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COMPANIES P2

HOTELS FEAR A REPEAT OF 2020 AMID COVID CURBS



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Hotels stare at a repeat of 2020 amid fresh curbs

SHALLY SETH MOHILE
Mumbai, 13 April

The hospitality sector, which was one of the worst-hit industries last year and had just started recovering, is staring at a repeat of 2020 as India deals with a fresh wave of Covid and several states start imposing curbs to stem the rise in cases.

It was with some respite that hotels saw a sequential increase in occupancies during the March quarter. However, the ARRs (average room rates) continue to be stressed and are at 60 per cent of pre-Covid levels, said Vineet Verma, executive director and CEO, Brigade Hospitality. Brigade is the asset owner for Sheraton Grand, Holiday Inn and Four Points by Sheraton in Bangalore, Kochi, Chennai and Mysore. "While

we were looking at further improvement in business in the coming quarters, concerns about the second wave and increasing restrictions on movement of people have again put a dampener on our business. Our sector can ill afford another lockdown," said Verma.

An improvement in macro indicators in terms of business as well as the recovery rate of Covid had kick-started a revival in the sector in the past two quarters, pushing the occupancy to over 40 per cent during Q3. It was primarily driven by the leisure segment and 'revenge travel' during weekends, the festive season, weddings along with food and beverage demand. The pace of recovery, however, started losing steam from February 2021. This led to a fall in demand for

HOW THE BIG HOTELS FARED

	Sales			Ebitda			Ebitda margin(%)			PAT Q4/21E (₹ cr)
	Q4/21E (₹ cr)	YoY (%)	QoQ (%)	Q4/21E (₹ cr)	YoY (%)	QoQ (%)	Q4 FY20	Q3 FY21E	Q4 FY21	
Indian Hotels	827	-22.2	47.8	62.9	-69.7	N/A	19.6	7.6	-3	-52.2
Lemon Tree Hotels	93.1	-47.1	36.2	29.8	-53.3	48.6	40.7	32	17.5	-30.2
Chalet Hotels	99.4	36.8	16.9	9.1	-12.6	N/A	40.4	9.2	-3.8	-37.5
ElH Ltd	264	-35.8	47.1	-3.5	-104.2	N/A	20.6	-1.3	-15	36.1
Total/avg	1283.3	-40.3	37	98.3	-60	48.6	30.3	11.9	-1.1	-156

Source: Nirmal Bang Institutional Equities Research

leisure destinations, which in Q3FY21 was the key driver for revenues for hotel space, wrote Rashesh Shah, analyst at ICICI Direct Research.

With corporates continuing their work from home policy, demand from business travellers, who account for a major share of revenues for upscale business hotels, was muted and

is likely to remain unchanged in the forthcoming quarters. Partial lockdowns and compulsory testing in most states are discouraging travel, leading to a direct impact on room demand, said Nandivardhan Jain, CEO, Noesis Capital Advisors. In the last three weeks, hotel occupancy in metro cities has dropped by

more than 50 per cent in comparison to February, he said. "This will be a tough quarter for the industry as there will be demand contraction. If this situation continues it will be difficult for the hotels to recover even their operating cost, which has already taken a big hit in the last 12 months," said Jain. Shah said: "We expect the

first half of FY22 to be challenging for the hotel space."

ICICI Research expects revenue at premium segment hotels like Indian Hotels to report a quarter-on-quarter (QoQ) decline of 3.8 per cent in Q4 while mid-scale hotels like Lemon Tree are expected to see revenue decline 5.7 per cent QoQ. But despite an operationally weak quarter, analysts expect hotels to trim the losses QoQ as most of them re-aligned fixed costs, which account for 70 per cent of the costs. The strong demand from the leisure segment came to hotels' rescue in Q4.

It boosted room revenues and food and beverages business compared to Q3FY21 and 9MFY21, wrote Amit Agarwal, analyst at Nirmal Bang Securities in a research report.