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IPO Note

Schloss Bangalore Ltd.

Industry: Luxury Hospitality

Rating
NEUTRAL

Date: 23rd May, 2025

Schloss Bangalore Ltd

Issue Highlights

Schloss Bangalore Ltd IPO is a book built issue of Rs. 3,500 crores. The issue is a combination of Offer for Sale and Fresh Issue.

- The Fresh Issue consists of 5.75 crore shares aggregating to Rs. 2,500 crores at the upper end of the price band at Rs. 435 per share.
- The Offer for Sale consists of 2.3 crore shares aggregating to Rs. 1,000 crores at the upper end of the price band at Rs. 435 per share.

Objects of the Offer are: The net proceeds of the Fresh Issue are to be utilised in the following manner:

Particulars	Rs. Cr
Repayment/ prepayment/ redemption, in full or in part, of certain outstanding borrowings, interest accrued and prepayment penalties, as applicable, availed by:	2,300.00
Company	1102.5
Certain wholly owned subsidiary and step-down subsidiaries namely, Schloss Chanakya, Schloss Chennai, Schloss Udaipur and TPRPL, through investment in subsidiaries	1197.5
General corporate purposes	[•]
Total	[•]

* The amount utilized for general corporate purposes shall not exceed 25% of the Gross Proceeds

Data Source: Company filings & CSEC Research

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26th May 2025 ISSUE OPENS to 28th May 2025 ISSUE CLOSES

ISSUE DETAILS	
Price Band	₹413 to ₹435 per share
Face Value	₹10 per share
Total Offer Size	8,04,59,769 shares (aggregating up to ₹3,500 Cr)
Fresh Issue	5,74,71,264 shares (aggregating up to ₹2,500.00 Cr)
Offer For Sale	2,29,88,505 shares of ₹10 (aggregating up to ₹1000.00 Cr)
Issue Type	Book Built Issue IPO
Minimum lot	34 shares
Listing on	BSE, NSE

Date: 23rd May, 2025

Outlook

- Indian's luxury hospitality industry is poised to benefit from structural tailwinds such as growing affluence among Indian households, government initiative to promote tourism, rising foreign tourist arrivals among others.
- Schloss Bangalore Ltd operates exclusively in the luxury hospitality segment under the brand 'The Leela'. With a 18% markets share across its 13 locations, the company maintains a strong presence and is well positioned to capitalize on the industry tailwinds.
- The company faces direct competition from three listed peers, namely, Indian Hotels Company Limited, EIH Ltd and ITC Hotels Ltd.
- Debt repayment will be EPS accretive by about Rs. 5.75. Taking the same into account, the company is available at a PER of 57x post issue.
- We have a "NEUTRAL" rating for Schloss Bangalore Ltd.'s IPO.

14,527
Market Cap (Rs. Crores) Post Issue

304
Post Issue PE Ratio

1.32%
Return on Equity (FY25 ROE%)

75.9%
Promoter Shareholding Post Issue

Indicative Timeline

On or before

Finalization of Basis of Allotment	Thursday, May 29, 2025
Unblocking of Funds	Friday, May 30, 2025
Credit of shares to Demat Account	Friday, May 30, 2025
Listing on exchange	Monday, June 2, 2025

IPO Reservation

QIB Shares	Not more than 75.00% of the Offer
HNI Shares	Not less than 10.00% of the Net Issue
Retail Shares	Not less than 15.00% of the Net Issue

Lot Size

Application	Lots	Shares	Amount
Retail (Min)	1	34	₹14,790
Retail (Max)	14	442	₹1,92,270
S-HNI (Min)	15	476	₹2,07,060
S-HNI (Max)	73	2,278	₹9,90,930
B-HNI (Min)	74	2,312	₹10,05,720

Data Source: Company filings & CSEC Research | Post Issue PER calculated with FY24 PAT

Company Overview

Schloss Bangalore Limited, formerly Schloss Bangalore Private Limited was established on March 20, 2019, operates exclusively in the luxury hospitality segment under "The Leela" brand. It operates exclusively in the luxury hospitality segment under "The Leela" brand, managing a portfolio of thirteen hotels - The Leela Palaces, The Leela Hotels and The Leela Resorts - representing 3,335 keys as at the end of FY25. Of these thirteen hotels, the company operates five hotels through direct ownership and management of the hotels (owned portfolio) and seven hotel under hotel management agreements with third-party hotel owners (managed portfolio). Additionally, The Leela Mumbai, is operated under a franchise arrangement with a third-party hotel owner and operator. As per HVS Report, the company's presence extends to all seven top business destination and three of top five destinations for leisure in India and accounts for nearly 18% of the total luxury keys in these markets.

Further, Schloss Bangalore Ltd has laid out plans to expand its portfolio which would result in an addition of seven new hotels, aggregating to approximately 678 keys or 19.08% of existing keys by 2028. The growth pipeline which includes palace hotels in Agra (Uttar Pradesh) and Srinagar (Union Territory of Jammu and Kashmir), resorts in Ranthambore (Rajasthan) and Bandhavgarh (Madhya Pradesh) and serviced apartments in Mumbai's (Maharashtra) international airport district, are in various stages of acquisition and development.

Competitive Strengths:

- **Competitive Positioning of Brand:** The company operates exclusively in the luxury hospitality segments where brand recognition is a key driver of success. Its strong brand recognition is evidenced by the fact that 47% of room revenues in FY25 was contributed by international travelers. The company's NPS score, which measures the likelihood of guests recommending the hotels to others, at 85.11 further highlights the higher levels of customer satisfaction enjoyed by its guests. The company's competitive position on brand and management is further strengthened by the high barriers to entry in the luxury sector of the hospitality business.
- **Marquee owned hotels:** The owned portfolio which includes The Leela Palaces located in Bengaluru, Chennai, New Delhi, Jaipur and Udaipur are strategically located in prime locations where acquisition of large parcels of land challenging. Further, new hotel construction requires a significant gestation period in site development and operational stabilization, creating significant barriers to entry for new supply. These factors have enabled the owned portfolio of The Leela to generate a RevPAR (Revenue per available room) of Rs. 15,306 which was 1.2 times the luxury hospitality segment in India.
- **Diversified Clientele:** The Leela hotels attracts a diverse clientele spanning leisure travelers, business travelers and groups, enabled it to widen its revenue base across non-room revenue sources such as Food and Beverages (F&B), Meeting, Incentives, Conferences and Exhibitions (MICE) and banqueting venues.
- **Experienced management with institutional backing:** Schloss Bangalore is managed by an experienced management team with deep domain expertise. In addition, it is promoted by private equity funds managed by affiliates of Brookfield, a large alternative asset manager and investor with over USD 1 trillion of assets under management..

Growth Strategies

1. **Same store growth:** The companies aims to attract high value guests by undertaking room renovations, expansion of premium F&B offerings and offering additional luxury amenities such as exclusive members-only clubs, spas and high-end retail outlets across its owned portfolio. Since FY21, the company has undertaken significant property improvement initiatives with a total capital expenditure plan of ₹6,54.58 crores of which 65.37% has been incurred as at the end of FY25. The remaining enhancements are expected to be completed over the next 12 to 18 months. With these initiatives the company aims at increasing room rates while maintaining and improving average occupancy.

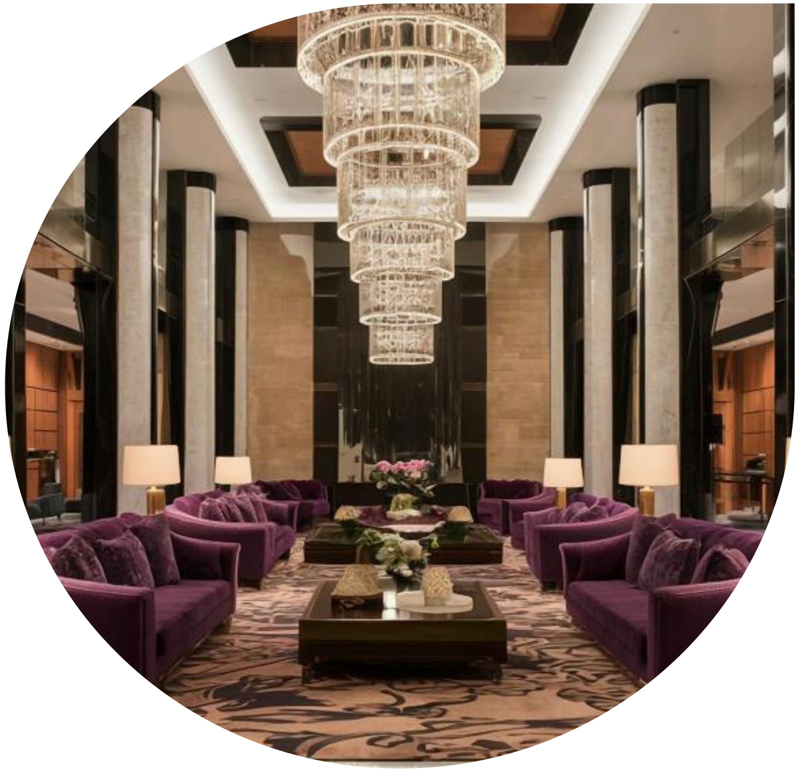
2. **Owned Portfolio Expansion:** Schloss Bangalore aims to unlock growth through both acquisition of hotels and resorts in urban and resort locations and development of new hotels and resorts. The company has already laid out its plans to expand its footprint, by acquiring and/or developing five new hotels that will be directly owned and managed by it– in Agra (Uttar Pradesh), Srinagar (Union Territory of Jammu and Kashmir), Ayodhya (Uttar Pradesh), near Ranthambore National Park (Rajasthan) and near Bandhavgarh National Park (Madhya Pradesh). These projects are estimated to add 475 keys by FY28 at an outlay of ₹1,131.5 crores.

3. **Hotel Management Agreements:** In addition to owned Portfolio, the company also aims to strengthen its presence across India through hotel management agreements with third-party hotel owners. This would allow the Company to extend its brand presence with minimal capital investment. To this extent, the company has recently entered into hotel management agreements for two properties, a 63 key hotel that is located in Gangtok (Sikkim) as well as a 144 key luxury serviced apartments in Mumbai. Both these properties are expected to commence operations in 2026.

4. **International Expansion:** The company also intends to expand its footprint beyond India into key international gateway markets which offer favourable demand-supply dynamics for luxury hospitality. The geographies that the company intends to focus on for future growth are the Maldives, Dubai ,internationally and Mumbai and Goa in India.

5. **Extended Services:** The company aims to further strengthen its brand by continuing to evolve its luxury offerings through initiatives such as members-only clubs called "Arq", The Leela branded serviced residences that are integrated with the hotels and resorts and The Leela branded serviced apartments designed for long stay guests. The company has secured a management contract for serviced apartments in Mumbai while its members only cluba are expected to commence imminently in Bengaluru, Chennai and New Delhi.

Portfolio



1. **Owned Portfolio:** All of the five hotels in owned portfolio fall under "The Leela Palaces" brand. The hotels under direct ownership represents 1,224 keys (34.45% of total keys) and contributed Rs. 1314.58 crores in revenue (~93.46%). Details of the owned hotels are as follows:
   - **The Leela Palace Bengaluru:** The Leela Palace Bengaluru commenced operations on August 13, 2001. The hotel is spread across 8.23 acres with 357 keys (including 75 royal club rooms) and 45 suites (which comprises of 12.61% of keys in the hotel) as at the end of FY25.
   - **The Leela Palace Chennai:** Spread across 4.8 acres, the Leela Palace Chennai commenced operations on January 15, 2013. It comprises 325 keys, comprising 295 rooms (including 85 royal club rooms and eight premier club rooms) and 30 suites (which comprises 9.23% of keys for the hotel) as at the end of FY25.
   - **The Leela Palace Delhi:** The Leela Palace New Delhi commenced operations on April 17, 2011. The Leela Palace New Delhi comprises 254 keys, comprising 236 rooms (including 74 royal club rooms) and 18 suites (which comprises 7.09% of keys for the hotel) as at the end of FY25.
   - **The Leela Palace Jaipur:** The Company commenced management of The Leela Palace Jaipur's predecessor in September 2020 and rebranded the hotel as The Leela Palace Jaipur in May 2021. The Leela Palace Jaipur comprises 200 keys, comprising 108 villas (including 64 royal villas and 44 grand villas), 74 rooms and 18 suites (which comprises 9.00% of keys for the hotel) as of March 31, 2025.
   - **The Leela Palace Udaipur:** The Leela Palace Udaipur commenced operations on May 15, 2009. The Leela Palace Udaipur comprises 88 keys, comprising 76 rooms and 12 suites and villas (which comprises 13.64% of keys for the hotel), as of FY25.

Portfolio

2. **Managed Portfolio:** As at the end of FY25, seven out of thirteen operating hotels were managed by Schloss Bangalore pursuant to hotel management agreements with third-party hotel owners. The hotels under hotel management agreements represent 1,931 keys or 54.35%. However, these hotels contributed to ₹60.68 crores or 4.31% of total income in FY25. The hotel management agreements generally have initial terms ranging from 10 to 30 years, and typically provide for renewals for up to 10 years subject to mutual agreement of terms and conditions. Under the hotel management agreements, the company is typically entitled to a fixed percentage of the gross operating revenue as well as a fixed percentage of the net room revenue. In addition, it is also entitled to an incentive fee generally being a variable percentage linked to the gross operating profit of the hotel.

3. **Hotels under franchise agreement:** As at the end of FY25, only one of the 13 operating hotels, namely, The Leela Mumbai, is under a franchise arrangement with a third-party hotel owner and operator. The Leela Mumbai represents 398 keys (11.20% of 262 total keys) and contributed to ₹5.31 crores or 0.38% of total income for the FY25. We also provide centralized services including access to our reservations system, sales and marketing programs and guest loyalty programs, as well as our software, systems and processes and other operational know-how for operating the hotels, in exchange for a fee

Risks

- **Dilution in Brand Positioning:** Schloss Bangalore Ltd owns and manages luxury hotels under "The Leela" brand. . Further, the company offers its trademark for their business and operations to third parties which may affect the reputation of brand. The ability to attract guests primarily largely depends on public recognition, hence, any events or issues resulting in negative publicity makes the business susceptible to risks related to brand obsolescence or reputational damage.

- **Revenue Concentration:** The Company's owned portfolio comprises of The Leela Palaces located in Bengaluru, Chennai, New Delhi, Jaipur and Udaipur. For the FY25, FY24 and FY23, these direct ownership keys as a percentage of total keys was 34.45%, 35.96% and 35.96% ,however, they contributed to 93.46%, 93.77% and 91.13% of the total revenue respectively. Any adverse developments affecting such hotels or regions could have substantial impact on the business operations.

- **Adverse Financial Results:** The company recorded consolidated profit of Rs. 47.66 crores in FY25. However, in FY24 and FY23, it accumulated losses of Rs. 2.13 crores and Rs. 61.68 crores. The losses for the FY24 and FY23 had arisen on account of significant expenses primarily comprising finance costs, employee benefits expense, depreciation and amortization expenses and other expenses.

- **Substantial debt:** The total secured borrowings at the end of FY25, FY24 and FY23 was Rs. 3,908.75 crores (~47% of Balance Sheet), Rs. 4,117.53 crores (~58% of Balance Sheet) and Rs. 3,573.52 crores (~61% of Balance Sheet). These debts require significant cash flows to service as finance cost as a percentage of total income stood at 32.57%, 35.27% and 39.76% in FY25, FY24 and FY23 respectively. These financing agreements also entail several restrictive covenants that limit the company's ability to undertake certain actions such as change in capital structure, change in composition of the management, amendments to memorandum and articles of the Company.

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Risks

- **History of Negative Net worth:** The company's net worth at the end of FY25 stood at Rs. 3,605 crores a. However, in FY24 and FY23, the company had a negative net worth of Rs. 2,825.72 crores and Rs. 2,511.96 crores. Further, despite the negative net worth as at the end of FY24, the company undertook a bonus issue on July 11, 2024 aggregating to ₹1,40.79 crores through capitalization of the securities premium.

- **Workforce Challenges:** The Leela, due its focus on luxury hospitality segment, is heavily dependent on a large workforce which combined with rising labor costs and scarcity of trained workforce in keeping with the growing demand may present a challenge to day to day operations. Further, the company's attrition rate for FY25, FY24 and FY23 was 43.47%, 50% and 66.3% respectively. Thus, any further increase in the attrition rate in a labour intensive industry may adversely affect the business.

- **Economic Impact:** The Leela operates in the luxury hospitality industry in India which depends on both discretionary spend of leisure tourists and buoyancy in demand from business travel – both of which are linked to economic performance of the country. For instance, the company derived 57% of room revenues from retail and leisure guests which is generally discretionary in nature. Hence, any economic downturn or recession could impact discretionary spending and the demand for luxury hotels.

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Financials

Income Statement (Rs. Cr)	FY25	FY24	FY23
Revenue from Operations	1,300.6	1,171.5	860.1
Other Income	106.0	55.0	43.2
Total Income	**1,406.6**	**1,226.5**	**903.3**
Expenses	706.2	626.5	479.6
EBITDA	**594.4**	**545.0**	**380.4**
Depreciation	139.9	148.0	125.0
EBIT	**454.4**	**397.0**	**255.4**
Finance Cost	458.2	432.6	359.1
PBT	**102.3**	**19.4**	**(60.6)**
Tax	54.4	21.6	1.1
PAT	**47.7**	**(2.1)**	**(61.7)**
EPS (In Rs.)	**1.97**	**(0.12)**	**(3.50)**

Balance Sheet (Rs. Cr)	FY25	FY24	FY23
Equity And Liabilities			
Share Capital	276.5	20.2	20.2
Other Equity and Reserves	3,329.1	(2,845.9)	(2,532.1)
Borrowings	4,189.9	4,800.5	4,198.4
Other Liabilities	471.3	5,087.1	4,189.1
TOTAL EQUITY AND LIABILITIES	**8,266.8**	**7,061.9**	**5,875.5**
Assets			
Fixed Assets	5,838.3	5,744.7	5,067.2
CWIP	130.9	39.2	27.5
Cash & Cash Equivalents	288.0	374.9	254.9
Other Assets	2,009.6	902.9	526.0
TOTAL ASSETS	**8,266.8**	**7,061.9**	**5,875.5**

Notable Ratios

Particulars	FY25	FY24	FY23
Number of Keys	3,553	3,382	3,382
Average Occupancy (%)	65.19%	63.05%	61.06%
RevPAR (Rs.)	10,696.34	9592.9	7828.02

Data Source: Company filings & CSEC Research

Date: 23rd May, 2025

Disaggregation of revenue from operations

Particulars	FY25		FY24		FY23	
	Rs. Cr	%	Rs. Cr	%	Rs. Cr	%
Room income	680.02	52.29%	615.06	52.50%	411.79	47.88%
Revenue from food and beverages	478.17	36.77%	431.71	36.85%	330.60	38.44%
Management and other operating fees	69.82	5.37%	59.50	5.08%	66.55	7.74%
Other allied services	53.86	4.14%	48.85	4.17%	38.73	4.50%
Manpower services	18.71	1.44%	16.34	1.39%	12.40	1.44%
Total Revenue from operations	**1,300.57**	**100.00%**	**1,171.45**	**100.00%**	**860.06**	**100.00%**

Disaggregation of total income by operating structure

Particulars	FY25		FY24		FY23	
	Rs. Cr	%	Rs. Cr	%	Rs. Cr	%
Income from Owned Portfolio Limited	1,314.58	93.46%	1,150.14	93.77%	823.16	91.13%
Income from hotels under hotel management agreements with third-party hotel owners	60.68	4.31%	49.71	4.05%	60.62	6.71%
Income from other sources	31.30	2.23%	26.65	2.17%	19.49	2.16%
Total	1,406.56	100.00%	1,226.50	100.00%	903.27	100.00%

Details of owned portfolio (as of FY25)

Hotel Name	Weighted Average Room Size (in sqm)	Total Keys	Suites as % of total keys	Average Occupancy	ARR (Rs.)	RevPAR (Rs.)
The Leela Palace Bengaluru	61.60	357	12.61%	69.7%	21,445	14,947
The Leela Palace Chennai	57.96	325	9.23%	74.6%	12,725	9,486
The Leela Palace New Delhi	57.24	254	7.09%	73.0%	27,430	20,019
The Leela Palace Jaipur	71.80	200	9.00%	53.0%	28,756	15,242
The Leela Palace Udaipur	58.71	88	13.64%	54.1%	47,138	25,519

Data Source: Company filings & CSEC Research

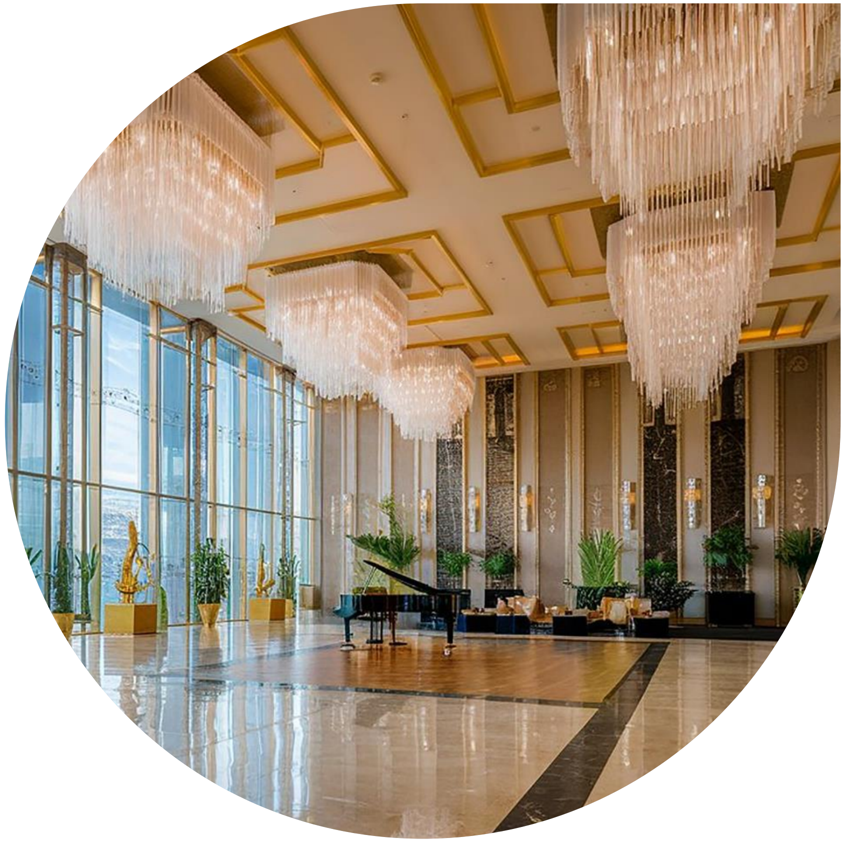
Key Competitive Strengths of Peers

Company Name	Schloss Bangalore Ltd	Indian Hotels	EIH Ltd	ITC Hotels	Juniper Hotels	Chalet Hotels	Ventive Hospitality
Key Segment	Luxury	All segments	Luxury and Upper scale	Luxury, Upper upscale and Upscale	Luxury, Upper upscale and Upscale	Luxury, Upper upscale and Upscale	Luxury, Upper upscale and Upscale
Business Model	Brand + Asset Owners	Brand + Asset Owners	Brand + Asset Owners	Brand + Asset Owners	Pure play asset owners	Pure play asset owners	Pure play asset owners
Key Brands	The Leela (Palaces, Hotels and Resorts)	Taj, Seleqtions, Vivanta, Gateway, Ginger	Oberoi, Trident	ITC Hotels, Mementos, WelcomHotel, Storii, Fortune, WelcomHeritage	Grand Hyatt, Andaz, Hyatt Residences, Hyatt Regency, Hyatt and Hyatt Place	JW Marriott, Marriott Executive Apartments, Novotel, Westin, Courtyard and Four Points by Sheraton	JW Marriott, Ritz Carlton, Anantara, Conrad, Raaya, Marriott Suites, DoubleTree by Hilton, Oakwood Residences, Courtyard by Marriott, Marriott Aloft
Number of hotels	13	243	30	134	7	10	11
Inventory keys	3,553	26,494	4,269	12,279	10,165	3,052	2,036
Average Room Rate (Rs.)	16,408.67	17,216.00	NA	12,000	10,165	10,718.44	19,975.99
Average Occupancy (%)	65.19%	78.10%	NA	69%	75%	72.55%	59.47%
RevPAR (Rs.)	10,696,34	13,448	NA	NA	7,645	7,776	11,880.69
Revenue from operations (Rs. In Cr)	1,300.57	8,334.54	2,511.27	3034	817.67	1417.25	1842.07
EBITDA (Rs. In Cr)	700	2,340	1,042	1,004	319.7	604.4	869.775
EBITDA Margin (%)	49.78%	35.03%	39.68%	32.71%	38.69%	42.06%	45.60%
PE Ratio	304	64.8	30.9	71.3	110	136	146

The data pertaining to EIH Ltd, ITC Hotels, Juniper Hotels, Chalet Hotels and Ventive Hospitality relates to FY24.

Data Source: Company filings & CSEC Research

Industry Outlook



India, one of the fastest growing major economies in the world, is expected to create an exponential rise in the number of high and upper-middle income households to 20 crores (~56% of total households) by 2030, approximately three times that of 6.9 crore(~24% of total households) in 2018. In addition to a growing urban population, India's estimated median age in 2024 is 29.8 years, almost ten years younger than that of major global economies like China and the USA. This growing affluence, increase in high and upper middle-income households, low median age of population are expected to drive higher consumption, particularly in the luxury segment. India is expected to have an incremental consumption potential of approximately Rs. 25.5 lakh crores (US$3 trillion), growing at a CAGR of 9% between FY21 and FY31.

Tourism in India

Indian travel and tourism industry contributed 6.5% to the overall GDP, well below the global average of 9.1% highlighting the significant room for growth in the Indian hospitality industry. The Government of India and various state governments have taken considerably efforts to promote travel and tourism evidenced by Rs. 2,500 crores allocated in the FY26 Union Budget for Ministry of Tourism. Further, The Ministry of Tourism is also actively encouraging state governments to grant 'Industry Status' to promote the tourism sector. This designation offers significant benefits, including commercial concessions, reductions in stamp duty for new developments, rebates on land acquisition prices, and GST concessions. The government is also working on Special Tourism Zones (STZs) which would be hyper focused areas for tourism in the country. Indian Government has introduced multiple schemes and initiatives aimed at developing air, road, and rail infrastructure, enhancing connectivity and accessibility across the country. These factors are expected to aid domestic tourism double over the next six years.

Rise in Foreign Tourist Arrivals (FTAs) are expected to be key drivers of growth in leisure travel. Wide cultural footprint, improved infrastructure, enhanced airport facilities, and impetus provided by government initiatives including the launch of new circuits and destinations, PRASHAD scheme and visa reforms, have added to India's accessibility and attractiveness to foreign visitors. FTAs have shown a sharp recovery post COVID, with 9.7 million arrivals in 2024 and accounted for 45% of leisure travel. Further, between FY24 and FY30 domestic tourist visits (DTV) is expected to grow at a CAGR of 13.4% while foreign tourist arrivals (FTAs) is expected to grow at CAGR of 7.1% Apart from these factors, Indian Government is actively working on increasing the last mile connectivity across the country with an estimated outlay of Rs. 16.15 lakh crores (US$1.9 trillion) between FY20 and FY25 undertaking 9,700 projects across 58 sub-sectors, with nearly 2,000 projects already underway and under deployment.

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Industry Outlook

Structural tailwinds to aid hospitality sector in India

India's hospitality industry had an inventory of approximately 34 lakh keys at the end of FY24. Of these, the organized sector, which includes branded, aggregators, and quality independent hotels, represented only approximately 11% or approximately 3.75 lakh keys. The organized hotel stock is further segmented into branded and independent hotels, of which branded hotels constitute approximately 45% of the inventory, i.e., approximately 1.7 lakh keys in Financial Year 2024. Branded hotels are further segmented into luxury, premium (upper upscale and upscale), midscale and economy. The stock of luxury hospitality hotels remains constrained – constituting only 17% of the branded hotel keys, across 230 hotels and approximately 29,000 keys across India in Financial Year 2024. Looking forward, supply in the hospitality industry in India is expected to grow at a CAGR of 8.5% CAGR over Financial Year 2024 to Financial Year 2028 while demand is expected to grow at a CAGR of 10.4% over the same period, with demand outpacing supply by ~190 bps during Financial Year 2024-2028.

Braded hospitality industry is categorized into luxury, premium (upper upscale and upscale), midscale and economy segments, which provide a wide range of offerings, services, and experiences. Luxury segment typically includes iconic and marquee hotels offering larger room sizes, multiple and differentiated fine dining options, spas, recreational facilities, large and opulent public areas with personalized services. Upper upscale and upscale hotels are typically well positioned, full-service hotels, typically priced lower and offer smaller public areas and facilities. Economy and midscale hotels offer functional accommodations and limited services, while being focused on price consciousness.

The demand-supply gap in luxury hospitality segment has resulted in differential RevPAR growth as compared to hospitality industry. In FY24, the RevPAR for the luxury hospitality segment was ₹10,122, over 2 times that of the hospitality industry, which stood at ₹4,739. The luxury hospitality segment commanded 117% premium on Total Revenue per Available Room (TRevPAR) over upscale segment, and 298% premium over midscale segment.

Further, supply in the luxury hospitality segment remains limited given high barriers to entry which include limited availability of suitable land parcels, securing requisite land use permissions and end-use restrictions, regulatory approvals and licenses and substantial capital and time investment needed to build a well-recognized and respected luxury brand, as well as to develop luxury hotels. The demand-supply outlook for luxury hospitality segment continues to be favorable in India, with total demand for luxury rooms estimated to grow at a CAGR of 10.6% over Financial Year 2024 to Financial Year 2028 against supply growth of only 5.9% over the same period. Against this favorable demand-supply dynamic, by Financial Year 2028, India luxury hospitality segment RevPARs is expected to become nearly 1.5 times that of FY24.

With India's emergence as a key business center and the subsequent growth in corporate travel, extended stay hotels have established a distinctive niche in the global hospitality industry by catering to guest requiring long term accommodation. In India, growing affluence has led to demand for luxury and ultra-luxury housing. The rising trend of demand for luxury and ultra-luxury homes bodes well for branded residences, which are targeting a similar segment and are priced within the same bracket. As families become more affluent, and urbanized, demand for private clubs is expected to rise with individuals increasingly looking for exclusive communities and access to high-end leisure and re-creation amenities. Membership fee for such clubs in luxury hotels typically ranges between Rs. 15,00,000 to Rs. 20,00,000 at entry with a yearly fee of Rs. 1,00,000 to Rs. 3,00,000.

Conclusion

In conclusion, increasing affluence, growing disposable incomes, young population, increasing inclination to spend on travel and experiences, widening demand-supply gap, shift in consumer preference towards premium experiences, and limited inventory of luxury hotels in India have driven ARR growth and occupancy for the luxury segment between FY14 and FY24. Further, supply in the luxury segment is expected to remain constrained due to high barriers to entry including limited availability of land, extensive regulation, restrictive zoning, high cost of capital and long gestation periods. These tailwinds provide Indian hospitality players with substantial opportunity to grow average room rates (ARR) compared to its global peers.

Cholamandalam Securities Limited Member: BSE, NSE, MSE, NSDL, CDSL

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