HOTELS IN INDIA—
TRENDS & OPPORTUNITIES

2005 Edition

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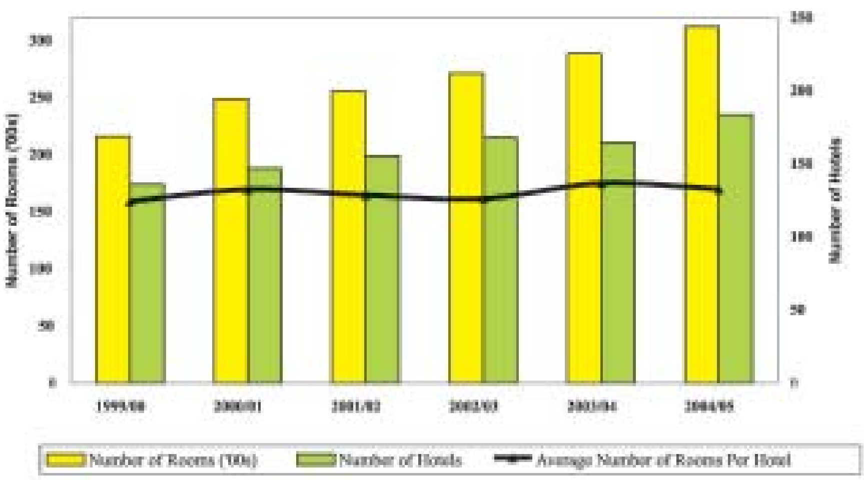
Introduction

Over the last two years the hospitality industry has witnessed active interest and has transformed the country as a huge development destination. This publication assesses current trends and presents future opportunities for the hotel industry in India. As always, apart from conducting specific research for this publication, we have included macro data provided by the Department of Tourism. The publication briefly discusses the tourism industry in India in the context of the present economic scenario and presents the results of our survey on the performance of branded hotels, analysed by each segment of the hotel market, as well as by major cities. Our study also provides an overview of supply and demand conditions in the hotel market in India. As in previous editions of this report, we have, once again, presented our assessment of industry trends and development opportunities; this is included as part of the 'Future Trends' section.

In addition to this document, we publish *The Indian Hotel Industry Survey* on an annual basis, in association with the Federation of Hotel & Restaurant Associations of India (FHRAI). This publication, the only one of its kind in India, provides detailed financial and operating information on the hotel industry, analysed by star category, across all major cities in the country. The next edition (2004/05) will be available by the end of the year.

This is the ninth edition of HVS International's *Hotels in India - Trends and Opportunities* publication, providing us with a unique opportunity to understand industry dynamics through ten years of performance trends representing periods of peaks and valleys. This year, 235 hotels, having a total room count of 31,234 rooms, participated in our survey. The overall room count has increased, reflecting the opening of new hotels with large inventories. Table 1 illustrates survey participation for the years 1999/2000 to 2004/05.

Table1: Number of Respondents



The Indian Economy - An Overview

Following a growth of 8.5% in 2003/04, the Indian economy performed extremely well during 2004/05, with GDP growing at 6.9%. Despite the anticipated growth in GDP in real terms for 2004/05 being less than that for 2003/04, it is among the highest achieved since Independence. In the first quarter of the current fiscal (2005/06), the economy registered an impressive growth of 8.1%. Domestic political stability and a benign world economic environment have provided a backdrop conducive to development, while a strong growth momentum in the Industry (especially manufacturing) and Services sectors has provided the

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impetus necessary to sustain a strong performance in the short to medium term. Another positive feature has been the continued maintenance of relative stability of prices and control on inflation despite a rising world fuel price regime. While the Reserve Bank of India has projected a GDP growth of 7.0% for 2005/06, following the economy's first quarter performance, projections made by independent agencies anticipate a GDP increase of 7.5-8.0%.

While agriculture and allied activities are the main source of livelihood for 58% of India's population, the share of this sector in the overall economy has declined steadily over the past few decades, from 36.6% of GDP in 1983/84 to 22.8% in 2003/04.

The Index of Industrial Production, which measures the overall industrial growth rate, was 10.1% in October 2004, compared to 6.2% in October 2003. The share of Industry in the overall economy has remained stable over the past few decades from 25.8% of GDP in 1983/84 to 26.4% in 2003/04.

The Services sector has maintained a steady growth pattern since 1996/97, except for a decline in 2000/01. The share of Services in the overall economy has increased greatly over the past few decades, from 37.6% of GDP in 1983/84 to 50.7% in 2003/04. Trade, hotels, transport & communications witnessed their highest-ever growth of 10.9% in 2004, followed by financial services. Together, they constitute about one-half of the Services sector. This sector is presently the largest contributor of room nights for hotels in India, and its continued growth has greatly influenced the current boom in demand, particularly in the National Capital Region (comprising Delhi, Gurgaon, NOIDA and some other surrounding areas), as well as in Bangalore, Hyderabad, Pune, Chennai and Mumbai.

Our estimates indicate that India's GDP growth over the next few years would continue to be driven by Services and international trade. Within Services, the key sectors that would spearhead growth are aviation, retail and commercial real estate, ITeS, telecom, insurance, and financial services. This growth in Services is expected to further increase demand for hotel rooms of all categories across the country.

The economy's continued buoyancy and several other developments – government-led initiatives to improve India's deficient infrastructure, tax and other reforms, privatisation and disinvestment policies and increase in FII and FDI in certain key sectors, namely, real estate and banking, have resulted in increased foreign investments into the country. *The Economist* (Jan 2005) in its FDI Confidence Index, on the basis of an annual survey by A.T. Kearney, reported that India now ranks second, after China, as a location for foreign investment in manufacturing. This is a rise from the sixth place at which it was ranked a year ago. India's foreign exchange reserves, stand at an estimated level of nearly US$143 billion, as of September 2005.

Inflation, which was at a four-year high of 8.0% in early September 2004, was 3.75% in September 2005. High international oil prices, the highest ever with crude oil trading at US$70 a barrel (in September 2005) and fluctuating between US$60 and US$70, are expected to lead to significant widening of the merchandise trade deficit. The Rupee is expected to remain stable against the US Dollar in 2005/06 with the widening of the US fiscal trade deficit.

Trends & Developments in Tourism

The year 2004 has been the best year till date for inbound travel, with foreign visitor arrivals reaching a record 3.40 million, resulting in international tourism receipts of US$4.8 billion. This impressive performance in tourist arrivals is attributable to a strong sense of business and investment confidence in India: inspired by steady growth in the Indian economy, a strong performance of the domestic corporate sector, as well as initiatives taken to make peace with Pakistan, strengthen ties with other nations and open sectors of the economy to private sector/foreign investment. Significantly, the bulk of international arrivals in India, both in 2003 and 2004, have been business travellers.

The continued focus on liberalising the Indian aviation sector has provided a further impetus to travel. Domestic air passenger traffic grew by 24.2% in 2004/05 compared to 2003/04. International passenger traffic observed a growth of 16.7% in the same period. The increase in international flights, seat capacity and frequency into the country and the decision to allow private airlines like Jet Airways and Air Sahara to fly abroad will also have a positive impact on tourist and business arrivals in India, as it will provide additional seats to key destinations. Increase in charter flights into India and new airlines providing additional seats for travel within the country are expected to have a significant impact on increasing affordable air travel within the country. Furthermore, India's growing recognition as an exciting place to visit ('The Readers Travel Awards 2005', conducted by *Condé Nast Traveller* has placed India at number five among the world's must-see countries, up from number nine in 2003) has helped boost its image as a leisure destination.

While the encouraging trend in foreign tourist arrivals has attracted much attention, very little has actually been said about domestic tourism. Domestic tourism, according to our estimates, grew by 40% on an annual basis over the last three years and is currently estimated at 230 million travellers. A rise in disposable income across most income segments, and a corresponding increase in the propensity to spend, together with more affordable air travel, have fuelled this growth. Rising affluence and higher incomes are also expected to enhance the concept of travelling for leisure. Domestic travel, both business and leisure, also benefited from a strong performance of the corporate sector in India, and the overall sense of optimism with regard to the economy.

The current government, like its predecessor, is adopting a proactive strategy towards the development of tourism in India. The continued *Incredible India* campaign has had a strongly positive impact on tourist arrivals. Definite efforts are being made to communicate the Brand India message: as the host, India made its presence strongly felt at the WTTC-promoted Global Travel & Tourism Summit held in New Delhi in early April this year (2005).

There is also an increasing focus on promoting traditional tourist destinations in the country and on prioritising new attractions and travel circuits. Niche marketing in areas such as medical and health tourism, is expected to be a major growth driver. These segments generated 150,000 visitors in 2003, a number that is expected to increase to 1 million, and bring in revenues up to US$5 billion in a few years.

Prospects for tourism in India, both inbound and domestic, are bright, with many opportunities. According to recent estimates of the World Travel & Tourism Council (as of early 2005), Indian tourism demand will grow at 8.8% over the next ten years, which would place India as the second-most rapidly growing tourism market in the world after Montenegro and before China. This is expected to result in a growth of 7.1% in total travel and tourism GDP and an increase of 0.9% in travel and tourism employment.

Table 2 reflects key statistics for the Indian tourism industry.

Survey Results

The HVS International survey has been computed by dividing the respondent branded hotels into their respective classifications according to star grading. As before, we have examined the performance of ten major cities across India, wherever a reasonable sample allowed. While most of the data provided to us is in Indian Rupees, we have

Table2: Key Tourism Statistics

	1999	2000	2001	2002	2003	2004	2005*
Number of Arrivals	2,481,000	2,641,000	2,537,000	2,360,000	2,726,000	3,406,623	4,258,279
Foreign Exchange Earnings (US$ billion)	3.00	3.17	3.04	2.96	3.60	4.81	6.10
Foreign Exchange Earnings Per Visitor	$1,209	$1,200	$1,198	$1,254	$1,321	$1,412	$1,411
Total Arrivals to New Delhi	32.2%	31.9%	33.7%	28.6%	30.8%	31.0%	32.0%
Total Arrivals to Mumbai	28.1%	28.3%	26.7%	25.4%	24.1%	23.5%	23.5%
Total Arrivals to Chennai	11.1%	11.3%	12.0%	11.5%	10.5%	10.0%	9.4%
Total Arrivals to Kolkata	5.2%	5.0%	4.3%	3.8%	3.7%	3.7%	3.6%
Exchange Rate US$1.00:Rs	43.50	44.90	47.20	48.20	46.00	44.90	44.00

* Note: All figures for 2005 and all exchange rates (weighted for the year) are HVS estimates
Source: Ministry of Tourism and HVS estimates

presented survey results in US Dollars as well.

For the second year in a row most markets across categories witnessed robust increase both in terms of occupancy and average rate. The demand for quality accommodation from all market segments, especially the commercial and extended-stay markets, continued to be higher than the additions to supply resulting in acute demand-supply imbalance in certain cities, such as Bangalore, Mumbai and Delhi (NCR). This demand-supply imbalance enabled hotels in these cities to charge higher tariffs across all market segments. As a result, the industry saw a 12-month growth of 20.7% in average rate (in 2004/05), compared to a 12-month occupancy growth of 7.1%. Table 3 reflects room occupancy by hotel classification for the period 1995/96 to 2004/05. Table 4 presents average rate performance in Rupees for the same period while Table 5 reflects average rate results in US Dollars. Table 6 presents RevPAR performance in Rupees for the period 1995/96 to 2004/05 and Table 7 presents the same in US Dollars.

Over the past five years, additions to room supply have mostly been contributed by developments in the budget and mid-market segments. The increased representation of branded hotels in these segments during weak demand periods resulted in a downward spiralling of average rates, thus lowering overall average rate figures for the industry. The year 2004/05 was marked by an improvement in average rate – spurred by strong rate growth trends in the budget and mid-market segments. The highest annual growth in average rate, in Rupee terms, was witnessed in the four-star (25.7%) and five-star (24.2%) categories followed by the five-star deluxe category (19.2%). The average rate for three-star properties showed a lower increase (12.5%). It may also be noted that, over a ten-year period, the compounded average rate growth in Rupee terms has been strongest in the four-star category followed by five-star and three-star hotels. Our market research indicates that hotels across all categories have witnessed an improved foreign-domestic guest ratio and, therefore, despite a stronger Rupee, the growth in average rate in US Dollar terms has been higher across all categories.

Average occupancy witnessed an across-the-board growth, for the third consecutive year. Strong year-round demand from the commercial travel segment compounded by higher demand from segments such as leisure and MICE substantially reduced the impact of seasonality over weekends and slow seasons and, therefore, occupancies have been on a steady growth curve. The emergence of relatively new feeder markets and consistent demand from niche markets, such as the extended-stay segment, have resulted in a higher level of base demand that ensures a minimum level of occupancy. This demand has been extremely advantageous, as it enabled hotels to indulge in proactive yield management, rate contracting and micro segment planning.

Five-star deluxe hotels witnessed the largest increase in occupancy (8.8%), followed by five-star hotels (7.3%). Growth for the four-star and three-star categories was 5.7% and 2.7%, respectively. Occupancy levels have shown a smaller increase this year (compared to 2003/04), as markets now have a higher base against which to benchmark their growth.

In terms of RevPAR (Rooms Revenue per Available Room), all star categories experienced

Table3: **Key Operating Characteristics by Hotel Classification – Occupancy**

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	12-Month Growth*	Compounded Growth
Overall Average	66.5%	62.9%	57.1%	55.4%	53.9%	57.2%	51.6%	57.2%	64.8%	69.4%	7.1%	0.5%
Five-star Deluxe	74.0%	67.6%	62.0%	60.2%	58.3%	60.9%	52.2%	59.3%	65.0%	70.7%	8.8%	-0.5%
Five-star	67.5%	65.7%	58.5%	56.4%	55.7%	56.1%	51.4%	57.0%	66.8%	71.7%	7.3%	0.7%
Four-star	57.9%	60.5%	58.2%	55.9%	53.2%	58.7%	52.7%	56.4%	68.7%	72.6%	5.7%	2.5%
Three-star	51.5%	49.2%	47.0%	48.2%	47.7%	48.8%	49.7%	53.6%	59.6%	61.2%	2.7%	1.9%

* Growth in 2004/05 (in absolute terms) expressed as percentage of the figure for 2003/04

Table4: Key Operating Characteristics by Hotel Classification – Average Rate (Indian Rupees)

	1995/96 Rs.	1996/97 Rs.	1997/98 Rs.	1998/99 Rs.	1999/00 Rs.	2000/01 Rs.	2001/02 Rs.	2002/03 Rs.	2003/04 Rs.	2004/05 Rs.	12-Month Growth*	Compounded Growth
Overall Average	3,025	3,688	3,986	3,903	3,505	3,731	3,467	3,269	3,569	4,308	**20.7%**	**4.0%**
Five-star Deluxe	4,019	4,991	5,613	5,572	4,910	5,102	4,668	4,335	4,686	5,587	**19.2%**	**3.7%**
Five-star	2,515	3,044	3,315	3,516	3,368	3,447	3,277	3,114	3,372	4,188	**24.2%**	**5.8%**
Four-star	1,418	1,825	2,538	2,296	2,168	2,392	2,368	2,246	2,580	3,244	**25.7%**	**9.6%**
Three-star	1,212	1,432	1,543	1,457	1,505	1,673	1,696	1,669	1,670	1,878	**12.5%**	**5.0%**

** Growth in 2004/05 (in absolute terms) expressed as percentage of the figure for 2003/04*

Table5: Key Operating Characteristics by Hotel Classification – Average Rate (US Dollars)

	1995/96 US$	1996/97 US$	1997/98 US$	1998/99 US$	1999/00 US$	2000/01 US$	2001/02 US$	2002/03 US$	2003/04 US$	2004/05 US$	12-Month Growth*	Compounded Growth
Overall Average	93.39	104.19	109.80	90.24	80.58	83.10	73.45	67.83	77.59	95.97	**23.7%**	**0.3%**
Five-star Deluxe	124.00	141.00	154.62	128.14	112.86	113.64	98.90	89.94	101.87	124.43	**22.1%**	**0.0%**
Five-star	78.00	89.00	91.31	78.57	77.42	76.77	69.43	65.23	73.31	93.28	**27.2%**	**2.0%**
Four-star	44.00	52.00	69.92	61.19	49.97	53.27	50.17	46.59	56.09	72.26	**28.8%**	**5.7%**
Three-star	37.00	40.00	42.51	37.03	34.59	37.27	35.93	34.63	36.31	41.84	**15.2%**	**1.4%**

** Growth in 2004/05 (in absolute terms) expressed as percentage of the figure for 2003/04*

Table6: Key Operating Characteristics by Hotel Classification – RevPAR (Indian Rupees)

	1995/96 Rs.	1996/97 Rs.	1997/98 Rs.	1998/99 Rs.	1999/00 Rs.	2000/01 Rs.	2001/02 Rs.	2002/03 Rs.	2003/04 Rs.	2004/05 Rs.	12-Month Growth*	Compounded Growth
Overall Average	2,012	2,320	2,276	2,162	1,889	2,134	1,789	1,870	2,313	2,990	**29.3%**	**4.5%**
Five-star Deluxe	2,974	3,374	3,480	3,354	2,863	3,107	2,437	2,571	3,046	3,950	**29.7%**	**3.2%**
Five-star	1,698	2,000	1,939	1,983	1,876	1,934	1,684	1,775	2,252	3,003	**33.3%**	**6.5%**
Four-star	821	1,104	1,477	1,283	1,153	1,404	1,248	1,267	1,772	2,355	**32.9%**	**12.4%**
Three-star	624	705	725	702	718	816	843	895	995	1,149	**15.5%**	**7.0%**

** Growth in 2004/05 (in absolute terms) expressed as percentage of the figure for 2003/04*

Table7: Key Operating Characteristics by Hotel Classification – RevPAR (US Dollars)

	1995/96 US$	1996/97 US$	1997/98 US$	1998/99 US$	1999/00 US$	2000/01 US$	2001/02 US$	2002/03 US$	2003/04 US$	2004/05 US$	12-Month Growth*	Compounded Growth
Overall Average	62.10	65.54	62.70	49.99	43.43	47.53	37.90	38.80	50.28	66.60	**32.5%**	**0.8%**
Five-star Deluxe	91.76	95.32	95.86	77.14	65.81	69.21	51.63	53.33	66.22	87.97	**32.9%**	**-0.5%**
Five-star	52.65	58.47	53.42	44.31	43.12	43.07	35.69	37.18	48.97	66.88	**36.6%**	**2.7%**
Four-star	25.48	31.46	40.69	34.21	26.58	31.27	26.44	26.28	38.53	52.46	**36.1%**	**8.4%**
Three-star	19.06	19.68	19.98	17.85	16.50	18.19	17.86	18.56	21.64	25.61	**18.3%**	**3.3%**

** Growth in 2004/05 (in absolute terms) expressed as percentage of the figure for 2003/04*

healthy growth in 2004/05. Five-star hotels experienced the maximum growth in Rupee terms (33.3%) followed by four-star hotels (32.9%) and five-star deluxe hotels (29.7%). The three-star segment witnessed the least improvement (15.5%). In US Dollar terms the five-star segment showed the highest increase (36.6%), followed by the four-star (36.1%) and five-star deluxe (32.9%) segments.

Table 8 illustrates hotel occupancy for ten key cities in India, between 1995/96 and 2004/05. Tables 9 and 10 show average rates for each of these hotel markets, expressed in Rupees and US Dollars, respectively. Tables 11 and 12 present the corresponding RevPAR data for each city. In 2004/05, Ahmedabad saw the highest occupancy growth (16.8%), followed by Agra (16.4%) and Jaipur (14.3%). For the second year in a row Agra and Jaipur, both part of the much-popular Golden Triangle, witnessed their highest occupancy increase, thanks to sustained demand from domestic travellers and higher foreign tourist arrivals.

Demand for the Goa market continues to remain strong when we take into account the supply addition during 2002/03. Occupancy growth in Goa was 5.9% in 2004/05. The NCR currently has among the largest number of branded hotel rooms in the country and occupancy grew by an impressive 8.1%, indicating strong demand trends across all market segments and feeder markets. Mumbai, on the other hand, witnessed a 3.9% increase. During 2004/05, marketwide occupancy for Mumbai showed a much flatter growth; this can be attributed to a larger room inventory, owing to an increase in supply, especially in the branded five-star deluxe and five-star categories. Contrary to market perceptions, the cyber cities of Bangalore and Hyderabad had the lowest annual growth in occupancy amongst the ten cities. Bangalore witnessed a small increase of 2.5% while the Hyderabad market grew only at 2.2%. The lack of room availability continues to be acute in these markets resulting in a huge level of unaccommodated demand, which is now being catered to by standalone hotels and serviced apartments. Also, the existing rates in markets such as Bangalore are compelling a large section of corporate travellers to make adjustments in terms of their hotel preferences.

In terms of average rate (Rupee terms), Bangalore continues to be the rate leader for the second consecutive year, witnessing a rate growth of 63.1% in 2004/05. Riding on strong corporate and extended-stay demand, Hyderabad witnessed a rate increase of 25.7%. Moreover, for the first time in ten years, highly seasonal markets such as Ahmedabad, Agra, Jaipur and Goa all witnessed an annual growth of 20.0% or higher. This is an astonishing achievement and points to the strong potential offered by secondary markets and leisure destinations for new hotel development, in the present scenario of robust demand trends and very low room inventory.

The four main metro cities - Delhi, Mumbai, Chennai and Kolkata - continued to witness a steady improvement in average rate for the second year in a row. Average rate growth in Delhi was 21.8% while rates in Mumbai went up by 13.8%. Chennai and Kolkata, which have traditionally remained price sensitive markets, witnessed a modest growth of 10.2% and 6.4%, respectively. In US Dollar terms, growth in average rate in 2004/05 was highest for Bangalore (67.6%), followed by Hyderabad (30.0%). Agra, Ahmedabad, Goa and Jaipur witnessed growth in the 20.0% range. The Kolkata and Chennai markets registered the lowest increase.

Based on the development status of various hotel projects across the ten cities studied, our assessment is that over the next 24-36 months, most hotels across star categories will be able to maximize yields and prices will move up. Our research indicates that the majority of hotel markets in India follow a one-year lag period before rates start moving upwards; for the next three years, most markets have the potential to register average annual growth in the range of 20-25%. The planned addition to supply will start a rate rationalisation process and rates are likely to flatten starting the last quarter of 2007.

In terms of RevPAR growth in 2004/05, Bangalore (67.3%) was in number one position, followed by Agra (44.4%), Ahmedabad (42.8%) and Jaipur (38.2%). The emergence of secondary markets as RevPAR leaders has taken place for the first time, pointing to the potential of these locations for hotel development. The four metro cities also performed well in terms of RevPAR, with the NCR market appreciating by 31.6%, Mumbai growing by 18.2%, and Chennai and Kolkata showing an increase of 18.6% and 17.7%, respectively.

In the short term, RevPAR performance in primary markets that include the four metros, Bangalore and Hyderabad is likely to be a function of rate improvements in each individual markets. These cities have realised their peak potential in terms of occupancy growth, and further increases are likely to follow a much flatter growth trajectory. Due to the limited availability of rooms, these markets will witness higher average rate growth. RevPAR performance in secondary destinations, both commercial and leisure, will depend upon demand growth from key markets and occupancy improvement is likely to be the most important driver. Secondary markets, typically, have substantially higher rate sensitivity, resulting in longer rate maturity periods.

Table8: **Key Operating Characteristics by Major City – Occupancy**

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	12-Month Growth*	Compounded Growth
Agra	47.6%	51.7%	46.1%	46.4%	40.1%	42.5%	33.7%	30.7%	50.0%	58.2%	16.4%	2.3%
Ahmedabad	55.7%	65.8%	71.8%	58.0%	50.8%	55.8%	53.2%	53.8%	63.2%	73.8%	16.8%	3.2%
Bangalore	71.3%	67.2%	61.2%	59.0%	64.4%	69.8%	64.3%	72.0%	78.5%	80.5%	2.5%	1.4%
Chennai	84.6%	80.2%	68.4%	64.7%	65.3%	64.6%	56.5%	58.3%	66.6%	71.7%	7.7%	-1.8%
Delhi	71.7%	67.3%	60.2%	54.1%	52.9%	58.9%	53.3%	60.4%	73.1%	79.0%	8.1%	1.1%
Goa	62.1%	58.4%	59.2%	58.6%	53.3%	60.6%	53.6%	60.5%	59.3%	62.8%	5.9%	0.1%
Hyderabad	58.1%	54.8%	53.4%	66.0%	61.3%	69.1%	68.0%	68.9%	75.9%	77.6%	2.2%	3.3%
Jaipur	52.2%	58.4%	51.7%	45.6%	47.0%	55.0%	48.3%	44.9%	58.8%	67.2%	14.3%	2.8%
Kolkata	63.8%	55.9%	61.8%	57.8%	54.8%	62.9%	66.4%	65.4%	62.8%	69.5%	10.7%	1.0%
Mumbai	81.0%	73.0%	65.3%	67.6%	64.5%	64.6%	52.0%	63.4%	69.7%	72.4%	3.9%	-1.2%

** Growth in 2004/05 (in absolute terms) expressed as percentage of the figure for 2003/04*

Table9: **Key Operating Characteristics by Major City – Average Rate (Indian Rupees)**

	1995/96 Rs.	1996/97 Rs.	1997/98 Rs.	1998/99 Rs.	1999/00 Rs.	2000/01 Rs.	2001/02 Rs.	2002/03 Rs.	2003/04 Rs.	2004/05 Rs.	12-Month Growth*	Compounded Growth
Agra	1,593	1,826	2,027	1,906	1,638	1,586	1,840	1,954	2,431	3,015	24.0%	7.3%
Ahmedabad	2,132	2,678	1,833	2,220	2,705	2,736	2,354	2,164	2,410	2,948	22.3%	3.7%
Bangalore	2,300	3,136	3,451	3,254	3,025	3,602	3,735	3,752	4,832	7,881	63.1%	14.7%
Chennai	2,779	3,540	3,977	3,600	3,424	3,796	3,535	3,224	3,323	3,662	10.2%	3.1%
Delhi	3,054	4,007	4,913	4,626	4,115	4,526	4,338	4,089	4,269	5,200	21.8%	6.1%
Goa	2,220	2,347	2,303	2,863	2,727	2,914	2,676	2,754	3,086	3,764	22.0%	6.0%
Hyderabad	1,499	1,604	1,646	1,579	1,867	2,316	2,414	2,541	2,774	3,488	25.7%	9.8%
Jaipur	1,518	1,836	2,473	2,533	2,514	2,902	2,949	2,728	2,980	3,604	20.9%	10.1%
Kolkata	3,104	3,556	3,951	3,888	3,557	3,698	3,409	2,917	3,021	3,213	6.4%	0.4%
Mumbai	5,137	6,229	6,169	6,297	5,661	5,555	4,932	4,184	4,356	4,955	13.8%	-0.4%

** Growth in 2004/05 (in absolute terms) expressed as percentage of the figure for 2003/04*

Table10: Key Operating Characteristics by Major City – Average Rate (US Dollars)

	1995/96 US$	1996/97 US$	1997/98 US$	1998/99 US$	1999/00 US$	2000/01 US$	2001/02 US$	2002/03 US$	2003/04 US$	2004/05 US$	12-Month Growth*	Compounded Growth
Agra	49	52	56	50	38	35	39	41	53	67	**26.4%**	**3.5%**
Ahmedabad	66	76	50	53	62	61	50	45	52	66	**26.9%**	**0.0%**
Bangalore	71	89	95	81	70	80	79	78	105	176	**67.6%**	**10.6%**
Chennai	86	100	110	89	79	85	75	67	72	82	**13.9%**	**-0.5%**
Delhi	94	113	135	111	95	101	92	85	93	116	**24.7%**	**2.4%**
Goa	69	66	63	73	63	65	57	57	67	84	**25.4%**	**2.2%**
Hyderabad	46	45	45	39	43	52	51	53	60	78	**30.0%**	**6.0%**
Jaipur	47	52	68	62	45	65	62	57	65	80	**23.1%**	**6.1%**
Kolkata	96	100	109	88	82	82	72	61	66	72	**9.1%**	**-3.1%**
Mumbai	159	176	170	138	130	124	104	87	95	110	**15.8%**	**-4.0%**

** Growth in 2004/05 (in absolute terms) expressed as percentage of the figure for 2003/04*

Table11: Key Operating Characteristics by Major City – RevPAR (Indian Rupees)

	1995/96 Rs.	1996/97 Rs.	1997/98 Rs.	1998/99 Rs.	1999/00 Rs.	2000/01 Rs.	2001/02 Rs.	2002/03 Rs.	2003/04 Rs.	2004/05 Rs.	12-Month Growth*	Compounded Growth
Agra	758	944	934	884	657	674	620	600	1,216	1,755	**44.4%**	**9.8%**
Ahmedabad	1,188	1,762	1,316	1,288	1,374	1,527	1,252	1,164	1,523	2,176	**42.8%**	**7.0%**
Bangalore	1,640	2,107	2,112	1,920	1,948	2,514	2,402	2,701	3,793	6,344	**67.3%**	**16.2%**
Chennai	2,351	2,839	2,720	2,329	2,236	2,452	1,997	1,880	2,213	2,626	**18.6%**	**1.2%**
Delhi	2,190	2,697	2,958	2,503	2,177	2,666	2,312	2,470	3,121	4,108	**31.6%**	**7.2%**
Goa	1,379	1,371	1,363	1,678	1,453	1,766	1,434	1,666	1,830	2,364	**29.2%**	**6.2%**
Hyderabad	871	879	879	1,042	1,144	1,600	1,642	1,751	2,105	2,707	**28.6%**	**13.4%**
Jaipur	792	1,072	1,279	1,155	1,182	1,596	1,424	1,225	1,752	2,422	**38.2%**	**13.2%**
Kolkata	1,980	1,988	2,442	2,247	1,949	2,326	2,264	1,908	1,897	2,233	**17.7%**	**1.3%**
Mumbai	4,161	4,547	4,028	4,257	3,651	3,589	2,565	2,653	3,036	3,587	**18.2%**	**-1.6%**

** Growth in 2004/05 (in absolute terms) expressed as percentage of the figure for 2003/04*

Table12: Key Operating Characteristics by Major City – RevPAR (US Dollars)

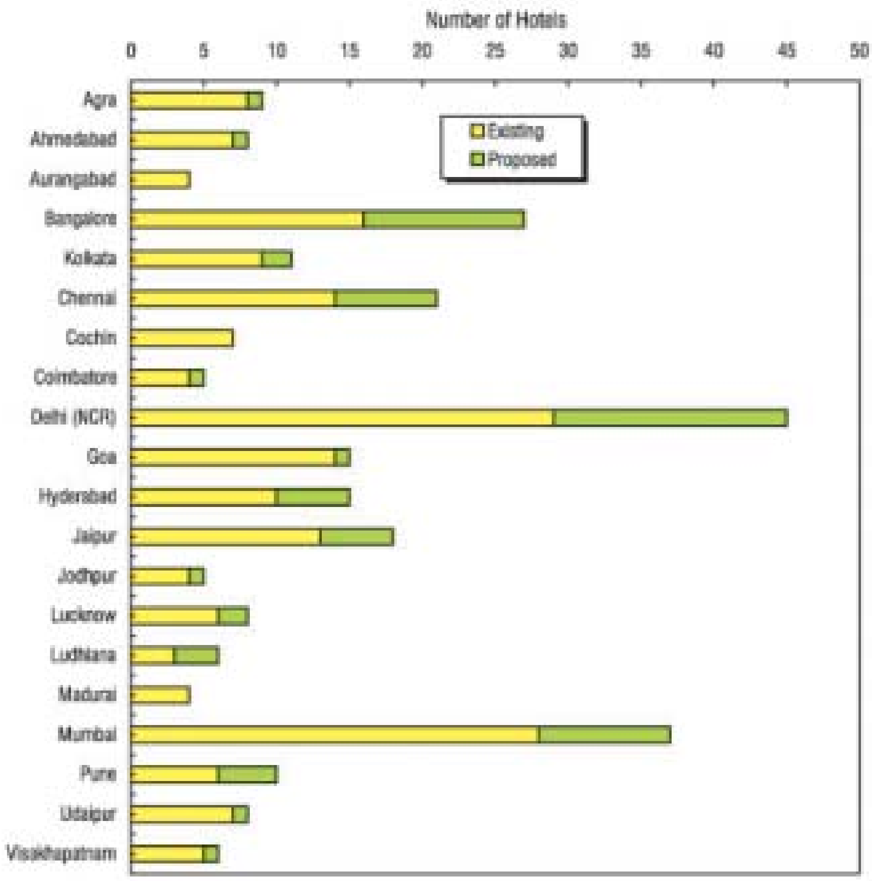
	1995/96 US$	1996/97 US$	1997/98 US$	1998/99 US$	1999/00 US$	2000/01 US$	2001/02 US$	2002/03 US$	2004/04 US$	2004/05 US$	12-Month Growth*	Compounded Growth
Agra	23	27	26	23	15	15	13	13	27	39	**53.6%**	**5.9%**
Ahmedabad	37	50	36	31	31	34	27	24	33	49	**43.1%**	**3.2%**
Bangalore	51	60	58	48	45	56	51	56	82	142	**117.1%**	**12.1%**
Chennai	73	80	75	58	52	55	42	39	48	59	**14.9%**	**-2.3%**
Delhi	67	76	81	60	50	59	49	51	68	92	**35.1%**	**3.5%**
Goa	43	39	37	43	34	39	31	34	40	53	**30.4%**	**2.3%**
Hyderabad	27	25	24	26	26	36	35	37	46	61	**56.1%**	**9.5%**
Jaipur	25	30	35	28	21	36	30	26	38	54	**63.3%**	**9.1%**
Kolkata	61	56	67	51	45	52	48	40	41	50	**14.0%**	**-2.2%**
Mumbai	129	128	111	93	84	80	54	55	66	80	**10.4%**	**-5.2%**

** Growth in 2004/05 (in absolute terms) expressed as percentage of the figure for 2003/04*

Hotel Supply

In the past year, much has been talked about the insufficient inventory of quality accommodation across India. The recent boom witnessed many hotel markets in India and expectations of strong room night demand in the forthcoming years has brought about a renewed interest on the part of real estate developers in hotel projects. In the last one year, several new hotels have been announced in high-growth markets such as Bangalore, Hyderabad and Gurgaon. Market surveys conducted recently by HVS at the above three locations have identified 65 hotel projects, under various stages of development, that will together provide an additional inventory of approximately 13,500 rooms. Taking into account the nature of demand, customer demographics, key feeder markets and market segmentation we believe that Bangalore, Hyderabad and Gurgaon would be close to saturation, should all the planned supply actually be developed. The cumulative addition to supply for Mumbai, Chennai and Kolkata is likely to be 35 hotels with an inventory of 8,000 rooms. The demand for hotel accommodation in the latter three markets has been determined using a mixed portfolio of market segments and diverse key feeder markets. The lack of seasonality also improves these cities' overall potential and our estimate is that the planned supply will be readily absorbed, taking into account projections of double-digit annual demand growth over a three to five year horizon. In Mumbai, for example, while new hotels have commenced operations in the last three to four years, strong demand conditions have ensured consistent marketwide growth, both in terms of average rate and occupancy. According to our estimates, the combined inventory in branded business and luxury hotels across the ten cities stands at 22,400 rooms. We expect this supply to increase by 85-90% in the next five years.

Table13: **Distribution of Existing and Proposed Branded Hotels by Major City**



Source: HVS International Research

An encouraging development in 2004/05 has been the number of hotel projects announced in secondary cities such as Pune, Jaipur, Agra and Ahmedabad. Unlike metro cities, which are expected to witness new room additions to an existing mature level of room inventory, the secondary markets will grow from a much smaller base. Thus, supply additions are not likely to impact market occupancies, owing to large levels of unaccommodated demand that would be absorbed by the planned supply. A classic example is that of Goa, where the total room inventory in the branded hotel segment literally doubled, between 2002 and 2003. Industry observers had indicated that marketwide performance would suffer tremendously. Instead, the addition to supply was matched with strong year round demand from domestic inbound travel and MICE segments, the market continued to perform well and is now on a consistent growth curve.

Going forward, the biggest challenge, given the present supply scenario, will be the availability of quality sites for hotel projects. Site location, accessibility, visibility and proximity to key demand areas are critical factors for long terms feasibility of hotels and lack of good sites would have a negative impact on the supply front. The real estate market, too, has seen its best times in the last two years, and existing land prices across most cities are somewhat prohibitive, especially for standalone property developers.

Future Trends

Having researched various markets and conducted surveys for the past nine years, we have had a unique opportunity to understand hotel industry trends that have now witnessed a complete cycle. The industry was at its peak during 1995/96 and maintained a consistent trend over the following three years. In 1999, India carried out a nuclear weapons test; this was soon followed by the Kargil conflict between India and Pakistan. Relations between the two countries were unfriendly and this uncertainty had a huge impact on travel. From 2001 onwards, a series of international events such as 9/11, the SARS outbreak and the US war in Iraq further affected commercial demand and international tourist traffic. Hotel markets across most of the world witnessed an occupancy decline; however, in India, this impact was for a relatively smaller time period. Strong demand from domestic leisure travel and continued travel within India, especially business travel, enabled hotel demand to grow. In 2003/04, most hotel markets had recovered, across all star categories, and were recording impressive growth in terms of occupancy. In the last 12-18 months, hotel operators have been able to optimize demand and implement proactive rate management strategies. The average rate performance in the majority of markets clearly reflects this. With projections of strong demand growth and limited addition to supply expected, most cities are likely to maintain high occupancies and witness average rate growth in the range of 25-30%, annually, for the next three years.

Table 14 presents key operating statistics for five-star deluxe and five star hotels in key cities, for the period April to August 2005. Comparisons with the corresponding period last year have also been presented, to illustrate the extent of change.

Performance trends for the first five months of 2005 are encouraging. Most markets that have registered strong growth are continuing to show marginal increase in occupancy accompanied by very strong rate performance. In 2004/05, occupancy growth in Kolkata and Chennai was much flatter; these markets showed impressive gains more recently, in the first quarter of 2005. Rate growth in these markets does not mirror demand growth; as mentioned earlier, Kolkata and Chennai have traditionally been rate sensitive markets and we estimate that both cities will see strong rate growth from the third quarter of 2005.

Occupancy growth for Hyderabad has been small and Bangalore actually had a small decline in occupancy despite a decrease in room supply due to renovations. However, it is the same demand-supply imbalance that continues to allow hotels in Bangalore to charge rates in the US$250 to US$300 range and our estimate is that in the next financial year, rates in both markets (Bangalore and Hyderabad) will grow at approximately 20-25%. With new supply being phased in starting early 2007, there will be rate consolidation, and both rate and occupancy are expected to stabilise by 2008.

Table 14: **Supply and Demand Analysis: April - August 2005 vs. April - August 2004**

	Room supply per day			Rooms occupied per day			Occ%			Average Daily Rate (ADR)			RevPAR		
	Apr-Aug 2004	Apr-Aug 2005	Var	Apr-Aug 2004	Apr-Aug 2005	Var	Apr-Aug 2004	Apr-Aug 2005	Var	Apr-Aug 2004	Apr-Aug 2005	Var	Apr-Aug 2004	Apr-Aug 2005	Var
Bangalore	1,534	1,470	-4.2%	1,231	1,161	-5.7%	80%	79%	-1.6%	7,231	8,894	23.0%	5,803	7,024	21.1%
Chennai	1,388	1,624	17.0%	955	1186	24.2%	69%	73%	6.1%	3,675	4,728	28.7%	2,529	3,453	36.6%
Goa	1,598	1,720	7.6%	686	980	42.9%	43%	57%	32.7%	3,237	3,785	16.9%	1,390	2,157	55.2%
Hyderabad	1,034	1,034	0.0%	755	825	9.3%	73%	80%	9.3%	3,400	4,747	39.6%	2,483	3,788	52.6%
Kolkata	1,150	1,150	0.0%	623	762	22.3%	54%	66%	22.3%	3,128	3,477	11.2%	1,695	2,304	36.0%
Mumbai	5,159	5,653	9.6%	3,165	3,828	20.9%	61%	68%	10.4%	4,882	5,658	15.9%	2,995	3,831	27.9%
New Delhi	5,303	5,314	0.2%	3,359	3,772	12.3%	63%	71%	12.1%	4,100	6,011	46.6%	2,597	4,267	64.3%

Source: HVS International Research

Interestingly, Goa remains the most underestimated market among the major cities and we have been recommending this market for development for the past 2-3 years. It continues to see the highest demand growth in the current year with reasonably strong average rate increase. In terms of RevPAR the market, in the first five months of 2005, has grown by 55.2%, second only to New Delhi (64.3%) and slightly ahead of Hyderabad (52.6%).

Mumbai and Delhi continue to witness strong commercial demand and we expect annual occupancy growth in the region of 12-15% accompanied by 20-25% growth in average rates in 2005/06. The Commonwealth Games to be hosted in New Delhi in 2010 is also likely to induce strong demand and greatly assist in the absorption of additional supply in the market.

A buoyant economy, robust corporate results and a booming stock market are strong indicators for surging domestic leisure demand. Foreign tourist arrivals have grown by 16.0% for first eight months of 2005. The period from October to January is considered the peak season across most leisure destinations and demand is likely to further improve during this period. Continued demand growth from the domestic as well as the foreign travel circuits will lead to higher occupancies and rates across all key leisure destinations. We also strongly believe that for the next five years, secondary markets will benefit the most, with improved air connectivity to other cities and the development of national highway infrastructure. With limited room inventory base and very little supply addition, existing hotels in these markets will gain the most.

Opportunities

Our research and market analyses lead us to conclude that hotels positioned between budget and mid-market levels and having an international brand affiliation continue to provide the most attractive opportunities, across most secondary markets. Over the last 12-18 months high growth markets such as Bangalore, Hyderabad and Gurgaon have seen aggressive hotel development activity, and these cities could face a scenario of oversupply in three to four years. A wise strategy for these cities would be to observe the progress of projects under development, as well as demand trends, before an investment decision is taken.

The four main metros and Goa continue to present the best opportunity for luxury hotel development. While these markets have the largest room inventory much commercial development is taking place, especially in the city suburbs. There is a strong positive correlation between hotel demand and commercial development, and factors such as airline seat capacity expansion, growing number of domestic budget airlines and improved frequency will further enhance demand from the transient and airline market segments.

A keen observer of the hotel market would agree that India has been guilty of following a herd mentality when it comes to hotel locations. Almost all development strategies are directed towards projects in the main city centre of high growth markets. Over the next three to five years, the biggest surge in demand is expected to come from commercial zones that are being developed in metro suburbs and secondary markets. This provides a unique opportunity for hotels. Areas such as Whitefield in Bangalore, Navi Mumbai, Manesar near Gurgaon, the International Airport commercial zone in Hyderabad, Rajarhat and Salt Lake City in Kolkata, Kharadi and Kalyani Nagar in Pune, and the Ahmedabad-Ghandinagar highway will witness large levels of commercial development and are attractive locations for new hotel projects.

The lead time for developing a hotel project in India is approximately 24-36 months and it is important to understand the commercial development trends in a market. Mixed-use development projects that include a hotel, retail and commercial space have gained momentum in the last 24 months and will continue to be an attractive option for developments in large land parcels. Key tourist destinations, such as Jaipur and other cities of historical importance in Rajasthan, Himachal Pradesh, Goa and Kerala will witness integrated tourism projects. The relatively newer concept of weekend travel is poised to gain further momentum with a growing economy and higher disposable incomes, and leisure destinations in close proximity to metro cities will benefit from this trend. Moreover, the developments and expansions planned in the IT & ITeS and BPO segments remain encouraging. The entry of new companies, typically, generates significant room night demand during the start-up period, as processes are set up and executives travel for training. This category of hotel customer ensures a relatively strong base of demand due to a comparatively higher average length of stay.

In most hotel markets, insufficient availability and high room rates create conditions that are not conducive for large international conferences to be held. Logistical bottlenecks in these markets also pose a problem. Post 2007, once several markets see an increase in supply, most hotels would adopt an aggressive marketing strategy for the MICE segment and demand from this category is likely to rebound strongly.

In India, as in other markets across the world, large additions to room supply in hotels calls for investments worth millions of dollars. Availability of finance for funding hotel projects has, traditionally, been an important area of concern. However, promising demand conditions and the industry's strong growth potential has radically changed the way most financial institutions, banks and foreign investment funds look at India today. In the last six months, HVS International has had the opportunity to interact with the representatives of at least twelve foreign investment funds, and we believe that finance is no longer a big issue for a viable project in a good location. Hotel management companies and international brands are also open to considering equity participation in projects, opening new opportunities for the industry.

The outlook for the hospitality market in India is optimistic and will continue to remain so, in our opinion. The economy's buoyancy, initiatives to improve infrastructure, growth in the aviation and real estate sectors and easing of restrictions on foreign investment and, perhaps, most importantly, efforts to make peace with neighbouring Pakistan will fuel demand for hotels across star categories in the majority of markets. India's hotel industry is increasingly being viewed as investment-worthy, both within the country and outside, and several international chains are keen to establish or enhance their presence here. We anticipate that, over the next three to five years, India will emerge as one of the world's fastest growing tourism markets and will be hard to ignore.

Tables 15 to 17 provide a graphical representation of operating statistics for key cities in India for the period 1995/96 till 2004/05.

Table15: Occupancy by Major City (1995/96 - 2004/05

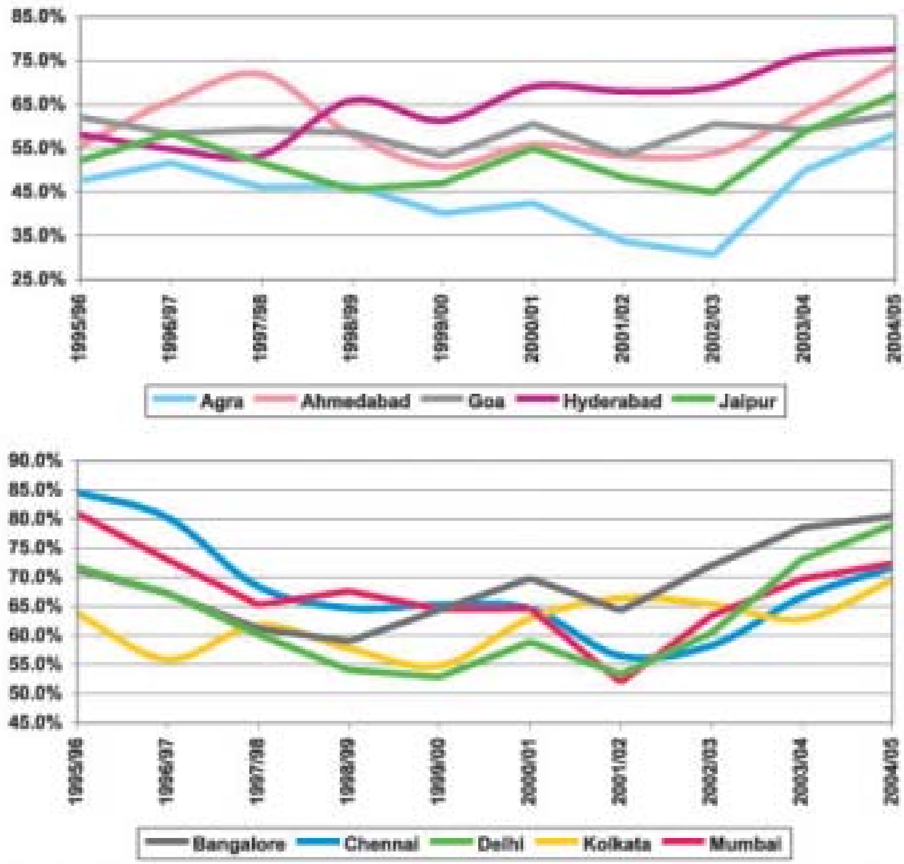
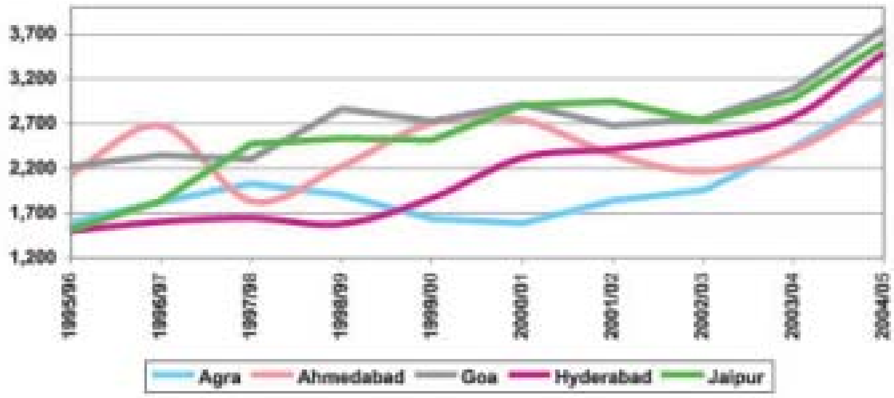


Table16: Average Rate bv Maior Citv (1995/96 - 2004/05)



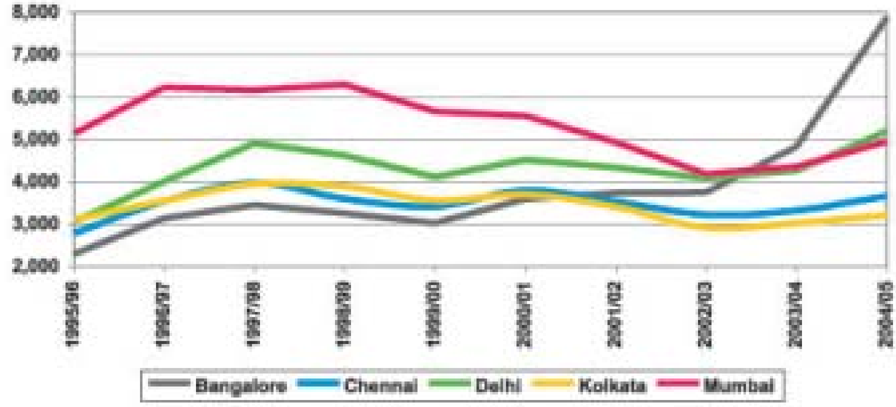
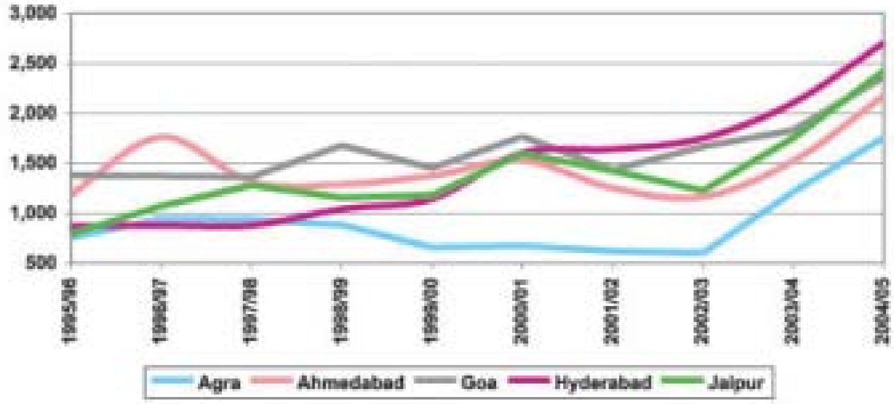
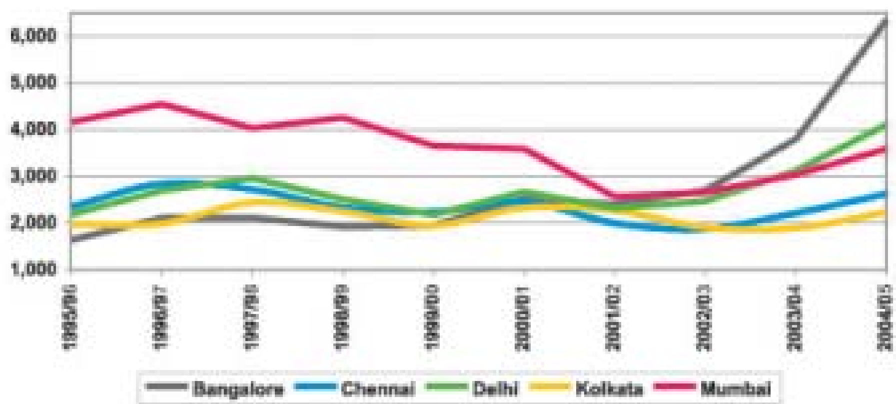


Table17: RevPAR by Major City (1995/96 - 2004/05)





FROM POACHING SALMON TO POACHING HOTEL EMPLOYEES!

A series of ambitious economic reforms aimed at deregulating the country and stimulating foreign investment has moved India firmly into the front ranks of rapidly growing Asia Pacific region. Today, India is one of the most exciting emerging markets in the world. Skilled managerial and technical manpower that match the best available in the world and an educated middle class whose size exceeds the population of the USA or the European Union, provide India with a distinct cutting edge in global competition. This increasing transformation means a more complex economy that demands more sophisticated talent, with global acumen, multi-cultural fluency, technological literacy, entrepreneurial skills and the ability to manage increasingly 'delayered' organizations.

In today's competitive market environment it is widely known that organizations compete head-to-head with rival firms for control of customers, market share and revenue to achieve a leadership position in their chosen mode of operations. With Indian industry all set for the next big leap, the gaps in manpower demand and supply are beginning to show. Poaching of priced talent is rampant and companies across the board from media to telecom are being bled white. Be it the nascent biotech industry or other promising sectors, compelling business pressures and demanding deadlines are facilitating this 'guerrilla warfare' by a subtle name – poaching. The Indian hospitality industry is no exception and is also witnessing a large exodus of employees to other industries that find high performing hotel employees a cherry pick!

Here's our summary evaluation of the issue at hand….

Today, the coming together of different corporate psychologies in a competitive business environment makes a hotel professional move from one hotel to another and on a larger canvas makes him move out of the hotel industry to other sectors. The reasons could be many…a different work challenge, the expectation of faster career growth, aspirations for better work-life balance, a hospitality career being a poor fit with one's personality, or a combination of some of these factors. Last but not the least, the temptation of better pay is, more often than not, a prime driver. Research shows that money is like Prozac. Neither necessarily makes you happy, however assists in preventing different forms of unhappiness -----in the case of the former, less financial anxiety, affording better housing, better and bigger car, good schooling for the children, metro locations and softer loans. To summarize, it's a fine mix of employee aspirations, the mirage of other sectors and the finesse of an executive search firm that leads to poaching from hotels!

So who are the 'poachers'? A growing list of industries and sectors, that are witnessing hectic activity, expansions and are passing through a boom. A brief sectoral analysis is presented.

Retail - Market liberalization and an increasingly assertive metropolitan consumer population is now sowing the seeds of a prolonged retail transformation in India. The retail boom witnessed in India over the last 18-24 months has started bringing in bigger Indian and multinational operators on to the Indian retail scene. International brands such as Wal-Mart, Tesco and Carrefour are eyeing India as their next expansion destination. According to a recent study undertaken by the Associated Chambers of Commerce and Industry of India (ASSOCHAM), organized retail is expected to register an annual growth of 6.0% over the next five years and touch total business of US$17bn against its current business volume of US$6bn. According to India Retail Report 2005 conducted by KSA Technopak, India's distinct advantage is that it is amongst the least saturated of all major global markets in terms of penetration of modern retailing formats. Amusement park, convention centre, serviced apartments and hotel are some mixed-use concepts that are being combined with retail to present a complete product mix. The opening up of the retail sector in India throws major challenges to the hotels for a majority of retail functions are identical and it enables the retail players to go higher in the hierarchy of poaching, targeting mid to top level executives across key functional areas.

Aviation - International and domestic travel in India is growing by leaps and bounds. It has been estimated that the aviation sector in India is likely to witness a 20.0% YOY growth over the next five years in passenger traffic from the existing almost. The entry of several low cost airlines in the domestic market, the "Open Sky Policy" that provides an opportunity for domestic carriers to fly to international destinations and keen focus by the central government on airport infrastructure development are key growth drivers for the sector. In the aviation sector today, apart from trained pilots, engineers and operational staff, there is also a great need for trained staff that can manage key functions such as reservations, yield management, guest relations, sales and marketing. Attractive perks and role enhancement make hotel employees a soft target for poaching since they come with specific expertise, are highly presentable, well spoken and are trained in customer service and guest interactions.

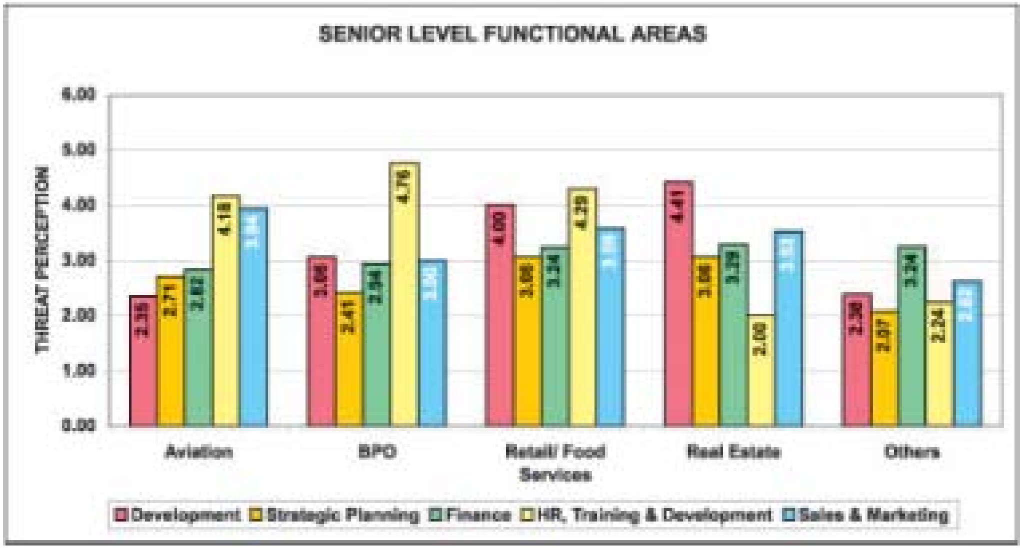
Business Process Outsourcing - According to NASSCOM, the projected revenue of the BPO industry in India is expected to touch US$12bn in 2006. The sector hired an average of 400 people on every working day of the year in 2004/05. With annual growth projected at 11.0%, the sector is expected to employ over 1.2 million people by 2008. Various BPOs in India have enhanced their service portfolio by handling knowledge-based activities like budgeting or resource planning, giving their customers access to a complete menu of end-to-end processes in functional areas like HR, finance and customer care growth. With their economic success BPOs are now moving up the value chain and many such outfits are being transformed into Knowledge Process Outsourcing companies or KPOs. The global KPO sector is expected to grow at a CAGR of over 45% to reach US$17 billion by 2010. India, with its highly qualified professionals well versed with the English language, is emerging as the location of choice for a wide variety of KPO work.

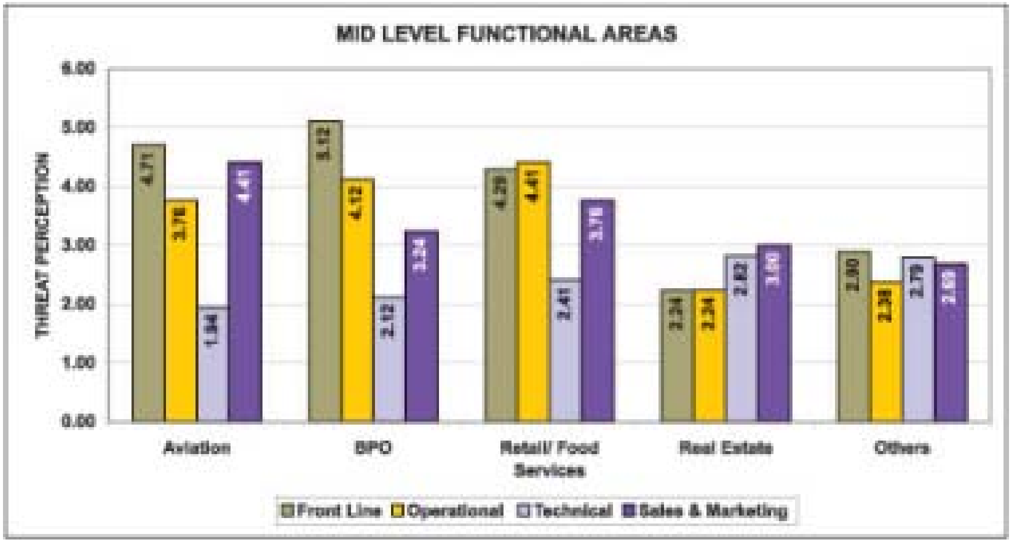
BPO industry is on a spree to hire hotel industry graduates. The hospitality industry in India today employs a large number of young executives in different areas of hotel operations. These employees are well trained in different aspects of guest service and interaction, have excellent service orientation and command over English. There is also demand for good chefs, stewards and housekeepers to undertake facilities management related functions. Flexible work schedules, an informal work environment and good pay are some aspects that facilitate the movement of employees from hotels to the BPO industry.

Real Estate - The commercial and residential real estate industry in India is moving closer to the people. No longer a purview of larger-than-life egos and insatiable developers, the real estate industry is more focused on the wants and needs of the consumer. The industry is emphasizing more on branding, and on the marketing of buildings as products that can provide 'experiences'. The real

Exhibit 1

	Sectors						
Functional Areas	Aviation	BPO	Retail/ Food Services	Real Estate	Others	Total	Rank
Mid Level							
Front Line	4.71	5.12	4.29	2.24	2.90	19.25	1
Operational	3.76	4.12	4.41	2.24	2.38	16.91	3
Technical	1.94	2.12	2.41	2.82	2.79	12.09	4
Sales & Marketing	4.41	3.24	3.76	3.00	2.69	17.10	2
Senior Level							
Development	2.35	3.06	4.00	4.41	2.38	16.20	3
Strategic Planning	2.71	2.41	3.06	3.06	2.07	13.30	5
Finance	2.82	2.94	3.24	3.29	3.24	15.54	4
HR, Training & Development	4.18	4.76	4.29	2.00	2.24	17.48	1
Sales & Marketing	3.94	3.00	3.59	3.53	2.62	16.68	2
Total	30.82	30.76	33.06	26.59	23.31		
Rank	2	3	1	4	5		





estate industry has been successful in attracting quite a lot of hotel professionals since they are assumed to excel in selling 'intangibles' and provide that unique experience to its demanding customers. Stories of poaching are also rife in emerging sectors like media, finance and investment banking, and insurance.

HVS conducted a survey in order to analyse the quantum of threat with the emergence of the above new sectors. We researched on two specific variables. The first variable was defined as the sectors that present the highest threat of poaching and the second was defined as the functional areas in a hotel that are vulnerable to being poached by these sectors. These functional areas were broadly classified into mid-level functions and top-level functions. Each function was further sub - classified, based on job responsibility and specific skill sets. Points were assigned by sector for each job responsibility. The points were assigned on a continuum of 1 to 6, where 6 represents the highest threat of poaching. The sum of points for each variable was ranked and the assigned rank was used as a benchmark to evaluate the risk.

Our research indicates that the retail and food services industry present the highest threat of poaching from the hospitality industry followed closely by aviation and BPO. In mid-level functional areas the front line staff faces the highest threat of being poached followed by sales and marketing and operational staff. In senior level functional areas, HR, Training & Development executives present the highest threat of being poached followed by executives responsible for sales and marketing related functions.

In reality, our business truth is simple the quality of your relationships protects you from competitive as well as non-competitive poaching. Changing times call for dynamic and ever emerging strategies. The practices of innovative management techniques and invigorating HR strategies have resulted in major organizational transformations. Individual improvements and lifetime commitments from employees are possible, it's just the question of how sincere the efforts of the organization are and how involved are the people who matter when it comes to decision making and formulation of strategies. We need to revise our selection and hiring processes to identify candidates with the right aptitude and skills for hotel as a profession and its demanding pressures. The training culture should also be customized so as to reflect values of loyalty and commitment in an individual towards the organization and empower him to take on the challenges of working under immense pressure. Today, we need leaders who are capable of performance management-creating a system of setting attainable goals, providing feedback and mentoring, reviewing progress and creating developmental plans and a competitive compensation structure. HVS, through its various surveys, has also observed that people who had left hotels during the boom in the IT industry are coming back to hotels, probably because of increased pressure in the IT industry or rather maybe because their passion for hotels is insatiable!

Probably the hotel industry should focus its energies in creating and retaining trained manpower rather than joining the poaching rat race.

Acknowledgements

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If you or any of your colleagues would like to receive complimentary copies of this publication, or HVS Executive Search information, kindly send your e-mail address along with full contact details to Chandrima Budakoti at cbudakoti@hvsinternational.com . Alternatively, please visit our website www.hvsinternational.com and register yourself.

About HVS

HVS International is the world's leading full-service consulting and appraisal firm devoted exclusively to the hospitality industry. Founded in 1980 in the United States, the company has 22 offices across the globe. Since 1980, HVS has consulted with over 10,000 hotels in more than 70 different countries worldwide. The South Asia office is based out of New Delhi, India.

HVS International has been operating in India for eight years. The HVS team has worked on projects ranging from feasibility and marketing studies; valuation of hotels; residual land values; operator search & management contract negotiations; development strategies for new brands; research reports and investment services. Our clients in India include Indian Hotels, EIH Ltd, ITC Hotels, Hotel Leela Venture Ltd, Forte Plc, Intercontinental Hotels & Resorts, Mandarin Oriental, Carlson Hospitality, Hyatt International, Hilton International, Choice International, Silver link Holding, Lehman Bros., ICICI Bank, Sun Group, Emaar (Dubai) and Kingdom Holding, among others.

In May 2001, we launched HVS Executive Search, to cater to the staffing needs of the hospitality and related services sectors like real estate, media, telecom and aviation. Apart from being the first retained search firm for the hospitality industry in India, HVS Executive Search also provides services in areas of HR Consulting and Compensation Survey & Design. In addition to its New Delhi office, HVS Executive Search has offices in New York, London and Hong Kong.

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