning tools with ISRO imagery developed by BISAG-N, enabling streamlined planning, design, and monitoring of next-generation infrastructure projects through a single portal. This technological integration has resulted in notable expansions in roads, railways, and waterways, while ports and airports have

undergone substantial upgrades. The India Investment Grid (IIG) database reveals an extensive pipeline of development, with over 16,200 projects currently in progress, amounting to approximately USD 2230 billion in investment.

National Logistics Policy

Logistics forms the backbone of India's international trade and plays a crucial role in diversifying both the country's exports and the products manufactured within its borders. The National Logistics Policy (NLP) is designed to address both the development of integrated infrastructure and efficiency in services within the logistics sector. This is achieved through the implementation of the Comprehensive Logistics Action Plan (CLAP), which encompasses processes, regulatory frameworks, and various interdisciplinary, cross-sectoral, and jurisdictional elements. The primary objective is to tackle cost and inefficiency issues by establishing a comprehensive framework for the entire logistics ecosystem. The policy targets reducing logistics costs from the current 16% of Gross Domestic Product (GDP) to match the global average of 8% by 2030. By doing so, it aims to stimulate economic growth, create employment opportunities, and enhance the competitiveness of Indian products in the global market. This reduction in costs will not only enhance the competitiveness of Indian products in domestic and international markets but also foster efficiency across all sectors of the economy. This, in turn, encourages value addition and entrepreneurship.

Smart Cities Mission

The ongoing Smart Cities Mission launched in India in 2015 continues to focus on urban renewal and the retrofitting of 100 cities towards enhancing quality of life of its citizens by providing core infrastructure and a sustainable environment through the application of 'smart solutions'. This initiative encompasses several Tier 2 and 3 cities, gradually blurring the divide between metro and non-metro areas. With improved connectivity, digitalization, and continuously upgrading infrastructure, these cities are experiencing exponential growth in demand for commercial real estate. IT and ITeS, BFSI, and other major sectors are decentralizing their operations driven by improved access to quality, competitively priced real estate, and a skilled workforce.

Ports

The India subcontinent comprises a 7,500-kilometre-long coastline with over 200 ports in total, including 12 major ports. Of this, 6 key ports are located on the western coast and 6 on the eastern coast. In FY 2023-24, India's major ports also handled the highest ever cargo with a total volume of 819 million tonnes, an increase of 4.45% compared to 784 million tonnes handled in FY 2022-23.

With a strong focus on emerging as a leading Blue economy of the world, the Government of India plans to invest USD 82 billion in the maritime sector by 2035. As of the FY 2023 Union Budget, the Ministry of Ports, Shipping and Waterways received an allocation of INR 1,709.50 crores which was later revised to INR 1,793.37 crores. Major strides have also made to digitalize several EXIM processes across major ports. Over the recent years the government has made several modernization, mechanization, and digital transformation efforts to streamline and costs and improve ease of doing business, especially for international trade.

The Sagarmala project, which was launched in 2015, was implemented by the Government of India towards promoting port-led direct and indirect development and to provide infrastructure to transport goods to and from ports quickly, efficiently, and cost-effectively. The vision of the programme is to reduce logistics cost for EXIM and domestic trade with minimal infrastructure investment. This includes reducing cost of transporting domestic cargo through optimizing modal mix, lowering logistics cost of bulk commodities by locating future industrial capacities near the coast, improving export competitiveness by developing port proximate discrete manufacturing clusters and optimizing time/cost of EXIM container movement.

Project implementation initiatives include:

- **Port Modernization & New Port Development:** De-bottlenecking and capacity expansion of existing ports and development of new greenfield ports

- **Port Connectivity Enhancement:** Enhancing the connectivity of the ports to the hinterland, optimizing cost and time of cargo movement through multi-modal logistics solutions including domestic waterways (inland water transport and coastal shipping)
- **Port-linked Industrialization:** Developing port-proximate industrial clusters and Coastal Economic Zones to reduce logistics cost and time of EXIM and domestic cargo
- **Coastal Community Development:** Promoting sustainable development of coastal communities through skill development & livelihood generation activities, fisheries development, coastal tourism etc.
- **Coastal Shipping & Inland Waterways Transport:** Impetus to move cargo through the sustainable and environment-friendly coastal and inland waterways mode.

Currently there are approximately 802 projects with an estimated capex of INR 5.40 lakh crores for implementation by 2035 under the Sagarmala programme. Of this, 220 projects worth INR 1.12 lakh crores have been completed as of FY 2023 and 231 projects worth INR 2.21 lakh crores are under implementation. Apart from this, 351 projects worth INR 2.07 lakh crores are under various stages of development. These projects are being implemented by relevant authorities across the country through the PPP model. Regular monitoring of these projects has been undertaken via specialized MIS tools.

These projects have been largely categorized into port modernization, port connectivity, port-led industrialization, coastal community development & coastal shipping and inland water transport (IWT). For the holistic development of coastal districts, a total of 567 projects estimated to cost INR 58,000 crores have been identified:

Theme	Completed		Under Implementation		Under Development		Grand Total	
	No. of Projects	TPC (INR crores)	No. of Projects	TPC (INR crores)	No. of Projects	TPC (INR crores)	No. of Projects	TPC (INR crores)
Port Modernization	89	31,214	63	64,063	89	154,383	241	249,660
Port Connectivity	69	32,005	67	76,295	73	33,926	209	142,226
Port Led Industrialization	9	45,865	21	72,706	3	1,275	33	119,846
Coastal Community Development	20	1,482	19	2,577	43	7,315	82	11,375
Coastal Shipping and IWT	33	1,705	61	5,255	143	10,275	237	17,235
Total	220	112,272	231	220,896	351	207,173	802	540,341

Source: Ministry of Ports, Shipping and Waterways Annual Report 2022 - 23

The government has also expressed keen interest and invited private investment in the sector to improve earnings and efficiency. Considering this, the Ministry of Ports, Shipping and Waterways has identified 31 projects across 9 major ports for private sector participation. The estimated outlay for these projects planned till FY 2025 is INR 14,483 crores.

In 2021, Union Minister for Finance and Corporate Affairs launched the asset monetisation pipeline of Central ministries and public sector entities: National Monetisation Pipeline (NMP Volumes 1 & 2). NITI Aayog has developed the pipeline, in consultation with infrastructure line ministries, based on the mandate for 'Asset Monetisation' under Union Budget 2021-22. NMP estimates aggregate monetisation potential of INR 6.0 lakh crores through core assets of the Central Government, over a four-year period, from FY 2022 to FY 2025. Asset monetisation, based on the philosophy of Creation through Monetisation, is aimed at tapping private sector investment for new infrastructure creation. Key developments under the National Monetization Pipeline (NMP) include:

- A pipeline of 81 projects estimated at INR 42,400 crores to be awarded under the PPP model till FY 2025.

- In FY 2022, the government had approved 13 projects with an estimated capex of INR 6,944 crores. Of this, 7 projects worth INR 5,278 crores have already been awarded and the others are under various stages of bidding.
- Out of the 24 projects estimated to cost INR 12,550 crores scheduled for FY 2023, 7 projects have been accorded by the government and 1 project of value INR 343 crores has been awarded while the others are in the bidding process.
- The balance 44 projects estimated to cost INR 22,790 crores, have been identified for the PPP model until FY 2025.
- With the cargo volume is expected to increase almost twice that of 2020 volumes by 2030, the percentage of cargo handled by major ports or other operators is expected to reach 85% by 2030.

Roads

India has approximately 63.73 lakh kms of road network comprising 1,44,634 kms of national highways, 1,86,908 kms of state highways and 59,02,539 of other roads. India's road network has grown by approximately 59% in the last decade to become the second largest in the world after the US. Almost 65% of all the goods in the country are all transported by road. Under the FY 2024 Union Budget, the Government of India has allocated INR 2.7 lakh crores to the Ministry of Road Transport and Highways and INR 111 lakh crores under the National Infrastructure Pipeline (NIP).

National Highways play a very important role in the economic and social development of the country by enabling efficient movement of freight and passengers and improving access to market. The pace of National Highways (NH) construction has increased consistently between 2014-15 and 2021-22 due to the systematic push through corridor-based National Highway development approach. In 2014-15, the pace of NH construction was about 12 km/ day which increased to about 29 km/ day in 2021-22.

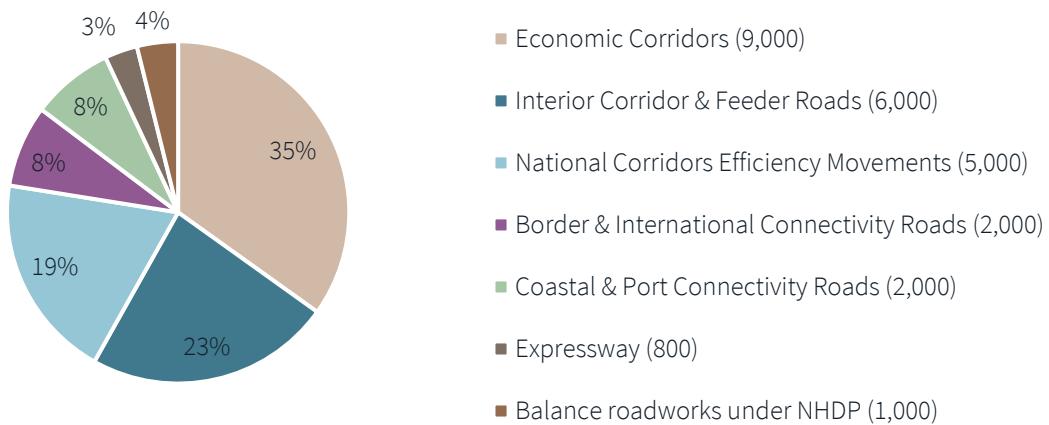
Over the years, the government has launched several initiatives to upgrade and strengthen India's road network through various phases of the National Highways Development Project (NHDP) and is also taking the initiative forward via the Bharatmala Pariyojana Phase-I and other associated schemes and projects. The table below highlights the status as projects as of 31st December 2022:

Scheme	Total Length (Kms)	Length Completed up to 31.03.2022 (Kms)	Length Completed during 01.04.2022 to 31.12.2022 (Kms)	Total Length Completed up to 31.12.2022 (Kms)
A. Bharatmala Pariyojana Phase-I				
Economic Corridors	9,000	2,165	990	3,155
Inter Corridors & Feeder Roads	6,000	883	498	1,381
National Corridor Efficiency Improvement	5,000	1,282	130	1,412
Border & International Road Connectivity	2,000	1,134	79	1,213
Coastal & Port Connectivity Roads	2,000	69	24	93
Expressways	800	621	158	779
Subtotal	24,800	6,154	1,879	8,033
Balance road works under NHDP	10,000	2,788	968	3,756
Grand Total	34,800	8,942	2,847	11,789
B. Other Schemes				
SARDP-NE (Phase A+ Arunachal Pradesh)	6,418	4,212	261	4,473
LWE (including Vijayawada Ranchi Route)	6,085	5,797	31	5,818
EAP (WB+JICA+ADB)	2,855	1,521	243	1,764

Source: Ministry of Road Transport and Highways Annual Report 2022 – 23

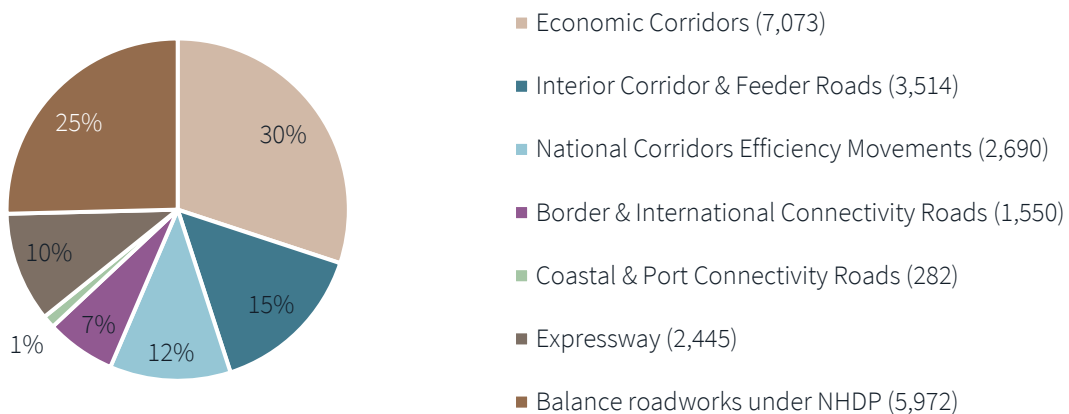
In October 2017, the government launched the Bharatmala Pariyojana with the primary focus of optimizing the efficiency of the movement of goods and people across the country. The Phase I of the Bharatmala Pariyojana approved focuses on bridging critical infrastructure gaps through development of 34,800 kms of National Highways. The Pariyojana emphasized on a “corridor based National Highway development” to ensure infrastructure symmetry and consistent road user experience. The key components of the Pariyojana are Economic Corridors development, Inter-corridor and feeder routes development, National Corridors Efficiency Improvement, Border, and International Connectivity Roads, Coastal and Port Connectivity Roads and Expressways.

Figure 2.1: Components of Bharatmala Pariyojana Phase-I Approved Length - ~34,800 Kms



Source: Press Information Bureau of India, Ministry of Road Transport & Highways

Figure 2.2: Status of Award of Bharatmala Pariyojana Phase-I Length ~23,526 Kms



Source: Press Information Bureau of India, Ministry of Road Transport & Highways

First and last mile connectivity to the 200+ ports in India has also been a key focus area for the Ministry of Road Transport & Highways. Over 55 port connectivity and associated hinterland projects spanning approximately 2,800 Kms have been initiated by the ministry of which 8 projects spanning 294 kms have been completed, 14 projects spanning 1,645 km are under implementation, 13 projects spanning 363 kms are under bidding and 20 projects of length 476 kms are yet to be awarded. On completion, 45 maritime ports in India will have access to National Highways or have 4+ lanes connectivity.

Wayside Amenities: In order to improve the comfort and convenience of the highway users, the Ministry has proposed the development of state-of-the-art Way Side Amenities (WSA) at a 40 kms interval along all the National Highways in India. These facilities are being planned to provide multiple options of rest and refreshment for the commuters during their journey pan India. Some of the mandatory facilities being developed at each WSA are fuel stations, food court/restaurants, dhabas, convenience stores, clean and hygienic washroom facilities, drinking water, first aid/medical room including childcare room, dedicated area for promoting local artisans, car/bus/truck parking, drone landing facilities/helipad etc.

A total of 600+ WSA sites are planned for development by FY 2025 of which 144 WSA sites, along both brownfield (109 sites) and greenfield (35 sites) corridors, have already been awarded. Bids are under evaluation for 12 additional sites and have been invited for the additional 25 sites.

National Master Plan for Expressways: With a total length of 9,860 kms, the Ministry of Road Transport and Highways is developing 27 greenfield corridors for new expressways over the next 25 years. The vision of this programme is to enable integrated infrastructure development with economic development.

Road Type	Number of Corridors	Length (Kms)	Total Project Cost (INR crores)
Expressways	5	2,489	1,63,930
Access controlled	22	7,371	2,44,508
Total	27	9,860	4,08,437

Source: Ministry of Road Transport & Highways

This also comprises the 1,386 km long Delhi-Mumbai Expressway which is poised to be India's largest expressway. Out of the ~24,800 km approved under Bharatmala Pariyojana Phase-I, a total length of 17,555 kms has been awarded. Similarly, out of the residual NHDP component 10,000 kms to be completed Bharatmala Phase-I, a total length of 5,972 km has been awarded.

Air Passenger Traffic

The Indian aviation industry is one of the largest in the world and is likely to overtake China and the United States as the world's third-largest aviation market by 2030. It is one of the fastest growing industries in India over the last three years registering an annual growth of 51.70 % with a total volume of 37.50 million passengers during Q1 2023 as compared to 24.72 million during the Q1 2022.

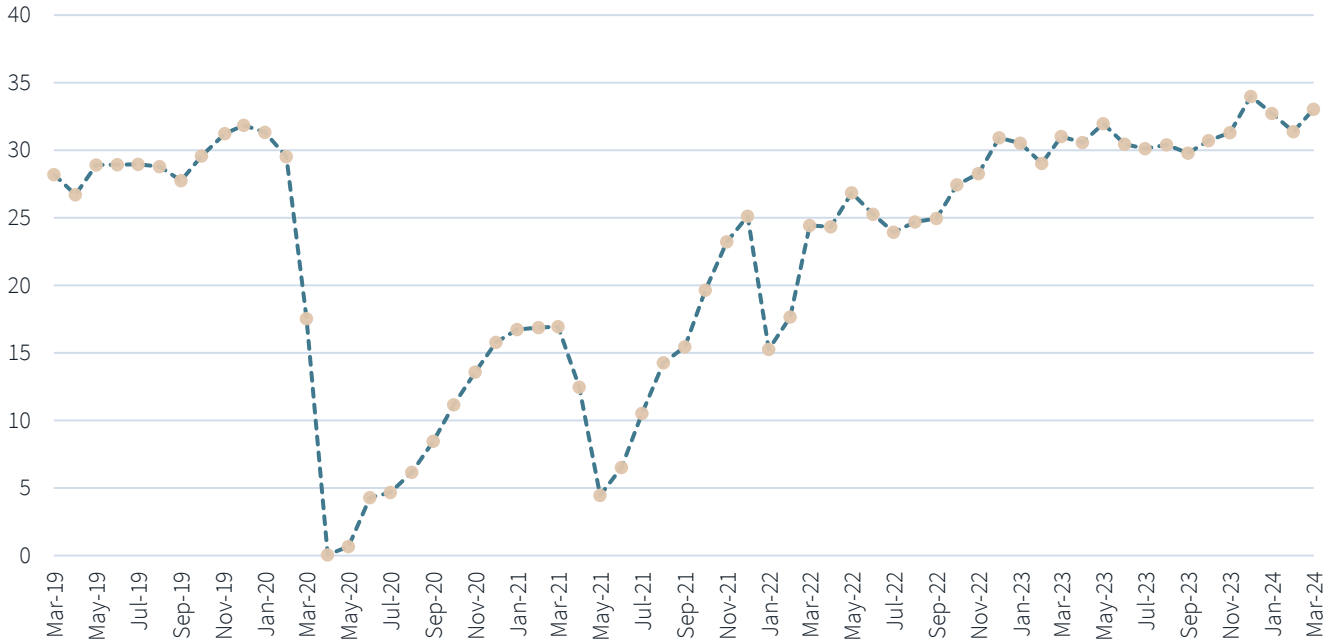
Domestic Routes: During the year 2022 (January-December), scheduled domestic airlines operated a total number of 9.43 lakh scheduled flights carrying a total of 123.2 million scheduled passengers as against 7.31 lakh scheduled flights carrying total of 82.74 million scheduled passengers during the previous year 2021 (January-December). The number of domestic passengers carried by scheduled domestic Indian Carriers has witnessed a growth of 48.9% in the year 2022 as compared to the same period last year.

International Routes: During the period January to December 2022 a total of 43.4 million passengers were carried on international routes by scheduled Indian/foreign carriers as against 17.2 million during the same period in 2021, thereby witnessing a growth of 152.7 %. Out of the 43.4 million passengers, 20.9 million passengers were carried by scheduled Indian carriers while 22.5 million passengers were carried by scheduled foreign carriers during the period January to December 2022.

Average monthly air passenger traffic in India during CY 2019 was recorded at approximately 29.1 million. This figure dropped to 11.9 million in CY 2020 due to COVID and started recovery with 15.1 million by CY 2021. Traffic data for CY 2022 increased month on month since H2 2022 resulting in a monthly average of 24.5 million passengers and recorded an annual growth of 61% as compared to CY 2021.

As seen in the graph below, air passenger traffic for March 2024 has surpassed December 2019 levels which was the peak monthly air traffic recorded pre-Covid.

Figure 2.3: Total Passengers Handled (In Million)



Source: AAI

While the top 6 metro areas account for majority of all air travel, their share of air traffic has decreased from 69% in FY 13 to 57% in FY 21. A small percentage of air traffic concentration is steadily moving to Tier 2+ cities.

The industry has created 4 million jobs, contributing 5% of the GDP. The Indian government is planning to set up 220 new airports by 2025, in recognition of the need to grow infrastructure and manpower to accommodate the growing number of passengers. INR 98,000 crores will be spent on the construction of new greenfield airports and development of existing brownfield airports over a 4-year span. The private sector will contribute INR 62,000 crore and the GOI will provide INR 36,000 crore through AAI.

UDAN

Under the UDAN-RCS scheme, the government is aiming to boost air connectivity in India by expanding into untapped markets to improve air connectivity by providing affordable, economically viable, and profitable travel on regional routes.

Connectivity has further improved with 59 tourism routes included for better connectivity of important tourist places including Iconic sites, out of which 51 routes have already been operationalized.

An amount of INR 104.19 crores has already been reimbursed to the Airport Authority of India (AAI) in the form of viability gap funding (VGF) during FY21 and FY22 towards the UDAN.

The Government of India is working on initiatives to improve regional air connectivity under UDAN. Focused on connected tier 2 and tier 3 cities. Following are some of the key developments:

Airport	Details
Bhiwadi Greenfield International Airport	This is a new airport being built in Alwar, Rajasthan. The airport will take up 5,086 acres of land, and in total will cost INR 10,670 crores across 4 stages of development.

Srinagar International Airport	<p>This is scheduled to undergo expansion to improve aviation facilities and increase the area's air connection.</p> <p>The terminal building will be expanded by 3 times its size to accommodate the increased number of travellers in the area.</p> <p>Two new aircraft stands are to be installed as well, improving accessibility and regional economic development. The projected cost for the expansion is INR 1,500 crores.</p>
Mandi Greenfield International	<p>Located in Himachal Pradesh, this airport is being considered for development with an allocated budget of INR 2,000 crores.</p>
Upcoming Jewar International Airport in Noida	<p>This Noida is anticipated to be India's largest airport in order to lessen the traffic load on Indira Gandhi International Airport in Delhi.</p> <p>Four stages have been introduced for this airport:</p> <ul style="list-style-type: none"> • Phase 1 includes a peak 2,750-passenger capacity terminal building, a management building, a security staff building, and two runways. • Phase 2 - Construction of the Terminal to accommodate an extra 2,750 passengers • Phase 3 - Terminal Building Expansion with Maximum Additional Capacity of 3,500 Passengers • Phase 4: Expansion of the Terminal Building to a maximum of 3,000 additional passengers per hour.
Dr. Babasaheb Ambedkar International Airport (Nagpur)	<p>This is a new project which includes the Multi-modal International Cargo Hub and Airport in Nagpur (MIHAN).</p> <p>In terms of investment, it is the largest economic development project in India. By 2035, the projected cost is INR 2,581 crores in capital expenditures and revenue is INR 5,280 crores.</p> <p>There are two sections to this project:</p> <ul style="list-style-type: none"> • An international airport and goods hub will be located on Nagpur's southern edge. • The second section consists of a residential zone covering a total area of 40.25 sq.km. within a Special Economic Zone (SEZ).

Source: JLL Research

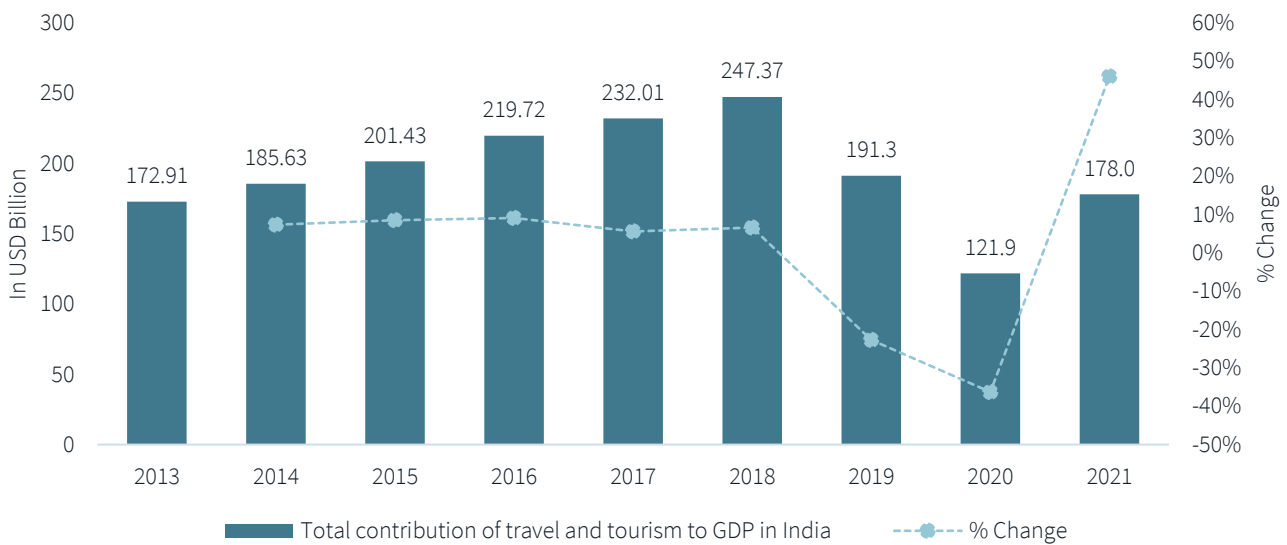
By 2026, the UDAAN scheme is targeting to add over 200 destinations (including airports/heliports/water aerodromes) and 1,000 routes towards boosting air connectivity in the untapped geographies in India.

The country's civil aviation sector has immense potential owing to growing demand from the middle class, higher disposable incomes, and favourable demographics, while air travel has rebounded with the lifting of the coronavirus pandemic-related curbs, according to the Economic Survey 2022-23. The government has also approved INR 4,500 crores for the revival of existing unserved/ underserved airports/airstrips of the state governments, Airports Authority of India (AAI), public sector undertakings and civil enclaves. In-principal approval has also been granted for the setting up of 21 greenfield airports. More than 10 million air passengers have availed themselves of the benefit of the UDAN scheme since its inception.

3. India Travel and Tourism Overview

In 2021, India's travel and tourism sectors demonstrated a remarkable recovery, contributing approximately 178 billion to the country's GDP, accounting for 5.8% of the total. This figure exhibited a remarkable 43% increase compared to the previous year and is almost 85% of the 2019 figure. It is worth noting that international demand made up a modest 5% of the total, while domestic demand accounted for the remaining 95%, showcasing the country's strong domestic tourism market. Domestic spend also saw an impressive growth of over 50% compared to the same period last year. The Indian tourism industry is anticipated to grow at a CAGR of 8.65% between 2021 and 2034 and is anticipated to reach a total value of USD 523.6 billion.

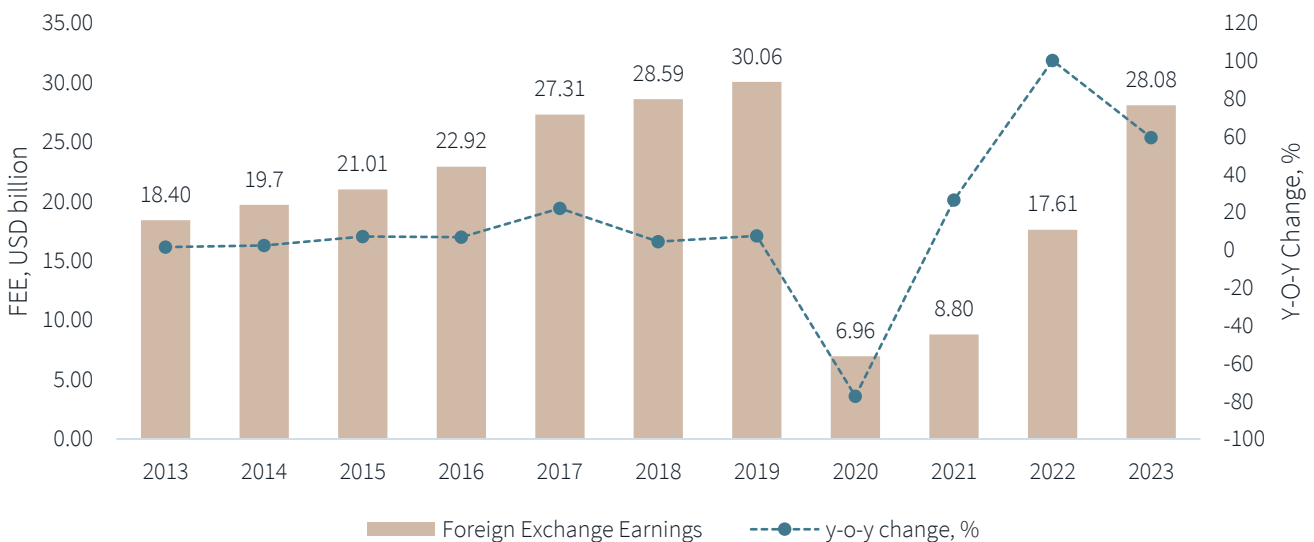
Figure 3.1: Total contribution of travel and tourism to GDP in India



Source: JLL Research

The travel and tourism industry also plays a significant role in generating employment opportunities, creating 70.04 million direct and indirect jobs during the year 2021-2022. This accounts for approximately 12.7% of the total employment in India during the specified period. Additionally, it is worth noting that travel and tourism is the third largest foreign exchange earner for India.

Figure 3.2: Foreign Exchange Earnings from Tourism in India

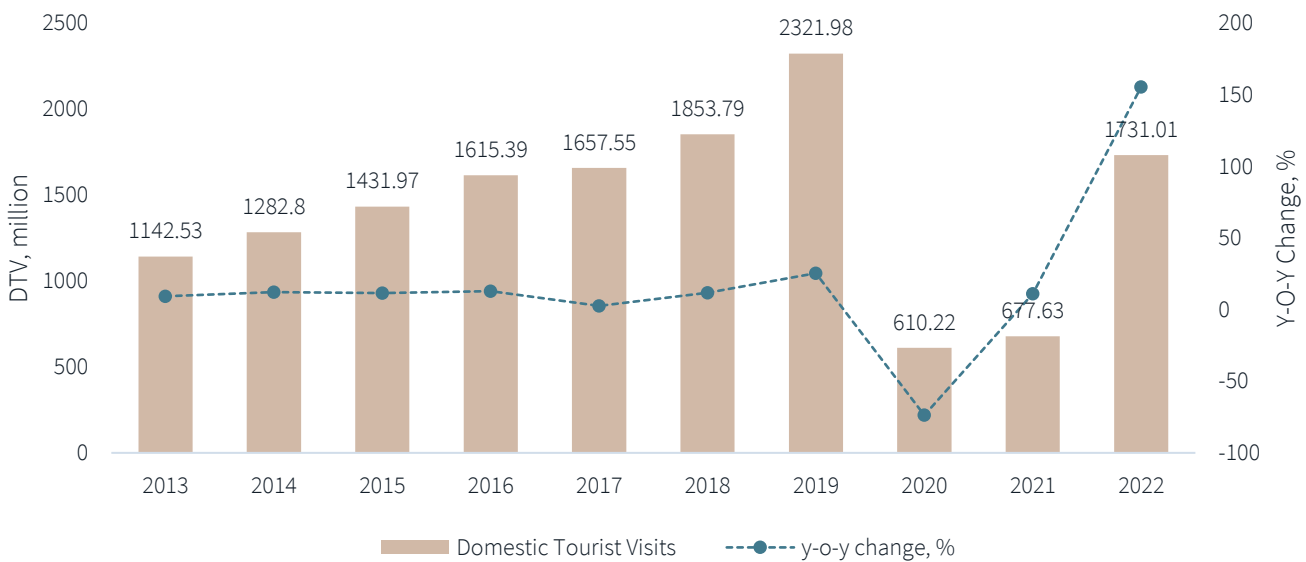


Source: World Travel and Tourism Council, JLL Research

Foreign exchange earnings from tourism in India are also on the path to recovery in comparison to previous years. Month-wise foreign earnings have shown an upwards trajectory and will be further supplemented by the increasing number of FTAs in India. In CY 2022, India reported a total of 6.19 million FTAs with a four-fold increase over the previous year. These statistics highlight the resilience and adaptability of India's travel and tourism industry in the face of adversity. Despite the challenges posed by the global pandemic, the industry has rebounded strongly, primarily driven by domestic tourism. It signifies the immense potential and importance of the domestic market in driving economic recovery and job creation within the country. As the industry continues to regain its momentum, there is a growing need for sustained efforts to promote responsible and sustainable tourism practices. Balancing economic development with the preservation of natural and cultural resources will be crucial to ensuring the long-term viability and success of India's travel and tourism industry.

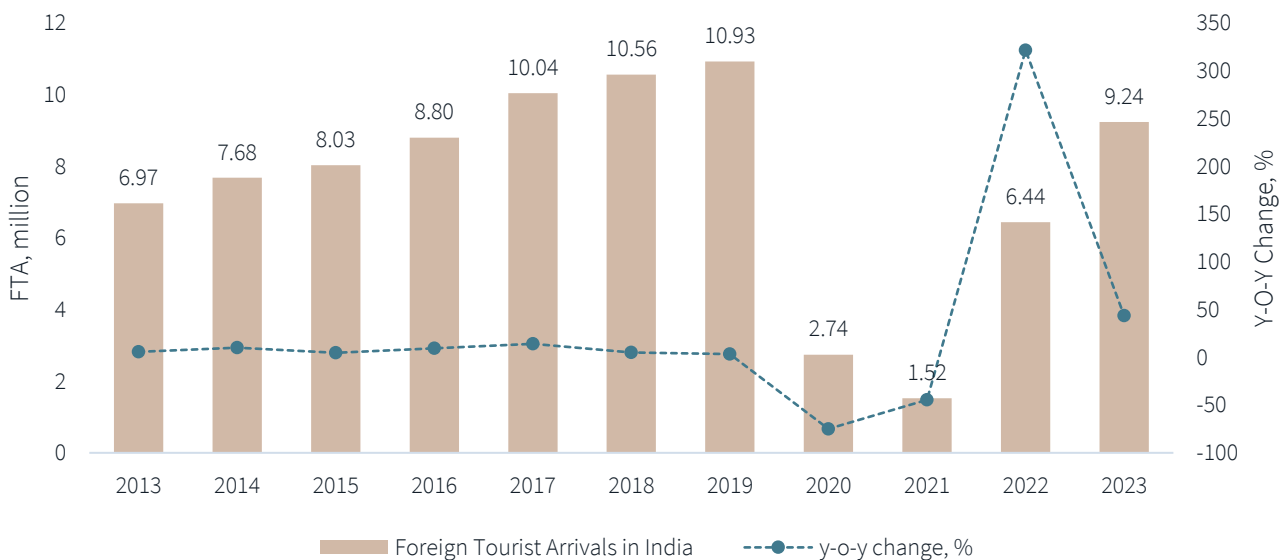
While domestic tourism was the first to recover and continues to perform well, foreign tourist arrivals (FTAs) for 2023 have already recovered to ~85% of 2019 levels and we expect this recovery to continue in the coming years. FTAs are anticipated to reach 30.5 mn by 2028.

Figure 3.3: Domestic Tourist Visits



Source: Ministry of Tourism, JLL Research

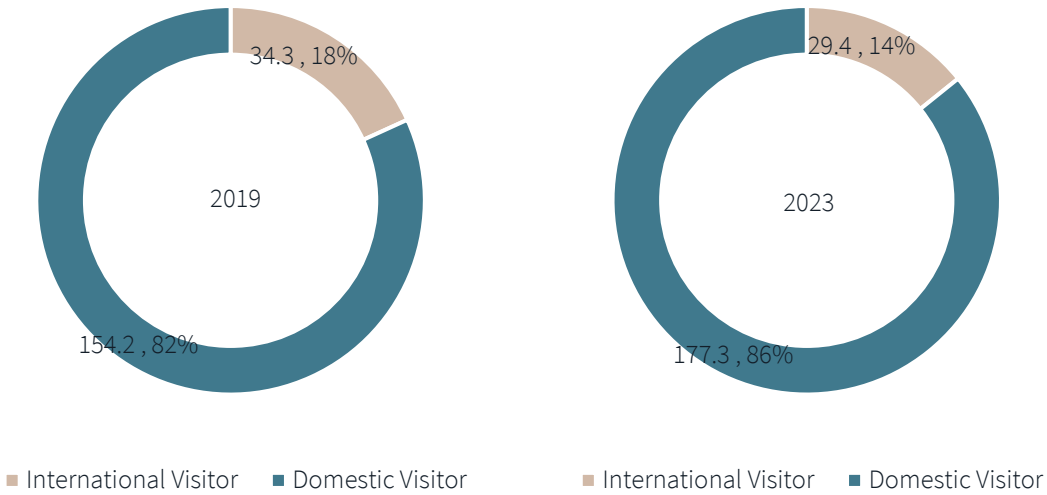
Figure 3.4: Foreign Tourist Arrivals in India



Source: Ministry of Tourism, JLL Research

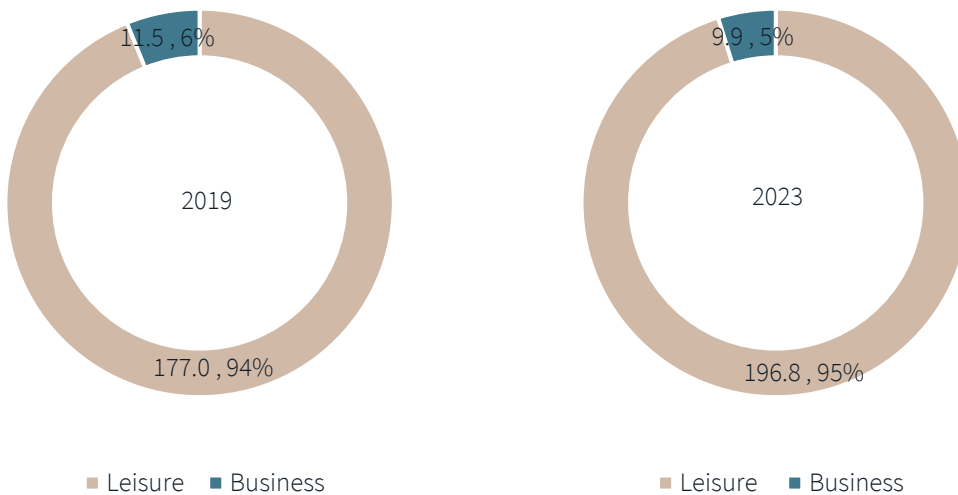
In 2023, the domestic visitor spending in India was valued at USD 177.3 billion as against USD 154.2 billion in 2019. Domestic travel is largely categorised into leisure and business segments, both of which are projected to increase two folds by 2028 as compared to 2019 figures.

Figure 3.5: International v/s Domestic Spending (USD billion)



Source: World Travel and Tourism Council, JLL Research

Figure 3.6: Leisure v/s Business Spending (USD billion)



Source: World Travel and Tourism Council, JLL Research

As per World Travel and Tourism Council (WTTC), by 2034, India will have one of the largest travel and tourism contribution to the GDP, worth USD 523.6 billion. In 2021-22, the industry accounted for ~12.7% (direct + indirect) of the total employment in India. The industry is estimated to add more than 20 million new jobs between 2023 and 2034 making it one of the largest contributors to employment in India

Union Budget FY 2023-24 Highlights

The Union Budget 2023-24 announced in February 2023 highlights tourism as one of the key contributing sectors to the economy and allocated an amount of INR 2,400 crores to the Ministry of Tourism. The allocations in this budget prioritise the development of several tourism destinations in a holistic manner with a keen focus on 50 destinations which can be promoted globally on account of world class tourist facilities.

Following are some of the key takeaways from the budget announcements and the post-budget webinar on “Developing Tourism in Mission Mode”, organized by the Ministry of Tourism:

- 50 tourist destinations to be developed to wholesome tourism experience under ‘Swadesh Darshan Scheme’
- Continued focus on development of large infrastructure, connectivity, and border linkages towards boosting tourism
- Integrated and innovative ‘Vibrant Village Programme’ for development of tourism infrastructure and facilities in border villages proposed
- States to be encouraged to set up Unity Malls in State Capital as the most prominent tourism centres to promote One District One Product, GI products, handicrafts, and products of other States
- Revamping of the credit guarantee scheme for MSMEs through infusion of INR 9,000 crore in the corpus, enabling additional collateral-free guaranteed

The government has also launched several initiatives in the past to further boost the travel and tourism industry:

- In 2019, the Government reduced GST on hotel rooms with tariffs of INR 1,001 (US\$ 14.32) to INR 7,500 (US\$ 107.31) per night to 12% and those above INR 7,501 (US\$ 107.32) to 18% to increase India’s competitiveness as a tourism destination.
- An investment-linked deduction under Section 35 AD of the Income Tax Act is in place for establishing new hotels under 2-star category and above across India, thus permitting a 100% deduction in respect of the whole or any expenditure of capital nature.
- An app will be developed covering all relevant aspects of tourism. States will be encouraged to set up Unity Malls in State Capital as the most prominent tourism centres to promote One District One Product, GI products, handicrafts, and products of other States.
- The Emergency Credit Line Guarantee Scheme (ECLGS) covered through a liberal definition of MSME (micro small and medium enterprises) has been expanded to include tourism and hospitality stakeholders. Infrastructure status has been granted to exhibition-cum-convention centres.
- A separate liquidity window of INR 15,000 crore (US\$ 1.8 billion) has been released for the sector.
- FDI inflows in the Tourism & Hospitality sector reached US\$ 16.48 billion between April-June 2022.
- India was globally the third largest in terms of investment in travel and tourism with an inflow of US\$ 45.7 billion in 2018, accounting for 5.9% of the total investment in the country.
- The Indian government has estimated that India would emerge with a market size of 1.2 million cruise visitors by 2030-31. Dream Hotel Group plans to invest around US\$300 million in the next 3-5 years for the development of the cruise sector in India.

Swadesh Darshan

Under the Union Budget 2023-24, an outlay of US\$ 170.85 million has been allocated for the Swadesh Darshan Scheme to develop a complete package of 57 tourist destinations for providing a wholesome tourism experience by facilitating physical, digital, and virtual connectivity, availability of tourist guides and tourist security. This scheme envisages theme-based tourist circuits in the country which have been developed on the principles of high tourist value, competitiveness, and sustainability in an integrated manner.

So far, 15 themes have been identified for developing theme-based circuits. These themes include Buddhist Circuit, Coastal Circuit, Desert Circuit, Eco Circuit, Heritage Circuit, Himalayan Circuit, Krishna Circuit, North-East Circuit, Ramayana Circuit, Rural Circuit, Spiritual Circuit, Sufi Circuit, Tirthankar Circuit, Tribal Circuit, Wildlife Circuit and Wayside.

The Ministry of Tourism has sanctioned 76 projects under the scheme since its inception under 13 themes for a revised sanctioned cost of ~US\$ 669 million and has released ~US\$ 600 million (till February 28, 2023).

PRASHAD Scheme

PRASHAD (Pilgrimage Rejuvenation And Spiritual Augmentation Drive) Scheme focuses on developing and identifying pilgrimage sites across India for enriching the religious tourism experience. It aims to integrate pilgrimage destinations in a prioritized, planned, and sustainable manner to provide a complete religious tourism experience. The growth of domestic tourism hugely depends on pilgrimage tourism.

Since its launch in January 2015 and Ministry has sanctioned 46 projects in 26 states with estimated expenditure of more than US\$ 200 million, as on January 31, 2024. Under Budget for FY 2023 – 2024, the Government has allocated US\$ 30.25 million for the development of tourist circuits under PRASHAD.

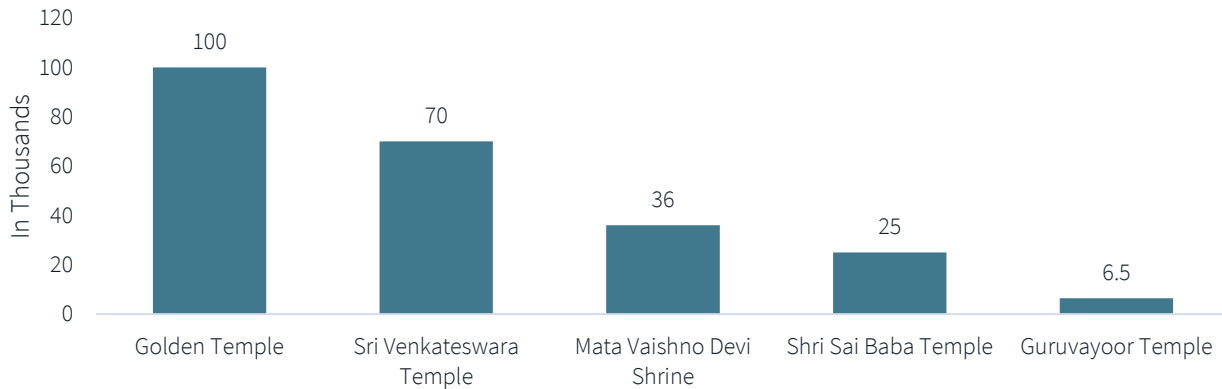
Types of Tourism in India

Religious Tourism

India is a religious and cultural destination. In several regions, religious tourist trips outnumber leisure holidays to hill stations, getaways to sea beaches and trips to metropolitan cities. Of the total tourist trips in India, the largest portion is made of religious pilgrimages.

- The places of religious tourism earned INR 1,34,543 crores in 2022, up from INR 65,070 crores in 2021. In 2018, the revenue was INR 1,94,881 crore, followed by INR 2,11,661 crores in 2019 and a significant dip due to the pandemic in 2020 to INR 50,136 crores. The number of domestic tourists that visited places of pilgrimage were 1,433 million in 2022, while 6.64 million foreign tourists visited India. In 2021, the numbers stood at 677 million and 1.05 million, respectively.
- Amritsar is Punjab's most important tourist destination and attracts many tourists through religious attractions like the Golden Temple. As of 2022, The Golden Temple was receiving at least 1 lakh visitors daily.
- Sanchi, Madhya Pradesh (Buddhist tourism) - Has the Sanchi Stupa; The Interpretation Centre developed at the Sanchi spread over 3000 sq ft. is dedicated to the life of Lord Buddha

Figure 3.7: Estimated daily pilgrims in 2022



Source: JLL Research

Sustainable tourism

The Ministry of Tourism has launched Swadesh Darshan 2.0, a pioneering initiative aimed at developing sustainable and responsible tourism destinations in India. This groundbreaking scheme adopts a destination and tourism-centric approach, emphasizing the importance of sustainability across environmental, socio-cultural, and economic aspects. By actively involving local communities in the tourism development process, it fosters a sense of ownership and empowerment.

Swadesh Darshan 2.0 encompasses the development of 57 destinations throughout the country. These include noteworthy locations such as Nacho, Jorhat, Nalanda, Gaya, Dwarka, Dholavira, Colva, Porvorim, among others. The initiative espouses principles and practices that aim to minimize the negative impacts of travel and tourism on the environment and local communities.

One of the key objectives of Swadesh Darshan 2.0 is to support local businesses and create new employment opportunities. By encouraging tourists to engage with local enterprises, it promotes economic upliftment within communities. Additionally, the program seeks to attract private sector investments in the tourism industry, further contributing to overall economic growth. Moreover, the scheme prioritizes environmental sustainability. Efforts are made to protect and conserve natural resources, promote eco-friendly practices, and minimize the carbon footprint of tourism activities. By preserving the rich biodiversity and pristine landscapes of these destinations, the scheme ensures the long-term viability of sustainable tourism.

Swadesh Darshan 2.0 stands as a pioneering step towards transforming India's tourism industry into a more sustainable and inclusive sector. By integrating sustainability principles at every stage of tourism development, it ensures the well-being of both the environment and local communities. Through this comprehensive approach, India is poised to become a prime example of responsible and sustainable tourism on a global scale.

Rural tourism

Rural India plays a significant role in the nation's economy, contributing nearly half of the country's overall GDP, accommodating 63% of the population, and accounting for 33% of savings. These figures showcase the immense potential for the development of rural tourism in the country. Recognizing this opportunity, the Ministry of Tourism has established a focus on Rural Tourism and Rural Homestays, identifying six niche experiences that cater to tourists seeking to explore rural India: agritourism, art and culture, ecotourism, wildlife, tribal tourism, and homestays.

Under this initiative, more than 134 villages have been identified, offering distinct experiences for tourists. These villages showcase the diverse cultural and natural wealth of rural India. Some notable examples include:

- Tamil Nadu: Kolukkumalai, boasting the highest tea plantation in the world.
- Kerala: Dewalokam, serving as a serene yoga centre on the enchanting riverbank.
- Nagaland: Konyak Tea Retreat, providing an immersive tribal cultural experience.

- Telangana: Pochampalli village, offering a glimpse into traditional weaving techniques.
- Himachal Pradesh: Pragpur village, where travellers can experience the heritage architecture of Kangra

These rural destinations offer tourists a chance to escape the hustle and bustle of city life and immerse themselves in the authentic essence of rural India. The experiences range from hands-on agricultural activities to exploring local art, culture, and traditions. Visitors can witness the beauty of ecologically diverse landscapes, encounter unique flora and fauna, engage with indigenous communities, and enjoy the warmth and hospitality of homestays.

Rural tourism not only provides visitors with unforgettable experiences but also contributes significantly to the economic and social development of rural communities. It creates employment opportunities, preserves local traditions, and helps in the conservation of natural and cultural heritage.

To further develop rural tourism in India, continued efforts are needed to improve infrastructure, facilitate skill training, and promote awareness among tourists. Partnerships between government agencies, local communities, and private enterprises can play a vital role in fostering sustainable and responsible tourism practices. By embracing the potential of rural tourism and highlighting the distinctive offerings of rural India, the country can attract domestic and international visitors seeking off-the-beaten-path experiences. This, in turn, will foster economic growth, empower rural communities, and showcase the rich cultural tapestry and natural splendour of rural India on the global stage.

Halal tourism

Halal tourism in India is a burgeoning sector that offers new business avenues and caters to the specific needs of Muslim travellers. This form of religious tourism, typically associated with Middle Eastern countries, presents a fresh opportunity in India's tourism market. Halal tour packages and destinations are designed to accommodate Muslim requirements in terms of food, clothing, lifestyle, and religious practices. In cities like Agra, which boast significant cultural and historic ties to Islam, tourists can embark on a halal tour that includes visits to iconic landmarks like the Taj Mahal, Agra Fort, and other notable Muslim architecture in the city. These packages encompass halal meals, designated prayer spaces, and the exploration of local mosques. Moreover, Muslim travellers can request the services of a Muslim tour guide and avail themselves of halal-friendly accommodation options in places like Agra, Delhi, and Mumbai. India's increasing popularity as a halal tourism destination, coupled with its rich cultural heritage and architectural marvels, provide an exciting opportunity for growth and collaboration within this sector.

Adventure Tourism

Blessed with an unparalleled natural landscape, India boasts a wide range of natural attractions, including pristine forests, snow-clad Himalayas, montane grasslands, golden and silver deserts, rivers, lakes, wetlands, mangroves, beaches, volcanoes, and corals, all housing a staggering biodiversity. The country is also home to iconic species like tigers, lions, elephants, rhinos, leopards, wild buffaloes, Indian bison (gaur), and over 1200 species of birds.

Furthermore, India enjoys a significant geographical advantage, with abundant natural and eco-tourism resources:

- 70 percent of the Himalayas
- 7,000 kms of coastline
- Boasting both hot and cold deserts, making it one of the three countries in the world with this distinction
- Ranks 10th globally in terms of forest cover
- Ranks 6th for the number of recognized UNESCO Natural Heritage sites

Despite its natural wealth and potential, India currently ranks relatively low in global adventure tourism. According to the 2020 Adventure Tourism Development Index, India currently ranks 96th out of 191 countries in terms of adventure tourism development. However, the country has the opportunity to transform into a global marketplace for adventure activities and

sports. With its diverse geographical conditions from North to South and East to West, India holds a competitive edge in developing a variety of adventure tourism opportunities.

India has set an ambitious target of achieving a USD 3 trillion tourism economy by 2047. As part of this vision, adventure tourism is expected to contribute USD 800 billion, positioning India among the top ten adventure tourism destinations globally. This transformation would enable India to attract adventure tourists from around the world, capitalizing on its abundance of natural attractions and diverse adventure sports offerings.

By leveraging its natural resources, promoting adventure activities such as trekking, mountaineering, river rafting, wildlife safaris, scuba diving, desert safaris, and more, India has the potential to emerge as a top adventure tourism hotspot. The development of world-class infrastructure, promoting responsible and sustainable practices, and ensuring the safety of adventure enthusiasts will be crucial in realizing this vision.

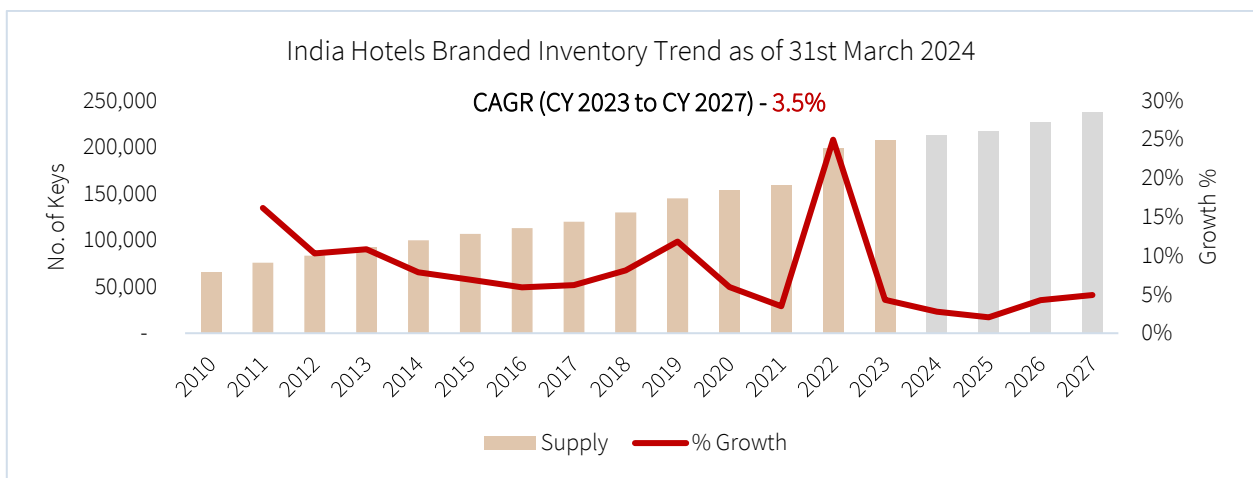
With its rich natural heritage and a global push towards unique and exhilarating experiences, India is poised to harness its adventure tourism potential and establish itself as a remarkable destination for adventurers seeking thrilling escapades.

4. India Hospitality Sector Overview

Inventory Overview

As of 31st May 2024, India has over ~389,000 keys comprising branded hotels, independently run hotels and aggregators. While branded supply includes hotels which are managed by hotel operating chains, independently run hotels are typically owned and managed by the same entity.

The table below maps out the inventory growth in India since 2010. The increase in volume in 2022 can also be attributed to the completion of several projects which were on hold for the two years before that. The hotel room pipeline from CY 2024 to CY 2027 is expected to grow at a CAGR of 3.5%. In Q1 2024 (January to March), hotel signings in tier 2&3 cities witnessed the addition of over 8,300 keys, of which ~52% of the total number of keys are expected to open by 2026 and 2027.



Source: JLL Research

Hotel inventory in India is typically categorized into the following segments:

Hotel Segment	Description
Economy	These are typically two-star hotels providing functional accommodations and limited services, while being focused on price consciousness.
Midscale	These are usually three-to-four-star hotels with distinctly moderate room sizes and pricing. Hotels in the category may have select services and facilities.
Upper Midscale	These hotels are full-service hotels, typically with lesser public areas and facilities with relatively smaller room sizes in comparison to upper upscale and upscale hotels. In India, these would generally be classified as four-star hotels.
Upscale & Upper Upscale	These are hotels which are more moderately positioned and priced than luxury hotels. This category would have multiple dining and recreational facilities with large public areas. In India, these would generally be classified as five-star hotels.
Luxury	Typically refers to the topmost tier of hotels. In India, these would generally be classified as five-star deluxe hotels.

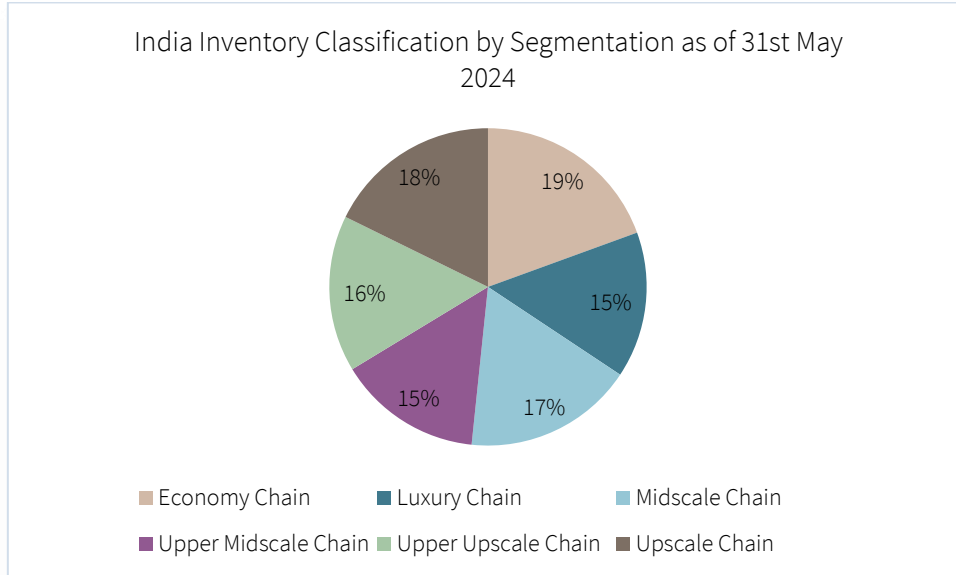
Inventory Overview by Segmentation

As of 31st May 2024, 50% of the country’s branded supply lies in the Midscale to Upscale segments. Individually, the Economy and Upscale segments comprise the largest share i.e., 19% and 18% each of the total branded inventory in India with a strong and growing presence across all Indian cities, especially in Tier 3 markets.

The upscale, upper midscale, and midscale segments in India present substantial growth prospects, owing to their competitive price positioning and reduced reliance on international tourists. In CY 2023, the upper midscale and midscale segments witnessed a dominant presence in both branded hotel openings and signings, accounting for 53% (~6,700 keys) and 45%

(~11,300 keys) respectively. This trend underscores the significant growth prospects and positive market sentiment associated with these segments in India.

The pie chart below highlights the inventory classification by segmentation:



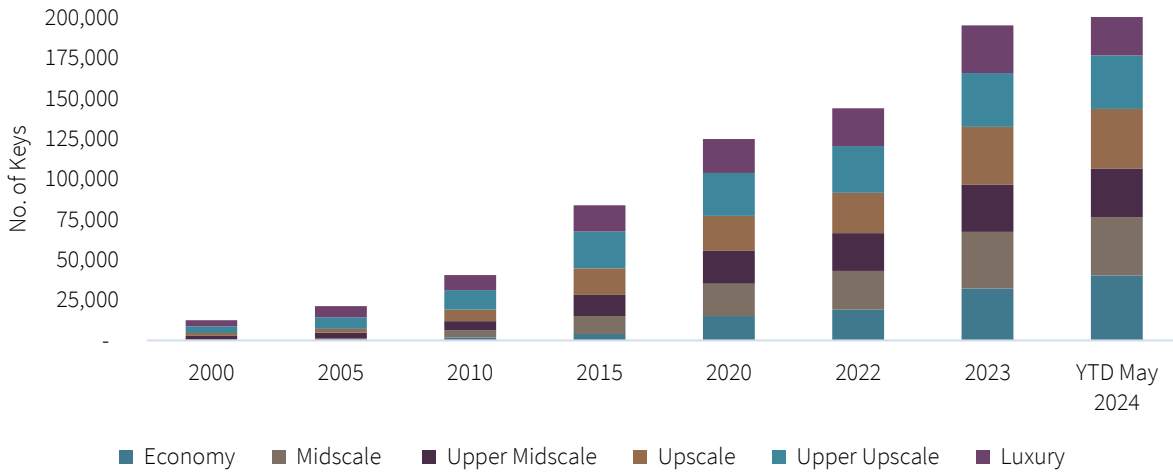
Source: JLL Research

Since the onset of the new millennium, the total branded inventory in India has grown by almost 16x as of 31st May 2024. While the absolute key count for each segment has only increased, the graph and table below outline the evolution of the segment composition over the years.

In 2000, over 60% of the total inventory was concentrated in the Luxury and Upper Upscale segments. Over the last 12+ years, that ratio has changed significantly with the Luxury segment accounting for the smallest share of the total branded inventory and the Economy scale accounting for the largest. This change in composition can be attributed to significant economic growth over the last two decades along with enhanced connectivity as well as significant growth in the corporate, industrial and manufacturing sectors which demand more room supply in the Economy, Midscale and Upscale categories.

The table below highlights the segment-wise growth across intervals for branded inventory in India. As seen in table, the Economy and Midscale segments had a negligible presence in 2000 with majority inventory in the Upper Upscale segment. Since 2010, the Economy and Midscale segments began to emerge and steadily grew to account for 37% of the total branded inventory share in India as of 31st May 2024.

Historic Inventory Growth in India



Source: JLL Research

Inventory Composition Evolution in India					
Year (CY)	2000	2010	2020	2023	YTD May 2024
Economy	2%	4%	12%	16%	19%
Midscale	3%	11%	16%	18%	17%
Upper Midscale	18%	14%	16%	15%	15%
Upscale	14%	18%	17%	18%	18%
Upper Upscale	32%	30%	21%	17%	16%
Luxury	31%	23%	17%	15%	15%

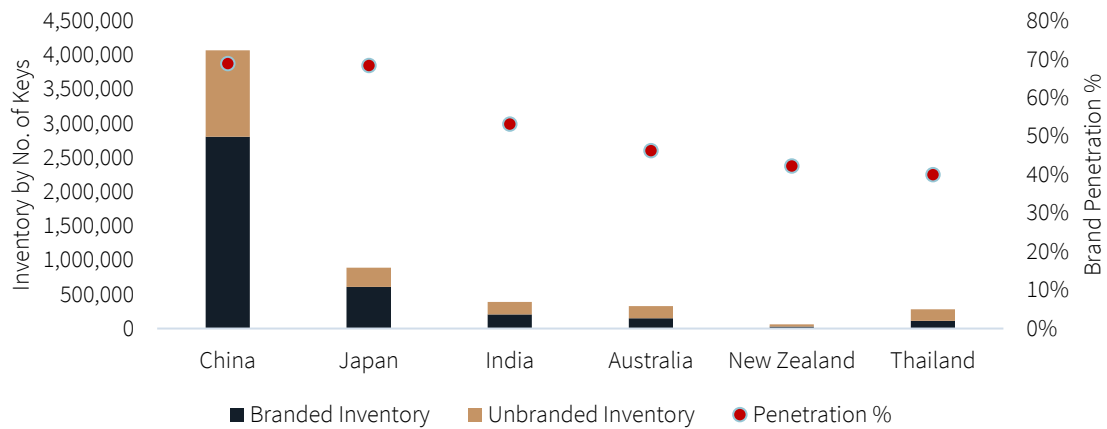
Source: JLL H&HG

While disposable incomes have increased over the years and guests are willing to pay premiums for distinguished service and experiences, developments in the Luxury and Upper Upscale segments, especially greenfield projects, are being rationalized considering high development and operating costs as well as a longer gestation period. Moreover, as the economic landscape of India evolves with a rising number of industrial towns and SME and MSME markets, the Indian hospitality industry is gearing up to capitalize on the existing and latent demand in these markets by expanding their Economy and Midscale offerings.

Brand Penetration Overview

As of 31st May 2024, brand penetration in India stands at 53% which is lower than developed markets such as Japan and China but is on par with Australia. It is also the country’s highest penetration in the last decade and yet is considerably lower than other noteworthy global markets.

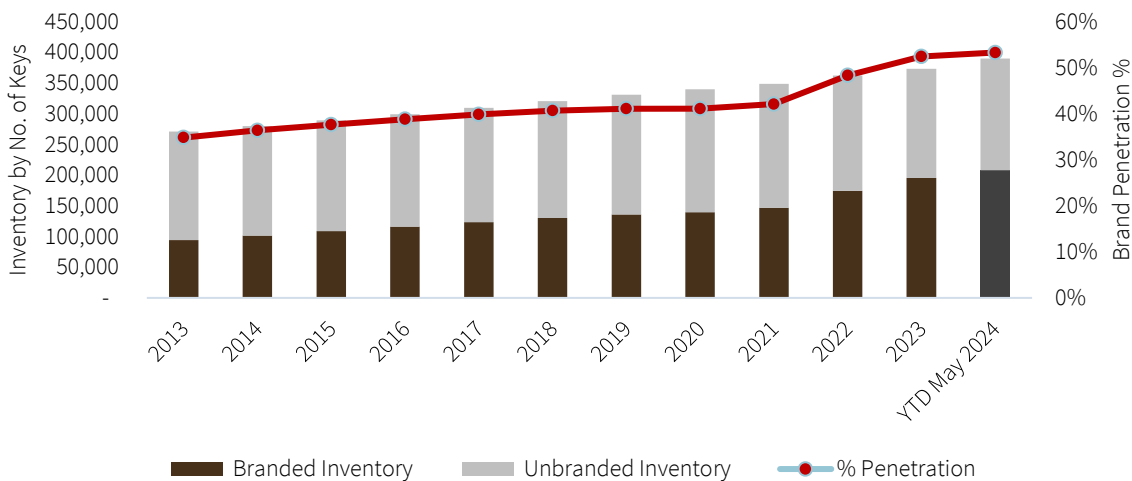
Brand Penetration Comparison - India versus Key APAC Countries as of 31st May 2024



Source: JLL Research

Brand penetration in India has been on an upward trajectory for the last decade and has witnessed a jump in the last two years. This can be attributed to the completion of projects which had been halted in 2020 and 2021 as well as the conversion of several existing hotels. The pandemic nudged several owners to evaluate partnerships with hotel operators as sustaining operations was challenging during and after 2 years of disrupted revenues. Hotel operators also benefitted from this opportunity which allowed them to explore the conversion route to expand their footprint in various destinations.

Brand Penetration in India as of 31st May 2024



Source: JLL Research

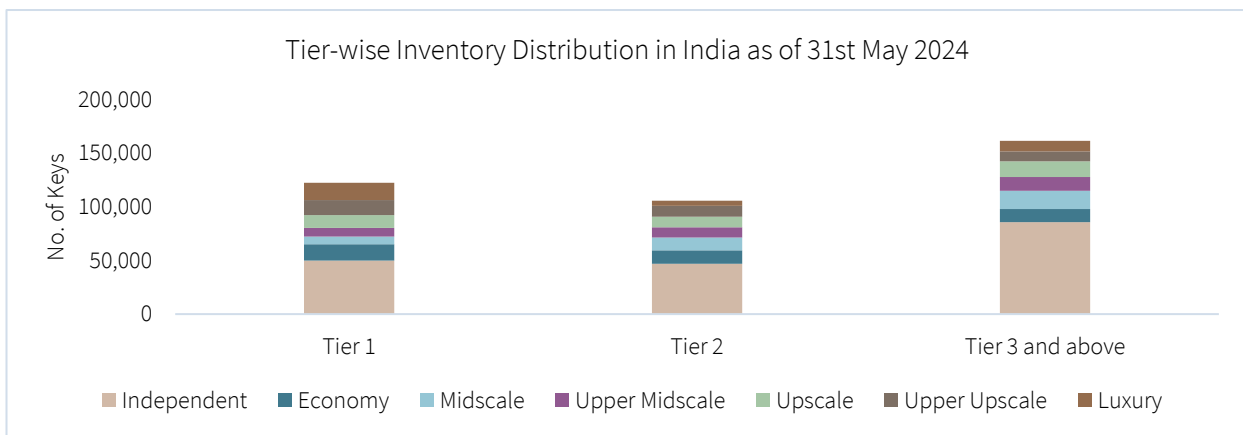
Several global and Indian hotel operators have also launched sub-brands with the clear focus of acquiring well performing, quality independently operating inventory within key destinations towards swiftly building a robust pipeline.

India’s hotel industry is slowly opening up to the franchise model as the market showcases maturity along with improvement of owner credentials in managing hotels and brand expectations. This will be beneficial for small and independent hotel owners to keep pace with the competitive environment through increased visibility, customer’s trust of brand authenticity, and the support of an extensive marketing network.

Inventory Overview by Tier

A large share of the total hotel room supply in India lies in the unbranded and independently owned segment. Accounting for close to 50% of the total inventory in India, the independent segment is vastly distributed across various geographies in the country. As seen in the graph below, tier 3 and above cities in India comprise the largest volume of the total hotel inventory in India with the largest share of unbranded inventory accumulated across tier 3 locations followed by tier 1.

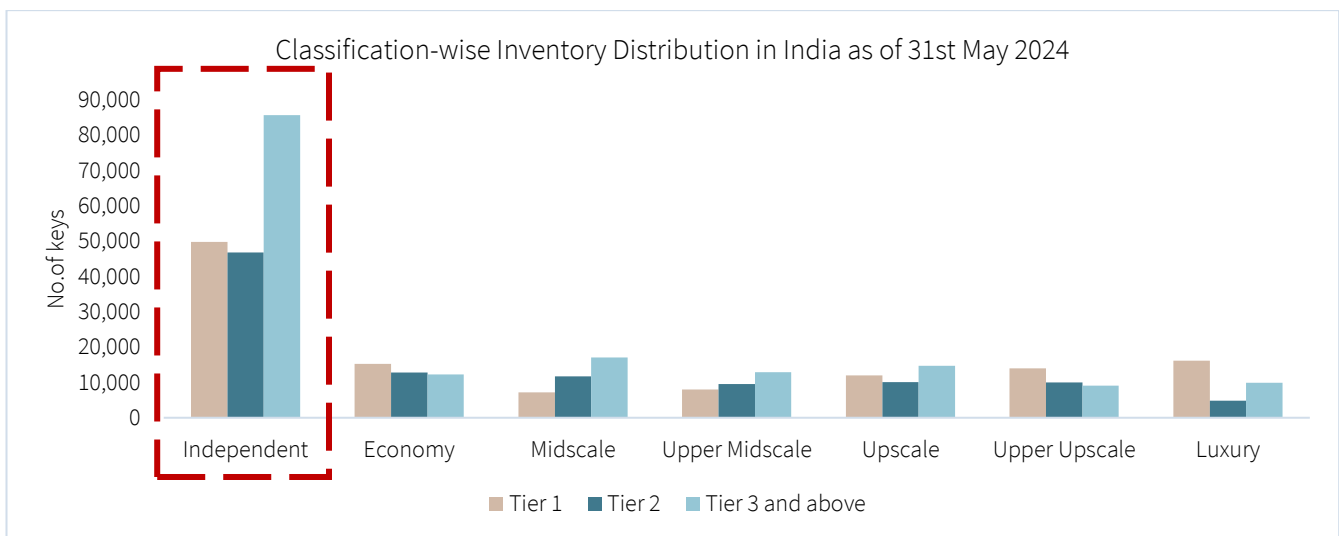
Suba Hotels Limited (SHL) is one of India’s largest domestic hotel chains in the mid-market sector with 79 operational hotels as of July 2024, comprising 3,744 keys across 51 cities, majority of which are located in emerging markets in tier 2 and 3 cities. The hotel chain also boasts a portfolio of 35 hotels in the pre-opening phase, encompassing 1,661 rooms. Notably, 65% of these properties are situated in destinations previously untapped, demonstrating the brand's expansive growth. Their operating inventory includes owned, managed, leased, and franchised hotels.



Source: JLL Research

With approximately ~19,000 keys in the independent hotel supply in the year 2000 in India, the supply grew to nearly ~182,000 as of 31st May 2024. Approximately 27% of this total as of 31st May 2024 lies in tier 1 cities, followed by 26% in tier 2 cities while the largest share of 47% lies in tier 3 and other categories.

Historically, independent hotels typically catered only to local demand emerging from the destination, primarily in the form of weddings and other social functions. However, with the rise of industrialization, enhanced connectivity and domestic tourism demand, several lower tier destinations are witnessing increased demand for hotel rooms.

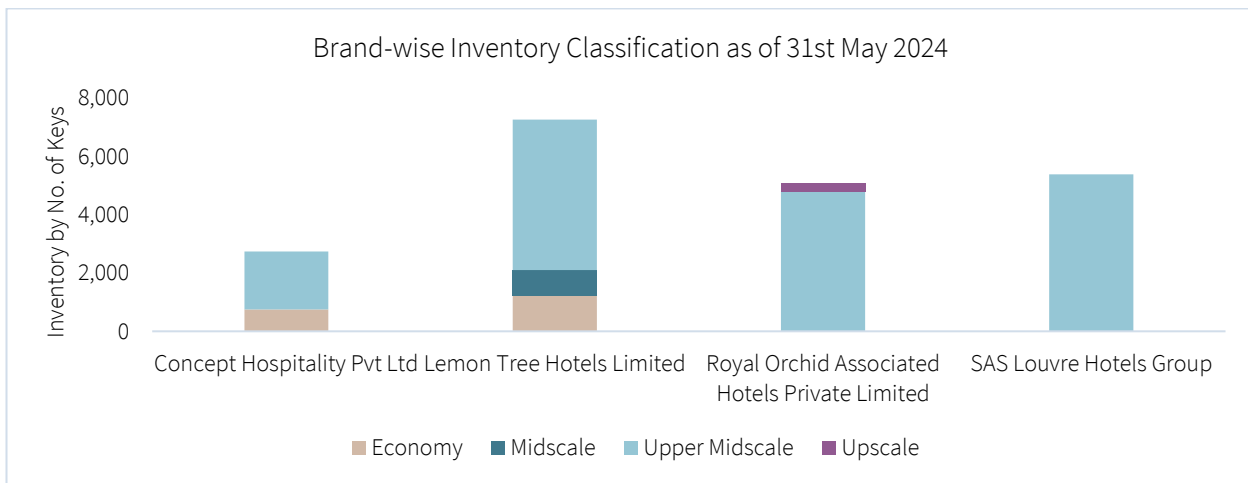


Source: JLL Research

The strong revival of the hotel industry in the recent past has also resulted in an increased number of independent guesthouses and homestays across the leisure segment, primarily within driving distances of prominent towns and metro cities. This segment of lodging gained prominence during the initial lockdowns when intra-state travel was the only permissible option and has sustained that momentum with remote working still an option for many.

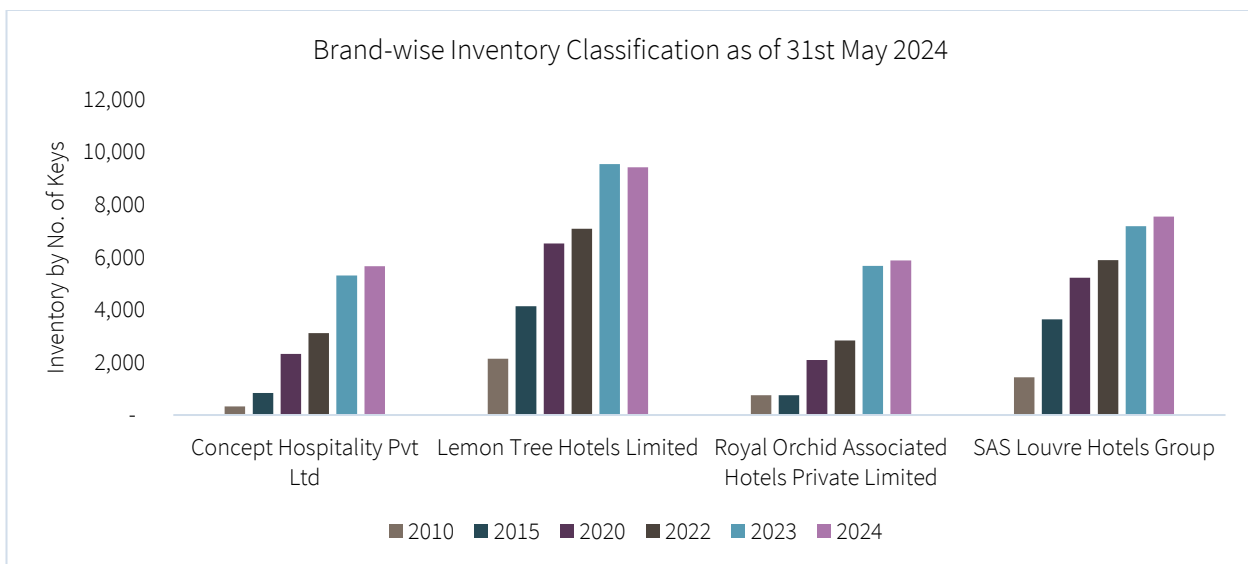
Hotel Brands by Operating Inventory

The top 10 hotel operating brands in India operate over 129,000 keys of the total branded inventory as of 31st May 2024. Key operators in the Economy to Upscale segment in India include Lemon Tree Hotels, Louvre Hotels Group, Royal Orchid Hotels and Concept Hospitality (The Fern Hotels & Resorts).



Source: JLL Research

These brands witnessed tremendous growth over the last two decades and have rapidly expanded their footprint via a variety of operating formats across various locations. Collectively, these brands account for approximately 20% of the total branded supply in India in the Economy to Upscale segment as of 31st May 2024.



Source: JLL Research

Suba Hotels Limited (SHL) is also one of India’s leading domestic hotel chains in the midscale sector with an operating inventory of 3,744 keys and 1,661 keys in the active pipeline as of July 2024.

With close to 70% of their total keys located beyond tier 1 cities, the abovementioned companies have been instrumental in exploring newer markets through their variety of Economy to Midscale / Upscale brands which are well positioned to penetrate the market at the appropriate price point and lower operational costs.

With over 4,000 keys currently in the pipeline, Lemon Tree Hotels currently has the largest inventory in the Economy to Upscale segments with close to 10,000 operating keys across 100+ destinations under its various brands including Aurika, Lemon Tree Premier, Lemon Tree, Red Fox by Lemon tree and Keys by Lemon Tree. While several brands have shifted to a predominantly asset light model, Lemon Tree's portfolio comprises a mix of owned and leased assets which account for 58% of their portfolio and managed and franchised hotels which comprise 42% of the total portfolio.

The Louvre Hotels Group acquired a partial stake in Sarovar Hotels & Resorts in 2017 and their combined presence in India currently comprises approximately 7,500 keys. With a strong presence in Europe, Louvre's investment in Sarovar was motivated by the group's strategic vision to penetrate the Indian market beyond mainstream destinations with a regionally established brand. Louvre currently has an active pipeline of almost 1,000 keys across over 67 destinations and comprises the Sarovar Premiere, Sarovar Portico, Hometel, Golden Tulip, Royal Tulip, Kyriad and Kyriad Prestige brands.

Royal Orchid & Regenta Hotels currently operates almost 6,000 keys across 65 destinations under its various brands including Royal Orchid, Royal Orchid Central, Regenta Central and Regenta Inn. The Group primarily operates on an asset-light model with over 79% properties under management contracts/franchise and approximately 2,000 keys in the pipeline currently.

Concept Hospitality is one of India's fastest growing hotel operators and currently has a presence of over 6,000 keys across 85 destinations. With over 350 keys in the pipeline, the portfolio comprises 6 brands including The Fern Hotels & Resorts, Zinc by the Fern, Zinc Journey by the Fern, The Fern Residency, The Fern Habitat and Beacon Hotels.

Industry Performance Overview

With developers taking a more cautious approach to greenfield projects and applying a renewed focus on repositioning, rebranding, mergers and joint ventures, the industry is inching towards a more financially and environmentally sustainable sector with a strong base and a leaner pipeline which enhances the opportunity to increase average room rates on the back of steady occupancy levels.

The first quarter of 2023 showcased a healthy performance across segments in India, displaying a strong recovery across several key markets outperforming pre-Covid levels. In Q2, India's hospitality industry witnessed a growth of 15.4% in RevPAR over the same period last year. The sector also witnessed a 16.6% decline at pan-India level in RevPAR in Q2 2023, compared to Q1 2023 due to a dip in travel during the summer period. However, India's G20 presidency also provided a significant boost to the hospitality and Meetings, Incentives, Conferences and Exhibitions (MICE) demand leading to strong demand and higher room rates. This opportunity benefited several metro markets and key leisure destinations. Overall, in H1 2023, the Indian hospitality sector witnessed growth in occupancy, ADRs and RevPARs as compared to the same period last year.

In Q3 2023, the sector further witnessed year-on-year growth in performance primarily driven by a significant increase in Average Daily Rate (ADR) across the country. The industry benefited from the development of business districts, hospitality-focused airport districts, and government initiatives such as simplified e-visa regulations. The resumption of corporate travel, festivals, and MICE events has also contributed to the sector's growth. The fourth quarter saw a similar growth in ADR due to factors such as weddings, corporate and social MICE events, leisure travel, and year-end festivities.

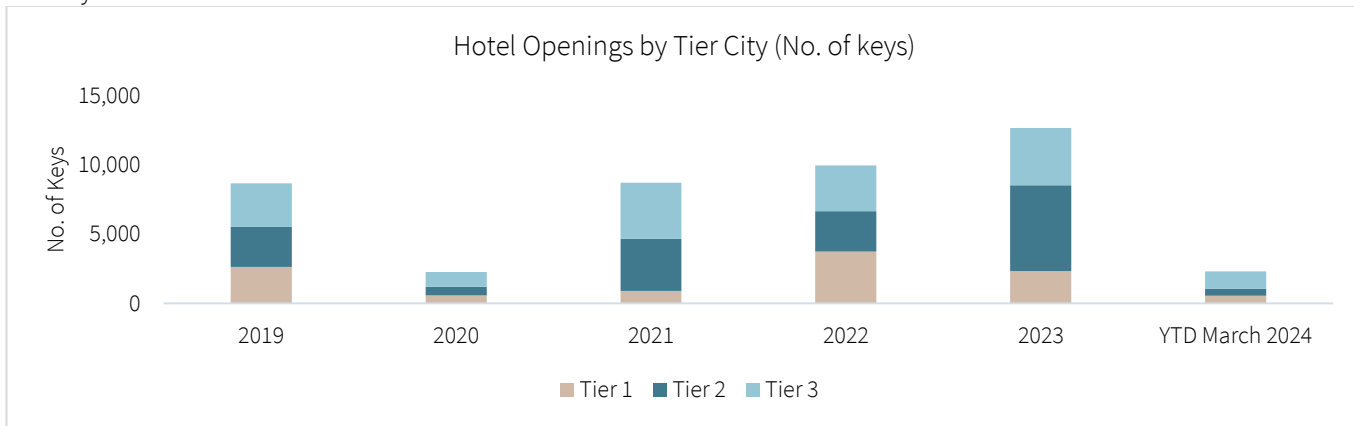
In the first quarter of 2024, the hospitality industry experienced ongoing growth propelled by a notable 8.5% increase in the Average Daily Rate (ADR). As a result, the Revenue per Available Room (RevPAR) grew by 11.4%. This growth was primarily driven by factors such as increased corporate travel, a rise in wedding ceremonies, and increased demand for Meetings, Incentives, Conferences, and Exhibitions (MICE) at the end of the financial year 2024.

In the medium term, India's room night demand is projected to outpace room supply, with maturity reached in tier 1 markets and ongoing potential in tier 2 and 3 cities. Improved tourism and connectivity infrastructure will only continue to drive sustainable sources of demand, such as MICE events, social gatherings, and leisure activities.

Over the last two years, hotel operators have also leveraged their scale to rationalise costs and efficiencies, making them relatively more resilient to changing market conditions and resulting in higher profitability. The coming together of the industry to grow rates while rewriting prevalent practices over the last 2 years resulted in reduced overheads and higher profitability with leaner operating structures.

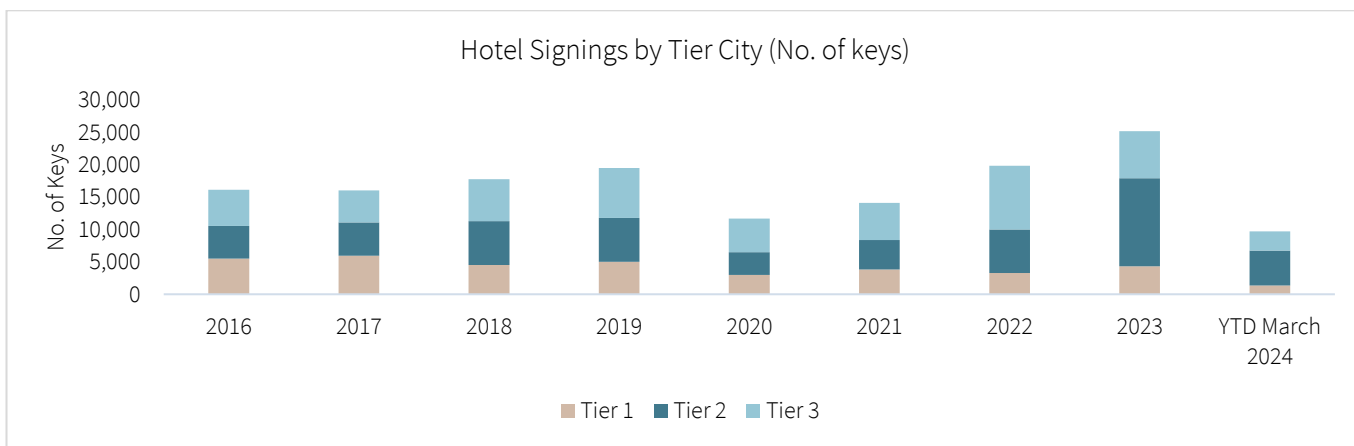
Hospitality Sector Outlook

India has witnessed a surge in branded hotel openings over the past five years, with CY 2023 marking a record-breaking year of over 12,630+ keys. Of this, 2,300+ keys lie in tier 1 cities with approximately 6,100+ keys in tier 2 cities and the balance 4,100+ keys in tier 3 cities and beyond. As of Q1 2024, ~560 keys opened in tier 1 cities, ~500 keys in tier 2 cities, and 1,250+ keys in tier 3 cities and beyond.



Source: JLL Research

In the same year, India recorded the signing of approximately 25,170+ keys of which 20,870+ keys lie across tier 2 and tier 3 cities. While tier 2 cities account for about 13,600+ keys, tier 3 cities are expected to welcome over 7,260 keys. As of Q1 2024, tier 1 cities witnessed the signing of 1,330+ keys, while tier 2 cities recorded the signing of 5,400+ keys, and tier 3 cities and above noted 2,960+ keys.



Source: JLL Research

Of the total signings recorded in 2023, over 16% i.e., 4,000 keys were conversions.

Based on the recorded signings for the CY 2023 period, tier 2 and 3 cities are scheduled to welcome the largest volume of inventory with 83% of the total recorded signings as compared to tier 1 cities. This statistic manifests a much-needed shift in focus beyond concentrated metro markets and marks the inclusion of more destinations on the travel and tourism map. Government initiatives such as the Smart Cities Mission have also generated traction in upcoming destinations such as Dharamshala, Guwahati, Bhubaneshwar, Trivandrum, etc. Several cities on this list are growing on account of improved connectivity via infrastructure development combined with the growth in industries such as IT and manufacturing.

In 2014, India had approximately 75 operational airports and by 2022, this number has almost doubled, resulting in 140 operational airports. There has been a keen push from the government to take this number up to 220 airports over the next 5 years.

Given these initiatives, improved connectivity, and lower barriers to entry than tier 1 cities, hotel operators are now widening their expansion strategies to establish presence in more destinations across the country. As urban consumption centres grapple with rising traffic and population density along with high barriers to entry and operating costs, hotel operating brands have expanded their growth strategy to acquire well performing independent assets across destinations.

By sheer volume and footprint, brands offer a larger banner effect, a deeper understanding of the business and wider reach via stronger distribution – which in most cases is an uphill battle for independent hotel owners in uncertain times and makes partnership a prudent option for business continuation.

As cities continue to grow and infrastructure development booms across the country, there has been an increase in demand and supply for quality hotel rooms across established and upcoming destinations. The expansion and success witnessed by several hotel operators in the recent past is testimony to how the Indian hospitality market harnesses its latent demand which invariably catches up with the supply.

5. Annexure

THE ENGAGEMENT

Suba Hotels Limited has commissioned **Jones Lang LaSalle Property Consultants (India) Private Limited** (hereinafter referred to as 'JLL') to prepare an independent **India Hospitality Overview** Report covering the **hospitality sector**. **Suba Hotels Limited** intends to seek this Report in connection with proposed DRHP / initial public offering of equity shares through public listing in Indian Stock Markets.

DISCLAIMER

This **India Hospitality Overview** Report is prepared for the sole use of **Suba Hotels Limited** and no responsibility and/or liability is accepted to any other party for the whole or any part of its contents. **Suba Hotels Limited** may choose to share the report and/or may include data / information extract from the report in documents prepared in connection with the Offer in the draft red herring prospectus to be filed with Securities and Exchange Board of India and the stock exchanges where the Equity Shares are proposed to be listed, the red herring prospectus and the prospectus to be filed with the Registrar of Companies, **Ahmedabad at Gujarat**, Securities and Exchange Board of India and the Stock Exchanges or any other document to be issued or filed in relation to the Offer in the form and context in which they are included, including in any presentation issued by **Suba Hotels Limited**, for a period of one year after the issuance of the Report.

It is expressly clarified that JLL shall not be named or construed as an 'Expert' in any manner whatsoever in accordance with the applicable provisions of the Companies Act, 2013 or any applicable laws, in relation to the statements contained in the Reports and proposed to be included in the draft red herring prospectus, red herring prospectus and prospectus, and any other documents to be issued in relation to the Offer.

Given the confidential nature of the Report pertaining to the **hospitality overview** report, which are privately transacted in actuality, are not in the public domain, the Report is prepared with the intend that the same shall restricted to be used by **Suba Hotels Limited** for the above-mentioned purpose only by adherence to the confidentiality as is expected to be maintained by **Suba Hotels Limited**.

Consequently, there is reliance on information from market sources, which may not be completely accurate. Thus, information has been crosschecked independently from other market sources to ascertain the broad credibility of information being provided by the market sources. The data and/or information provided and/or utilized in the report for the purposes of analysis have been done on best effort and knowledge basis.

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