Changing Fortunes

HOSPITALITY

Winner: ITC (Hotels Division)
Total score: 5,340.6
CEO: Nakul Anand

ITC has been in big-time expansion mode, and even overtook the Taj group of hotels in number of properties in 2009-10

No 2:
Indian Hotels

Raymond Bickson, MD & CEO, is expanding Vivanta and Ginger brands

No 3:
Hotel Leelaventure

C.P. Krishnan Nair, chairman, plans to open four more luxury hotels

WHEN one thinks of home-grown hotel chains at the top end, the names of Taj Hotels (owned by Tata Group's Indian Hotels) and Oberoi Hotels (owned by EIH Limited) come to mind. But this year's BW Most Respected Companies survey shows ITC's hotel division is regarded by its peers as the best. ITC, which was earlier known more for its world-class restaurants such as Bukhara and Dum Pukht, is now getting kudos for the quality of its hotels, rooms, service and overall strategy.

In the past 1-2 years, ITC (with 120 properties) overtook Indian Hotels (114), though ITC still lags behind Taj in number of rooms (8,000 and 12,000). ITC has been expanding and investing heavily in its Fortune brand, which caters to the mid- to up-market segment. In 2009-10, the Fortune brand added almost 10 properties, and now has 34 hotels. These numbers are significant given that ITC has been in the hospitality business for 35 years, compared to home-grown competition such as Indian Hotels that has been around for over a century.

In 2009-10, a tough year for the hotel industry, ITC's hotels business posted a 9 per cent decline in net revenues, while operating profit, at Rs 295 crore, fell by 23 per cent over 2008-09. On the other hand, Indian Hotels profit before tax at Rs 218.25 crore was lower than the previous year by 40 per cent, and profit, 35 per cent.

This fiscal, according to an Angel Broking report, ITC's hotel business registered growth of 14.6 per cent y-o-y to Rs 303 crore during the third quarter, aided by the festive/holiday season. The report notes: "We believe the hotel business is well on track to post a 21 per cent CAGR in revenue during FY2010-12E, aided by low base and an uptick in economic activity."

Going forward, the company has big ambitions. "We will invest close to $2 billion in the next 3-4 years in building capacities across the country," says Dipak Haksar, COO of ITC (Hotels Division). Haskar adds that the company plans to have approximately 150 hotels, and 5,000 rooms, in coming years.

In 2010, India had 130,000 hotel rooms. In the next 2-3 years, it requires another 50,000, according to World Travel and Tourism Committee (WTCC). With international chains such as Marriott and Accor moving in to plug the gap, competition is rising. ITC's expansion plans could not have come at a better time.

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