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# HOTELS PLANNING FOR FUTURE

India needs more budget hotels. We do not have adequate number of quality hotel rooms available at reasonable rates.

**T**he year 2005 was very favourable for India's hotel industry as occupancy was never so good. Room rents too have skyrocketed. The reason is: the shortage in the country is as much as 90,000 rooms (5-star and above). In fact, there is a seller's market in this segment. The year 2006 may witness an addition of just 5000 rooms. India is no doubt a global busi-

ness hub and a major focus for developed countries. But, the current availability of 150,000 registered rooms is low compared to one million rooms in China.

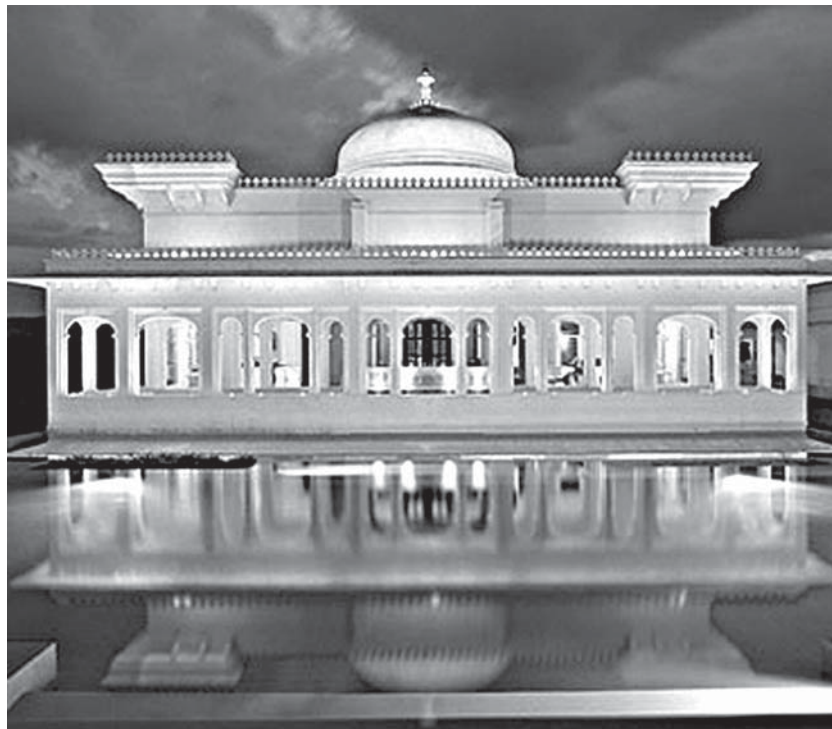
The World Travel and Tourism Council (WTTC) estimates that tourist arrivals to India would grow at 10 per cent per annum till 2012—one of the highest in the world. The hotel industry certainly wants to take advantage of this situation. The

Rs 18 billion mid-hotel segment is expected to burgeon to Rs 46 billion by 2010.

All major cities are going to experience shortage of hotel rooms by 2009. Hyderabad needs 8000 rooms against the supply of 5400 rooms, Goa requires 6500 rooms against the supply of not more than 2800 rooms, Chennai needs 7500 rooms against the supply of 5000 rooms and Bangalore requires not less than 15,000



*The Lake Palace Hotel, Udaipur*



The Oberoi Udaivilas, Udaipur

rooms against the supply of 6800 rooms.

### Recent developments

The Taj Hotels Resorts and Palaces has entered into a strategic alliance with South Korea's The Shilla Hotels & Resorts to develop cross-promotional opportunities for both companies. The tie-up lays stress on joint human resources, exchange of loyalty programmes and joint investments in establishing new hospitality centres.

The company is embarking on expanding its presence in Europe. The Indian Hotel Group is in touch with various hotel groups in London, Frankfurt and Paris for management arrangement, marketing alliance and academic acquisitions.

During 2005, Indian Hotels had entered into a 30-year management contract to operate and manage Pierre, a luxurious hotel in New York. The hotel was earlier managed by Four Seasons.

Taj Hotels manages about 60 ho-

tels globally taking the count to 2282 international rooms in 11 countries outside India and a total of 8771 rooms at all its properties.

The Welcomgroup has a chain of 65 hotels under different brands—the top-notch ITC prefixed brand (Delhi's Maurya, Mumbai's Maratha and Chennai's Park), Welcom Hotel (in Agra, Jaipur, Baroda and so on), Fortune Park (consisting of standard international hotels for businessmen in business locations) and Welcom Heritage (palaces, forts and resorts).

Femena Hotels

Private Ltd plans to open a three-star 100-room hotel in Chennai at a cost of Rs 150 crore. It is going to be completed by 2008. The hotel will house a swimming pool, fitness club, conference hall and multicuisine restaurant. The

Group also wants to open a chain of budget hotels at Coimbatore, Madurai and Tirunelveli in the coming years. The three-star hotel at Trichy, built in 1988, is being renovated.

Ceebros, a leading property developer in Chennai, wants to enlarge its presence in the hospitality sector. It desires to add 400 rooms through two new hotels, taking its tally to over 500 rooms under its brand 'Raintree.' It entered the field in June 2005 with a 105-room boutique hotel 'Raintree.' The occupancy level is comfortable at 75 per cent consistently.

Hilton, which entered India through a strategic alliance with the Oberoi group in 2004, plans to launch two more brands in India—the Conrad and the mid-market Scandic. It wants to treble its presence in the Indian market over the next five years. At present, Hilton has a marketing tie-up with East India Hotels, and is working on setting up two hotels in Bangalore and one in Chennai with the help of its local partners.

The Bangalore-based Royal Orchid Hotels is investing over Rs 730 million on renovation and expansion plans across Mysore, Jaipur, Hyderabad, Pune and Bangalore. The Group has taken over the Krishnaraj Sagar Hotel at the Brindavan Garden in Mysore on an annual lease amount of about Rs 60 lakh for a period of 15 years. The hotel will now be rebranded as the Royal Orchid Brindavan. Krishnaraj Sagar is a heritage hotel in Mysore

### Average Room Rates at End-March, 2006

(in Rs)

City	2004-05	2005-06	Per cent change
Bangalore	7,880	11,100	41.00
Mumbai	4,955	6,450	30.17
Delhi	5,200	7,050	35.57
Kolkata	3,213	3,650	13.60
Chennai	3,662	4,675	26.70
Hyderabad	4,550	3,490	30.37
Goa	3,764	5,000	33.00
Jaipur	3,604	4,400	22.00



The Leela, Goa

comprising 25 rooms.

The Group will also launch Royal Orchid Central comprising 70 rooms in Jaipur and Hyderabad by the end of 2006. Both these properties are four-star hotels targeting corporate travellers.

Vadodara-based Sayaji Hotels is planning to set up a chain of 100 restaurants across major cities of India. The company will invest Rs 500 million for its nationwide chain of restaurants. The main target customers are the young families belonging to middle- and higher-income groups.

The Ashok Hotel, the first government-owned and probably the first five-star hotel in India, came into being in 1956. It has now 550 rooms and 111 suites. A notable feature of the hotel is its thematic suites: the Neelam suite, the Kashmir suite, the Mughal suite and the Assam suite.

Foreign hotel chains that already have a presence in India are planning to tie-up hotels in metros like Bangalore and Hyderabad, and in smaller cities to meet a sharply growing demand.

### Room rents

Average room rents registered a rise of 20 to 25 per cent in just one year (June 2005 to June 2006). The average room rent breached \$400-level for the first time in cities like Bangalore.

Earlier, the average rate across

the country was around Rs 7000. This has doubled to Rs 14,000 per day. In cities like Bangalore, Agra and Jaipur, the room rates are as high as Rs 18,000 per day. In Delhi, in July 2006, the rate was around Rs 7500 per day. In Bangalore, the demand-supply gap is large, and hence the rates are high.

By December 2005, Bangalore emerged as the most expensive city for hotel rooms among the main business and leisure destinations. In October 2005, the average room rate in the city was up 32 per cent year-on-year.

### Measures needed

India needs more budget hotels. We do not have adequate number of quality hotel rooms available at affordable rates. This is a serious problem because domestic tourism is growing at around 40 per cent per year. Experts say that even if the capacity in this segment is multiplied ten times, it will still be inadequate. One should not forget the arrival of low-cost airlines.

Goa is attracting more and more tourists. Most of the hotels like Intercontinental are offering monsoon discounts, which make the accommodation at these hotels affordable. The domestic tourists are unable to visit Goa during the peak season due to non-availability of rooms and high tariffs. The monsoon packages have resulted in the rising occupancy lev-

els across hotels in Goa. Under the monsoon package at the Grand Intercontinental, a two-night stay in a sea-view suite costs around Rs 15,000 only including meals, sightseeing, airport transfers and more.

The Federation of Hotel and Restaurant Association of India has urged the Karnataka government to charge luxury tax on the actual room rates collected by hotels instead of charging it on the rack rate as being done now in Karnataka. The latest budget of Karnataka reverted to the old method of levying a luxury tax, which amounts to a tax at 12.5 per cent on the rack rate, and not on what is actually charged. This is treated as a retrograde step not in line with the tourism policy. Of course, the Andhra Pradesh government levies a luxury tax of 5 per cent on the published tariff.

Hotels are becoming eco-friendly. For instance, the ITC Welcomgroup is going beyond government-laid guidelines on environment-friendliness. Rainwater harvesting has been in existence in all ITC hotels since 1990.

The Rs 23.5 million water sewage plant installed at Delhi's ITC was recovered in a short period of 18 months. Also, the water usage has been reduced by 30 per cent over the last four to five years. This treated water is being used by the hotel for the air-conditioning plant, in the washrooms (for flushing) and for its gardens.

In Hyderabad, the surplus recycled water from an ITC hotel is being offered to the local municipality, while such a surplus from the ITC hotel in Bangalore is being used for the construction activity of another ITC hotel in the city. Eco-friendly methods are adopted even at the construction stage.

The hotel industry deserves sops as its progress contributes not only to employment generation but to the growth of the tourism industry. The demand for hotel rooms is seasonal. Government policy should take this into account. □