

Icra: Several hotels may shut shop premanently

FE BUREAU

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THE INDIAN HOSPITALITY industry is expected to see a steep increase in credit distress in the coming months, and several hotels may shut shop permanently, ratings agency Icra said in a report on Wednesday.

Losses are mounting for the industry, operating at a mere 10-15% occupancy rate at present. Analysts expect a 30-50% decline in RevPARs (revenue per available room) during the current financial year. Also, costs will escalate as hotels will have to implement measures to adhere to social distancing norms. "The demand has declined to the lowest levels that the industry has ever witnessed; it is clear that this is the biggest crisis ever by the sector," Icra said.

Hotels across the country have suspended operations since the imposition of the lockdown starting March 25. The lockdown is slated to end on May 31. However, public places like restaurants, hotels, bars, gyms and theatres may take some time to fully resume services, given the need to maintain social distancing, unless a cure is in place. To add to the woes, the government did not announce any relief package for the sector under the 'Atmanirbhar Bharat' programme, designed to address economic issues arising from the pandemic.

Pavethra Ponniah, VP and sector head at Icra, said the supply increase previously anticipated for 2020 and 2021 would get pushed back by at least 12 months. Projects that are in the initial stage of development will be cancelled as developers and lenders will turn risk-averse, particularly from a new construction perspective.