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Hospitality sector witnesses subdued growth

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Despite the apprehensions of GST rollout and monsoon threatening to 'wash away' the revenue, the domestic hotel industry witnessed a muted 2-3 % growth in average room rates (ARR) at ₹5,500 this current fiscal. Chennai has registered a double-digit growth in supply.

The improvement comes post subdued industry revenues over the previous few quarters because of adverse factors like the liquor ban along the highways – which impacted food and beverage (F&B) and; meetings, incentives, con-

ferences and exhibitions (MICE) revenues. Besides the GST rollout, certain company-specific events such as large-scale renovations also impacted revenues.

The room occupancy improved at 63% (3% growth). As per an ICRA research report on the industry, Q1 FY2019 was the 16th consecutive quarter of growth in revenue per available rooms (RevPAR); the same grew by 4.5% in Q1 FY2019.

While demand growth of 5-5.5% was lower than expectation, muted supply addition of 3% during Q1 FY2019 still reflect as improving occupancies in most markets in India. The RevPAR during FY2018 grew by 4-4.5%.

Domestic tourist visits during 2017 is estimated to have grown in line with trends of 2015 and 2016 at 11-12%. The domestic revenue passenger kilometre (RPKM), a proxy for domestic travel, continues to exhibit robust Y-o-Y growth, growing by 21.3% during 2018 (18.7% growth).

Further, the Nipa virus scare and August floods, both in Kerala, will adversely impact arrivals to India despite some part of the traffic being captured by other domestic tourist destinations.

According to Pavethra Ponniah, Vice President and Sector Head, ICRA, "though our interactions with most chain hotels in India indicate plans for a 7-8+ % hike in corporate contracted rates for the next season starting January 2019, ability to sell up the rates would be visible only during Q3 FY2019. Down-trading by corporate customers and higher bookings through online travel agents (OTA)s also appear to be constraining ARR growth."