MARKET REPORT

HVS Monday Musings: Indian Hotel Industry Exploring the IPO Route

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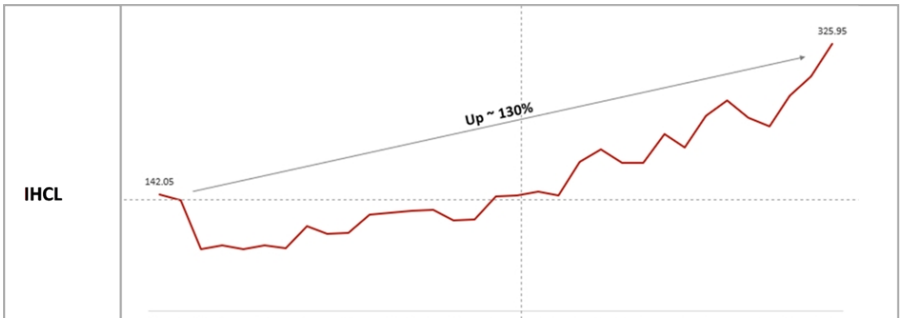
Although India's initial public offering (IPO) market has been thriving in recent years, hotel industry IPOs have been few and far between. Read on to know more.

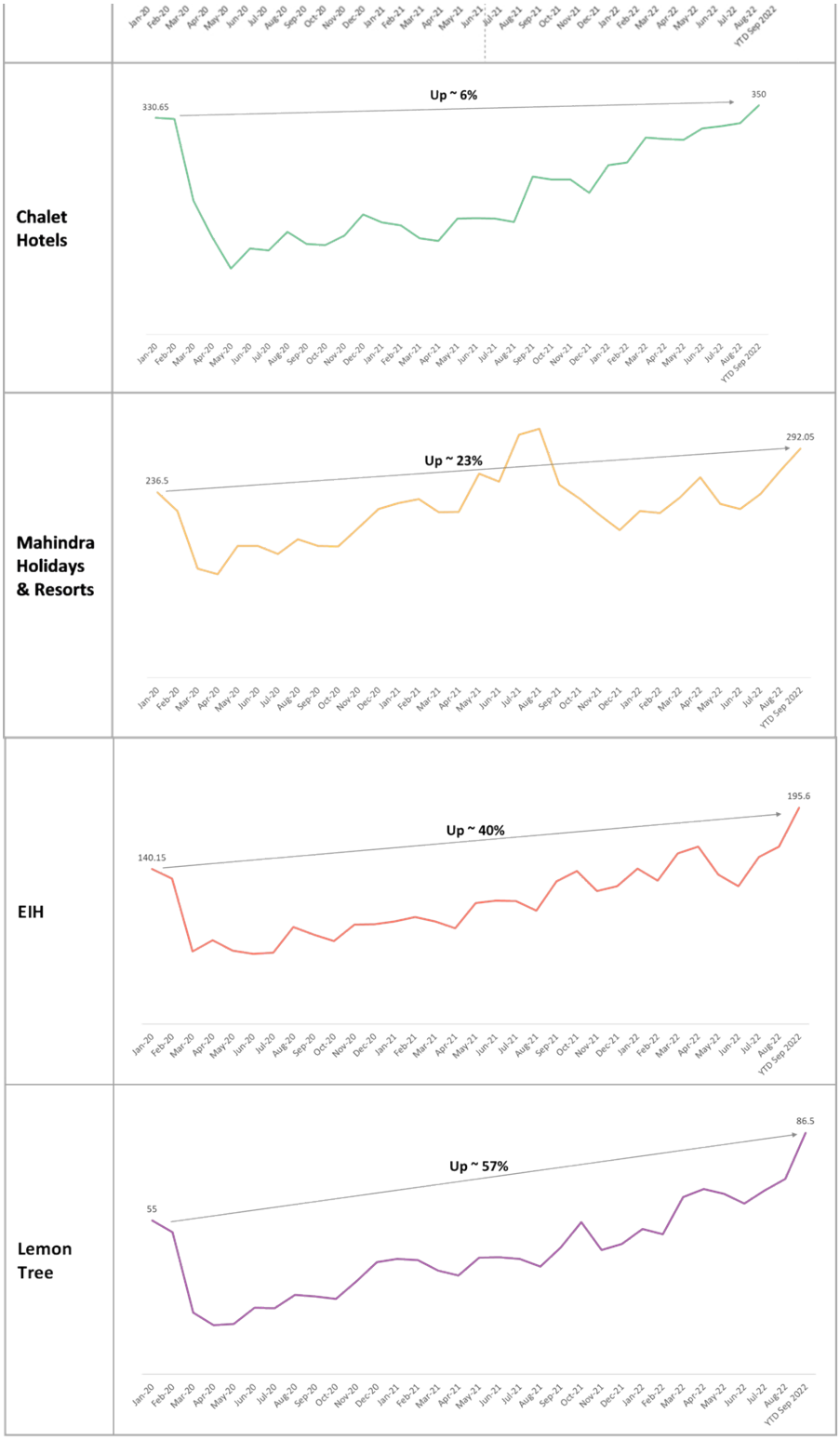
India's initial public offerings (IPO) market has been thriving for the past few years, and 2021 ended up being a record year with over 60 IPOs, as the country's stock market reached new highs, putting the COVID fears to rest. This positive trend has continued in 2022, with 19 companies launching their IPOs so far. However, hotel industry IPOs have been few and far between, with Lemon Tree Hotels and Chalet Hotels being the noteworthy ones, but even those were before the pandemic.

Nonetheless, OYO resurrected its IPO plans last week by filing fresh financial documents with the Securities and Exchange Board of India (SEBI), which could pave the way for the revival of large-ticket hotel IPOs in the country. Going forward, Apeejay Surrendra Park Hotels and SAMHI Hotels, both of which had filed their draft papers with SEBI before the pandemic, may revive their IPO plans, while ITC may consider listing its hotel division separately. This is encouraging news, as there are currently very few good-quality hotel companies listed on the stock exchange.

Due to the improving fundamentals and industry performance, stocks of major listed hotel companies in the country have seen a strong revival in recent months, reflecting the changing fortunes of the Indian hotel industry and a revival of investor interest in the sector. In fact, IHCL is the single largest gainer across all hotel stocks globally since the pandemic.

Monthly Closing Share Prices (Jan 2020 – YTD 21st Sep 2022)





Source: BSE Website & HVS Research

With improving market sentiments and an optimistic outlook for the hotel industry, several hotel companies – both operators and owners – may now consider ramping up their operations to achieve the scale and size needed to go public. Using the IPO route will help hotel companies in raising funds for expansion plans, deleveraging their balance sheet, or providing an exit to existing investors. Furthermore, new listings of good-quality hotel companies will also provide the depth needed to create a hotel industry-specific index that can be used as a benchmark to track the industry's

performance, helping investors make more informed decisions going forward.