



Capital
— SPROUT —

NEWSLETTER

November 2023

Tourism and Hospitality Sector



The Chairman's Message



Greetings from Capital Sprout!

It gives me pleasure to share with you the Nov-23 issue of Capital Sprout's Wealth Bulletin. This month, we explore the investment prospects in India's vibrant tourism and hospitality sector and its far-reaching impact on the national economy.

India's rich cultural and historical legacy, coupled with its diverse landscape, heritage monuments, and various tourism products, has led to a significant rise in tourist arrivals, creating extensive employment opportunities.

India's tourism industry contributes significantly to the country's overall GDP growth, renowned for its diverse attractions across the nation, India stands as one of the most popular destinations, providing a spectrum of business services. Its diversity makes it a key driver for the growth of the Indian tourism sector. The Tourism and Hospitality sector is an integral part of the Make in India initiative, serving as a vital economic catalyst that fuels job creation and rapid development.

This sector acts as a stimulant for the growth of multi-use infrastructure, including world-class hotels, resorts, exquisite restaurants, efficient transportation networks (aviation, roads, shipping, and railways), and state-of-the-art healthcare facilities.



India, ranked 54th in the World Economic Forum's Travel & Tourism Development Index (2021), is poised to become a major player in the business travel market by 2030.

With the potential to attract substantial foreign exchange, it emerges as a prime investment avenue for international stakeholders. In effort to boost investment in the tourism sector government has allowed 100% FDI in the hotel and tourism sector under an automatic route. Thus eliminating the need for government approval. This extends to tourism construction projects, permitting 100% FDI in developing hotels, resorts and recreational facilities.

We hope that this bulletin will enlighten readers about the pivotal role of the tourism industry in advancing overall economic development. India's tourism industry stands as a beacon of boundless possibilities for growth, with its rich heritage, cultural tapestry, and captivating destinations. Certainly, investors can seize the opportunity to capitalize on this trend by considering investing in the thriving travel and tourism sector.

CA DR Rajesh Khandol



Overview of travel and tourism sector

The travel and tourism industry is a sector that encompasses a wide range of activities related to the movement of people for leisure, business, or other purposes. It plays a crucial role in the global economy, contributing significantly to job creation and infrastructure development. This industry involves the coordination and integration of various services, facilities, and entities.

Key components of the travel and tourism industry include:

Transportation



Accommodation



Hospitality services



Tour operators



Government tourism bodies



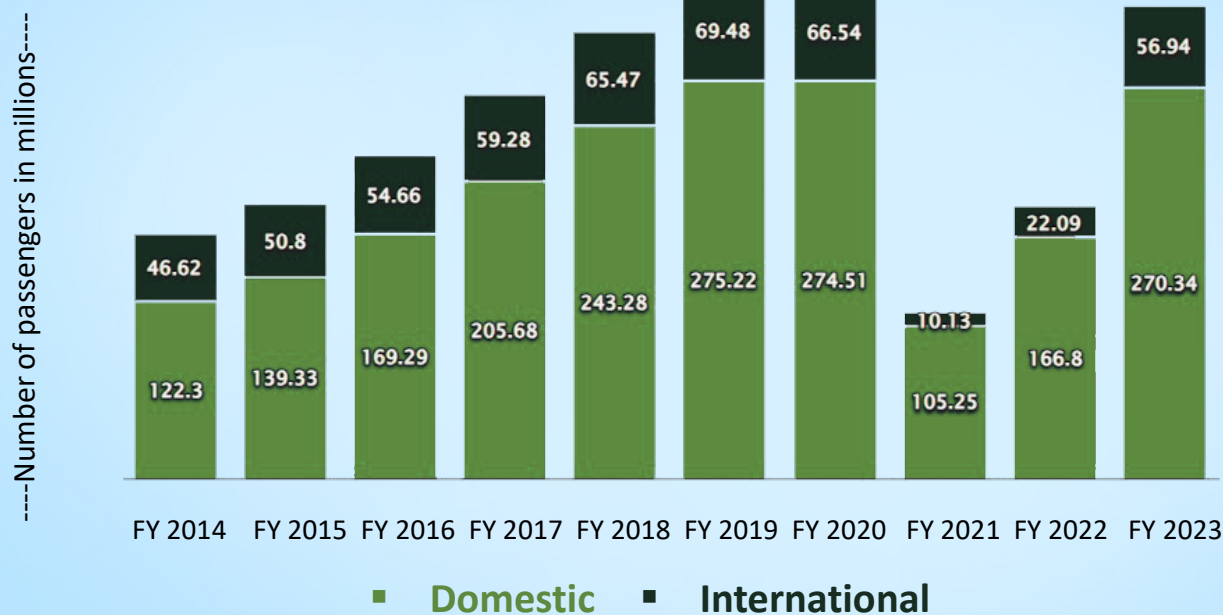
Contribution of the sector around the world

While contribution of the sector for India's GDP was marked at \$ 199.88 billion (5.90% of GDP 2022) (WTTC) in 2022, major economies' tourism sector posted a whopping contribution as per the following table:

Country	Contribution to GDP 2022 (in billion USD)	Contribution to GDP (%)
European Union	1939.40	11.66
United Kingdom	303.49	9.85
USA	2020.00	7.93
Japan	275.36	6.09
India	199.88	5.90

The above table proves that tourism sector in India remains under exploited, as a percentage of GDP.

Increase in air traffic trend



The above table shows the air traffic is back to normal, post COVID, and has recovered faster than that of the contribution of income from its whole sector. This is in part due to the privatization of major airports of India, and thus resulting into better effectiveness and efficiency of the ground staff, and providing greater satisfaction to the first time fliers and the frequent fliers.



The government owned entity of Air India sold its entire operations to TATA Group in January 2022, thus privatizing the one and only government-run company, which in turn is expected to reap the benefits of privatization such as improvement in overall operations, customer satisfaction, and owner wealth maximization.

Further, the market is expected to hit an all-time high in the next fiscal with increasing business travel and increasing efficiency of airlines.

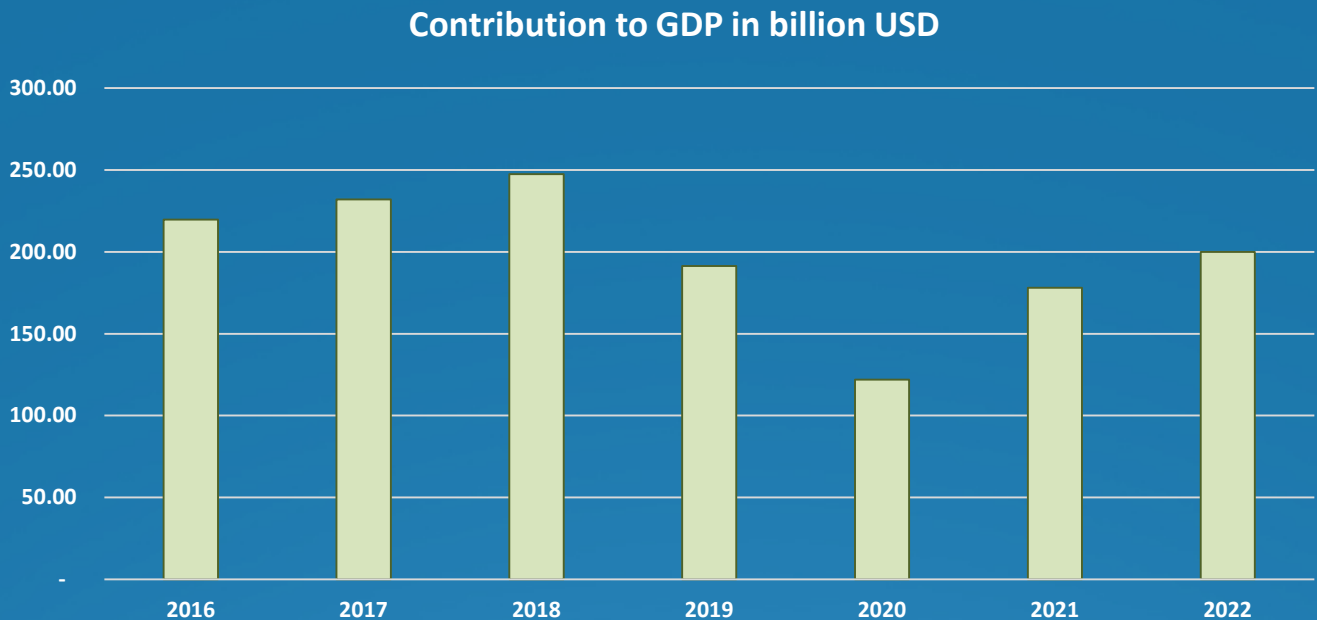
The airport authority of India is starting to develop airports in tier 2 and 3 cities as the untapped demand for faster and reliable air travel is on the rise. As the development of such airports begin, the airline companies have started using their idle fleet of aircraft, for connecting such small airports to major economic centers such as, Mumbai, Delhi, Kolkata and Chennai.

The government of India is starting to recognize the potential of tourism sector specifically the business tourism sector, and has started to follow the London 6-Airport solution to rising demand of business tourism. Mumbai is getting a second airport near its satellite city Vashi, to decrease the load from the Mumbai airport itself, and increase travel to Mumbai in total.



Travel and tourism in India

Following graph shows the contribution of the said sector in India's GDP over the period of 2013-2021 as per the World Travel and Tourism Council (WTTC) report 2022:.



Although the sector has seen, a drop of \$ 56.07 billion (22.67%) in 2019 and a further steeper drop of \$ 69.4 billion (36.28%) in 2020, albeit due to COVID, the sector has not surpassed or even breached its 2018 peak.

The WTTC is however positive that by the end of the current year, 2023, the contribution will breach the 2019 mark at \$ 209.16 billion mark.



Existing challenges in the sector

Despite having the 4th largest rail network in the world, servicing an area of 68,043 kilometers, the Indian railway faces challenges such as late arrivals and departures, hygiene, overcrowded trains etc.

With Go First, Jet Airways, Kingfisher Airlines, Air India facing financial difficulties, aviation sector in India has always been unstable for both, the companies, and the retail investors.

Government initiatives to boost travel and tourism

The strategy paper on restoring the growth of tourism in wake of pandemic, presented by NITI Ayog in July 2023, emphasizes that the tourism sector contributes immensely to the foreign exchange reserves. The Indian government has declared various schemes with an aim to boost the travel and tourism sector viz. Swadesh Darshan Scheme, Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive (PRASHAD), Dekho Apna Desh and Adopt a Heritage scheme.

The e-visa facility by the government is also aimed at ease of obtaining a visa to enter India, and has been extended to 169 countries.

The domestic tourism, specifically the business travel of the locals has become more comfortable, faster and economical due to advancements in road infrastructure. The larger metropolitan areas are being well connected to the nearby satellite cities, making travel safe and economical for the working class population.



Growth of the sector in stock market

Name of Company	Gross sales (in crore)			Net profit (in crore)			Shares price		
	2021-22	2022-23	Increase (%)	2021-22	2022-23	Increase (%)	2022-23	As at 30-11-2023	Increase (%)
Indian Hotels Company Limited	3056	5810	90.12%	-265	1053	-	241	426	76.76%
EIH Limited	985	2019	104.97%	-95	329	-	159	236	48.43%
Lemon Tree Hotels Limited	402	875	117.66%	-137	141	-	64	113	76.56%
Mahindra Holidays & Resorts India Limited	2013	2517	25.04%	68	114	67.65%	233	392	68.24%
India Tourism Development Corporation Limited	294	464	57.82%	4	59	93.22%	385	429	11.43%

The above data shows how the sector has grown along with all the companies working within it. The companies having negative bottom line, have shown profits for the fiscal 2022-23. The other two companies show a rise of at least 50% in their bottom line.

This shows that spending of the guests in luxury sector has increased, thus showing a rise in upper two companies that provide luxury hotel stays to the guests.



Rising demand

Due to rising standard of living, and restrictions on travel due to COVID-19 regulations, there is expectation of an exponential spike in demand.

Demand remaining over and above the supply capabilities in railway sector, the government is planning to introduce the first high speed rail project in India between the two business districts of Ahmedabad and Mumbai by 2027, thus affecting the IRCTC stock.

The hotel occupancy rate has skyrocketed to 56-58% in October 2021, and is expected to grow further with rise in disposable income of individuals.



Growth of tour operators

With decrease in demand of raw crude oil, the middle eastern countries have been constantly growing their tourism sector, to give effect to their growing efforts to diversify the income to maintain sustainability, as at least 90% of the GDP of the middle eastern countries comprises of oil.

Following the success of the United Arab Emirates model of developing Dubai, as a go-to destination hub for tourism, all the middle eastern countries have started to pay attention towards diversification of income, to minimise risk.

Saudi Arabia tourism sponsoring the IPL which is the biggest sporting event in India, is a definitive step towards promotion of tourism.

Dubai, being one of the top destination for Indian travellers, tour operators such as Thomas Cook have major opportunities to capitalise, while the middle eastern government remains bullish on tourism.



Conclusion

India's tourist industry has enormous growth potential. In an effort to increase the number of visitors visiting India, the government is also considering extending the reach of the e-visa program to the travel and tourism industry. This expansion is fueled by increased budget allocations and more affordable healthcare facilities. Clearly, the tourism sector has the potential to be a development tool and is growing in as an important economic force. Investors may choose to take advantage of this and make investments in the travel and tourism sector.



Performances



Equity Market

Indices	01 st Nov, 2023	30 th Nov, 2023	High	Low
BSE S&P SENSEX	63,829.87	66,988.44	67,069.89	63,550.46
NIFTY 50	19,064.05	20,133.15	20,158.70	18,973.70

Mutual Fund

AUM Data of Mutual Fund for the Month of November 2023

(INR. In Lakh Crore)

Particulars	AUM As On 30-10-2023	Fresh Fund Mobilize During Nov- 23	Redemption During Nov - 23	AUM As On 30-11-2023
Total AUM of all mutual funds scheme	48.21	8.99	8.72	48.48
AUM of equity oriented (growth) schemes	20.17	0.39	0.23	20.33

Source: Association of Mutual Fund of India (AMFI)

Performances

SIP Contribution

(INR. In Crore)

Year	SIP Contribution	SIP AUM
November-2023	17,073	9,31,333

FII & DII Inflow/Outflow Position

FII's buying in the month of November-23 is 0.06 Lakh.

DII's buying in the month of October-23 is 0.13 Lakh.

Inflow/Outflow position in the month of November 2023

FII /DII	Gross Purchase	Gross Sale	Net
FII	2.44 Lakh	2.38 Lakh	0.06 Lakh
DII	1.49 Lakh	1.36 Lakh	0.13 Lakh

