

# The Indian Hotels Company Limited

## Analyst Meet

Results for six months ended September 30, 2013

November 8, 2013

# Disclaimer

These presentations contain forward-looking statements within the meaning of applicable securities laws. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements

Forward-looking statements are not guarantees of future performance and involve risks and uncertainties and other factors that may cause actual results to differ materially from those anticipated at the time the forward-looking statements are made. Future results, performance and achievements may be affected by general economic conditions, regulatory environment, business and financing conditions, foreign exchange fluctuations, cyclicity and operating risks associated with the hospitality industry and other circumstances and uncertainties.

Although we believe the expectations reflected in such forward looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be attained or that results will not materially differ. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise

Please visit our corporate website **[www.tajhotels.com](http://www.tajhotels.com)** for previous investor communications

**Raymond Bickson - Managing Director & CEO**

**Anil P Goel - Executive Director – Finance**

# Outline of Presentation

- Industry Trends
- New Inventory
- Sales & Marketing Initiatives
- Financial Results

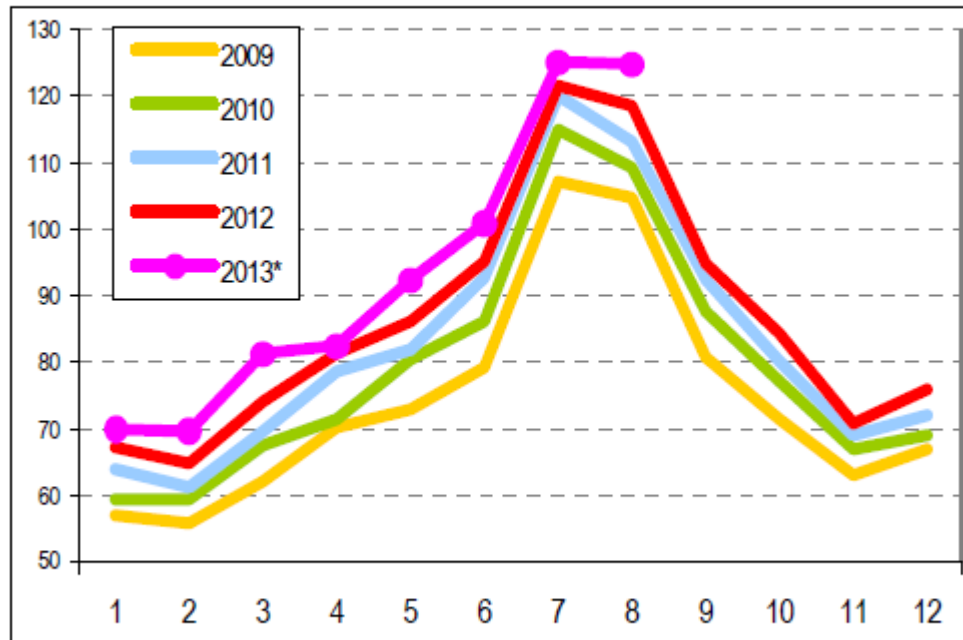
# Industry Trends

# International Tourist Arrivals

International Tourist Arrivals, monthly evolution

World

(million)

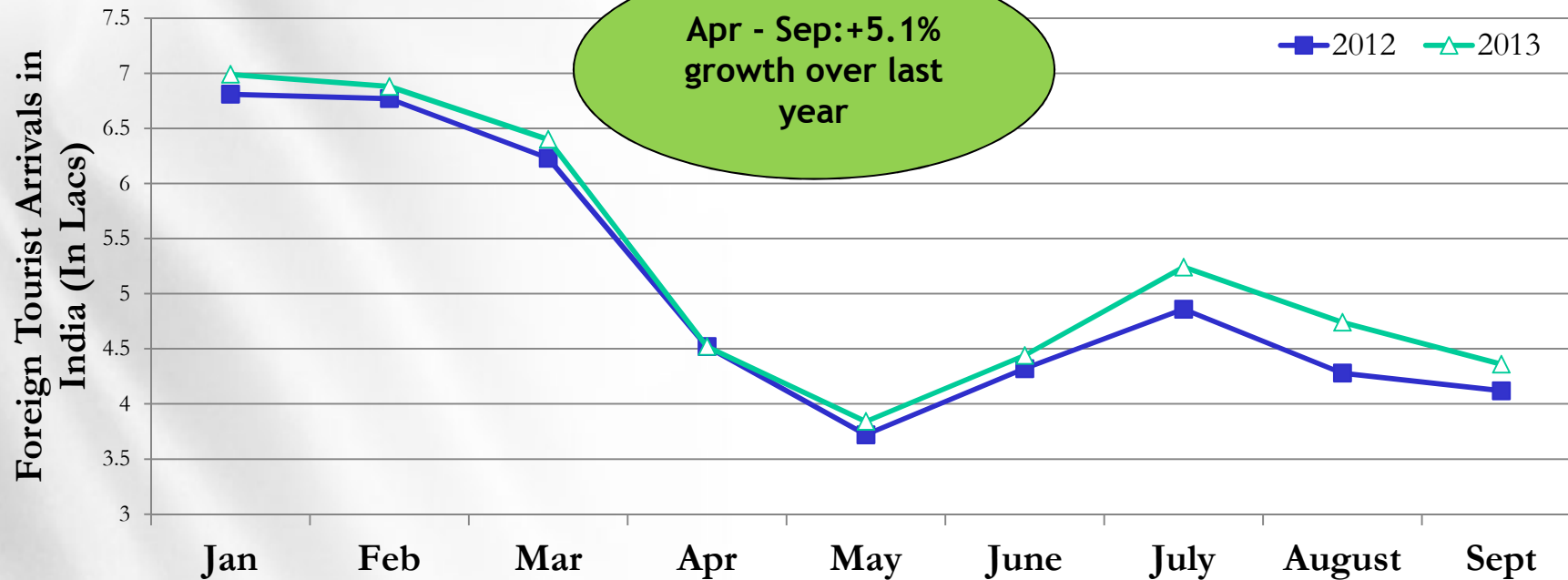


Source: World Tourism Organization (UNWTO) ©

- Destinations worldwide recorded **747 million international tourist arrivals between January – August 2013**, 38 million higher than 2012
- Worldwide growth of 5% growth is higher than forecasts set by UNWTO of 3% - 4% growth
- Emerging Economies (+5.6%)** and Advanced Economies (+5.0%) are growing almost equally in International Tourism Arrivals
- In International Tourism spending - all BRIC countries except India reported double digit growths

- Tourist Arrivals Growth was positive in all regions with **Middle East (+7%), Asia Pacific (+6%) and leading the growth** and a consistent growth in Europe (+5%) , Africa (+5%) and the Americas (+3%)

# Foreign Tourist Arrivals in India April – September 2013

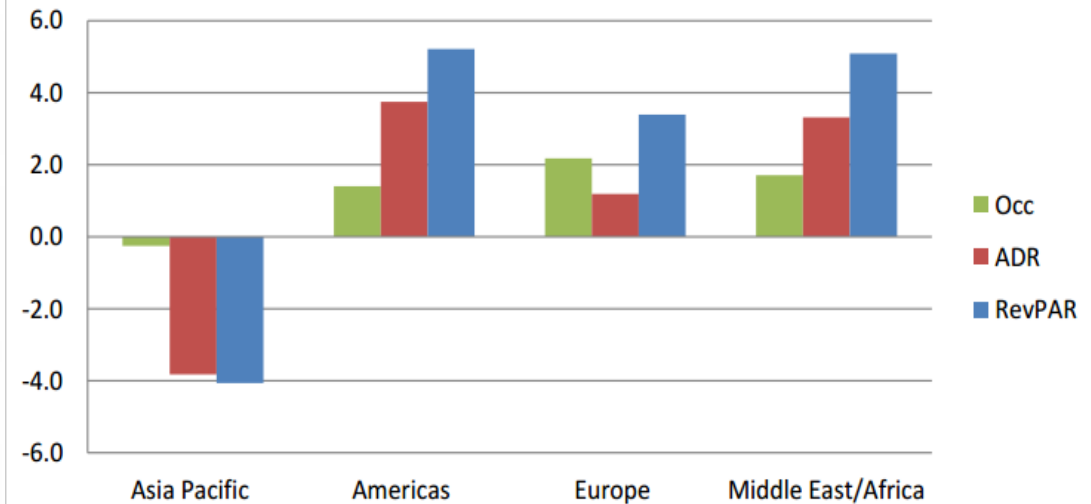


- In India, Foreign Tourist Arrivals to India grew by 5.1% in Apr- Sep 2013 to 27.1 lakhs arrivals as compared to 25.8 lakhs last year
- Apr – Sep is typically a low season for foreign arrivals in the country

# Global Hotel Performance January – September 2013

- Key Hotel Industry performance indicators for Jan – Sep 2013 indicate a **recovery for the US and ME/Africa** markets keeping in line with trends from the previous quarter
- For Jan – Sep 2013, the **RevPAR in Asia/Pacific declined by 4.1%** whereas all other regions showed a growth
- Supply-Demand mismatch in the Indian subcontinent and low growth are the primary reasons for this
- In the Indian subcontinent, rates (-6.9%) are lagging whereas occupancies (0.7%) are flat compared to last year, leading to overall RevPAR decline of 6.3% below last year**
- US has shown a recovery with 1.5% growth in Occupancies and 4.0% growth in rates**

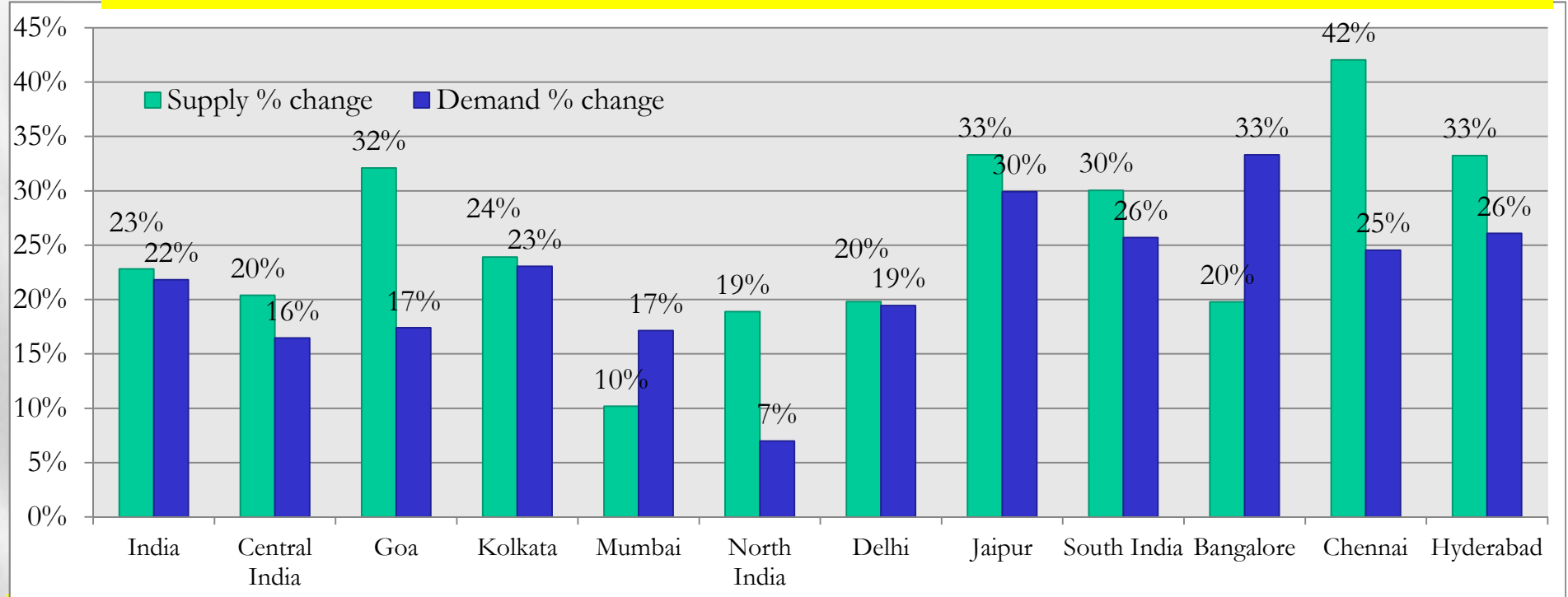
**YTD September 2013 % Change**



|                      | Year to Date - September 2013 vs September 2012 |      |        |        |        |        |                              |      |        |
|----------------------|-------------------------------------------------|------|--------|--------|--------|--------|------------------------------|------|--------|
|                      | Occ %                                           |      | ADR    |        | RevPAR |        | Percent Change from YTD 2012 |      |        |
|                      | 2013                                            | 2012 | 2013   | 2012   | 2013   | 2012   | Occ.                         | ADR  | RevPAR |
| Asia Pacific         | 67.5                                            | 67.6 | 121.99 | 126.83 | 82.29  | 85.77  | -0.3                         | -3.8 | -4.1   |
| Central & South Asia | 57.6                                            | 57.3 | 128.67 | 138.22 | 74.18  | 79.16  | 0.7                          | -6.9 | -6.3   |
| Northeastern Asia    | 66.4                                            | 67.2 | 104.93 | 111.00 | 69.70  | 74.57  | -1.1                         | -5.5 | -6.5   |
| Southeastern Asia    | 71.1                                            | 69.6 | 140.59 | 136.88 | 99.90  | 95.30  | 2.1                          | 2.7  | 4.8    |
| Australia & Oceania  | 73.0                                            | 72.3 | 168.35 | 174.37 | 122.90 | 126.14 | 0.9                          | -3.5 | -2.6   |

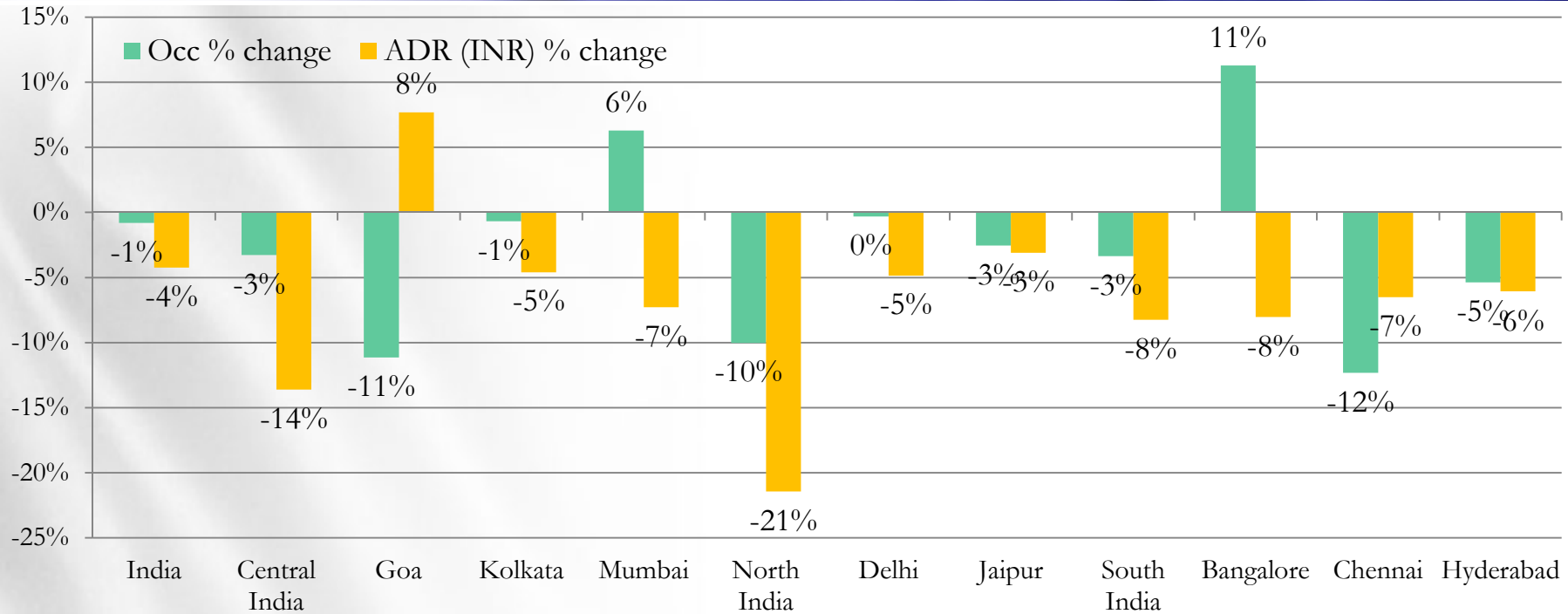
# India Hotel Performance – Key cities April – September, 2013

## Apr - Sep 2013, % Change in Market Supply - Demand scenario



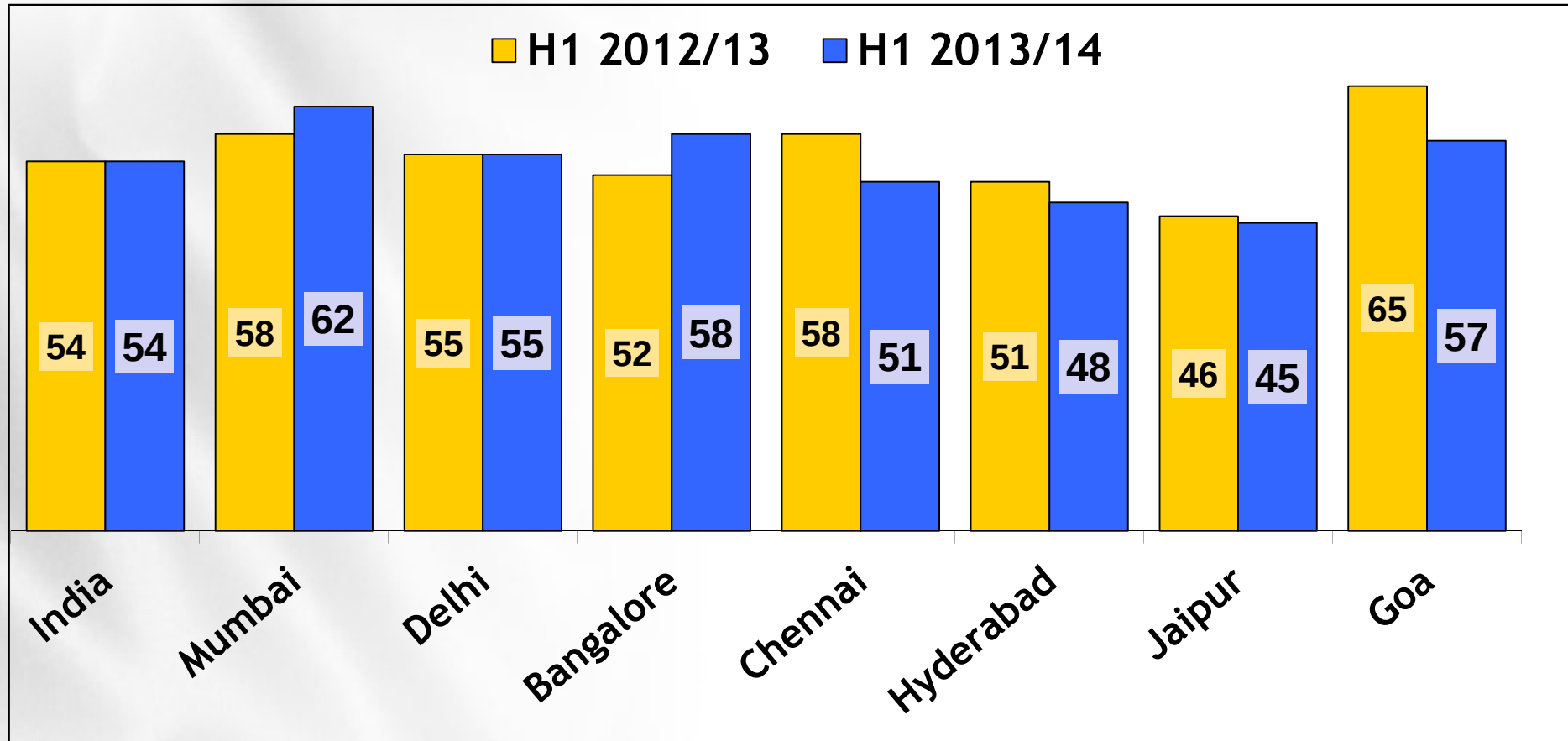
- There has been overall a **23% increase in Supply** in April – September 2013 as compared to the same period last year.
- Most of the Supply, about **66%**, has come in the **Luxury & Upper Upscale**, categories
- **Demand growth has been 22%** for this period however it is still **trailing supply growth** which has had an impact on the hotel industry Occupancy and ARR's

# India Hotel Performance – Key cities April – September 2013



- The Demand – Supply mismatch has put a **pressure on Occupancies and Average rates** compared to last year across all key metros with the exception of Bangalore and Mumbai that have seen Occupancy growth and Goa which has seen Average Rates growth
- The highest pressure has been in Chennai and Hyderabad
- Overall this has led to a **5% decrease in RevPAR in the Indian Hospitality Industry** for the April – Sep 2013 as compared to April – Sep 2012

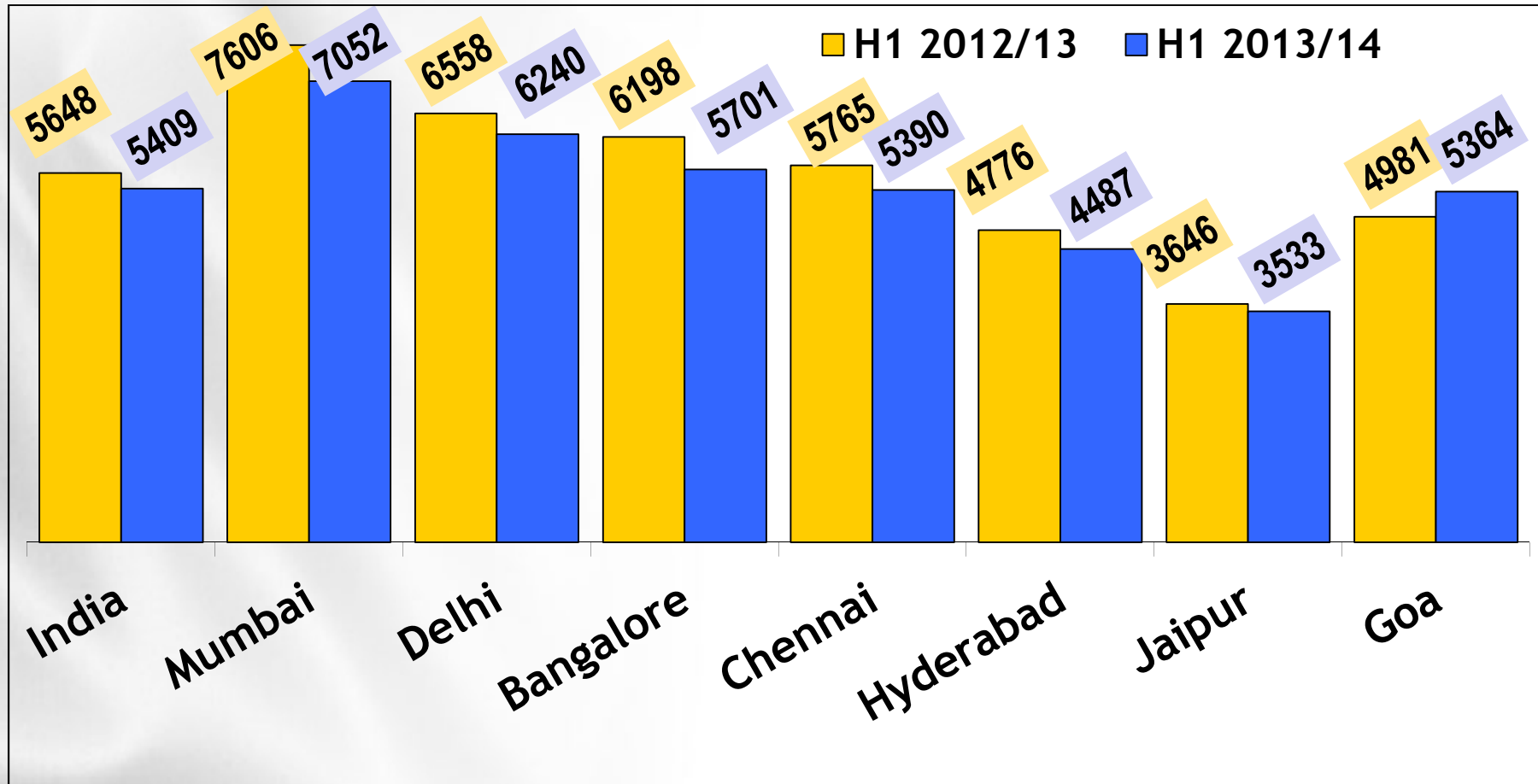
## Occupancies % – Year on Year Trend



Source: STR Global Reports

- Mumbai & Bangalore showed improved occupancies, while Chennai, Hyderabad, Jaipur, Goa occupancies were lower.

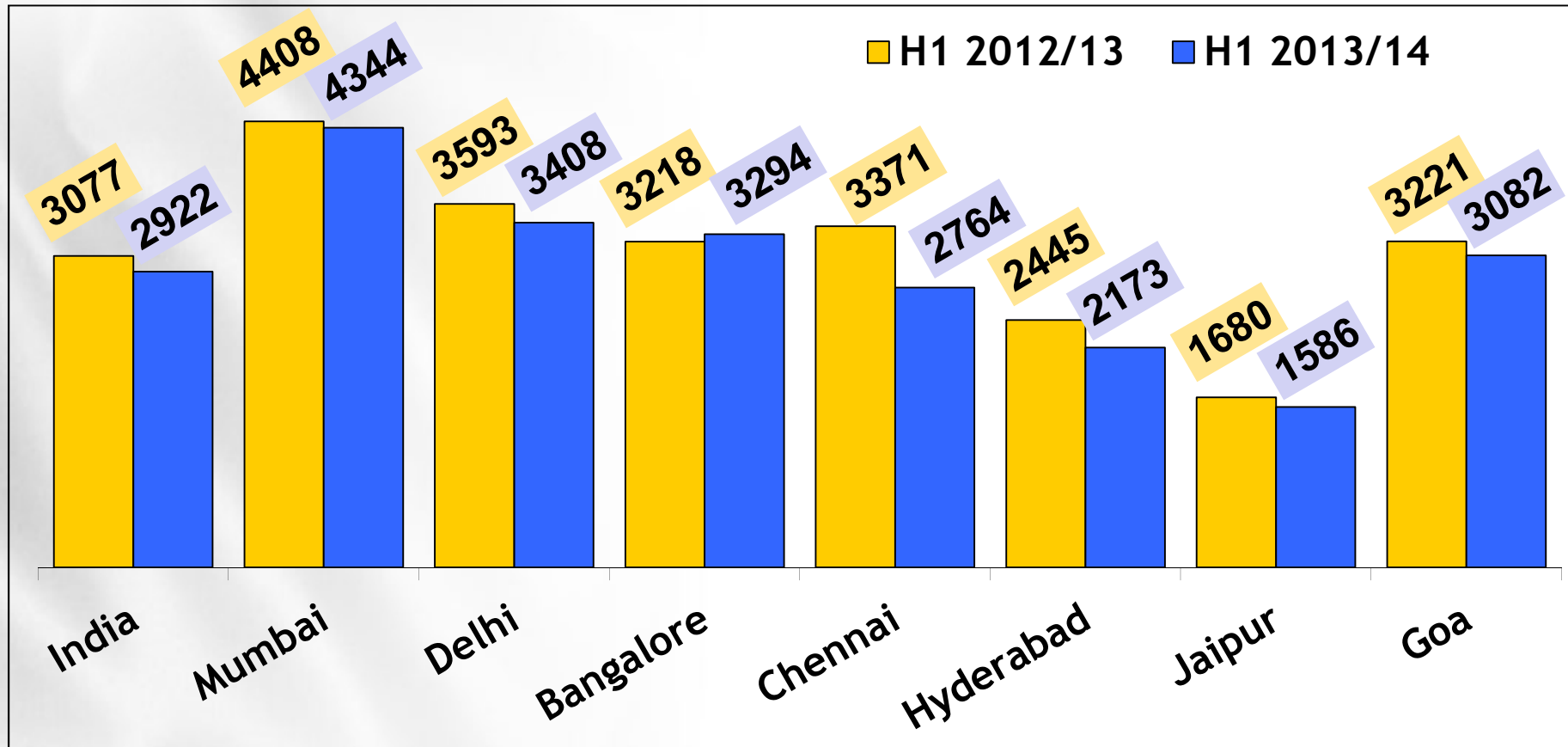
# ARRs –Year on Year Trend



Source: STR Global Reports

▪ Rates lower across all cities barring Goa

# Rev PARs – Year on Year Trend

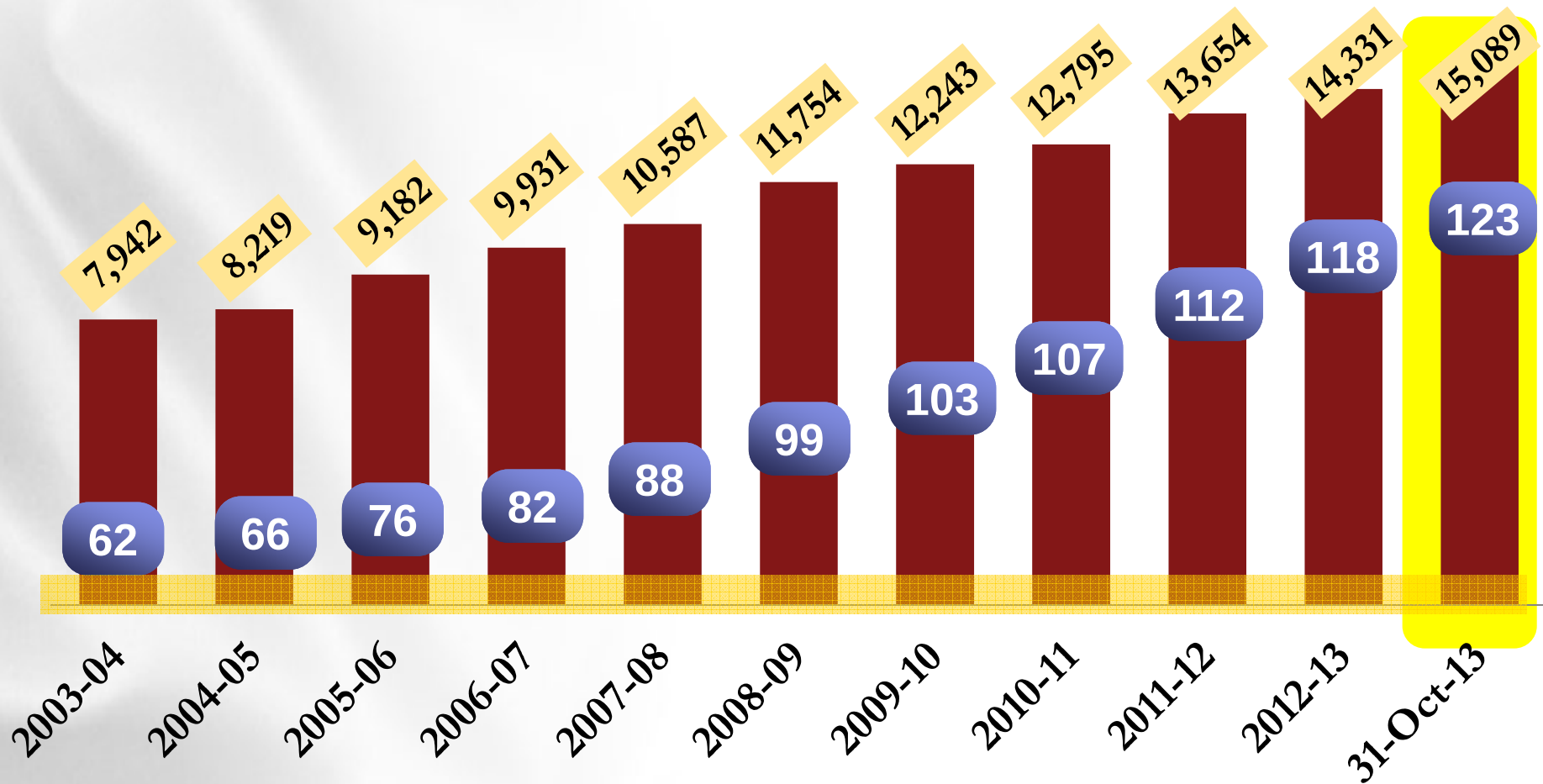


Source: STR Global Reports

- RevPAR lower across all cities barring Bangalore, primarily due to demand not growing in proportion to supply

# New Inventory

# Taj Group Inventory



# Upcoming Development – 2013/14

| Hotel                                                          | Company               | Rooms |
|----------------------------------------------------------------|-----------------------|-------|
| <b><u>Vivanta by Taj</u></b>                                   |                       |       |
| Vivanta by Taj, Surajkund, NCR ( Launched)                     | Management Contract   | 287   |
| Vivanta by Taj, Dwarka                                         | IHCL                  | 250   |
| <b><u>Gateway</u></b>                                          |                       |       |
| Gateway, Hubli ( Launched)                                     | Management Contract   | 92    |
| Gateway OMR, Chennai ( Launched)                               | Management Contract   | 193   |
| Gateway, Kolkata                                               | Management Contract   | 200   |
| Gateway, Raipur                                                | Management Contract   | 119   |
| <b><u>Ginger Hotels (Four in Number)</u></b>                   | Roots Corporation Ltd | 347   |
| Noida ( Launched), Jaipur ( Launched),<br>Amritsar, Chandigarh |                       |       |

**Upcoming Development – 2013/14**

**10 Hotels**

**1,488 Rooms**

# Upcoming Development – 2014/15

| Hotel                                         | Company               | Rooms |
|-----------------------------------------------|-----------------------|-------|
| <b><u>Taj</u></b>                             |                       |       |
| Imperial Club by Taj, Tardeo, Mumbai          | Management Contract   | 9     |
| Taj Downtown, Dubai                           | Management Contract   | 300   |
| Taj Airport Hotel, Terminal 1C, Mumbai        | Taj GVK               | 283   |
| <b><u>Vivanta</u></b>                         |                       |       |
| Vivanta by Taj, Guwahati                      | IHCL                  | 150   |
| <b><u>Gateway</u></b>                         |                       |       |
| Gateway Resort, Damdama, NCR                  | Management Contract   | 78    |
| Gateway, Gondia                               | Benares Hotels Ltd    | 54    |
| Gateway, Hinjewadi, Pune                      | Management Contract   | 150   |
| Gateway, Nashik ( Expansion)                  | Piem Hotels Ltd       | 78    |
| Gateway, Kolhapur                             | Management Contract   | 120   |
| Gateway, Corbett                              | Management Contract   | 52    |
| <b><u>Ginger Hotels (Three in Number)</u></b> | Roots Corporation Ltd | 361   |

**Upcoming Development – 2014/15**

**12 Hotels**

**1,635 Rooms**

# Sales and Marketing Initiatives

# The Gateway Hotel IT Expressway Chennai Launch Event and Activation



- Brand debut in Chennai
- Customer launch with key influencers
- PR campaign and a formal launch event
- A 360 degree stakeholder outreach campaign
- A high-visibility marketing campaign
- Mobile and digital activations
- Key database outreach
- Press release dissemination



In a first, Chennai takes Chennai by surprise.

The fact alone, Gateway property, confiscated and consumed for the moment named, the Gateway Hotel is to propose 12 hours to away to see a meeting and hotel in Denver's specialty business. 300 and supplied room and more things with the hotel in business centers. An array of supplies, dishes, clothes and beverage were used in the grounds the State of the dining. State of the business and concerning for the use at the hotel to make business a pleasure. Come over to experience the city's sparkling new atmosphere.

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## The Gateway Hotels & Resorts

## Marketing campaigns for Cluster Hotels in Key Source markets



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## Association with HT Mint for activation across airports



# In Flight Branding with SpiceJet

## Awards and Accolades

### Conde Nast Traveller UK Readers' Travel Awards 2013



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No. 2 in Holiday Hotels



THE TAJ MAHAL PALACE  
MUMBAI

No. 3 in Business Hotels

## Awards and Accolades

### T+L World's Best Awards



UMAID BHAWAN PALACE  
JODHPUR

No. 3 Top Resorts in Asia



Taj Lake Palace  
Udaipur

No. 6 Top Resorts in Asia



RAMBAGH PALACE  
JAIPUR

No. 11 Top Resorts in Asia



## Awards and Accolades

### T+L World's Best Awards



### Top Large City Hotels in Continental US

## Awards and Accolades

### Elite Traveler

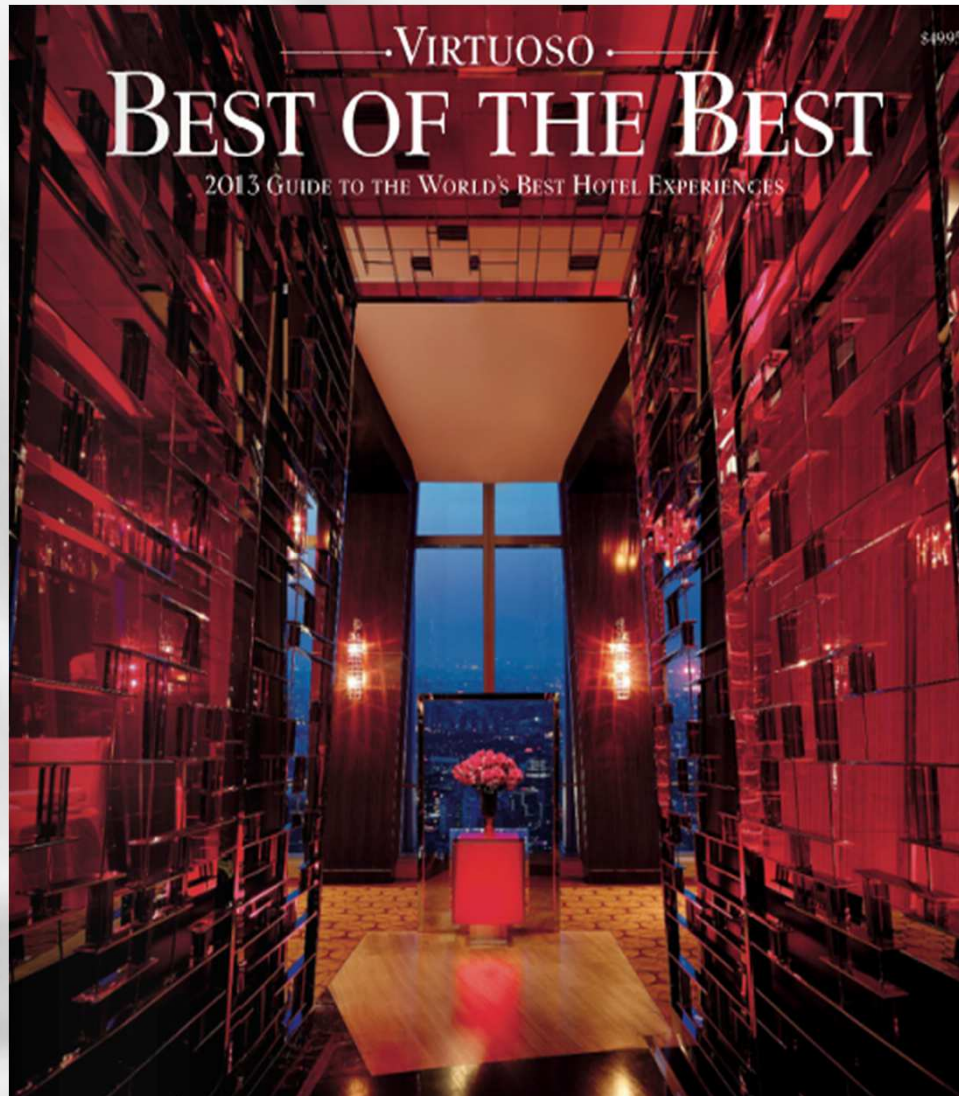
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## Awards and Accolades

### Virtuoso



### BANJAAR TOLA KANHA NATIONAL PARK



### Most Innovative Guest Experience

# Standalone Financial Performance for the Six Months ended September 30, 2013

# Standalone Financials

| ₹ /crores                                                       | 2013/14         |                 | 2012/13       |               |
|-----------------------------------------------------------------|-----------------|-----------------|---------------|---------------|
|                                                                 | Q2              | H1              | Q2            | H1            |
| Total Income                                                    | 406.73          | 824.61          | 404.79        | 808.71        |
| EBIDTA                                                          | <b>41.26</b>    | <b>115.89</b>   | <b>45.95</b>  | <b>119.44</b> |
| EBIDTA %                                                        | <b>10.1%</b>    | <b>14.1%</b>    | <b>11.3%</b>  | <b>14.8%</b>  |
| Profit before Finance Cost & Exceptional Item                   | 11.02           | 55.56           | 13.82         | 56.36         |
| Profit / (Loss) after Finance Costs but before Exceptional Item | <b>(16.90)</b>  | <b>4.84</b>     | <b>(9.52)</b> | <b>3.13</b>   |
| Exceptional Item – Exchange Loss                                | (6.83)          | (11.39)         | (0.28)        | (6.70)        |
| Exceptional Item – Diminution in Investment                     | (287.00)        | (287.00)        | -             | -             |
| Profit / (Loss) after Tax                                       | <b>(300.32)</b> | <b>(290.54)</b> | <b>(6.36)</b> | <b>(2.33)</b> |

## Exceptional Item - Others

- The Company, in 2012/13, had recognized an impairment of ₹ 305 crores in its investment in Taj International Hotels (HK) Ltd (TIHK), a Wholly Owned Subsidiary, which inter alia, holds investment in Orient-Express Hotels Ltd ( OEH).
- The Board of Directors of the Company, in its meeting today, has decided not to pursue the offer it made to the Board of OEH in October, 2012
- In view of the above, the Company has considered it prudent to recognize a further diminution in its investment in TIHK by an amount of ₹ 287 crores

# Profit and Loss Account

## H1 - 2013/14

| ₹/Crores                                                                                | 2013/14         | 2012/13       | % Change   |
|-----------------------------------------------------------------------------------------|-----------------|---------------|------------|
| Net Sales/Income from Operations                                                        | 787.55          | 775.48        | 2          |
| Other Operating Income                                                                  | -               | -             | -          |
| <b>Total Income from Operations</b>                                                     | <b>787.55</b>   | <b>775.48</b> | <b>2</b>   |
| a. Consumption of Raw Materials                                                         | 75.22           | 73.05         | (3)        |
| b. Employee Benefits Expense                                                            | 228.38          | 240.22        | 5          |
| c. License Fees                                                                         | 52.56           | 51.97         | (1)        |
| d. Fuel, Power and Light                                                                | 83.19           | 79.41         | (5)        |
| e. Depreciation and Amortisation Expense                                                | 60.33           | 63.08         | 4          |
| f. Other Expenditure                                                                    | 269.37          | 244.62        | (10)       |
| <b>Total Expenditure</b>                                                                | <b>769.05</b>   | <b>752.35</b> | <b>(2)</b> |
| Profit/ (Loss) from operations before Other Income, Finance Costs and Exceptional Items | 18.50           | 23.13         | (20)       |
| Other Income                                                                            | 37.06           | 33.23         | 12         |
| <b>Profit/ (Loss) before Finance Costs and Exceptional Items</b>                        | <b>55.56</b>    | <b>56.36</b>  | <b>(1)</b> |
| Finance Costs                                                                           | 50.72           | 53.23         | 5          |
| <b>Profit/ (Loss) after Finance Costs but before Exceptional Items</b>                  | <b>4.84</b>     | <b>3.13</b>   | <b>55</b>  |
| Exceptional items                                                                       | (298.39)        | (6.70)        | -          |
| <b>Profit/ (Loss) before tax</b>                                                        | <b>(293.55)</b> | <b>(3.57)</b> | <b>-</b>   |
| Provision for Taxes                                                                     | (3.01)          | (1.24)        | 143        |
| <b>Profit/ (Loss) After Tax</b>                                                         | <b>(290.54)</b> | <b>(2.33)</b> | <b>-</b>   |

# Turnover

## H1 - 2013/14

| ₹ crores                       | 2013/14       | 2012/13       | % Change |
|--------------------------------|---------------|---------------|----------|
| Room sales                     | 345.92        | 354.76        | (2)      |
| F&B sales                      | 333.20        | 317.80        | 5        |
| Other Operating Income         | 57.63         | 52.88         | 9        |
| Management Fees & Reimbursable | 50.80         | 50.04         | 2        |
| <b>Income from Operations</b>  | <b>787.55</b> | <b>775.48</b> | <b>2</b> |
| Non – Operating Income         | 37.06         | 33.23         | 12       |
| <b>Total Income</b>            | <b>824.61</b> | <b>808.71</b> | <b>2</b> |

- Room revenue subdued by continued new supply in a recessionary market
- Increase in restaurant sales and banqueting business
- Other Operating Income higher mainly due to higher Epicure Membership Fees and Shop Rentals
- Management fee linked turnover and profitability of non IHCL hotels

# Expenditure

- **Raw Materials Cost – ₹ 75.22 crores**

Increase in line with higher F&B revenue for the period. Some cost push due to commodity input cost increase.

- **Employee Benefit Expenses – ₹ 228.38 Crores**

Costs controlled on account of various interventions adopted by the Company.

- **License Fees – ₹ 52.56 crores**

Linked to the turnover of licensed properties

- **Fuel, Power & Light – ₹ 83.19 crores**

Higher on account of sporadic increase in rates across metropolitan cities

# Expenditure

- **Depreciation & Amortisation – ₹ 60.33 crores**

Lower depreciation in select hotels

- **Other Expenditure – ₹ 269.37 crores**

Increase in variable costs linked to business, higher marketing & advertisement, repairs & maintenance and other administration spends

- **Finance Costs – ₹ 50.72 crores**

Decrease due to deleveraging measures of the Company resulting in reduced cost of Debt.

# Balance Sheet as at September 30, 2013

| ₹ / Crores                                                         | Sep 30, 2013   | March 31, 2013 |
|--------------------------------------------------------------------|----------------|----------------|
| <b>Shareholders' Funds</b>                                         | 2964.72        | 3307.65        |
| <b>Non- Current Liabilities</b>                                    |                |                |
| Long-term borrowings                                               | 2601.77        | 2268.13        |
| Long Term Provisions                                               | 669.66         | 674.42         |
| Other Long Term Liabilities/ Deferred Tax Liabilities              | 181.03         | 170.25         |
| <b>Current Liabilities</b>                                         |                |                |
| Short Term borrowings                                              | 256.64         | 193.54         |
| Other Current Liabilities                                          | 360.61         | 343.01         |
| Trade Payables/Short-term provisions                               | 190.64         | 269.22         |
| <b>Equity and Liabilities</b>                                      | <b>7225.07</b> | <b>7226.22</b> |
| <b>Non-current Assets</b>                                          |                |                |
| Fixed Assets                                                       | 2087.72        | 2065.69        |
| Non-current investments                                            | 3096.75        | 3369.14        |
| Long Term loans and advances                                       | 1705.32        | 1441.02        |
| Other non-current assets                                           | 11.48          | 12.36          |
| <b>Current Assets</b>                                              |                |                |
| Short term loans and advances                                      | 102.65         | 92.69          |
| Other currents assets/ cash & bank/ inventories/ trade receivables | 221.15         | 245.32         |
| <b>Assets</b>                                                      | <b>7225.07</b> | <b>7226.22</b> |

# **Consolidated Financial Performance for the Six Months ended September 30, 2013**

# Major Taj Group companies

## Subsidiaries

### Indian

- Piem Hotels Ltd
- Taj SATS Air Catering Ltd
- Tifco Holdings Ltd [Investment Company]
- Benares Hotels Ltd
- Inditravel Pvt Ltd
- United Hotels Ltd
- Roots Corporation Ltd

### Overseas

- International Hotel Management Services, Inc.
- St James Court Hotel Ltd
- IHMS (Australia) Pty Ltd
- Taj International Hotels (HK) Ltd [Investment Company]
- Samsara Properties Ltd [Investment Company]
- Others

## Associates

- Oriental Hotels Ltd
- Lanka Island Resorts Ltd
- TAL Lanka Hotel PLC
- Others

## Joint Ventures

- Taj GVK Hotels & Resorts Ltd
- Taj Madras Flight Kitchen Pvt Ltd
- Taj Kerala Hotels & Resorts Ltd
- Taj Karnataka Hotels & Resorts Ltd
- Taj Safaris Ltd
- Kaveri Retreat & Resorts Ltd
- IHMS (SA) Pty Ltd
- TAL Hotels & Resorts Ltd [Investment Company]
- Others

# Consolidated Financials

## H1 – 2013/14

| ₹ crores                                                                          | 2013/14         | 2012/13        | % Change |
|-----------------------------------------------------------------------------------|-----------------|----------------|----------|
| Total Income                                                                      | 1852.00         | 1701.41        | 9        |
| EBIDTA                                                                            | <b>192.02</b>   | <b>174.90</b>  | 10       |
| EBIDTA%                                                                           | <b>10.4%</b>    | <b>10.3%</b>   |          |
| Profit before Finance Cost & Exceptional Item                                     | 38.42           | 29.78          | 29       |
| Profit/ (Loss) after Finance Costs but before Exceptional Item                    | <b>(47.01)</b>  | <b>(51.98)</b> | 10       |
| Exceptional Item – Exchange Loss                                                  | (13.93)         | (12.67)        |          |
| Exceptional Item – Others                                                         | (3.27)          | 13.95          |          |
| Exceptional Item – Diminution in Investment                                       | (365.00)        | -              |          |
| Profit/(Loss) after Tax, Minority Interest & share of profit/(loss) of associates | <b>(452.57)</b> | <b>(90.85)</b> | -        |

# Consolidated Financials

## H1 - 2013/14

| ₹/ Crores                                                                               | 2013/14         | 2012/13        | % Change   |
|-----------------------------------------------------------------------------------------|-----------------|----------------|------------|
| Net Sales/Income from Operations                                                        | 1804.62         | 1666.37        | 8          |
| Other Operating Income                                                                  |                 |                |            |
| <b>Total Income from Operations</b>                                                     | <b>1804.62</b>  | <b>1666.37</b> | <b>8</b>   |
| a. Consumption of Raw Materials                                                         | 193.12          | 174.57         | (11)       |
| b. Employee Benefits Expense                                                            | 665.10          | 629.05         | (6)        |
| c. License Fees                                                                         | 93.19           | 88.26          | (6)        |
| d. Fuel, Power and Light                                                                | 153.28          | 143.29         | (7)        |
| e. Depreciation and Amortisation Expense                                                | 153.60          | 145.12         | (6)        |
| f. Other Expenditure                                                                    | 555.29          | 491.34         | (13)       |
| <b>Total Expenditure</b>                                                                | <b>1813.58</b>  | <b>1671.63</b> | <b>(8)</b> |
| Profit/ (Loss) from operations before Other Income, Finance Costs and Exceptional Items | (8.96)          | (5.26)         | (70)       |
| Other Income                                                                            | 47.38           | 35.04          | 35         |
| <b>Profit before Finance Costs and Exceptional Items</b>                                | <b>38.42</b>    | <b>29.78</b>   | <b>29</b>  |
| Finance Costs                                                                           | 85.43           | 81.76          | (4)        |
| Profit/ (Loss) after Finance Costs but before Exceptional Items                         | (47.01)         | (51.98)        | 10         |
| Exceptional item                                                                        | (382.20)        | 1.28           |            |
| <b>Profit/ (Loss) before tax</b>                                                        | <b>(429.21)</b> | <b>(50.70)</b> |            |
| Less: Provision for Taxes                                                               | 2.63            | 8.71           | 70         |
| Less: Minority Interest in Subsidiaries                                                 | (9.09)          | (6.77)         | (34)       |
| Add: Share of Profit(Loss) in Associates                                                | (11.64)         | (24.67)        | 53         |
| <b>Profit( Loss) after Tax</b>                                                          | <b>(452.57)</b> | <b>(90.85)</b> | <b>-</b>   |

# Consolidated Financial Results

## H1 - 2013/14

**Key factors influencing the consolidated results are listed below:**

- **Domestic Portfolio**

- Influx of new supply during off season impacts occupancies and rates thereby resulting in lower profit from operations. Impact also due to lower dividend income & higher foreign exchange translation loss on borrowings

- **International Portfolio**

- Continued improvement in US hotels performance over last year.

- **Exceptional Items**

- Diminution in value of investments in Orient – Express Hotels Limited - ₹ 365 crores, including expenses relating to the bid made in October, 2012

# International Hotels

| Hotel Name                          | Occupancy (%) |               | ARR (\$)      |               | RevPAR (\$)   |               |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                     | H1<br>2013/14 | H1<br>2012/13 | H1<br>2013/14 | H1<br>2012/13 | H1<br>2013/14 | H1<br>2012/13 |
| <b>The Pierre, New York</b>         | <b>77</b>     | 63            | <b>627</b>    | 620           | <b>484</b>    | 391           |
| <b>Taj Boston</b>                   | <b>81</b>     | 74            | <b>292</b>    | 296           | <b>238</b>    | 218           |
| <b>Campton Place, San Francisco</b> | <b>80</b>     | 79            | <b>316</b>    | 290           | <b>253</b>    | 230           |
| <b>St. James Court, London (£)</b>  | <b>86</b>     | 87            | <b>208</b>    | 212           | <b>179</b>    | 184           |
| <b>Blue, Sydney</b>                 | <b>73</b>     | 75            | <b>225</b>    | 226           | <b>165</b>    | 169           |

# Overview of Taj Group – H1

| Particulars              | 2013/14 | 2012/13 | 2011/12 | 2010/11 |
|--------------------------|---------|---------|---------|---------|
| Number of hotels         | 123     | 115     | 110     | 107     |
| Rooms Inventory          | 15,089  | 13,887  | 13,237  | 12,795  |
| Total Revenue ₹ / crores | 2,464   | 2,288   | 2,069   | 1,822   |

**Total Revenue denote arithmetical aggregate of turnover of all hotels/units irrespective of ownership, including Management Contracts**

# Outlook

- Recent growth in domestic market supply is a result of decisions taken prior to 2009
- At that time cash flows were strong & fund raising was possible at efficient costs
- Going forward, the future supply growth is expected to come down as cost of funds is unusually high in the current economic environment
- In H1 2013/14, the demand growth of 22% is only marginally behind the supply growth of 23%, pan India (STR Global Reports)
- Thus, an improvement in economic environment coupled with current demand growth trends should help in improvement in RevPAR for the sector

# Thank you