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After a subdued Q1, hotels see month-on-month growth as tourists return

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The operations of most of the listed hospitality firms have shown a remarkable improvement in the June quarter of the ongoing fiscal — in terms of the revenue per average room. But that's only when one takes into account the year-on-year performance. The first quarter of last year was a washout due to the nationwide lockdown and a quarter-on-quarter comparison shows that the road to recovery for India's hospitality sector, one of the worst-hit by Covid-19, is long.

The management of the companies, however, firmly believes that if the month-on-month recovery continues and there is no third wave, in another 6-9 months, hotels will reach the pre-pandemic levels. In an investor call on August 9, Puneet Chhatwal, managing director & CEO, Indian Hotels, said July had been better than the last three months and he expected the trend to continue.

"June was when things started getting better. Thankfully the period after getting a 4X growth in the number of cases, the period to bounce back after the second wave was much shorter than at the outset of the pandemic. There is a month-on-month increase in all parameters," said Chhatwal.

Indian Hotel Company Ltd's (IHCL's) standalone revenue grew 118 per cent YoY (-55 per cent QoQ) led by an 101 per cent improvement in RevPAR.

East India Hotels, which owns the Oberoi among other brands, said the hospitality sector in all major cities witnessed a month-on-month increase with the revival in leisure travel. Mumbai observed the highest occupancy (51-53 per cent) in June 2021, followed by New Delhi (39-41 per cent), primarily driven by staycation and weekend businesses, it said in an investor presentation.

Nandivardhan Jain, CEO and Noesis Capital & Advisors, said, "The pain for business hotels will linger on for another 2-3 quarters as sectors like IT continue to work from home and MICE

The hotel companies believe that if the month-on-month recovery continues and there is no 3rd wave, in another 6-9 months, they'll will reach pre-pandemic levels

(meetings, incentives, conferences, exhibitions) as a segment remains subdued with restricted travel and large format events being organized digitally. But hotels in cities that have exposure to manufacturing and other old economy sectors will see an uptick in demand. Meanwhile, properties in leisure locations will continue to be the saviour for hotels as people throng these places for a longer stay."

Others concurred. "We expect the leisure and weddings segments to continue to drive the sector in the short-to-medium term. As offices open and travel restrictions ease further, along with the rise in the pace of vaccination, corporate travel is expected to gain momentum towards the end of the year," JLL said in a recent note.

The last 18 months have been a roller coaster ride for hotels. IHCL, for instance, saw its RevPAR (a combination of average room rate and occupancies) jump (for domestic network of hotel brands) to ₹1,331 in the June quarter of FY22 from ₹513 in the year-ago quarter. This is, however, still way below the ₹3,229 it earned in the fourth quarter of FY21.

Raheja Group's Chalet Hotels also saw similar steep swings with its RevPAR rising to ₹1,252 from ₹926 in the year-ago quarter, but still being some distance away from the ₹1,610 it earned in the March quarter. The management is cautiously optimistic about the future taking encouragement from the fact there was a sharp recovery post the second wave of Covid-19. Further, the nation is now better prepared to handle the 3rd wave and the impact is expected to last for not more than two months, Chalet's management told investors earlier this month.

The trend at Lemon Tree Hotels is slightly different. Its RevPAR dipped further dipped to ₹700 from an already low base of ₹759 in the year ago quarter. But the company is hopeful of the road ahead as it has seen a month-on-month pick since the beginning of the September quarter. It is seeing a V-shape recovery and it resembles Q4FY21 demand, company's management said in an investors' call earlier this month. It has witnessed an increase in occupancy of over 70 per cent and an increase in average rate of ₹20 per cent.