

## TOURISM INDUSTRY COMES TO A STANDSTILL



The pandemic and the containment measures introduced by governments globally and in India resulted in a severe drop in foreign and domestic travel across the world. This will leave a lasting impact on the credit profile of airlines and hospitality companies, says ICRA.

# Many hotels stare at closure as losses mount

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INDIA's hospitality sector is facing its biggest crisis ever. As businesses remain shut, the mounting credit stress may force several hotels to shut down permanently.

On Wednesday, credit rating agency ICRA pointed out that the six-month debt servicing holiday announced by the RBI is inadequate for asset-heavy sectors like hospitality, given the duration of demand decline. "Given this scenario, we expect steep increase in credit distress to mount in the coming months in the Indian hospitality industry, with several hotels shuttering shop permanently," Pavethra Ponniah, vice-president and sector head, ICRA said.

According to the rating agency, beginning of a recovery is about three to four quarters away and contingent on a cure or a vaccine. Normalcy could be much further

away, over to two to three years. Supply increases previously anticipated for 2020 and 2021 will get pushed back by at least 12 months; projects in the initial stage of development will be cancelled as developers and lenders turn risk averse, it added. With high operating and financial leverage, estimated cash breakeven occupancy for a typical 200-room premium hotel is at about 38-40 per cent.

Currently, the hospitality industry in India is operating at 10-15 per cent occupancy. It is expected that there will be a 30-50 per cent decline in revenue per available room during FY2021.

"Globally, hotels have acknowledged the depth of this decline. Drastic cost control measures, stocking up of liquidity, preliminary reopening plans, and a sharp reduction in future supply addition are in the offing," Ponniah added.