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Luxury hotels record strongest growth in ARR in Dec quarter

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The strong growth in domestic tourism has resulted in the highest-ever average room rate (ARR) in the December quarter of 2024. A *businessline* analysis of eight of the largest hotel stocks shows that these have recorded a higher increase in the third quarter of this fiscal, compared to the year-ago period. They also have the pricing power to hike prices sharply on a sequential basis.

EIH Associated Hotels Limited, Indian Hotels Company and Chalet Hotels have seen the highest year-on-year increase in ARR. EIH recorded an ARR of ₹19,985 in Q3 FY24, which increased to ₹22,526 in Q3 FY25 – up 12.7 per cent. Indian Hotels’ ARR rose 11.3 per cent while that of Chalet Hotels’ increased 17.9 per cent.

DATA FOCUS.

EIH and India Hotels are also hiking their room rates steeply in the December quarter – the peak tourist season. While EIH’s ARR went up 148 per cent sequentially in the December quarter of FY25, Indian Hotels’ ARR was up 42.7 per cent. Other large hotels hiked their ARR between 11 and 24 per cent.

DRIVING FACTORS

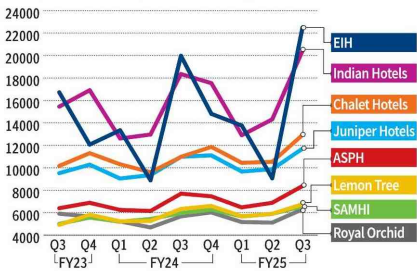
Atul Thakkar, Director – Investment Banker at Anand Rath Advisors, pointed out that luxury hotels like EIH and Indian Hotels are at the top because of their strategic expansion, brand strength, prime locations, diversified offerings, asset-light models and financial prudence.

The hospitality sector, luxury hotels in particular, is witnessing an uptick in demand across most operational parameters due to factors like rising domestic travel, events, and banquet-related earnings.

Vikas Anand, Associate Director, India Ratings & Re-

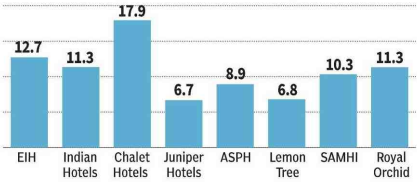
Surge pricing in hotels

Average room rate in eight listed hotel companies (in ₹)



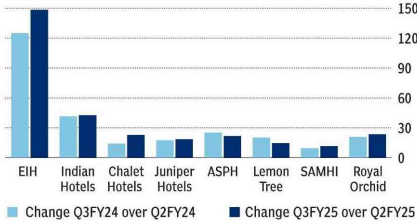
Luxury hotels witness bigger increases in December quarter

Growth Q3FY25 over FY24 (%)



Luxury hotels are also increasing tariffs steeply on a sequential basis in peak season

(in %)



ASPH - Apeejay Surrendra Park Hotels

Source: Companies' financial reports

search explained, “All these companies generally cater to the upmarket segments, where there has been negligible supply over the last 4-5 years, especially during and after Covid.

Given the demand resurgence, the existing hotels have benefitted from this. Foreign tourist demand has still not reached pre-Covid levels.”

UNBRANDED SEGMENT

“A lot of the budget hotels are in the unbranded segment, which is much larger but harder to track. It includes small boutique hotels,

family-run guesthouses, and Airbnbs. While these cater to a big chunk of travellers, they operate in a highly fragmented market, making it tough to get consistent data or metrics,” Thakkar added.

According to ICRA’s January 2025 report, “The Indian Hospitality Industry: Riding High, but What’s Next?,” the projected ARR for FY25 is expected to range between ₹7,800 and ₹8,000, while the occupancy percentage is estimated to remain between 70 and 72 – the highest since FY11 when the ARR was ₹6,900 with a 61 per cent occupancy rate.