



THE HVS INDIA JOURNAL

HICSA Edition 2010

This edition has been published by the New Delhi office of HVS.

www.hvs.com

HOTEL VALUATION INDEX – 2010

"In God we trust, all others bring data" - W. Edwards Deming

The Value of Valuations

Market value may be defined as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.¹

While HVS has been performing feasibility studies and valuations in India for about 13 years now, 2009/10 was the first year when we worked on more valuations than feasibilities. We believe that this change in our business mix at HVS is representative of a very significant shift within the industry that has occurred in the past year and will become more prevalent in the future. Historically, the Indian hospitality sector has seen very limited transactions, if any at all, of existing hotel assets. Also, hotels in India continue to be owned by developers for a long term unlike their counterparts in the US, where a certain property would routinely see change in ownership during its entire economic life. Given the complications of identifying the right land parcel and acquiring control of it, obtaining the 70-110 licenses and approvals through multiple government agencies that are required for construction and opening, actually constructing the hotel within the projected time and budget, a developer who was able to cross all these hurdles and finally open the hotel was not very inclined to sell the asset. Even if such discussions transpired, the asking price for operating hotels was significantly higher than the replacement cost for these hotels; thus, prospective investors simply chose to go through the entire development process and just build new hotels.

The strong performance of the Indian hospitality sector, which is discussed in greater detail in the following sections, led numerous developers, many of whom had no experience whatsoever in hotels, to

announce plans to build hotels and cash in on the 'gold rush'. Land parcels were often purchased at extremely high rates, lavish structures beyond the specifications of their segment-specific global counterparts were planned, and return expectations were unrealistic. With the global downturn and its impact on India, also discussed below, many of the announced projects quietly disappeared, and even projects where construction had commenced came to a grinding halt. Based on our discussions with our clients and hotel investors, we are aware of projects in nearly every major city in India where the developers are either looking for a complete exit or are eager to partner with other investors on the development. At the heart of all such sales transactions or joint venture agreements is the market value that is attributable to the hotel. Additionally, as an increasing number of institutional investors enter the playing field and invest in hotels, there will be a greater need for transparent valuations in the marketplace. The ruling by the Reserve Bank of India removing hospitality from commercial real estate exposures (CRE) has made loans for hotel developments cheaper and has increased the appetite of banks for such lending. As is currently required in many countries, a valuation will become a critical legal and financial requirement for such lending in the future.

The Hotel Valuation Index (HVI) is a valuation benchmark developed by HVS. It presents historical, and for the first time in India, future value trends for 11 major markets around the country. The HVI aims to answer the very basic question of just how much a hotel is worth in any of these cities and how this picture might change over the next five years. Given the very different operating characteristics of luxury/first class hotels as compared to that of mid market hotels, we have presented separate valuations for these two classes of hotels across the various cities.

¹Appraisal Institute, The Dictionary of Real Estate Appraisal, 4th ed. (Chicago Appraisal Institute, 2002)

-Continued on page 2

ECOTEL Version 2.0: Reaching Out

While the phraseology 'version 2.0' has become part of our vernacular, it is interesting to step back and reflect on what the revolutionary Web 2.0 was all about. Web 2.0 was different from Web 1.0 because it forsook the path of one way communication and created a more open society of web users where dialogue and interaction became the new norm. People now communicate back to the web and freely express their views, likes and dislikes, pretty much changing the entire way we look at communications today.

ECOTEL – Version 2.0: ECOTEL began when environmentalism was not as much in vogue as it is today. We now live in a world where it has become fashionable to be green. While it is very commendable that this movement is so youthful and exciting, there remains a fear of it losing momentum before accomplishing its objectives.

The impetus, in our opinion, shall come by increasing the number of stakeholders; by making everyone a part of the solution. To do so, we have looked at all aspects of our certification and tried to work on ways and means to reach out to the employees, community and guests. We have worked on internal aspects (such as the rating and certification process and audit criteria) as well as external (setting up a reservation engine, creating a fresh website and introducing a construction globe).

Also in this issue:

2010 HCE INDIA SALARY AND BENEFITS REPORT

The Audit Process: New ECOTELs shall be audited for their readiness status. We shall then prepare a customized blueprint for them to achieve the target standards and work with the hotel's management in achieving them. Hotels shall be rated on a graded system based on a Likert scale. Our audits shall now be annual, allowing enhanced interaction between the hotel's management and our teams.

-Continued on page 7

Macroeconomic Overview

It would be an understatement to note that the past 12-18 months have been quite turbulent for the Indian economy. Even 18 months ago, the economic outlook for the global economy in general and India in particular seemed extremely bleak. The US was in the midst of the worst recession since the Great Depression, firms that were giants on Wall Street for decades had disappeared, and the crisis had spread to affect the economies in Europe and Asia as well, a result of an increasingly interconnected global economy. Despite having a self-contained public and private sector economy, China and India, both of which had exhibited aggressive growth in recent years, seemed destined to suffer as a result of their significant links to the Western economies. The services sector bore the brunt of the crisis in India, while the manufacturing and export sector did so in China. The stock market in India often saw significant declines while the real estate sector saw values plummet. Companies tightened their belts and reduced costs across the board in an attempt to remain profitable in tough times. A poor monsoon exacerbated the various problems India was facing and it seemed like things were just going to get worse.

But how things have changed since then!! The national elections in 2009 saw the Congress-led United Progressive Alliance (UPA) win with a comfortable majority, reversing the trend of fractious coalitions and giving the Congress an opportunity to

perform in a stable environment without the impediment of the politics of coalition management, giving them greater control over the governance of the nation. The stimulus program put in place by the government involved reducing interest rates, offering tax breaks, and increased spending, and has been very successful in guiding the Indian economy through a global downturn. The Sensex has rebounded from a low of 8,867 to its current level of about 17,500 within the last one year. Companies are hiring again and salaries are on the rise once again. Consumer confidence is strong and discretionary spending is exhibiting healthy increases. India's GDP grew by 7.2% in 2009/10 and is expected to increase by 8.2% and 9.0% in the next two years.

Overview of the Indian Hospitality Sector

HVS has been tracking the performance of the Indian hospitality sector since 1995/96 and has been witness to the various trends and cycles the industry has experienced since then.

Table 1 exhibits the nationwide occupancy, average rate, and RevPAR performance since 1995/96. As presented in the table, the nationwide occupancy equated to 66.5% in 1995/96, but exhibited a downward trend over the next few years to 53.9% in 1999/00. The Indian hospitality sector benefited from the economic boom in the United States in 2000, attaining increases in both occupancy and average rate in that year. The US recession in 2001 soon spread to

other parts of the world, including India, and had a significant impact on hotels in the country, resulting in decline in occupancy to its lowest level in the 15 years since HVS started tracking this data. The decline in occupancy was accompanied by a decline in average rate as hotels reduced rates in an attempt to remain competitive in a price-sensitive market and chose to focus on maximizing occupancies. These simultaneous declines in both occupancy and rate resulted in a steep decline in RevPAR in that year.

The Indian hospitality sector, however, proved to be very resilient with occupancy rebounding by roundly 11.0% in 2002/03, and by over 13.0% the next year. Such a recovery was even more significant given the fact that international travel was affected by the global recession, the SARS outbreak, and the Iraq war. This downturn saw the domestic traveler step in to save Indian travel and hospitality and serve as the more stable, albeit lower rated, alternative to the international traveler. We note that while the nationwide occupancy increased in 2002/03, nationwide average rate continued to decline in that year as hotels continued to focus on improving occupancy levels at the cost of rates, especially as they modified strategies to target the rate-sensitive domestic market. Demand continued to recover over the next few years, resulting in peak occupancy of over 71.0% in 2005/06 and 2006/07. As occupancy levels improved, nationwide average rate more than recovered from any previous declines, as

Table 1: Nationwide Performance Trends (In Indian Fiscal Years)

Year	Occupancy	% Change	Average Rate	% Change	RevPAR	% Change
1995/96	66.5 %		Rs3,025		Rs2,012	
1996/97	62.9	-5.4	3,688	21.9	2,320	15.3
1997/98	57.1	-9.2	3,986	8.1	2,276	-1.9
1998/99	55.4	-3.0	3,903	-2.1	2,162	-5.0
1999/00	53.9	-2.7	3,505	-10.2	1,889	-12.6
2000/01	57.2	6.1	3,731	6.4	2,134	13.0
2001/02	51.6	-9.8	3,467	-7.1	1,789	-16.2
2002/03	57.2	10.9	3,269	-5.7	1,870	4.5
2003/04	64.8	13.3	3,569	9.2	2,313	23.7
2004/05	69.0	6.5	4,299	20.5	2,966	28.3
2005/06	71.5	3.6	5,444	26.6	3,892	31.2
2006/07	71.4	-0.1	7,071	29.9	5,049	29.7
2007/08	68.8	-3.6	7,989	13.0	5,496	8.9
2008/09	60.3	-12.4	7,837	-1.9	4,726	-14.0
2009/10	65.0	7.8	6,426	-18.0	4,177	-11.6
CAGR		-0.2%		5.5%		5.4%

Source: HVS Research

exhibited by the steep mainly double-digit increases from 2003/04 to 2007/08. Such increases in occupancy and average rate were fuelled by the demand-supply gap that existed in India during those years, especially in the major metros, as a result of which hotels were able to charge rates that were often significantly higher than that charged by comparable hotels in other parts of the world. The outsized returns that hotels were able to attain during those heady years attracted the attention of investors and hotel companies from all around the world and India quickly became one of the most attractive destinations for hotel investment. However, these strong year-on-year rate increases led the corporate sector to look for alternate cost-effective lodging options in various cities. Cities like Bengaluru, Mumbai, and Hyderabad saw the emergence of hundreds of guest houses to meet the demand for cost-effective accommodation. Other companies chose to lease out multiple apartments for use by their employees and stopped using expensive hotels. This trend is clearly quantified in Table 1 where nationwide average rate increased by a strong 13% in 2007/08 while occupancy dropped by 3.6%. The Indian hospitality sector entered its next cycle in 2008/09 when the global financial meltdown finally caught up with us in October 2008. Demand levels plummeted as companies cut back on travel. The terror attacks in Mumbai raised fears about India as a safe destination and led to a decline in international travel, albeit for a short period. Hotels dropped rates, often significantly, as they scrambled to shore up on occupancy levels and tried to maintain their key accounts in-house. The strong rate increases that hotels were able to attain during the first half of that financial year were lost in the second half and the nationwide average rate for 2008/09 dropped by about 2.0%.

The year 2009/10 once again notes the resurgence of the domestic traveler, marking a close similarity to the rescue of the sector during the previous downturn. While rates dropped significantly in 2009/10, the strong increase in domestic demand actually led to an 8.0% increase in nationwide occupancy. Our industry has typically been so focused on the approximately 5.5 million international travelers who visit India every year that we have never truly tapped into the 600 million-strong domestic population that travels annually. We believe that the domestic market will continue to play a dominant role, not just within hospitality, but across all sectors, and will help further

insulate the Indian economy from problems in other countries and make India less susceptible to global economic fluctuations.

Outlook on Future Trends

It is our opinion at HVS that demand levels will continue to improve in 2010/11 as economic growth gathers momentum and companies increase spending on travel. With expectations of healthy salary increases within the corporate world, discretionary spending is expected to increase further, especially on leisure travel. The amount of new supply proposed within many markets remains an area of concern, especially as numerous projects that were proposed during the heady days see completion and open in the next one year. Our analysis of historical trends across the country shows that previous declines in occupancy levels were mainly the result of an increase in supply that outpaced the increase in demand, and not due to an actual decline in demand. Our analysis of proposed new supply across the country leads us to believe that there will be pressure on occupancy in some markets in the near future. In the long term, however, it is our opinion that the demand-supply gap in India is very real and that there is need for more hotels in most cities.

Exhibit 1 compares the number of hotel rooms to the population of the major cities around the world. We highlight that this data dates back to 2007/08; thus while the actual numbers are outdated, we believe that the disparity between population and number of rooms across the various cities still continues to exhibit a similar trend.

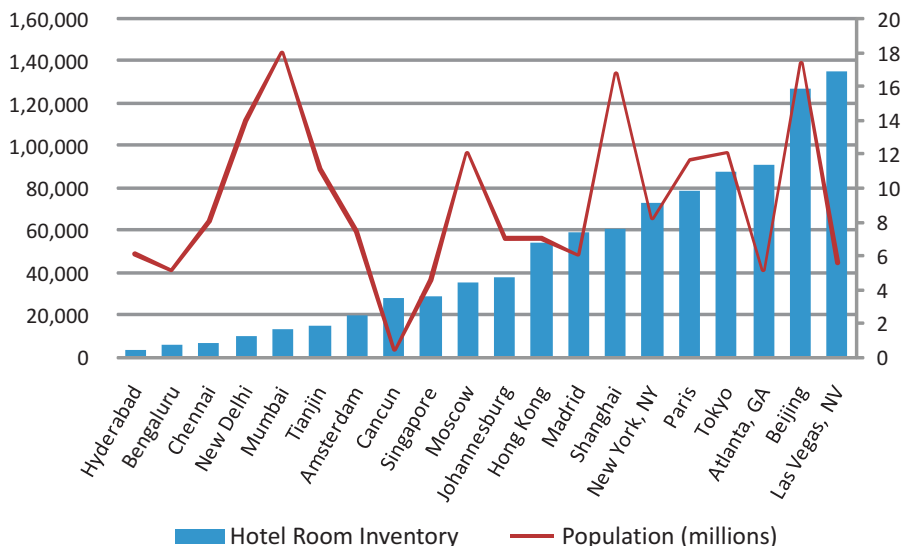
As shown in Exhibit 1, of the 20 cities that were compared around the world, the five with the lowest number of hotel rooms and the greatest disparity between hotel room availability and population are all Indian cities. This graph highlights the need for hotels around the country and the potential that exists for hotel investors in the future.

The shortage is especially true within the budget and the mid market segment. There is an urgent need for budget and mid market hotels in the country as travelers look for safe and affordable accommodation. Various domestic and international brands have made significant inroads into this space and more are expected to follow as the potential for this segment of hotels becomes more obvious. The recent rationalization of land costs will also enable easier development of budget and mid market hotels as well as facilitate better returns for investors.

Citywide Valuation Forecasts

To arrive at our valuations for the various cities, we firstly projected occupancy and average rates for the various markets, taking into consideration demand trends, current supply, and projected future supply increases in each market. We then projected income and expenses, and Net Operating Income (NOI) for a typical 200-room luxury/first class hotel and a 200-room mid market hotel in each city based on the actual hotel operating data available with HVS. Given the current market dynamics on the ground, we have considered only a citywide scenario for Ahmedabad, Kolkata, and Pune.

Exhibit 1: Hotel Rooms Inventory versus Population: Major International and Indian Cities



From our experience of hotel financing and conducting several valuations over the past 13 years in India, we established appropriate valuation parameters for each city and segment covered by the HVI. Capitalization rates were based upon the maturity of the defined market, anticipated performance trends, existing and proposed demand-supply dynamics and investor sentiments for the specified markets, and ranged from 8.5% to 11.0%. These market-specific valuation and capitalization parameters were then applied to the NOI derived for the hotels in each city to arrive at the valuations.

These valuations have been presented in the following tables, both in Indian rupees

and US dollars. The tables also highlight the years when each city saw the highest and lowest values per room. For example, as shown in Table 2, Bengaluru saw the lowest value per room in the mid market segment of Rs34.8 lakh in 2001/02, which then increased aggressively over the next few years to Rs159.7 lakh in 2006/07.

An analysis of these values indicates that most of these cities saw their lowest values between 2000 and 2002, and their highest values between 2006 and 2007, thus signifying the value/performance cycle that has been about six years long. A similar trend may be observed within the luxury/first class values.

Within the mid market space, as presented in Table 2, values per room in Agra and Jaipur exhibited the greatest compounded annual growth rates (CAGR) between 2000 and 2009. Going forward, we expect Goa to see the highest value increases during the next five years, at a CAGR of 15.4%, followed by Mumbai, Hyderabad and Delhi NCR. We do predict a small decline in hotel values in Delhi NCR in 2011 as market occupancy and rates drop from the loss of the Commonwealth demand that will be present in 2010, and due to the significant amount of supply expected in the market in 2011. Kolkata is the only city where we forecast values to decline over the next five years, given the perception that West Bengal is not a business-friendly

Table 2: Mid-Market Hotel Value Per Room - In Indian rupees (in lakh)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	CAGR 2000-09	CAGR 2010-15
Agra	12.3	9.1	7.1	17.0	29.2	28.3	37.1	38.1	40.1	32.5	35.2	38.7	43.5	48.8	52.8	11.4%	10.6%
Bengaluru	41.4	34.8	44.2	87.6	136.4	138.4	159.7	141.3	82.1	65.3	68.4	73.1	76.6	92.5	102.1	5.2%	10.5%
Chennai	53.4	28.2	31.0	42.7	45.6	64.5	84.0	80.3	67.3	81.4	93.1	90.5	98.8	97.0	103.8	4.8%	2.8%
Delhi NCR	42.0	45.3	42.7	62.8	64.0	107.4	145.7	162.1	102.4	71.4	75.8	68.7	74.7	86.5	120.6	6.1%	12.3%
Goa	29.1	23.0	31.5	36.0	43.6	60.5	81.7	85.4	60.7	58.9	59.7	64.8	80.4	90.7	105.9	8.2%	15.4%
Hyderabad	39.8	38.0	38.7	45.8	57.8	76.5	90.6	69.5	50.9	34.0	37.2	38.8	47.6	55.3	59.9	-1.7%	12.6%
Jaipur	12.6	12.1	12.7	18.0	35.3	32.9	41.7	36.5	36.5	33.1	31.7	33.2	35.9	40.6	41.1	11.4%	6.6%
Mumbai	49.3	36.8	39.1	46.5	49.6	69.4	119.3	112.1	77.4	45.5	55.8	66.9	70.9	75.1	90.2	-0.9%	12.8%
Ahmedabad*	33.8	27.7	25.8	33.7	48.1	57.1	63.6	84.7	76.1	37.4	28.0	29.3	34.7	39.3	42.9	1.1%	11.3%
Kolkata*	42.1	41.0	34.5	34.3	37.1	60.2	81.0	98.5	90.0	72.3	83.2	70.6	69.3	68.7	70.4	6.2%	-4.1%
Pune*	25.0	25.3	30.6	32.1	60.4	81.2	108.6	91.6	67.2	37.4	29.5	27.7	26.9	28.1	31.4	4.6%	1.6%

* - Represents citywide scenario

Table 3: Mid-Market Hotel Value Per Room (Percent Variance)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	CAGR 2000-09	CAGR 2010-15
Agra	-26%	-22%	138%	72%	-3%	31%	3%	5%	-19%	9%	10%	12%	12%	8%	11.4%	10.6%
Bengaluru	-16%	27%	98%	56%	1%	15%	-11%	-42%	-21%	5%	7%	5%	21%	10%	5.2%	10.5%
Chennai	-47%	10%	38%	7%	42%	30%	-4%	-16%	21%	14%	-3%	9%	-2%	7%	4.8%	2.8%
Delhi NCR	8%	-6%	47%	2%	68%	36%	11%	-37%	-30%	6%	-9%	9%	16%	39%	6.1%	12.3%
Goa	-21%	37%	14%	21%	39%	35%	5%	-29%	-3%	1%	9%	24%	13%	17%	8.2%	15.4%
Hyderabad	-4%	2%	18%	26%	32%	18%	-23%	-27%	-33%	9%	4%	23%	16%	8%	-1.7%	12.6%
Jaipur	-4%	5%	42%	96%	-7%	27%	-12%	0%	-9%	-4%	5%	8%	13%	1%	11.4%	6.6%
Mumbai	-25%	6%	19%	7%	40%	72%	-6%	-31%	-41%	22%	20%	6%	6%	20%	-0.9%	12.8%
Ahmedabad*	-18%	-7%	31%	43%	19%	11%	33%	-10%	-51%	-25%	5%	18%	13%	9%	1.1%	11.3%
Kolkata*	-3%	-16%	-1%	8%	62%	34%	22%	-9%	-20%	15%	-15%	-2%	-1%	2%	6.2%	-4.1%
Pune*	1%	21%	5%	88%	34%	34%	-16%	-27%	-44%	-21%	-6%	-3%	5%	12%	4.6%	1.6%

* - Represents citywide scenario

Table 4: Mid-Market Hotel Value Per Room - In US dollars (000s)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	CAGR 2000-09	CAGR 2010-15
Agra	27.4	19.3	14.8	36.9	65.0	63.6	85.0	94.8	87.3	69.8	76.6	84.1	94.5	106.2	114.8	10.9%	10.6%
Bengaluru	92.3	73.8	91.7	190.5	303.8	311.1	366.2	351.3	178.9	140.4	148.7	158.8	166.5	201.1	221.9	4.8%	10.5%
Chennai	118.9	59.7	64.4	92.9	101.5	145.0	192.6	199.6	146.5	175.1	202.3	196.7	214.7	210.9	225.6	4.4%	2.8%
Delhi NCR	93.6	96.0	88.5	136.6	142.5	241.4	334.2	402.9	223.1	153.6	164.8	149.4	162.5	188.0	262.1	5.7%	12.3%
Goa	64.7	48.8	65.4	78.3	97.2	135.9	187.5	212.3	132.1	126.6	129.8	140.9	174.8	197.3	230.2	7.7%	15.4%
Hyderabad	88.6	80.5	80.3	99.6	128.7	171.9	207.8	172.6	110.9	73.1	80.9	84.4	103.5	120.3	130.1	-2.1%	12.6%
Jaipur	28.0	25.6	26.3	39.2	78.6	73.9	95.7	90.8	79.6	71.2	69.0	72.1	78.1	88.2	89.3	10.9%	6.6%
Mumbai	109.8	77.9	81.2	101.0	110.4	156.1	273.5	227.7	146.4	97.9	121.3	145.3	154.2	163.3	196.0	-1.3%	12.8%
Ahmedabad*	75.2	58.7	53.4	73.2	107.2	128.2	145.8	210.4	165.8	80.5	60.8	63.8	75.5	85.4	93.2	0.8%	11.3%
Kolkata*	93.8	86.8	71.6	74.6	82.6	135.3	185.7	244.9	195.9	155.4	180.8	153.6	150.7	149.4	153.0	5.8%	-4.1%
Pune*	55.7	53.6	63.5	69.7	134.5	182.4	249.1	227.7	146.4	80.5	64.2	60.3	58.4	61.0	68.4	4.2%	1.6%
Exchange Rate	44.90	47.20	48.20	46.00	44.90	44.50	43.60	40.24	45.91	46.50	46.00	46.00	46.00	46.00	46.00		

* - Represents citywide scenario

Table 5: Luxury/First Class Hotel Value Per Room - In Indian rupees (in lakh)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	CAGR 2000-09	CAGR 2010-15
Agra	13.2	12.7	12.8	23.0	33.6	44.2	51.8	61.6	62.0	53.0	62.9	72.0	80.9	90.9	91.1	16.7%	9.7%
Bengaluru	61.7	56.1	80.8	106.1	208.0	247.4	320.8	227.8	179.2	151.0	155.6	125.5	128.4	158.6	187.5	10.5%	4.8%
Chennai	76.0	57.1	54.1	71.8	90.7	114.5	138.6	169.0	119.3	106.0	109.3	86.9	99.1	112.2	150.2	3.8%	8.3%
Delhi NCR	68.7	55.1	59.4	85.2	125.8	181.6	228.3	253.5	194.7	145.2	164.4	146.2	163.3	174.0	204.2	8.7%	5.6%
Goa	48.3	41.4	54.3	54.1	74.9	93.0	127.6	143.5	98.0	112.2	108.2	121.5	151.1	147.2	153.1	9.8%	9.1%
Hyderabad	42.3	44.7	49.5	70.6	91.0	131.6	126.8	126.0	98.9	58.2	58.2	67.7	82.1	96.0	93.2	3.6%	12.5%
Jaipur	43.1	30.6	32.0	40.7	53.3	72.2	87.2	95.2	83.3	63.9	66.5	62.6	66.4	71.3	76.9	4.5%	3.7%
Mumbai	87.0	62.2	63.7	72.3	84.1	134.6	196.2	242.6	167.1	144.8	169.3	181.4	196.6	214.0	262.6	5.8%	11.6%
Ahmedabad*	33.8	27.7	25.8	33.7	48.1	57.1	63.6	84.7	76.1	37.4	28.0	29.3	34.7	39.3	42.9	1.1%	11.3%
Kolkata*	42.1	41.0	34.5	34.3	37.1	60.2	81.0	98.5	90.0	72.3	83.2	70.6	69.3	68.7	70.4	6.2%	-4.1%
Pune*	25.0	25.3	30.6	32.1	60.4	81.2	108.6	91.6	67.2	37.4	29.5	27.7	26.9	28.1	31.4	4.6%	1.6%

* - Represents citywide scenario

Table 6: Luxury/First Class Hotel Value Per Room (Percent Variance)

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	CAGR 2000-09	CAGR 2010-15
Agra	-4%	1%	79%	46%	32%	17%	19%	1%	-15%	19%	14%	12%	12%	0%	16.7%	9.7%
Bengaluru	-9%	44%	31%	96%	19%	30%	-29%	-21%	-16%	3%	-19%	2%	24%	18%	10.5%	4.8%
Chennai	-25%	-5%	33%	26%	26%	21%	22%	-29%	-11%	3%	-21%	14%	13%	34%	3.8%	8.3%
Delhi NCR	-20%	8%	43%	48%	44%	26%	11%	-23%	-25%	13%	-11%	12%	7%	17%	8.7%	5.6%
Goa	-14%	31%	0%	38%	24%	37%	12%	-32%	15%	-4%	12%	24%	-3%	4%	9.8%	9.1%
Hyderabad	6%	11%	43%	29%	45%	-4%	-1%	-22%	-41%	0%	16%	21%	17%	-3%	3.6%	12.5%
Jaipur	-29%	5%	27%	31%	35%	21%	9%	-12%	-23%	4%	-6%	6%	7%	8%	4.5%	3.7%
Mumbai	-29%	3%	13%	16%	60%	46%	24%	-31%	-13%	17%	7%	8%	9%	23%	5.8%	11.6%
Ahmedabad*	-18%	-7%	31%	43%	19%	11%	33%	-10%	-51%	-25%	5%	18%	13%	9%	1.1%	11.3%
Kolkata*	-3%	-16%	-1%	8%	62%	34%	22%	-9%	-20%	15%	-15%	-2%	-1%	2%	6.2%	-4.1%
Pune*	1%	21%	5%	88%	34%	34%	-16%	-27%	-44%	-21%	-6%	-3%	5%	12%	4.6%	1.6%

* - Represents citywide scenario

Table 7: Luxury/First Class Hotel Value Per Room - In US dollars (000s)

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	CAGR 2000-09	CAGR 2010-15
Agra	29.4	26.9	26.6	49.9	74.8	99.4	118.9	153.1	135.0	113.9	136.7	156.5	175.9	197.6	198.0	16.2%	9.7%
Bengaluru	137.4	118.9	167.7	230.7	463.3	556.0	735.7	566.1	390.3	324.7	338.2	272.7	279.1	344.7	407.6	10.0%	4.8%
Chennai	169.2	121.0	112.1	156.2	202.0	257.3	318.0	420.0	260.0	228.0	237.6	188.8	215.3	243.9	326.4	3.4%	8.3%
Delhi NCR	152.9	116.8	123.3	185.1	280.1	408.1	523.6	629.9	424.1	312.2	357.4	317.8	354.9	378.3	443.9	8.3%	5.6%
Goa	107.5	87.8	112.7	117.6	166.9	208.9	292.8	356.7	213.5	241.4	235.2	264.2	328.5	320.1	332.9	9.4%	9.1%
Hyderabad	94.1	94.7	102.6	153.4	202.7	295.6	290.8	313.2	215.5	125.1	126.6	147.2	178.5	208.6	202.7	3.2%	12.5%
Jaipur	96.0	64.7	66.3	88.5	118.7	162.2	200.0	236.6	181.5	137.5	144.7	136.0	144.3	154.9	167.1	4.1%	3.7%
Mumbai	193.8	131.7	132.2	157.1	187.4	302.4	450.0	603.0	364.0	311.3	368.1	394.4	427.3	465.2	570.9	5.4%	11.6%
Ahmedabad*	75.2	58.7	53.4	73.2	107.2	128.2	145.8	210.4	165.8	80.5	60.8	63.8	75.5	85.4	93.2	0.8%	11.3%
Kolkata*	93.8	86.8	71.6	74.6	82.6	135.3	185.7	244.9	195.9	155.4	180.8	153.6	150.7	149.4	153.0	5.8%	-4.1%
Pune*	55.7	53.6	63.5	69.7	134.5	182.4	249.1	227.7	146.4	80.5	64.2	60.3	58.4	61.0	68.4	4.2%	1.6%
Exchange Rate*	44.90	47.20	48.20	46.00	44.90	44.50	43.60	40.24	45.91	46.50	46.00	46.00	46.00	46.00	46.00		

* - Represents citywide scenario

destination and our belief that the projected supply increases will exceed future demand increases.

Within the luxury/first class space, as presented in Table 5, Agra again saw hotel values increase at a CAGR of 16.7% between 2000 and 2009, mainly a result of how low the value of a typical Agra luxury hotel was in 2000. Thus, while the value increased the fastest historically, in actual amounts, the value of a luxury room in Agra was one of the lowest when compared to that in other cities. Going forward, values in Hyderabad are expected to increase by a CAGR of 12.5% over the next five years; however, the projected value per room of Rs93.2 lakh for a luxury hotel in 2014/15 is still significantly

lower than its peak of Rs131.6 lakh that was attained in 2005/06. Mumbai and Ahmedabad are expected to exhibit the greatest increases in values on a CAGR basis after Hyderabad over the next five years.

Approaches to Valuation

In arriving at a market value for real estate in general, and hotels in particular, three approaches to valuation are considered: income capitalization, cost, and sales comparison. Basic summaries of each approach are provided as follows.

Income Capitalization Approach

The income capitalization approach analyzes a property's ability to generate financial returns as an investment. The

valuation exercise begins with the estimation of a property's operating cash flow, and the result is utilized in a direct capitalization technique and/or a discounted cash flow analysis. The income capitalization approach is often selected as the preferred valuation method for operating properties because it most closely reflects the investment rationale of knowledgeable buyers.

Sales Comparison Approach

The sales comparison approach estimates the value of a property by comparing it to similar properties sold on the open market. To obtain a supportable estimate of value, the sales price of a comparable property must be adjusted to reflect any dissimilarities between it and the property

being valued. The sales comparison approach is most useful in the case of simple forms of real estate such as vacant land and single-family homes, where the properties are homogeneous and the adjustments are few and relatively simple to compute. In the case of complex investments such as hotels, where the adjustments are numerous and more difficult to quantify, the sales comparison approach loses much of its reliability. Additionally, as previously discussed, the lack of hotel transactions and the lack of data where such transactions do occur, makes this valuation approach difficult to use in Indian markets. However, as we see more hotels being transacted and as such transactions become more transparent, we believe that this approach will become increasingly more useful.

Cost Approach

The cost approach estimates market value by computing the cost of replacing the property and subtracting any depreciation resulting from physical deterioration, functional obsolescence, and external (or economic) obsolescence. The value of the land, as if vacant and available, is then added to the depreciated value of the improvements for a total value estimate. The cost approach is most reliable for estimating the value of new properties; however, as the improvements deteriorate and market conditions change, the resultant loss in value becomes increasingly difficult to quantify accurately.

Reconciliation

The final step in the valuation process is the reconciliation and correlation of the value indications. Factors that are considered in assessing the reliability of each approach include the purpose of the valuation, the nature of the subject property, and the reliability of the data used. In the reconciliation, the applicability and supportability of each approach are considered and the range of value indications is examined. The most significant weight is given to the approach that produces the most reliable solution and most closely reflects the criteria used by typical investors. Moreover, our experience with hotel investors shows that this group of buyers and sellers relies upon the methods of the income approach (as well as a review of sales data) when making decisions.

Understanding the HVI

The Hotel Valuation Index (HVI) is a valuation benchmark developed by HVS. It presents historical and anticipated value

trends in mid-market and luxury/first class hotels across eleven cities in India. The methodology adopted to derive these values is based on actual operating data which is maintained by HVS.

The valuation process starts by analyzing the demand-supply dynamics in a given market. In quantifying demand, actual operating data highlights the total accommodated demand which is essentially the total annual room nights occupied within a defined market. This accommodated demand or base demand is then grown at market-specific rates that are reflective of the economic health of the specified market. Having quantified accommodated demand, we then consider any latent demand that could not be accommodated by the existing supply. Latent demand may be in the form of unaccommodated demand and/or induced demand. Unaccommodated demand refers to individuals who are unable to secure accommodation due to a lack of hotel room supply. These visitors must defer their trips, settle for less desirable accommodation, or stay in hotels located outside the market area. Since this demand did not yield occupied room nights within the defined market, it is not included in the historical accommodated room nights demand estimate. On the other hand, induced demand represents the additional room nights that a hotel benefits from, as a result of the introduction of a new demand generator. Situations where induced demand can be created include the opening of new business or convention centre or the addition of new hotels bringing a different chain affiliation or unique facilities. Going forward, total accommodated demand plus any latent demand signifies the potential demand of a given market. Using the calculated potential demand for the market, we then determine market wide accommodated demand, based on inherent limitations of demand fluctuations and other factors in the market area.

On the supply side, the expected supply pipeline for the defined market is quantified by interviews with hotel operators and developers. The overall marketwide occupancy is then calculated based upon the total projected room nights demand and the supply of existing and proposed hotel rooms for the defined period.

Having determined the market wide occupancy, we then forecast the average rate for the defined market. Various

market-specific factors influence the growth rates applied to the average rate such as the overall status of the economy and the demand-supply equation for the defined period. The market wide occupancy and rate is applied to a typical 200-room hotel, thus attaining gross rooms revenue. Other revenue line items are then estimated using individual forecast models. Once the total revenues are derived, individual departmental expenses, undistributed operating expenses and fixed expenses are estimated based on HVS's knowledge of actual operating profiles thus arriving at the Net Operating Income (NOI). As the HVI uses an income capitalization approach to derive values, the NOI serves as the basis for determining the value of a typical 200-room hotel in the defined market.

From our experience of hotel financing and conducting several valuations over the past 13 years in India, we established appropriate valuation parameters for each city and segment covered by the HVI. Capitalization rates were based upon the maturity of the defined market, anticipated performance trends, existing and proposed demand-supply dynamics and investor sentiments for the specified markets, and ranged between 8.5% and 11.0%. These market-specific valuation and capitalization parameters were then applied to the net operating income derived for a typical 200-room hotel in both segments of the 11 prevailing cities in the HVI, thus arriving at a final valuation via the income capitalization approach.

Disclaimer: We note that the valuations presented in this report represent the typical performance of a hotel in each city. Actual valuations of specific hotel assets will vary based on factors such as location, size, brand affiliation, age, condition, and actual performance. We specifically note that our valuations are only based on market information available as of March 2010, and that any significant changes in demand or supply trends beyond this date could have an impact on valuations. The valuation parameters that were used to arrive at these valuations are based on our conversations with active hotel investors and are reflective of current investment sentiments. Any changes in such investor expectations in the future will have an impact on future valuations.

For further information on the HVI, please contact Kaushik Vardharajan at kvardharajan@hvs.com or Megha Tuli at mtuli@hvs.com.

ECOTEL Version 2.0: Reaching Out

Rating: We are reviewing and modifying the rating system wherein hotels would need to achieve a minimum score across all five 'globes' (ECOTEL's certification verticals). Hotels will be differentiated based on the level of environment friendliness and those exhibiting higher standards shall be accordingly recognized.

Audit Checklists: We are updating our checklists to ensure that they are aligned with international best practices. The checklists shall be customized based on type of property, location, geography, climate, and other considerations.

Collaboration with leading agencies across the world: In our endeavor to deliver a world class product, we are getting our certification assessed by leading domestic and international entities. Our basic standards conform to the Global Sustainable Tourism Criteria and we intend reviewing these continually.

Training Process: The strength of the program lies in its ability to have employees who believe in it. We intend concentrating on providing quality training modules for hotel employees and help in creating a more cohesive and responsive team.

Apart from this, ECOTEL is looking at introducing the following facets into the program:

Reservation Engine: All ECOTELs shall feature on the ECOTEL reservation engine, enabling end users to directly book rooms in the participating hotels through a common website.

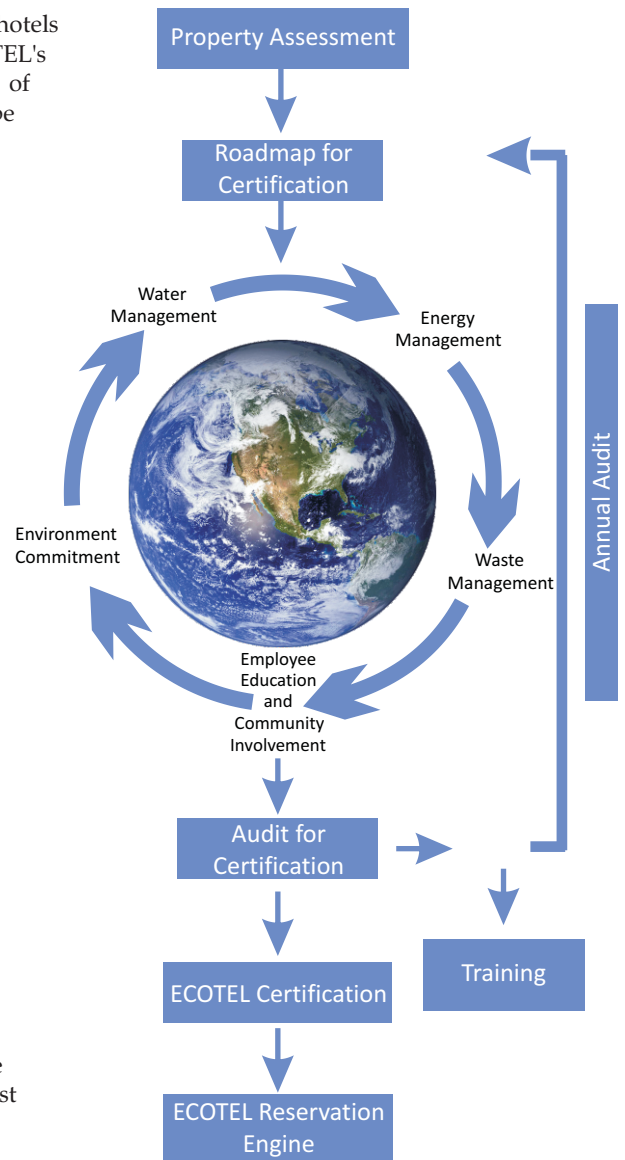
Sustainable Design and Construction globe: Unlike other certifications like LEED, which concentrate primarily on the building structure, we focus on maximizing efficiency and minimizing waste generation by concentrating on improving the day-to-day operations of hotels. However, we have always understood the importance of environmentally-friendly building design and construction, and shall now be introducing this aspect as a separate globe or assessment criterion for all new build hotels, making ECOTEL the first certification of its kind to certify both construction and operations.

The core strength of the certification is in its staff training programs and community outreach initiatives. While some of our existing hotels have very strong processes, we would be paying special attention to involving the entire value chain. We shall assist hotels in spreading the message of being earth friendly to others involved, such as our vendors and suppliers, and further to those such as the waste handlers. Our comprehensive approach aims to engage the community through programs that enable a great degree of interaction with local residents and businesses.

But the most important axis in this movement is the one controlled by the business decision-maker. It is very important for businesses to understand and believe that going green is not just responsible corporate behaviour but also a smart financial decision. The cost of constructing an earth-friendly hotel is marginally higher than that of a conventional structure, adding approximately 2-3% more to the overall development cost. Incorporating green best practices help in retrieving these additional costs in a couple of years. Considering that most hotels tend to have a life span averaging 15-20 years, operationally sound green practices tend to offset all costs and become an additional source of revenue, apart from bringing in other tangible and intangible benefits.

To better understand these benefits, we analyse Rodas, an ECOTEL. Why did we choose the Rodas in Mumbai as the subject for our case study? One, because it is an excellent example of a sustainable business, where energy-efficient design and construction is complemented by earth-friendly practices in every area of hotel operations. Two, because it demonstrates that imaginative thinking, and a conscious effort to follow through, can generate significant savings even with minimal monetary investment. Three, because both as a hotel and an earth-friendly operation, Rodas strives for continuous improvement.

For further information on ECOTEL or the case study, please contact Shamsher Singh Mann at smann@hvs.com or Deepika Thadani at dthadani@hvs.com.



www.ecotelhotels.com

Rodas, Mumbai: A Case Study

Located in Powai, Mumbai in the 3000-acre commercial-cum-residential complex known as Hiranandani Gardens, Rodas is a hotel committed to the environment. This 36-room upscale property opened its doors to business in May 2001.

Sensitivity to the environment is built into every aspect of this hotel, starting from the initial stages of design and construction. The hotel's neoclassical arched façade, while visually arresting, plays a role in reducing loss of energy from the sides of the building and thus maintaining lower temperatures within. The façade with its dual layers – external arches and columns and internal walls and glazed windows – increases the insulation for the building envelope, reducing energy losses. The building itself is positioned such that the centre-point of its parabolic shape faces the north-east, which reduces the effect of direct sunlight and thus helps the hotel save on the energy requirement for air-conditioning and lighting. The roof top is treated with three layers of coba (clay brick), so as to increase the insulation from the roof. Lastly, double-glazed windows in the guestrooms reduce the need for daylight lighting; at the same time, the glazing reduces the absorption of heat radiation from the sun while also cutting out noise pollution.

The cement used throughout the building is Portland Pozzalana (PPC), which uses 25% fly ash, a by-product of electric power generation. Fly ash itself is the non-combustible portion of coal that used to be released into the air through the smoke stack before the government enforced regulations on emissions into the atmosphere. All the wood used is either rubber wood (resulting from felled rubber trees) or Medium Density Fiber (from the waste stalks of the cotton tree). While rubber wood is produced from trees that have had their sap extracted and are felled, Medium Density Fiber is produced from the 'waste' stalk of the cotton plant which, instead of being discarded, is put through a manufacturing process that involves chipping, sieving, washing and cooking, and which results in a fiber with properties very similar to natural wood. Like the building, the facilities infrastructure has been designed in a manner that it enables energy-efficient operations, and energy meters allow staff to monitor consumption within the individual departments. Grey-water recycling and the installation of water-efficient fixtures ensure the judicious use of water. These initial investments have been supported by a keen attention to staff practices: right from the time of its initial opening, the team at Rodas has worked hard to build a conscious culture of reducing, reusing and recycling. Practices such as switching off of lights and equipment when not in use, using the water from the Bain-Marie to wash kitchen floors, and keeping careful track of the solid waste generated within all departments/areas, have gone a long way in helping Rodas achieve its environmental objectives.

The hotel's practices and processes in the broad areas of Waste Management, Energy Management and Water Management are highlighted in the following section.

Waste Management

- Emphasis on **reducing waste at source**: Guest laundry is lightly folded and delivered to the guests in jute baskets, and not in plastic or paper covers that must be thrown away. Suits are delivered to guests in muslin cloth covers. By smarter usage of paper and items such as stirrer sticks, the hotel saves approximately Rs1.9 lakh (USD 4,200) each year.
- All **kitchen waste is systematically segregated** according to the four-bin system, while all guest rooms feature two bins.
- At present, **50 kilograms of wet garbage** is deposited into **six composting pits daily**. (Prior to March 2008, when 30 pits were operational, the entire volume of wet garbage generated daily – about 180 kilograms – was emptied into these pits. Due to new construction, these pits had to close down; they will be reopened in about six months' time, when construction is complete.) The sale of vermicompost for use within and outside the Hiranandani complex generates an additional income.
- With the help of an **in-house tailor**, the Housekeeping department ensures that **all spare or leftover fabric or linen is recycled into something useful**.
- **Glass from broken tables** is, to the extent possible, not thrown, but collected by kitchen staff to be **cut, finished and polished to make serving platters** in varied shapes. On an average, Rodas makes three to four new platters a year. Similarly, glass pieces and shreds resulting from broken glassware are not discarded; instead, staff collects these **glass bits**, which are sent to be **processed into insulating material for the kitchen tandoor**. When the *tandoor's* clay pot is replaced every six months the insulating layer also needs to be changed, and this is when the material comes in handy.

Energy Management

- The hotel does not use boilers to heat water for the bathrooms and kitchen; instead, the **excess heat generated by the air conditioners is reused to heat water** up to 50°C, with the heat pumps acting as a back-up during the winter season, when higher water temperatures may be required. In 2009, the cost saving as a result of this system was equal to approximately 1.8% of Rodas's total electricity bill.
- Another by-product of the air conditioning system – **chilled water at -7°C** – is reused by being **circulated through Rodas's central water purifying unit, in order to cool water** that has been purified using ultra-violet rays and is otherwise fit for consumption. Using the water from airconditioners in the main water purifier and chiller saves this ECOTEL a considerable energy expense.
- The hotel maintains the **Power Factor at 0.97 to 0.99**, thereby earning a small discount from the local utility company, which encourages energy savings.

- Wherever possible and suitable, **energy-efficient lights and signages** are used. **Guest participation** is solicited through the '**Green Button**' featuring on the control panel in the guestrooms. By pressing this button, the default in-room temperature is raised by 2°C.

Water Management

- Rodas reduces the use of water through **taps** that are fitted with **flow restrictors** that operate on timers. **Wash basins** and toilets in **public areas have sensors**. The toilets in all guest bathrooms feature the **Geberit Concealed Cistern**, which uses only six liters of water per flush. While six-liter cisterns are a common feature in most new hotels in India, in 2001 when Rodas commenced operations, most hotels did not have water-saving devices as efficient as the Geberit.
- The hotel's entire wastewater is diverted to a huge **sewage treatment plant** located within the Hiranandani Gardens. Wastewater generated within all the developments in the Hiranandani complex is sent to this plant, where it is treated with the latest technology and used for air conditioning, gardening and for new construction within the Hiranandani complex. As much as 180,000 cubic metres of water passes through the treatment plant on a daily basis.
- The **backwash water of the water filtration plant is collected back in the flush tank**, which reduces overall consumption of water.
- Tent cards placed on the bed inform guests about the hotel's Save Our Planet **linen and towel reuse program**. Guest participation, at approximately 15% of total room nights annually, is largely influenced by the fact that Rodas draws 85% of its business from the business traveler, who has an average length of stay of two days.

A discussion on Rodas would be incomplete without a mention of the community-service actions that are a key component of the hotel's environmental initiatives. The hotel's Green Team meets regularly to review the progress achieved in meeting defined eco-targets, as well as plan out workshops and awareness-building initiatives that are implemented every year with great success.

Employee Education and Community Involvement

- Each year **prior to Ganesh Chaturthi**, Rodas organizes a **workshop to teach school children** to make Ganesh idols out of natural silt soil from Lake Powai and organic colors, with pistachio shells and pulses for decoration. The idea is to encourage children to **make their own eco-friendly Ganeshas**, rather than having to depend on the store-bought idols that are made using plaster of paris and commercial colours. In 2009, about 300 children from 18 schools (both regular schools and those for special needs) participated.
- Following the *Ganesh Visarjan* (immersion of the idols into the sea), which marks the culmination of the 10-day Ganeshotsav festival, the **Green Team gets together on the Lake Powai promenade to clean up the area**. The floral offerings made to Lord Ganesha as well as the waste lying about are collected, brought back to the hotel, sorted and segregated for recycling and composting. The **floral offerings are composted** in two pits set aside for this purpose.
- The hotel management frequently interacts with school children from around the locality and talks to them about the importance of being environmentally friendly, ending the sessions with some lovely goodies from the kitchen.

Rodas demonstrates its Environment Commitment through processes, practices and initiatives (some of which are highlighted) that assist the hotel in minimizing its environmental impact while enhancing its positive impact on the local community. This ECOTEL globe captures the essence of the four globes just discussed, while embracing many other aspects; for example, the use of earth-friendly technology and recycled-material products.

Environment Commitment

- **All refrigeration units** (including walk-in coolers and deep freezers), use the gases 134A and 404A, which **have zero ozone depletion potential**, and are the most environmentally-friendly gases for such equipments. All detergents used have a very low/neutral pH value. Pest controlling is done herbally. **Disposable plastic/styrofoam products are prohibited in the kitchen**.
- **Pulses, rice and other essentials** provided to the kitchen are delivered either **in reusable cloth bags provided by the supplier, or in cloth bags stitched by Rodas's in-house tailor** out of leftover fabric available with Housekeeping.
- **All hangers in the guestrooms'** wardrobe areas are **made out of sawdust**. The hotel uses utility trays made out of sawdust, and the same applies to covers for sugar pots. Parabola, the 24-hour café, uses buffet props and breadstands made out of waste/discard rubberwood. **Disposal bins** as well as the pens and pencils placed in all guestrooms are **made out of recycled material**.
- **All promotional materials** are made out of **50-75% post consumer content paper**.

As Rodas approaches its ninth anniversary, new initiatives are in place – to create a second herb garden, and to make space available to increase the number of composting pits. Certain to remain steadfast, however, is Rodas's commitment to embed a permanent sustainable development culture into day-to-day strategic decisions and behavior. With a team that strives continuously to meet organizational objectives and exceed customer expectations, Rodas offers a rewarding experience to both its guests and its employees.

Rodas manages to save approximately Rs1 lakh (USD 2,200) per year per room by engaging in environmentally-friendly practices. The case for going green is not just philanthropic but extremely business friendly.

2010 HCE INDIA SALARY AND BENEFITS REPORT

The cold winds of global recession have adversely impacted several Indian industries, especially Hospitality. With a downswing in revenues, hotel management companies have decided to tighten their belts and right size their workforces as well as the remuneration packages drawn by them. These are the findings indicated by the 2010 HCE India Salary and Benefits Report.

The decrease in compensation levels has also been effectuated to a certain extent by the current economic situations of several global economies particularly of those in the Middle East. The resulting exodus of quality workforce has provided Indian hotel companies an opportunity to recruit them at compensation levels that are lower than existing benchmarks.

The 2010 HCE India Salary and Benefits Report is a follow-up of the immensely popular HCE India Survey 2008 and as before aims to provide the most comprehensive guide to all-India compensation trends in the hospitality sector. It is encouraging to note that the 2010 survey includes data from over 200 hotels across 52 markets as compared to the 2008 survey that had been formulated with the participation of around 160 hotels across 47 markets.

The survey spans the length of the organizational structure, covering all positions in a unit level hotel hierarchy. The unit level hierarchy, as per industry understanding, has been classified as comprising of members from line employees, executives, assistant managers, managers, heads of department, and divisional heads. For the purpose of data integrity, the survey does not encompass any corporate level positions.

In order to minimize the disparity in the data sets received from the sample population, the survey has captured salary data based on job roles and not as per the declared designations.

For the purpose of the survey, the Total Annual Employment Cost or Cost To Company (CTC) has been defined to consist of the following components:

1 Annual Salary: defined as the salary on the pay slip inclusive of basic salary, house rent allowance and special allowances.

Table A: Year-on-Year Median Comparison - In Indian rupees

Position	Median		Change over Previous Period
	2007/08	2009/10	
General Manager	2,118,000	2,042,000	-3.6%
Resident Manager	2,114,000	1,150,000	-45.6%
Financial Controller	1,487,000	1,311,000	-11.8%
Director Human Resources	2,125,000	2,209,000	4.0%
EAM / Director Rooms Division	1,815,000	1,938,000	6.8%
Executive Housekeeper	963,000	1,020,000	5.9%
EAM / Director Food & Beverage	1,799,000	2,092,000	16.3%
Executive Chef	1,801,000	1,657,000	-8.0%
Director Sales & Marketing	2,207,000	2,134,000	-3.3%
Chief Engineer	1,585,000	1,704,000	7.5%

2 Annual Benefits: defined as a bonus or performance award disbursed as per evaluations of accomplishments based on annual appraisals. This also includes the component of leave travel allowance.

3 Retirement Benefits: defined as social contributions derived as a percentage of the base salary such as provident fund, gratuity and superannuation.

4 Medical Premium: defined as benefits accorded to an employee viz. hospitalization and personal accident premiums.

5 Other Entitlements: defined as any other benefit accorded to an employee that may be specific to a job role as per company policy.

Survey findings indicate that the median CTCs of positions across the hotel hierarchy have seen dramatic movements. While declines have been observed across departments, Resident Managers have been the worst affected with a decline of 46% in the median salaries. HVS observes that though the position is not being rendered redundant, it is certainly experiencing a strike-off from the hierarchy of several hotel companies across India. Several Resident Managers have known to have been promoted with no replacements being proffered.

For other departmental head positions, the decline may be attributed to either or a combination of the following reasoning:

- Salary rationalization across all department head positions
- Movement of people within the company through internal promotions

- Recruitment undertaken at lower compensation levels than benchmarks
- Redundancy of positions
- Emergence of Budget and Economy hotels that have significantly lower compensation trends as compared to First Class or Luxury hotels.

Table A shows the change in the median salaries for key positions across Indian hotels in 2009 over 2007.

The survey, however, does show an increase in salaries of Departmental Heads across Front Office and Food & Beverage, thus indicating a renewed requirement for quality professionals to guide these revenue producing areas more efficiently than earlier.

The rise in the salaries across the Food and Beverage domain may also be attributed to the emergence of quality stand-alone restaurants and food chains that are recruiting hotel professionals from the said department at extremely competitive packages.

Salaries of hotel Chief Engineers have also witnessed a significant rise. HVS Executive Search indicates that the designation over the past year has been looked at with keen interest by hotel development companies, who have hired individuals to help them setup their Technical Services divisions in India.

The table alongside shows a synopsis representation of the data collected for the 2010 survey report. The data as before is presented in standard percentile format (minimum, 25th percentile, 50th percentile, 75th percentile, and maximum).

Table B: Annual Salary Figures - In Indian rupees

Position	Minimum	25th Percentile	50th Percentile	75th Percentile	Maximum
General Manager	457,000	1,094,000	2,042,000	3,306,000	7,209,000
Resident Manager	517,000	692,000	1,150,000	2,343,000	3,530,000
EAM / Director Rooms Division	1,500,000	1,689,000	1,938,000	2,433,000	3,171,000
Executive Housekeeper	344,000	666,000	1,020,000	1,341,000	2,667,000
EAM / Director Food & Beverage	1,524,000	1,851,000	2,092,000	2,438,000	3,241,000
Executive Chef	761,000	1,310,000	1,657,000	2,252,000	3,834,000
Director Sales & Marketing	1,504,000	1,944,000	2,134,000	2,499,000	3,280,000
Financial Controller	321,000	686,000	1,311,000	2,143,000	3,376,000
Director Human Resources	1,222,000	1,804,000	2,209,000	2,656,000	3,671,000
Chief Engineer	1,001,000	1,278,000	1,704,000	2,257,000	3,300,000
Front Office Manager	420,000	596,000	939,000	1,157,000	1,676,000
Assistant Front Office Manager	263,000	412,000	537,000	699,000	1,369,000
Duty / Lobby Manager	146,000	201,000	276,000	429,000	885,000
Front Office Supervisor	72,000	144,000	174,000	206,000	396,000
Front Office Assistant	61,000	101,000	126,000	131,000	388,000
Bellperson	58,000	86,000	106,000	131,000	389,000
Concierge	119,000	145,000	181,000	259,000	368,000
Business Center Supervisor	60,000	120,000	187,000	220,000	282,000
PBX Operators	66,000	96,000	129,000	146,000	355,000
Assistant Executive Housekeeper	127,000	356,000	471,000	739,000	1,708,000
Laundry Manager	192,000	502,000	686,000	1,066,000	2,409,000
Housekeeping Executive	109,000	195,000	255,000	359,000	652,000
Housekeeping Supervisor	70,000	112,000	172,000	204,000	386,000
Housekeeping Attendant	47,000	71,000	92,000	121,000	279,000
Food & Beverage Manager	447,000	923,000	1,080,000	1,296,000	1,716,000
Assistant Food & Beverage Manager	216,000	337,000	456,000	665,000	877,000
Outlet Manager	146,000	255,000	408,000	547,000	683,000
Food & Beverage Supervisor	70,000	126,000	152,000	207,000	385,000
Food & Beverage Assistant	52,000	77,000	99,000	135,000	294,000
Banquet Sales Manager	257,000	467,000	590,000	696,000	1,200,000
Banquet Sales Assistant	63,000	141,000	192,000	227,000	380,000
Executive Sous Chef	516,000	577,000	844,000	1,219,000	1,881,000
Pastry Chef	454,000	618,000	737,000	1,005,000	1,312,000
Outlet Sous Chef	413,000	501,000	584,000	741,000	1,440,000
Chef de Partie	121,000	197,000	230,000	272,000	457,000
Demi Chef de Partie	101,000	153,000	174,000	210,000	338,000
Commis	70,000	104,000	126,000	142,000	282,000
Executive Kitchen Steward	379,000	546,000	681,000	758,000	1,931,000
Kitchen Steward	51,000	95,000	135,000	214,000	294,000
Spa / Fitness Centre Manager	555,000	717,000	879,000	1,164,000	1,663,000
Spa Therapist	95,000	173,000	181,000	232,000	325,000
Spa / Fitness Centre Attendant	73,000	98,000	117,000	132,000	214,000
Assistant Director Sales & Marketing	812,000	941,000	1,085,000	1,400,000	1,787,000
Sales Manager	462,000	564,000	730,000	827,000	1,240,000
Assistant Sales Manager	225,000	345,000	392,000	480,000	761,000
Director Communications / PR	1,027,000	1,101,000	1,398,000	1,548,000	2,093,000
Sales & Marketing Assistant	183,000	212,000	236,000	270,000	343,000
Director Revenue Management	820,000	966,000	1,342,000	1,785,000	2,849,000
Assistant Revenue Manager	482,000	505,000	593,000	690,000	1,001,000
Assistant Financial Controller	130,000	363,000	713,000	1,052,000	1,920,000
Credit & Collection Manager	140,000	303,000	500,000	810,000	1,487,000
General Cashier	60,000	126,000	180,000	278,000	637,000
Accountant	59,000	120,000	183,000	250,000	485,000
Purchase Manager	117,000	279,000	493,000	1,081,000	1,948,000
Store Clerk	49,000	109,000	158,000	193,000	464,000
Information Technology Manager	64,000	218,000	523,000	829,000	2,255,000
Human Resources Manager	301,000	489,000	769,000	1,159,000	1,918,000
Human Resources Officer	70,000	182,000	242,000	289,000	488,000
Training Manager	339,000	385,000	715,000	1,026,000	1,704,000
Assistant Chief Engineer	469,000	614,000	795,000	926,000	1,263,000
Engineering Supervisor	173,000	285,000	337,000	391,000	463,000
Engineering Technician	120,000	126,000	147,000	182,000	317,000
Security Manager	593,000	741,000	1,054,000	1,339,000	2,198,000
Security Supervisor	150,000	255,000	289,000	379,000	435,000
Security Attendant	101,000	121,000	137,000	154,000	206,000

The HCE Data Services ® is the largest industry forum for the exchange of benefits and compensation information for the Indian hotel industry.

HVS Executive Search, India has available detailed salary and benefits report on the following:

- Luxury and First Class Hotels
- Mid Market Hotels
- Budget and Economy Hotels

- Room Inventory
- Heads of Departments
- Corporate Positions
- Hotels in New Delhi
- Hotels in Mumbai
- Hotels in Bengaluru
- Hotels in Hyderabad
- Hotels in Goa
- Hotels in Emerging Markets (Tier 2 & 3 cities)

HVS can also create client-defined reports, which would provide information not collected in the standard HCE surveys.

For further information on how to purchase the 2010 HCE India Salary and Benefits Report and other compensation surveys, please contact Anupama Jaiswal at ajaiswal@hvs.com or Siddharth Choudhry at schoudhry@hvs.com.



About HVS

HVS is the world's leading consulting and services organization focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Established in 1980 by President and Founder Steve Rushmore, MAI, FRICS, CHA, the company offers a comprehensive scope of services and specialized industry expertise to help you enhance the economic returns and value of your hospitality assets.

Over the past three decades, HVS has expanded both its range of services and its geographical boundaries. The company's global reach, through a network of 30 offices staffed by 300 seasoned industry professionals, gives you access to unparalleled range of complementary services for the hospitality industry. Since 1980, HVS has consulted with over 19,000 hotels in more than 70 different countries world over.

Manav Thadani joined HVS New York office as a Consulting and Valuation Analyst in September 1995. After working with the New York and London offices of HVS, he relocated to Delhi to open HVS's first Asian office in India, which was established in New Delhi in 1997. As Managing Director and Partner of the New Delhi office, he is responsible for all HVS activities in the region including Consulting & Valuation, Executive Search, Marketing Communications Services, and HVS Web Strategies. Recently, he also helped set up HVS Asset Management & Strategic Advisory Services. Manav holds a Masters degree in Food Service Management from New York University (NYU), prior to which he completed his undergraduate education in hotel management at NYU. He is also a regular speaker at various hospitality/ real estate industry conferences and plays host to the annual Hotel Investment Conference – South Asia (HICSA). He also played host to the first Hotel Operations Summit India (HOSI), which was held in December 2009.

The New Delhi team has worked on a wide range of projects that include economic studies, hotel valuations, operator search and management contract negotiations, development strategies for new brands, research reports and investment services. HVS New Delhi's clients include Indian Hotels, EIH Ltd, ITC Hotels, Park Group, Hotel Leela Venture Ltd, Accor, InterContinental Hotels & Resorts, Mandarin Oriental, Carlson Hospitality, Global Hyatt, Hilton International, DB Hospitality, Merrill Lynch, Credit Suisse, GIC, Blackstone, IFC, ICICI Bank, Duet, AIG, Citibank, Kingdom Hotel Investments, GMR Group and GVK Industries, amongst others.

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