

# TOURISM AND HOSPITALITY



JANUARY 2017

For updated information, please visit [www.ibef.org](http://www.ibef.org)

# TOURISM AND HOSPITALITY



## CONTENTS

- ❖ [Executive Summary..... 3](#)
- ❖ [Advantage India..... 4](#)
- ❖ [Market Overview and Trends..... 6](#)
- ❖ [Porters Five Forces Analysis..... 18](#)
- ❖ [Strategies Adopted..... 20](#)
- ❖ [Growth Drivers..... 22](#)
- ❖ [Opportunities..... 32](#)
- ❖ [Success Stories..... 37](#)
- ❖ [Useful Information..... 43](#)



## EXECUTIVE SUMMARY

### New Visa Reforms

- Electronic tourist authorisations, known as E – Tourist Visa, launched by the Government of India has resulted in increase in number of tourist visa issued in the country, with nearly 10,79,696 tourists visiting India in 2016.

### Contribution to GDP above world average

- India ranked 3<sup>rd</sup> among 184 countries in terms of travel and tourism's total contribution to GDP in 2016
- In India, the sector's direct contribution to GDP is expected to grow by 7.9 per cent per annum during 2016–26

### Creating higher employment

- The travel and tourism sector in India is estimated to account for 9 per cent of the total employment opportunities generated in the country in 2016, providing employment to around 38.4 million people during the same year. The number is expected to rise by 2.0 per cent per annum to 46.42 million jobs by 2026

### Higher investments

- Travel and tourism's contribution to capital investment is projected to grow 6.3 per cent per annum during 2016–26, higher than the global average of 4.5 per cent

### Increasing visitor exports

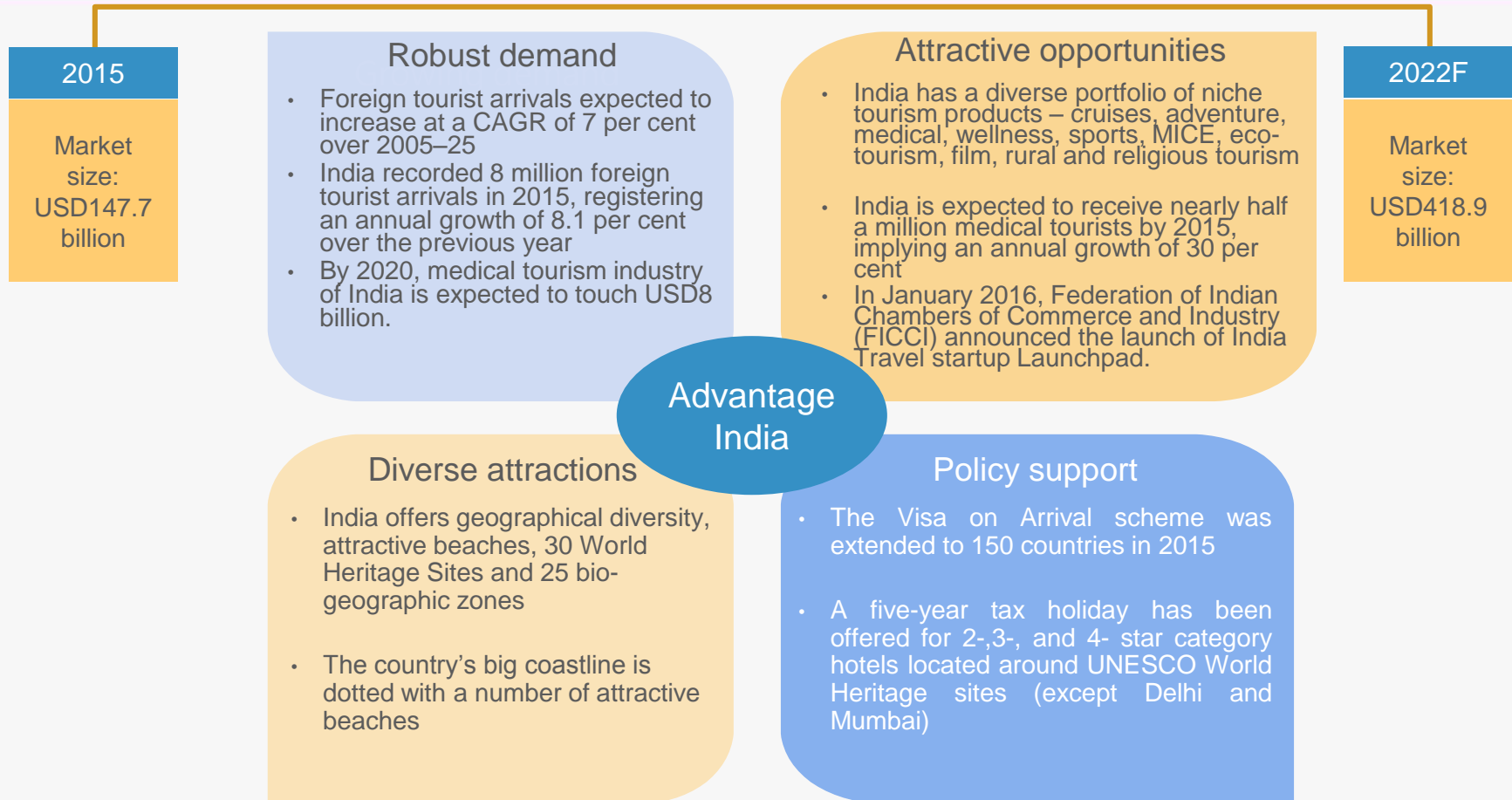
- Contribution of visitor exports to total exports is estimated to increase 7.2 per cent per annum during 2016–2026 compared to the world average of 4.3 per cent

Source: World Travel & Tourism Council's (WTTC's) Economic Impact 2015, TechSci Research

# TOURISM AND HOSPITALITY



## ADVANTAGE INDIA



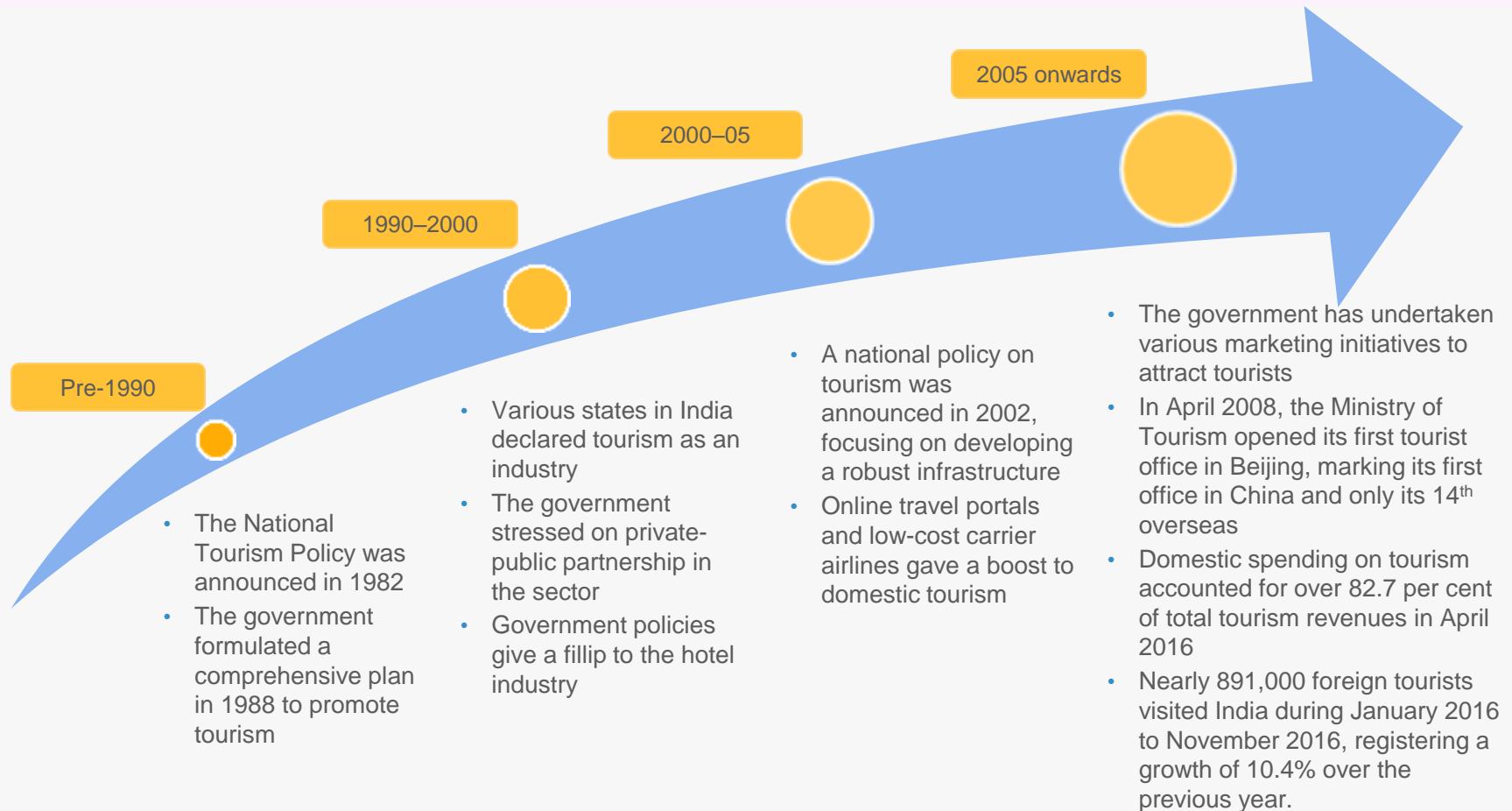
Source: WTTC, Ministry of Finance, TechSci Research

Notes: F stands for Forecasts, WTTC – World Travel and Tourism Council, Market size forecasts by WTTC, F-Forecast UNESCO – United Nations Educational, Scientific and Cultural Organisation, MICE – Meetings, Incentives, Conferences, and Exhibitions

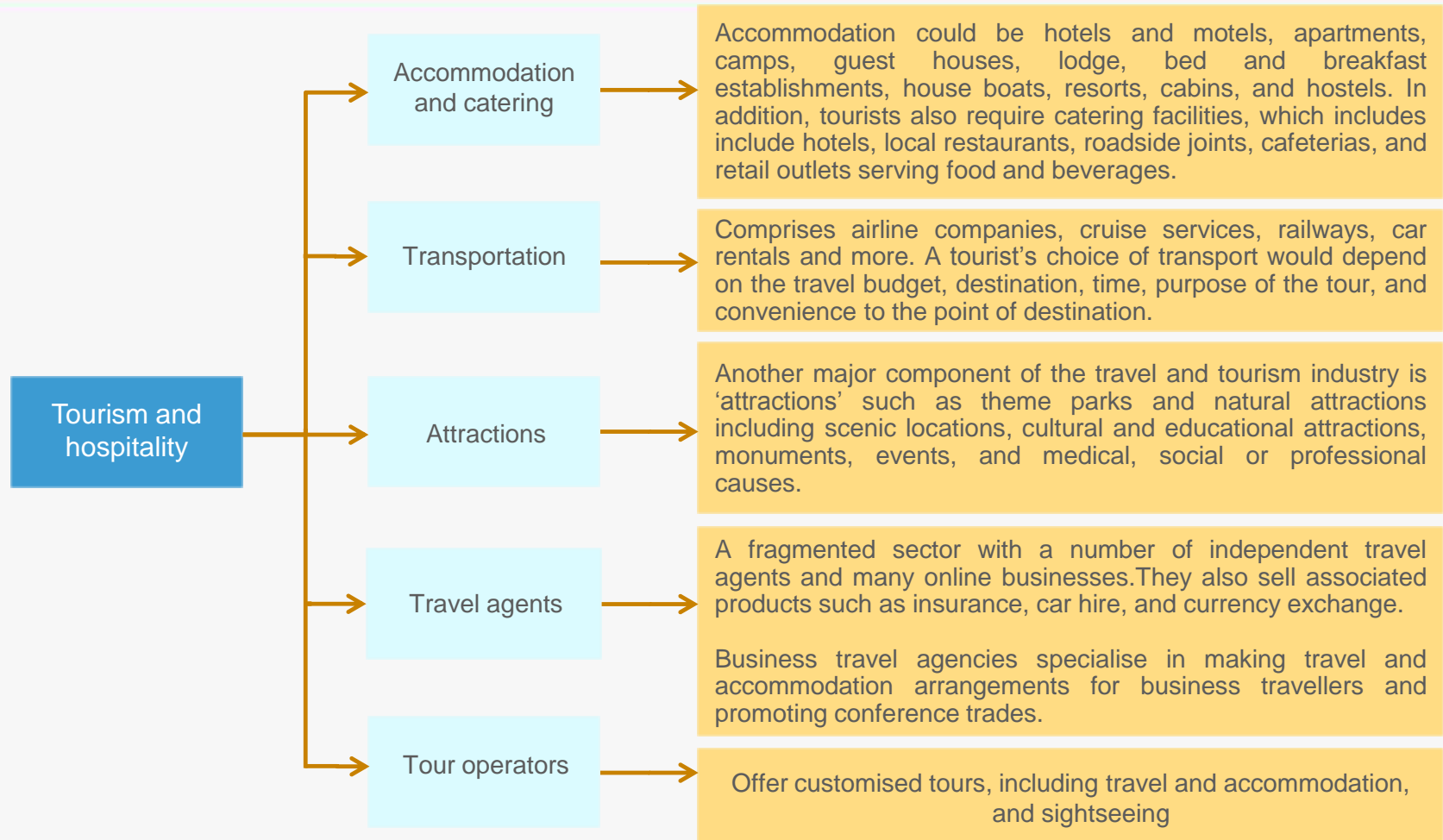


## MARKET OVERVIEW

## EVOLUTION OF THE INDIAN TOURISM AND HOSPITALITY SECTOR



## SEGMENTS OF TOURISM AND HOSPITALITY





## EMERGING TOURISM AND HOSPITALITY SEGMENTS

- The aim is to develop interest in heritage and culture; and promote visits to village settings to experience and live a relaxed and healthy lifestyle

- One of the biggest contributor to tourism industry. India being religious hub for different cultures attracts a large number of tourists every year

Pilgrimage  
tourism

Rural  
tourism

Adventure  
tourism

- A wide range of adventure sports are covered under this category with specialised packages
- The activities include mountaineering, trekking, bungee jumping, mountain biking, river rafting, and rock climbing

- Vast variety of flora and fauna in various states is a major factor behind their growing popularity as tourist destinations.
- Thenmala in Kerala is the first planned ecotourism destination in India.

Eco-tourism

Medical  
tourism

- Tourists seek specialised medical treatments, mainly ayurvedic, spa and other therapies
- The primary purpose is achieving, promoting or maintaining good health and a sense of well-being

Luxury  
tourism

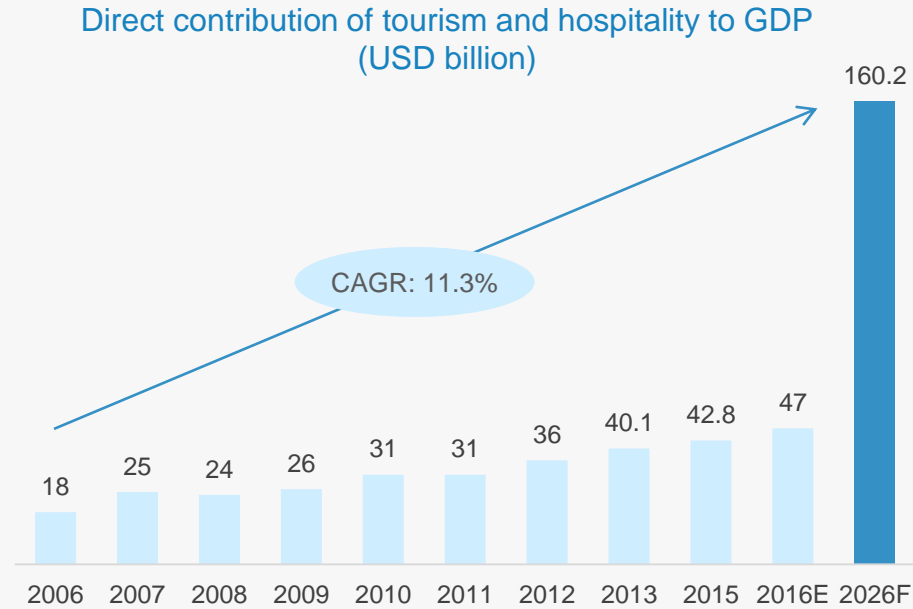
- The luxury travel market in India registered a growth rate of 12.8% in 2016, the highest in comparison with any other BRIC country.

Heritage  
tourism

- Tourists visit India for its cultural heritage in various cities
- The country's rich heritage is amply reflected in the various temples, majestic forts, pleasure gardens, religious monuments, museums, art galleries and urban and rural sites

## RISING CONTRIBUTION TO INDIA'S GDP ... (1/2)

- \* Tourism in India accounts for 7.5 per cent of the GDP and is the third largest foreign exchange earner for the country
- \* The tourism and hospitality sector's direct contribution to GDP, in 2016, is estimated to be USD47 billion
- \* During 2006–16, direct contribution of tourism and hospitality to GDP is expected to register growth at a CAGR of 11.3 per cent
- \* The direct contribution of travel and tourism to GDP is expected to grow at 7.2 per cent per annum, during 2015 – 25, with the contribution expected to reach USD160.2 billion by 2026

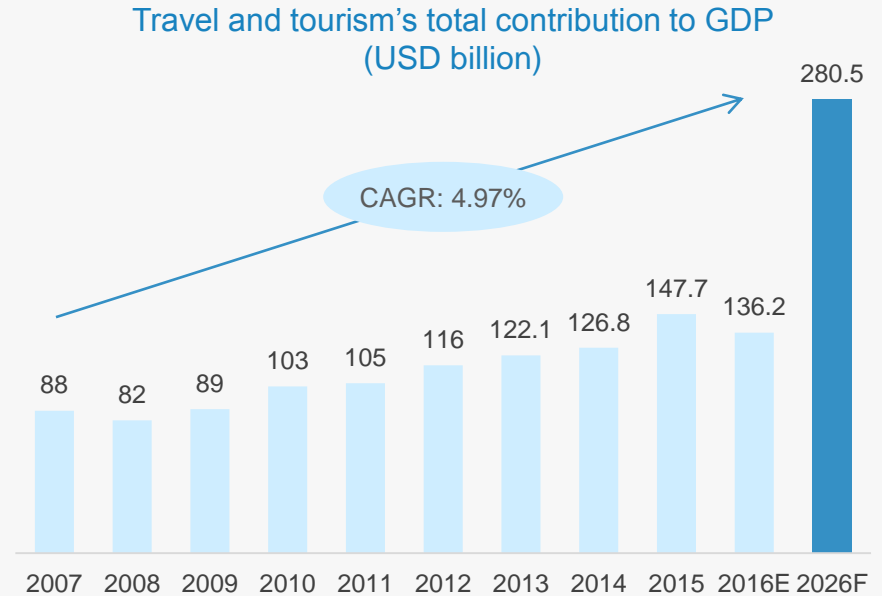


Source: World Travel & Tourism Council's Economic Impact 2015, News Article, TechSci Research

Notes: CAGR – Compound Annual Growth Rate, E - Estimates, GDP stands for Gross Domestic Product, The definition of direct, indirect and induced contribution is specified in the Glossary on Slide 41

## RISING CONTRIBUTION TO INDIA'S GDP ... (2/2)

- \* The sector's total contribution to GDP is expected to increase to USD136.2 billion by the end of 2016, witnessing growth from USD88 billion in 2007, and is expected to further grow to USD280.5 billion by 2026
- \* The total contribution of travel and tourism to Indian GDP is forecasted to increase by 4.97 per cent per annum to USD280.5 billion by 2025 (7.2 per cent of GDP)
- \* In December 2016, the country earned foreign exchange of around USD 2.12 billion, from the tourism sector.



Source: World Travel & Tourism Council's Economic Impact 2015, News Article, TechSci Research

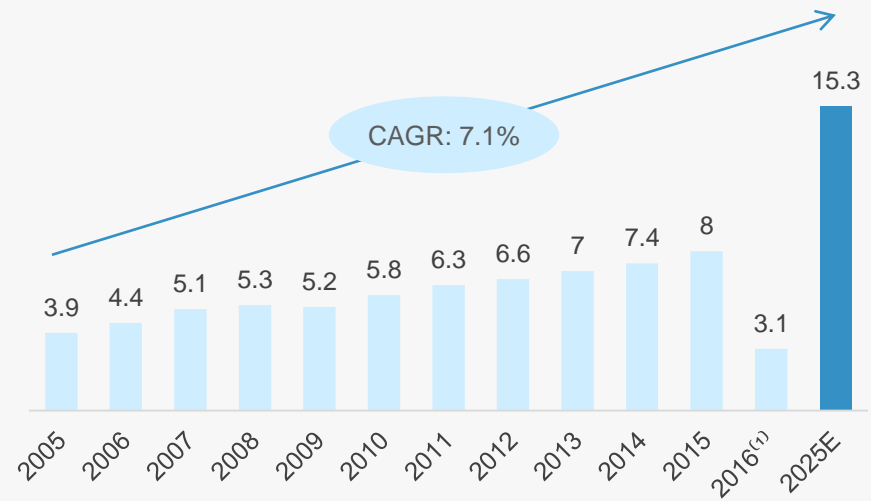
Note: E – Estimated

Note: The definition of direct, indirect and induced contribution is specified in the appendix

## FOREIGN ARRIVALS ARE RISING ... (1/2)

- \* In 2015, foreign tourist arrival in India stood at over 8 million and accounted for over 8.8 million in 2016<sup>(1)</sup>
- \* During the current calendar year, the country is expected to witness footfall of nine million foreign tourists, thereby witnessing a growth of around 12 per cent, from the eight million visitors last year.
- \* Foreign tourist arrivals into the country is forecast to increase at a CAGR of 7.1 per cent, during 2005–25
- \* By 2025, foreign tourist arrivals in India is expected to reach 15.3 million, according to the World Tourism Organisation
- \* In December 2016, over 1,62,250 foreign tourists arrived on e-Tourist Visa, in comparison with 103,617 foreign tourists in December 2015, registering a growth of 56.6 per cent over the previous year

Foreign tourists arriving in India (million)

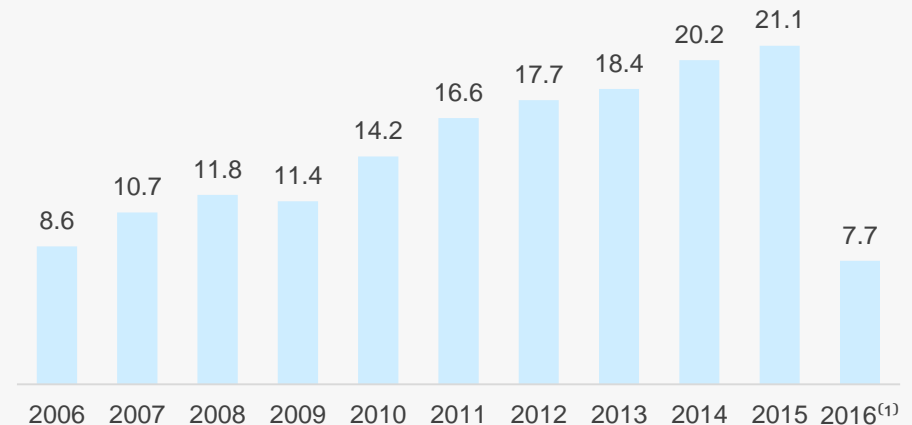


Source: World Travel & Tourism Council's Economic Impact 2015, Ministry of Tourism, TechSci Research  
 Note: <sup>(1)</sup>- Data from January 2016 to April 2016  
 E- Estimated

## FOREIGN ARRIVALS ARE RISING ... (2/2)





- \* Foreign exchange earnings from tourism accounted for USD21.1 billion in 2015, witnessing growth at a CAGR of 10.5 per cent during 2006–15
- \* During January - December 2016, foreign exchange earnings from the tourism sector stood at USD23.15 billion

Foreign exchange earnings from tourism in India  
(USD billion)



Source: Ministry of Tourism, TechSci Research  
Note: <sup>(1)</sup>- Data from January 2016 to April 2016

## MAJOR COMPANIES ACROSS SEGMENTS

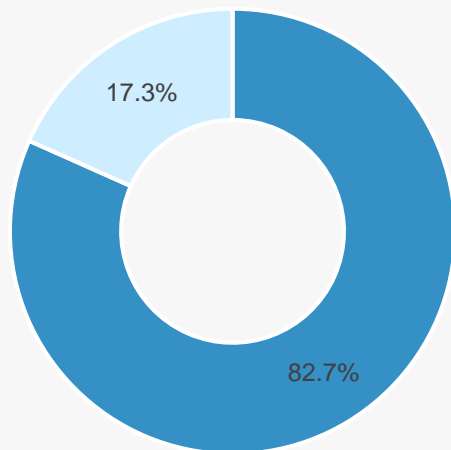
Company	Segment	Revenue (USD millions)	Other major players						
	Online booking	<table border="1"> <tr> <td>106</td> <td>139</td> <td>108</td> </tr> <tr> <td>FY14</td> <td>FY15</td> <td>FY16</td> </tr> </table>	106	139	108	FY14	FY15	FY16	Yatra.com, cleartrip.com, travelocity.com, travelchacha.com, ixigo.com
106	139	108							
FY14	FY15	FY16							
	Hotel	<table border="1"> <tr> <td>328</td> <td>335.8</td> <td>471</td> </tr> <tr> <td>FY14</td> <td>FY15</td> <td>FY16</td> </tr> </table>	328	335.8	471	FY14	FY15	FY16	ITC, Oberoi, Marriott
328	335.8	471							
FY14	FY15	FY16							
	Airlines <sup>(1)</sup>	<table border="1"> <tr> <td>2.9</td> <td>3.3</td> <td>3.4</td> </tr> <tr> <td>FY14</td> <td>FY15</td> <td>FY16</td> </tr> </table>	2.9	3.3	3.4	FY14	FY15	FY16	SpiceJet, Indigo, Indian Airlines
2.9	3.3	3.4							
FY14	FY15	FY16							
	Tour operators	<table border="1"> <tr> <td>71.1</td> <td>83.1</td> <td>59.9</td> </tr> <tr> <td>FY14</td> <td>FY15</td> <td>FY16</td> </tr> </table>	71.1	83.1	59.9	FY14	FY15	FY16	SOTC, Raj Travels
71.1	83.1	59.9							
FY14	FY15	FY16							

Source: Respective company websites  
Notes: <sup>(1)</sup> Highlights revenues are in billion

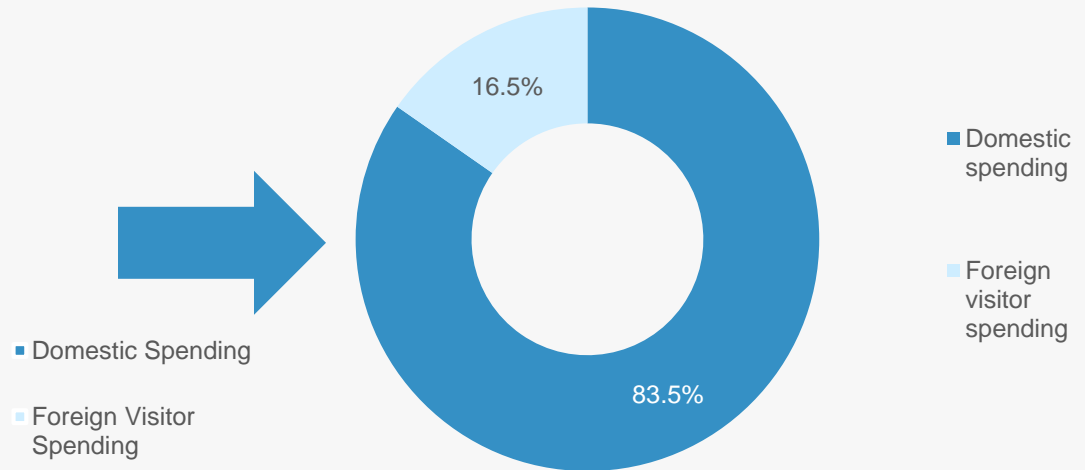
## DOMESTIC CONSUMERS TO LEAD GROWTH

- \* Domestic travel revenues are expected to reach USD96 billion in 2016 and are anticipated to further increase to USD203.3 billion by 2026
- \* Revenues earned from foreign visitors are expected to reach USD20.1 billion in 2016 and are projected to further increase to USD40.11 billion by 2026
- \* Share of revenues generated from domestic travellers to the total tourism revenue is expected to stand at around 82.7 per cent in 2016

Share of tourists by expenditure (2016E)



Expected share of tourists by expenditure (2026)

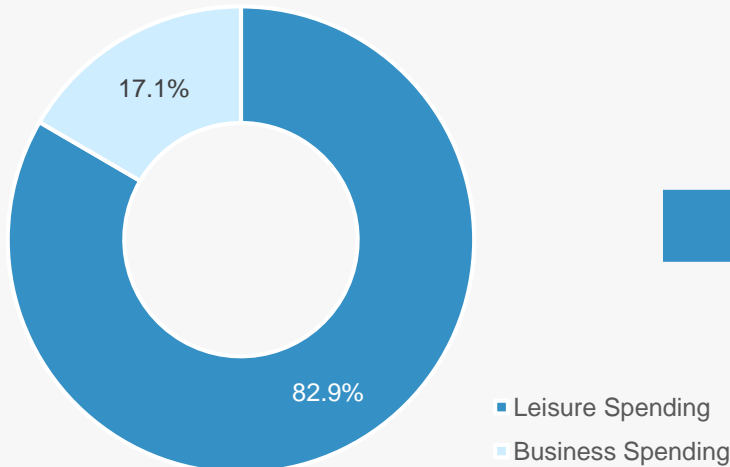


Source: World Travel & Tourism Council's Economic Impact 2016, TechSci Research  
Note: E- Estimated

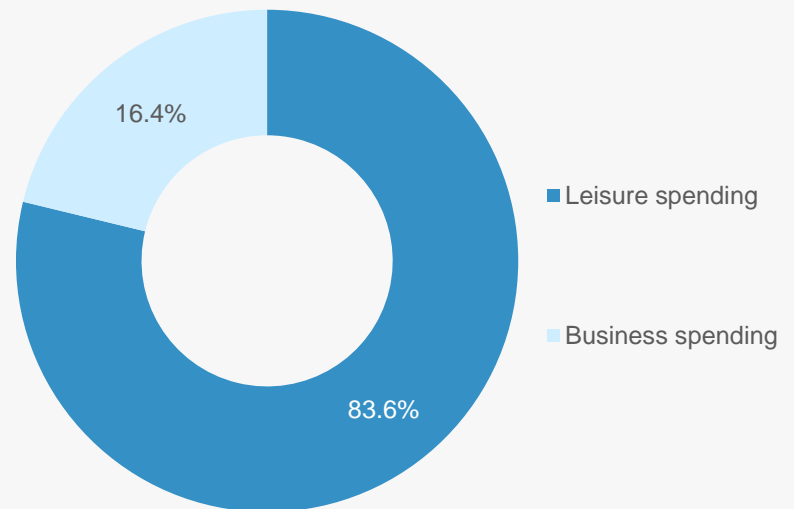
## RISING REVENUES FROM LEISURE AND BUSINESS SEGMENTS

- \* Share of revenues from leisure travel to the total tourism revenue is expected to stand at around 82.9 per cent in 2016
- \* Revenues from leisure travel expected to reach USD96.20 billion in 2016 and are anticipated to reach to USD203.5 billion by 2026
- \* Business travel revenues are expected to stand at around USD19.90 billion in 2016 and are projected to increase to over USD39.88 billion by 2026

Segment-wise revenue share (2016E)



Expected segment-wise revenue share (2026)



Source: World Travel & Tourism Council's Economic Impact 2016, TechSci Research  
Note: E- Estimated



## NOTABLE TRENDS IN THE TOURISM INDUSTRY IN INDIA

### Online travel operators

- Over 70 per cent of air tickets are now being booked online in the country
- A number of online travel and tour operators, which provide better prices and options to consumers, have emerged in India

### Wellness tourism

- The widespread practice of ayurveda, yoga, siddha and naturopathy that is complemented by the nation's spiritual philosophy makes India a famous wellness destination.

### Cruises

- Government of India has estimated that India would emerge with a market size of 1.2 million cruise visitors by 2030 - 31

### Adventure

- Adventure tourism is one of the most popular segments of tourism industry. Owing to India's enormous geo-physical diversity, it has progressed well over the years
- Part of India's tourism policy, almost every state has definite programme to identify and promote Adventure tourism

### Camping sites

- Promotion of camping sites has been encouraged with adequate acknowledgement of its adverse effects on environment
- Besides providing unique rewarding experiences, responsible conduct of camping can be a major source for both additional economic opportunities in remote areas as well as an instrument of conservation

### Spiritual tourism

- India has been known as the seat of spiritualism and India's cosmopolitan nature is best reflected in its pilgrim centers
- India has been recognised as a destination for spiritual tourism for domestic and international tourists
- As of December 2014, projects worth USD229.14 million have been cleared by the government as a part of its focus on increasing religious tourism in the country



## PORTERS FIVE FORCES ANALYSIS

## PORTERS FIVE FORCES ANALYSIS

### Competitive Rivalry

- The Indian hospitality sector is highly fragmented with a large number of small and unorganised players; this increases competition
- Customers' low switching cost and price sensitivity are increasing competition among players

### Threat of New Entrants

- Entry is easy as it is not capital intensive, but a player needs to achieve economies of scale and access to distribution channel to compete

### Substitute Products

- Threat of substitute products is minimal as no substitutes are available in the market

### Bargaining Power of Suppliers

- There is the threat of forward integration; for instance, the airline starts selling directly to customers
- The cost of switching suppliers is low

### Bargaining Power of Customers

- Low switching cost gives customer high bargaining power
- Customers are price sensitive and have information about the services being provided



Source: TechSci Research



## STRATEGIES ADOPTED

## STRATEGIES ADOPTED

### Marketing strategy

- Players are using innovative marketing strategies to succeed in this sector. For example:
  - The Goa Tourism Development Corporation (GTDC) is planning to organise familiarisation trips or “fam” trips for international tour operators to showcase Goa as a tourist destination. It has also planned to promote Goa in international markets through the print and electronic media. Benefits such as priority reservation and Indian rail pass for train travel are also being extended to foreign tourists
- Ministry of Tourism organized the first ever Incredible India Tourism Investors Summit in September 2016, to bring together state governments and global & domestic investors, for funding investment ready projects in the country

### One stop solution

- Players are trying to ensure convenience for their customers by providing all services available on a single portal. For example, makemytrip.com and a host of other websites provide a comprehensive basket of offerings which include outbound and inbound travel for leisure and business trips, hotels and car booking, holiday packages within India or abroad, etc

### Multiple channels

- Players are opting for many channels to maximise sales and ensure convenience for their customers. For example, Thomas Cook and Kuoni India launched their online portals to compete with others. On the other hand, makemytrip.com is planning to go for the offline channel to complement its existing portal and has already launched mobile apps for maximising sales.

### Branding

- The launch of several branding and marketing initiatives by the Government of India such as Incredible India! and Athiti Devo Bhava provides a focused impetus to growth

### M-visa

- Indian government has also released a fresh category of visa – the medical visa or M visa, to encourage medical tourism in India. Indian medical tourism is expected to reach USD8 billion by 2020

### E – Tourist Visa

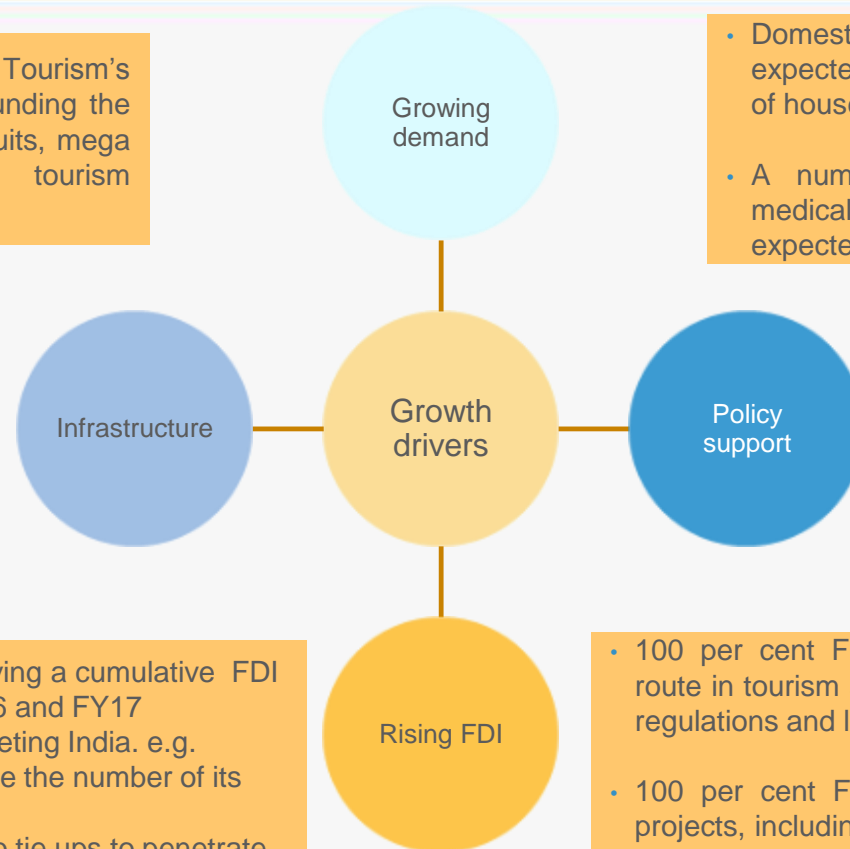
- In December 2016, a total of 1,62,250 foreign tourists arrived on e-Tourist Visa, in comparison with 103,617 foreign tourists in December 2015, registering a growth of 56.6 per cent over previous year



## GROWTH DRIVERS

## GROWTH DRIVERS FOR THE TOURISM MARKET

- More than half of the Ministry of Tourism's Plan budget is channelised for funding the development of destinations, circuits, mega projects as well as rural tourism infrastructure projects



- Domestic expenditure on tourism is expected to rise due to the growing income of households
- A number of niche offerings such as medical tourism and eco tourism are expected to create more demand

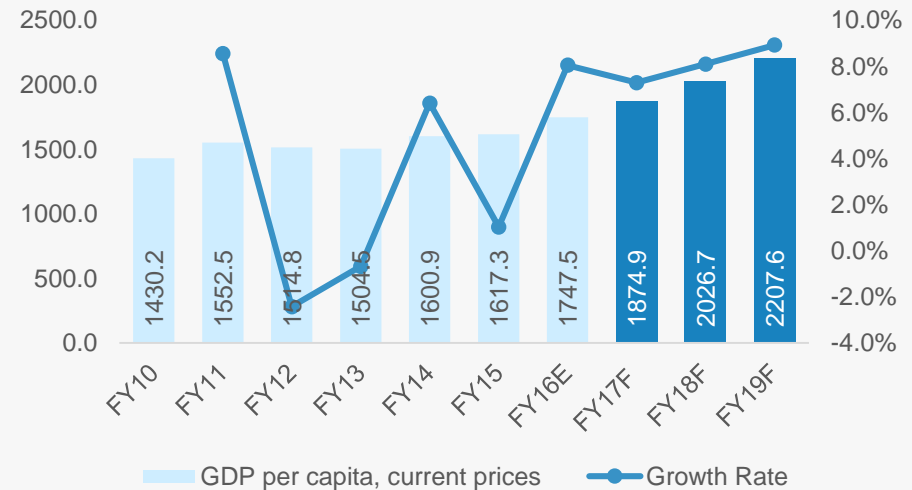
- Tourism and hospitality will be having a cumulative FDI inflows of USD 12.7 billion in FY16 and FY17
- International hotel brands are targeting India. e.g. Carlson group is aiming to increase the number of its hotels in India to 170 by 2020
- Hospitality majors are entering into tie ups to penetrate deeper into the market, such as Taj and Shangri-La entered into a strategic alliance to improve their reach and market share by launching loyalty programme aimed at integrating rewarded customers of both hotels.

- 100 per cent FDI is allowed under the automatic route in tourism and hospitality, subject to applicable regulations and laws
- 100 per cent FDI allowed in tourism construction projects, including the development of hotels, resorts and recreational facilities
- Campaigns such as Incredible India and Athithi Devo Bhava were launched to harness the tourism industry's potential

## RISE IN INCOME AND CHANGING DEMOGRAPHICS BOOSTING DEMAND

- \* Rising incomes mean a steady growth in the ability to access healthcare and related services
- \* Per capita income is expected to increase at a CAGR of 7.33 per cent over 2014–18
- \* According to IMF, nominal per capita income in the country is estimated to increase at a CAGR of 4.94 per cent during 2010-19
- \* Per capita income in India is expected to grow at a CAGR of 8.09 per cent, during 2015-19

Per capita income in India

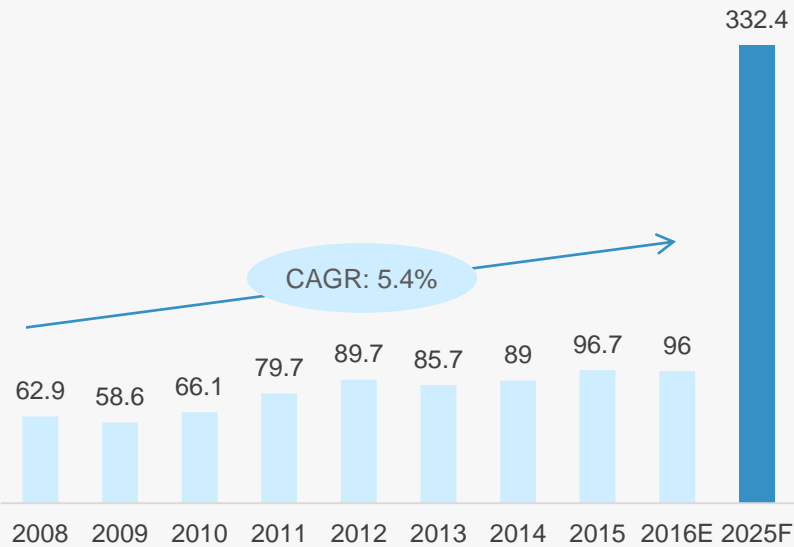


Source: IMF, TechSci Research  
Note: E – Estimated, F- Forecast



## INCREASING SPENDING ON TOURISM

Domestic expenditure on tourism (USD billion)



- Domestic expenditure on tourism has grown significantly; By 2016, the market is projected to reach USD96 billion, representing growth at a CAGR of 5.4 per cent during 2008–16, which is further anticipated to increase to USD332.4 billion by 2025.

Source: WTTC - Travel & Tourism Economic Impact 2015,  
TechSci Research  
Note: F – Forecast, E – Estimated

## GOVERNMENT INITIATIVES 2015

### Swadesh Darshan

- Based on specific themes, government had identified five circuits which includes Krishna Circuit, Buddhist Circuit, Himalayan Circuit, North East Circuit and Coastal Circuit
- USD98.3 million has been allocated for Swadesh Darshan under the Union Budget 2015 - 16

### Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD)

- National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation was implemented by the Ministry for enhancing the facilities provided and infrastructure at pilgrimage centres of all cities
- During the Union Budget 2015 – 16, an investment of USD16.4 million was allocated

### National Tourism Policy 2015

- Formulation of National Tourism Policy 2015 that would encourage the citizens of India to explore their own country as well as position the country as a 'Must See' destination for global travellers

### Tourism Projects

- In FY15, USD1.13 million has been sanctioned to Kerala for development of tourism in the state
- In October 2015, Andhra Pradesh government signed memorandum of Understandings for 8 tourism projects worth USD203.1 million
- As per Budget 2016-17, the Ministry of Tourism has been allocated an amount of USD229.15 million for the development of tourism sector in the country
- Under budget allotted for tourism industry, the government allocated USD15.25 million for development of Umiam Lake-Ulum Sohpetbneng-Mawdiangdiang under North East Circuit of Swadesh Darshan Scheme, and USD11.53 million for development of Buddhist sites of Madhya Pradesh (Mandsaur- Dhar- Sanchi- Satna- Rewa)

## TOURISM POLICY AND INITIATIVES GIVE A BOOST TO THE INDUSTRY

### Five Year Plan

- In the 12<sup>th</sup> Five Year Plan, a budgetary support of USD2.8 billion has been approved for the Ministry of Tourism for the development of tourism infrastructure projects, including rural tourism and human resource development projects
- Under the plan, USD1.3 billion has been allocated for the Ministry of Culture

### Special boards

- The Ministry has set up a Hospitality Development and Promotion Board, which will monitor and facilitate hotel project clearances/approvals

### Tourist police

- The Ministry, in consultation with state/UT administrations, has proposed to employ tourist police at prominent tourist spots

### Allocation for North-Eastern regions

- The government has planned an investment of USD391.9 million for the development of North-Eastern region in the Union Budget for FY16

### Tax incentive

- An investment-linked deduction under Section 35 AD of the Income Tax Act is in place for establishing new hotels in the 2-star category and above across India, thus permitting a 100 per cent deduction in respect of the whole or any expenditure of a capital nature

Source: World Travel & Tourism Council, Union Budget 2015 – 16, TechSci Research

## TOURISM POLICY AND INITIATIVES GIVE A BOOST TO THE INDUSTRY

### National Tourism Policy 2002

- Its vision is to enhance employment potential within the tourism sector as well as to foster economic integration through developing linkages with other sectors; policy objectives include positioning the tourism sector as a major engine of economic growth, positioning India as a global brand, acknowledging the critical role of private sector and creating integrated tourism circuits.

### Incentives from Ministry of Tourism

- Assistance in large revenue-generating projects.
- Support to Public Private Partnerships in infrastructure development such as viability gap funding.
- Schemes for capacity-building of service providers.

### Project Mausam

- Under 'Project Mausam' the Government of India has proposed to establish cross cultural linkages and to revive historic maritime cultural and economic ties with 39 Indian Ocean countries. In 2015, Government of India linked China Silk Road project with Project Mausam.

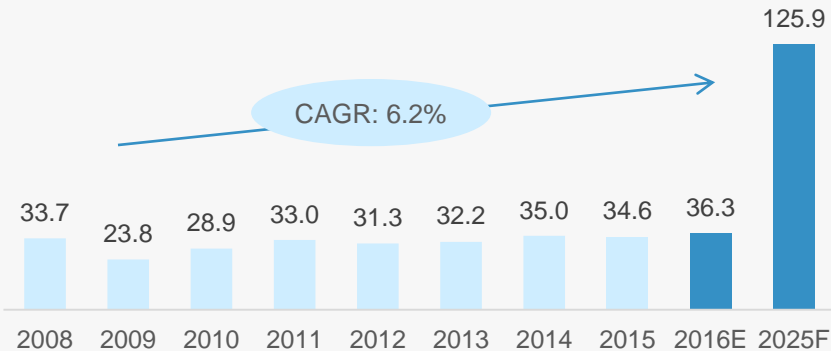
### E – Tourist Visa

- In March 2016, 150 countries will be designated to get e tourist visa
- Till October 2015, e- tourist visa facility has been extended to 113 countries
- Growth of 56.6 per cent was registered during the month of December 2016, as a total of 1,62,250 tourists arrived in India on E – Tourist Visas, as against a total of 103,617 tourists during December 2015.

Source: World Travel & Tourism Council, TechSci Research

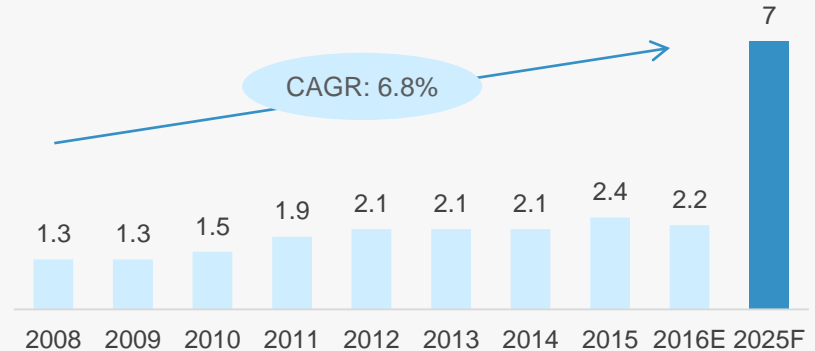
## CONTINUED GROWTH IN INVESTMENTS IN THE TOURISM SECTOR

Capital investments in the tourism sector (USD billion)



- \* Capital investment in the tourism and hospitality sector has been rising consistently
- \* Capital investments in the tourism sector are expected to increase at a CAGR of 6.2 per cent during 2009–16E
- \* By 2025, investments are expected to increase to USD125.9 billion
- \* Berggruen Hotels is planning to add around 20 properties under its mid-market segment 'Keys Hotels' brand across India, by 2018
- International hotel chains are increasing their presence in the country, as it will account for around 47 per cent share in the Tourism and Hospitality sector of India by 2020 and 50 per cent by 2022, increasing from 44 per cent in 2016.

Collective government spending on tourism (USD billion)

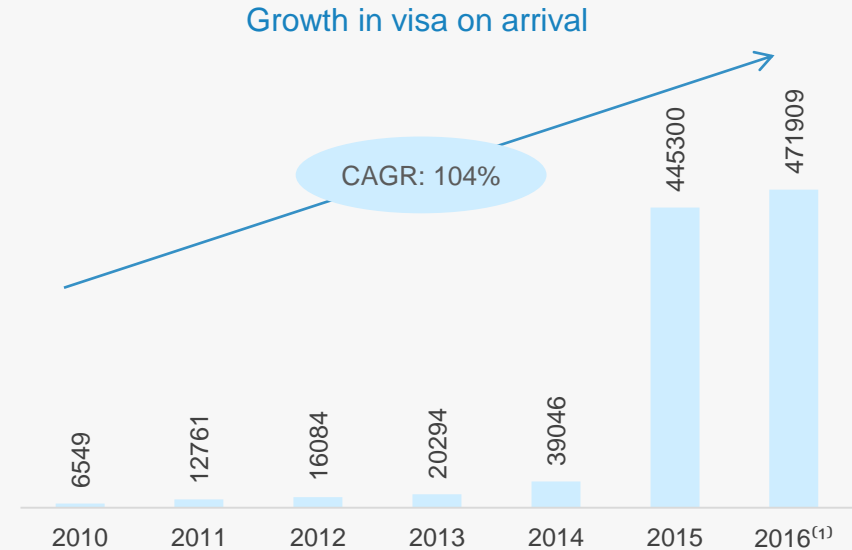


- \* Government's collective spending on tourism and hospitality sector, in 2016, stood at around USD2.2 billion
- \* During 2008-2016 (till March 2016), collective government spending on tourism sector is expected to grow at a CAGR of 6.8 per cent
- \* By 2025F, the government's collective spending is expected to increase to USD7.0 billion
- \* In 2017, Marriott International plans to open 30 new luxury hotels.
- \* More number of budget hotels to be established in the state capitals and tier 2 cities by Marriott, Carlson Rezidor and ITC in the next 5 years.

Source: World Travel & Tourism Council's Economic Impact 2015, TechSci Research  
Note: E – Estimated, F- Forecast

## GROWTH IN VISA ON ARRIVAL

- \* In June 2016, the Indian government approved 150 countries under the Visa on Arrival scheme to attract additional foreign tourists.
- \* The Visa on Arrival scheme registered an average growth of 104 per cent over 2010–16<sup>(1)</sup>
- \* Indian government has also released a fresh category of visa – the medical visa or M visa, to encourage medical tourism in India

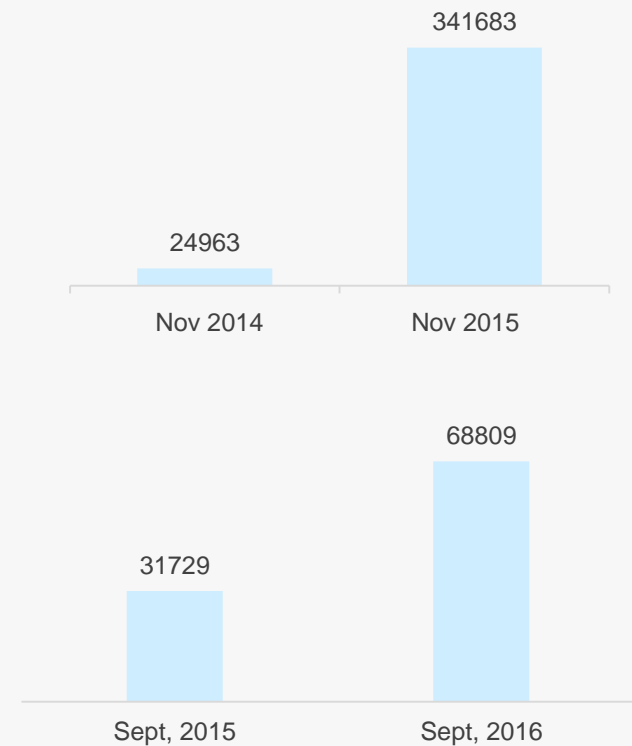


Source: Ministry of Tourism, TechSci Research  
Notes: <sup>(1)</sup> - From January 2016 to June 2016

## GROWTH IN E-TOURIST VISA

- \* In November 2014, GoI had launched Tourist Visa on Arrival(TVoA) which is enabled by Electronic Travel Authorisation(ETA), known as the e – Tourist Visa scheme for 43 countries
- \* The scheme was extended to Guyana and Sri Lankan citizens in January 2015 and April 2015 respectively
- \* In June 2015, this scheme was further extended to 31 countries
- \* A total of 341683 tourists had arrived on e – tourist visa during November 2015 as against a total of 24963 tourists during November 2014 exhibiting an increase of 636.6 per cent
- \* In December 2016, a total of 1,62,250 foreign tourists arrived on e-Tourist Visa, in comparison to 103,617 foreign tourists in December 2015, registering a growth of 56.6 per cent over the previous year

Growth in e – tourist visa



Source: Ministry of Tourism, TechSci Research

# TOURISM AND HOSPITALITY



## OPPORTUNITIES



## NICHE SEGMENTS OFFER GOOD OPPORTUNITIES

### Medical tourism

- The presence of world-class hospitals and skilled medical professionals makes India a preferred destination for medical tourism
- India's earnings from medical tourism could exceed USD8 billion by 2020
- Tour operators are teaming up with hospitals to tap this market
- Inflow of medical tourists is estimated to be over 3.2 million people in 2016

### Cruise tourism

- Cruise shipping is one of the most dynamic and fastest growing segments of the global leisure industry
- Government of India has estimated that India would emerge with a market size of 1.2 million cruise visitors by 2030 – 31
- Moreover, India is looking to take advantage of its 7,500Km coastline to tap growth potential of the cruise tourism segment.

### Rural tourism

- The potential for the development of rural tourism in India is high as most of its population resides in rural areas
- This can benefit the local community economically and socially, and facilitate interaction between tourists and locals for a mutually enriching experience

### Ecotourism

- India is often termed as hotspot of bio-diversity and this rich natural heritage is unparalleled in many ways.
- Such valuable resource base gives impetus for the practice of variety of alternate tourism forms and many of which are already in existence.
- For example: The national parks, wildlife sanctuaries and biosphere reserves

Source: Ministry of Tourism, BMI, TechSci Research

## LEADING STATES/UTs IN TERMS OF FOREIGN TOURISTS

**Delhi** – Attracted 10.2 per cent of foreign tourists visiting India in 2015.

**Major attractions** – Qutub Minar, Red Fort, Humayun's Tomb, India Gate, Jantar Mantar and Jama Masjid

**Uttar Pradesh** – Attracted 13.3 per cent of foreign tourists and 14.3 per cent of domestic tourists in 2015

**Major cities to visit** – Agra, Allahabad, Ayodhya, Lucknow, Fatehpur, Meerut and Varanasi

**Major attractions** – Taj Mahal, Agra Fort, Fatehpur Sikri and Sarnath

**West Bengal** – Attracted 6.4 per cent of foreign tourists visiting India in 2015

**Major attractions** – Victoria Memorial, Sunderbans, Cooch Behar Palace, Darjeeling Himalayan Railway, Hazarduari Palace, Adina Mosque, Shantiniketan, Bishnupur Terracotta Temples, Dakshineswar Kali Temple

**Maharashtra** – Attracted 18.9 per cent of foreign tourists visiting India in 2015

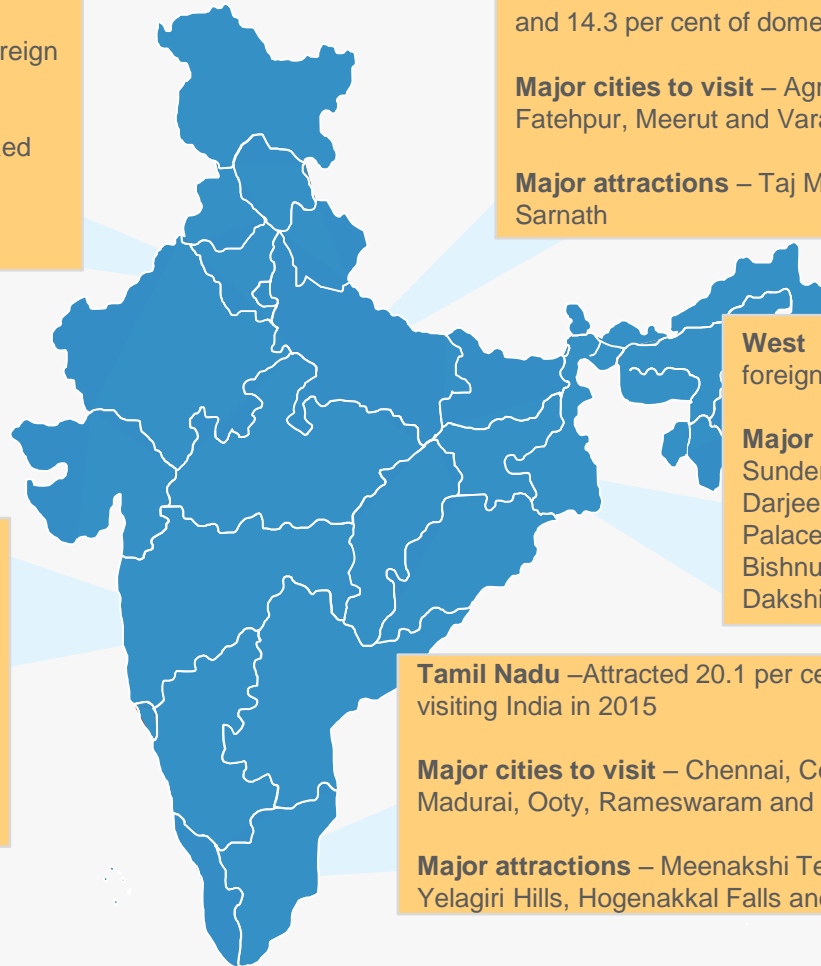
**Major cities to visit** – Amravati, Kolhapur, Mumbai and Nashik

**Major attractions** – Ajanta and Ellora Caves, Shirdi, Ashtavinayak and Matheran

**Tamil Nadu** – Attracted 20.1 per cent of total foreign tourists visiting India in 2015

**Major cities to visit** – Chennai, Coimbatore, Kanyakumari, Madurai, Ooty, Rameswaram and Salem

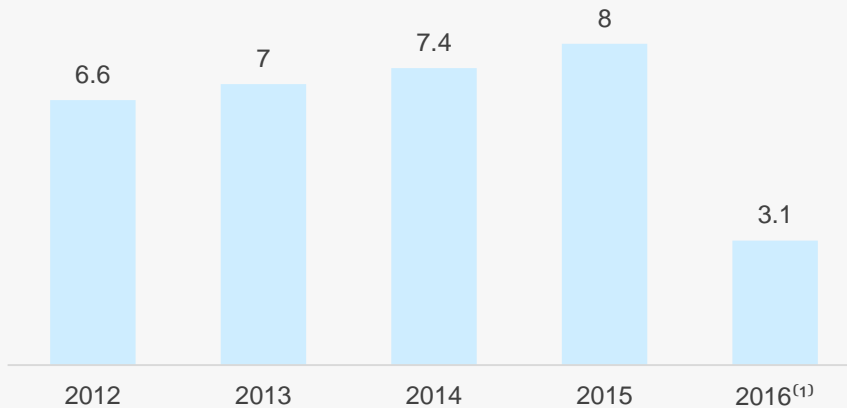
**Major attractions** – Meenakshi Temple, Brihadeeswarar Temple, Yelagiri Hills, Hogenakkal Falls and Vivekananda Memorial



Source: TechSci Research  
Note: As per latest data available

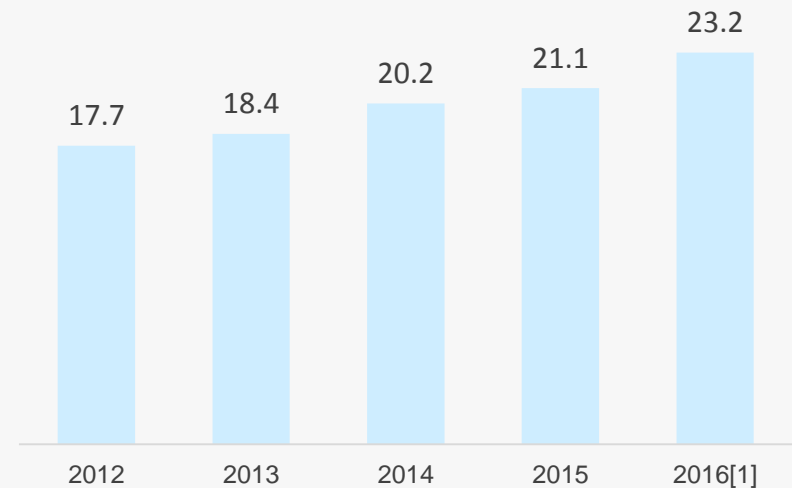
## FOREIGN TOURIST ARRIVALS SET TO RISE

Forecasts of foreign tourists arriving in India (million)



- \* Foreign tourist arrival into the country is expected to increase at a CAGR of 6.6 per cent during 2012-15, with a total of 8.89 million foreign tourists coming into India (January to December 2016)

Forecasts of foreign exchange earnings from tourism in India (USD billion)



- \* The foreign exchange earnings from tourism sector, during 2016 (January to December), stood at USD23.2 billion

Source: Ministry of Tourism, BMI, TechSci Research  
Notes: F stands for Forecasts, CAGR – Compound Annual Growth Rate  
Note <sup>(1)</sup>- From January 2016 to April 2016

## AIRLINES INDUSTRY SET TO FLY HIGHER

### Low-cost airlines

- Growth in low-cost airlines is expected to lower tourism costs and increase domestic spending on tourism

### Increase in international flight operators

- The market is likely to become more competitive due to the entry of an increasing number of international flight operators expected to offer improved services to tourists. JVs such as Air Asia and Tata SIA are beginning services in India and can provide better services
- Some new players that have entered the country are Etihad and Vistara. In 2015, Air Pegasus started its services for South India

### Increasing number of airports

- The Airports Authority of India aims to start operating 250 airports across the country by 2020. In FY2016, the number of operational airports in the country was estimated to be 95

### Higher investments

- The government is expected to earmark USD12.4 billion in the 12<sup>th</sup> Five-Year Plan (2012–17); Of these, private investments are likely to be USD9.2 billion. In Union Budget 2015-16, government has allocated USD13.1 million to Airports Authority of India. In Union Budget 2016-17, the government has planned to revive 160 airports at an indicative cost of USD7.6 million – USD15.3 million, each

### Higher passenger traffic

- By 2020, passenger traffic at Indian airports is expected to increase to 450 million people in comparison with around 223.61 million people in 2016

Source: World Travel & Tourism Council, TechSci Research

# TOURISM AND HOSPITALITY

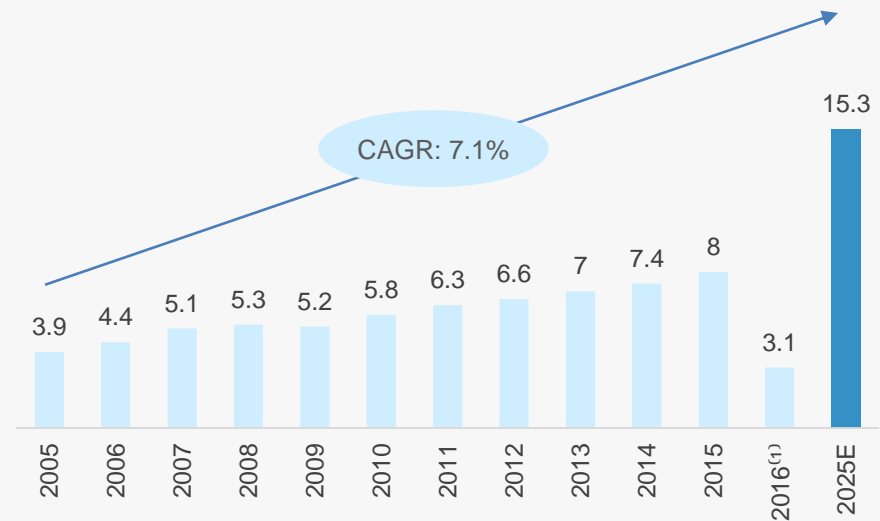


## SUCCESS STORIES

## INCREDIBLE INDIA: AN INCREDIBLE SUCCESS

- \* Incredible India is a marketing campaign launched by the Government of India in 2002 to promote India as a tourist destination internationally
- \* Foreign tourist arrivals increased at a CAGR of 7.1 per cent during 2005-25E to 15.3 million by the end of 2025
- \* India currently attracts 0.63 per cent of tourists from world over; the government aims to increase it to 1 per cent
- \* In 2012, India Tourism launched two new campaigns: Find What You Seek, an international campaign; and Go Beyond, a domestic campaign
- \* In 2013, the Ministry of Tourism had welcomed the launch of a campaign '777 days of the Indian Himalayas' as a step to promote the Himalayan states as well as the gateway cities which are entry points for domestic and international tourists
- \* In 2015, Ministry of Tourism has launched new TV advertisement campaign through which four films have been made on the theme of 'Adithi Devo Bhava' which spreads awareness that conveys on how to extend hospitality by adopting friendly attitude towards tourists visiting India

Growth in foreign tourist arrivals pre and post Incredible India (million)

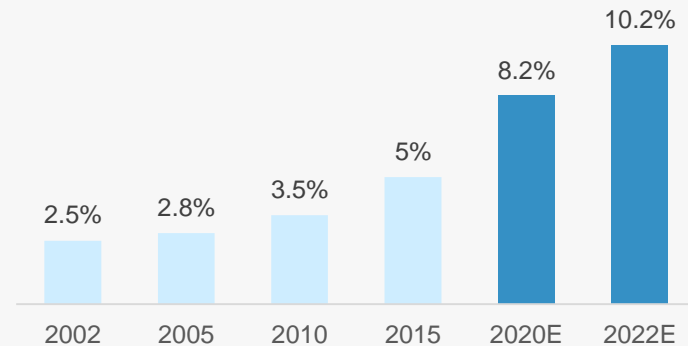


Source: Incredible India, Ministry of Tourism, TechSci Research  
Note: <sup>(1)</sup>Data is for January – April 2016  
E- Estimated

## GUJARAT TOURISM: A PARADIGM SHIFT

- \* Gujarat is the 7<sup>th</sup> largest state, located in the Western part of India, with the longest coastline of 1,600 km
- \* The government spent nearly USD13 million for the 'Khusbhoo Gujarat Ki' campaign, which featured Amitabh Bachchan, brand ambassador of the state; the campaign was a huge success
- \* The campaign led to an increase in the number of visitors to 5.4 million in the last two years i.e. 2014 and 2015
- \* The government plans to focus on the state's 1,600 km coastline to promote maritime, coastal and ecotourism
- \* In September 2016, Airbnb, a community-driven hospitality company, announced that it had signed an MoU with the Government of Gujarat, so as to boost tourism and create memorable travel experience in the state

Contribution of tourism to Gujarat's GDP



Source: World Travel & Tourism Council's Economic Impact 2013, TechSci Research  
Note: E – Estimates

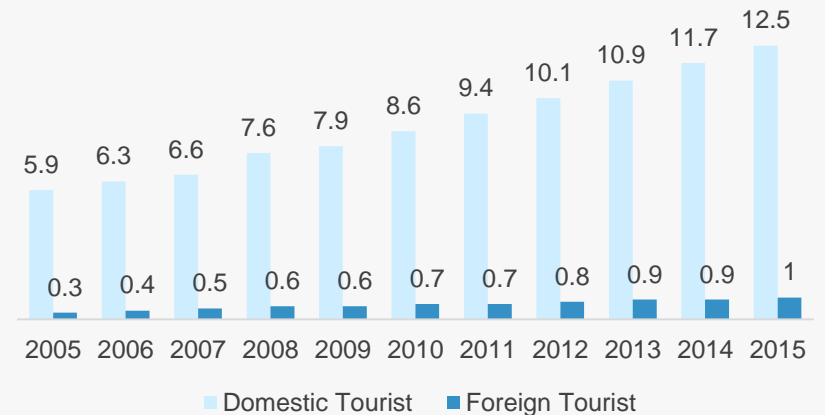
## KERALA: A BLEND OF GOOD MARKETING AND NATURAL BEAUTY

- \* Kerala is on the Malabar coast in Southwest India
- \* In the early 1990s, the state was known as a single beach destination
- \* Kerala successfully marketed its serene backwaters, wildlife sanctuaries, ayurvedic treatments and temple festivals
- \* During 2005-15, revenue from tourism sector increased at a CAGR of over 9.98 per cent
- \* In 2016, Kerala Tourism is expecting revenue generation of USD6.1 billion

Revenue generated from tourism in Kerala (USD billion)



Number of tourists visiting Kerala annually (in million)



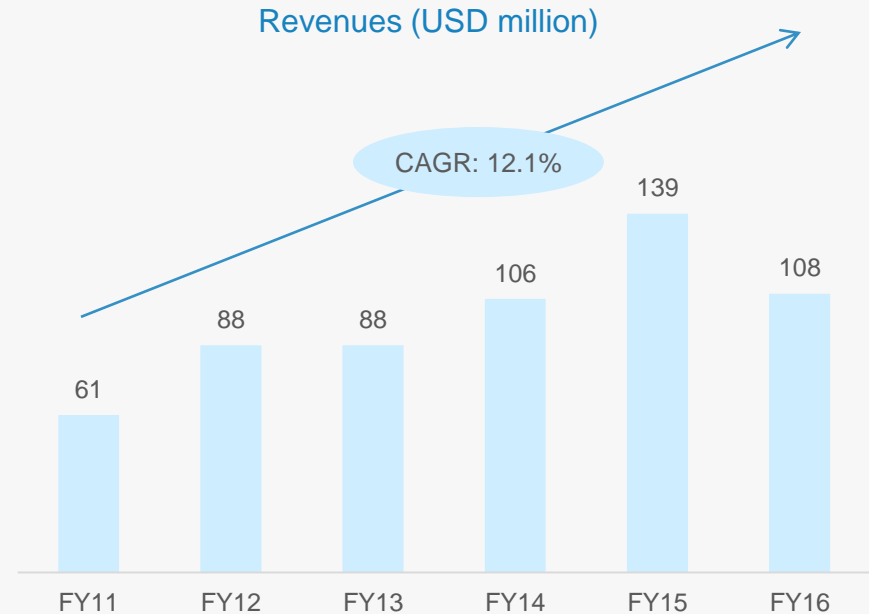
Source: Kerala's Ministry of Tourism, TechSci Research



## PRIVATE SECTOR PIONEERS: makemytrip.com

### Makemytrip.com

- \* The website was conceived and founded by Deep Kalra in 2000
- \* Makemytrip offers airline tickets, hotel bookings, domestic and foreign packaged tours, bus tickets, corporate travel services, visa assistance, foreign exchange and travel insurance
- \* The company's revenues totalled USD139 million in FY15 and reached USD108 million in FY16
- \* In FY16, revenue from the company is estimated at USD108 million
- \* During FY11-16, company's revenues expanded at a CAGR of over 12.1 per cent
- \* As of October 2016, MakeMy Trip Ltd. has agreed to acquire travel business of Ibibo Group India, at an estimated cost of USD 720 million



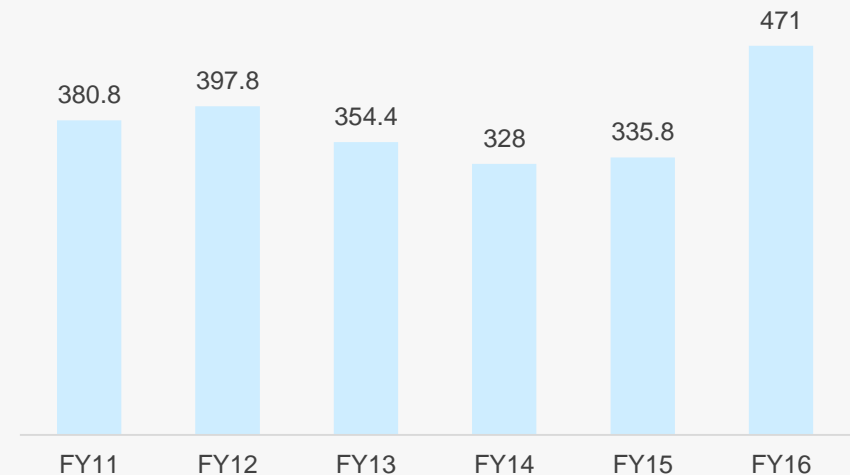
Source: www.makemytrip.com

## PRIVATE SECTOR PIONEERS: IHCL

### Indian Hotel Company Limited (IHCL)

- \* The company was incorporated in 1902 and launched the first hotel in India, The Taj Mahal Palace & Tower, in Mumbai in 1903
- \* Taj Hotels Resorts and Palaces has 66 hotels in 42 locations across India and 16 hotels worldwide
- \* IHCL operates in the luxury, premium, mid-market and value market segments through various brands such as Taj, Taj Exotica, Taj Safari, Vivanta, Gateway Hotel and Ginger
- \* IHCL operates Taj Air, a luxury private jet service
- \* The company operates Taj Sats Air Catering Ltd, the largest airline catering service in South Asia
- \* IHCL's revenues stood at USD471 million in FY16

### Revenues (USD million)



Source: IHCL's website

# TOURISM AND HOSPITALITY



## USEFUL INFORMATION

## INDUSTRY ASSOCIATIONS

### **Federation of Hotel & Restaurant Associations of India (FHRAI)**

B-82, 8<sup>th</sup> Floor, Himalaya House,  
23, Kasturba Gandhi Marg,  
New Delhi – 110001  
Phone: 91-11- 40780780  
Fax: 91-11- 40780777

### **Hotel Association of India (HAI)**

B 212–214  
Som Dutt Chamber-I,  
Bhikaji Cama Place,  
New Delhi – 110 066  
Phone: 91-11-2617 1110/14  
Fax: 91-11-2617 1115

- \* **Direct contribution:** Spending on accommodation, transportation, attractions and entertainment
- \* **Indirect contribution:** Travel and tourism investment spending, and government collective travel and tourism spending
- \* **Induced contribution:** Spending of direct and indirect employees
- \* **GOI:** Government of India
- \* **CAGR:** Compound Annual Growth Rate
- \* **INR:** Indian Rupee
- \* **USD:** US Dollar
- \* Wherever applicable, numbers have been rounded off to the nearest whole number

## EXCHANGE RATES

Exchange rates (Fiscal Year)

Year	INR equivalent of one USD
2004-05	44.81
2005-06	44.14
2006-07	45.14
2007-08	40.27
2008-09	46.14
2009-10	47.42
2010-11	45.62
2011-12	46.88
2012-13	54.31
2013-14	60.28
2014-15	61.06
2015-16	65.46
2016-2017E	66.95

Exchange rates (Calendar Year)

Year	INR equivalent of one USD
2005	43.98
2006	45.18
2007	41.34
2008	43.62
2009	48.42
2010	45.72
2011	46.85
2012	53.46
2013	58.44
2014	61.03
2015	64.15
2016 (Expected)	67.22

Source: Reserve bank of India,  
Average for the year

## DISCLAIMER

India Brand Equity Foundation (“IBEF”) engaged TechSci to prepare this presentation and the same has been prepared by TechSci in consultation with IBEF.

All rights reserved. All copyright in this presentation and related works is solely and exclusively owned by IBEF. The same may not be reproduced, wholly or in part in any material form (including photocopying or storing it in any medium by electronic means and whether or not transiently or incidentally to some other use of this presentation), modified or in any manner communicated to any third party except with the written approval of IBEF.

This presentation is for information purposes only. While due care has been taken during the compilation of this presentation to ensure that the information is accurate to the best of TechSci and IBEF’s knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice.

TechSci and IBEF neither recommend nor endorse any specific products or services that may have been mentioned in this presentation and nor do they assume any liability or responsibility for the outcome of decisions taken as a result of any reliance placed on this presentation.

Neither TechSci nor IBEF shall be liable for any direct or indirect damages that may arise due to any act or omission on the part of the user due to any reliance placed or guidance taken from any portion of this presentation.

