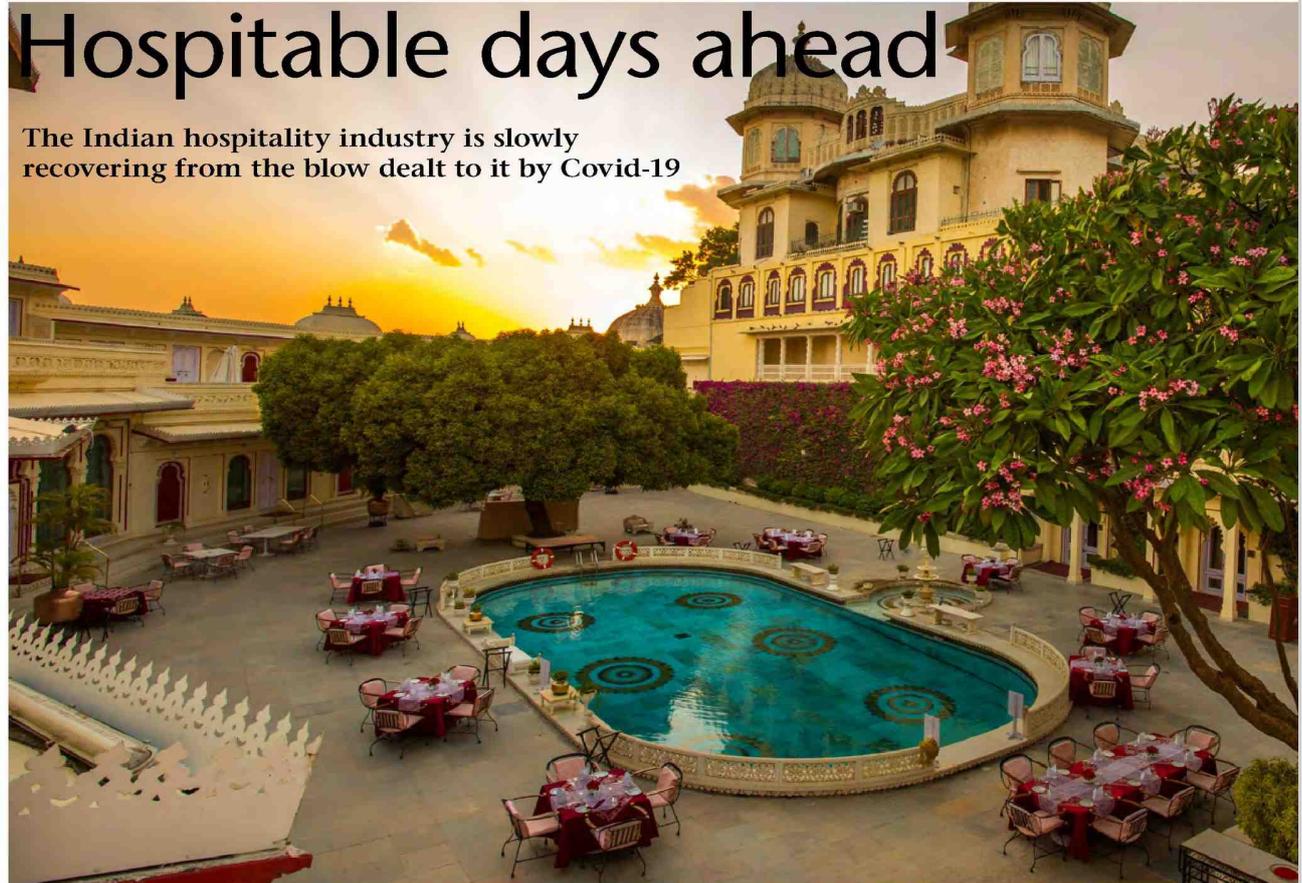


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Hospitable days ahead

The Indian hospitality industry is slowly recovering from the blow dealt to it by Covid-19

The unexpected and deadly emergence of the second wave of Covid infections across India in the last week of March 2021 dealt a huge blow to the Indian hospitality industry as occupancy levels plummeted in most hotels in the absence of international traffic and also subdued business as well as leisure domestic tourism. It is estimated that most branded hotels in India across all categories witnessed occupancy levels as low as 20-30 per cent between April and June this year. Also, the room tariffs of the branded hotels nosedived during these three months.

However, as offices open, travel restrictions ease further and the pace of Covid vaccination rises, corporate and leisure travel in the country is expected to gain momentum towards

the end of the current calendar year. Though the situation is slowly moving towards normalcy, there is cautious optimism amongst Indian hoteliers.

“Fortunately, the situation is improving gradually and we are witnessing around 50 per cent occupancy levels across all our properties nowadays. If the anticipated third Covid wave is not harsh, in the third quarter of the current calendar year, we expect occupancy levels to reach as high as 75 per cent. Between January and March 2022, occupancy levels are most likely to be in the 80-100 per cent bandwidth provided India does not witness an unexpected spurt in Delta variant Covid cases over the next few months,” said Patu Keswani, chairman and managing director of

Lemon Tree Hotels that enjoys around 20 per cent share of the mid-segment branded hotels in India. Keswani said his management will remain focused on generating revenues for his hotel chain through a calibrated marketing strategy in the post pandemic years to woo travellers from across all categories. “The occupancy share of retail travellers (businessmen and tourists) is usually 40 per cent in our hotels. Traffic from micro, small and medium enterprises comprise a 25 per cent share, corporate travellers 20 per cent, foreigners 10 per cent and 5 per cent share is generated through meetings, incentives, conferences and exhibitions (MICE) tourism,” he said.

Keswani said the strategy going forward is to expand the Lemon Tree

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footprint across India through an 'asset-light business model' which allows managing suitable properties under its hospitality brand. He added: "We have already invested heavily in the properties owned by us. I am extremely bullish about the Indian hospitality industry's future although 10-20 per cent hotels in India across all star categories might shut down in the near future due to financial constraints. It is an opportunity for a chain like Lemon Tree to acquire such distressed assets."

For Marriott Hotels, the recovery in Asia Pacific region (India included) stalled between April and June this year due to the strict lockdowns imposed in response to sharp rises in Delta variant cases and low vaccination rates.

Craig Smith, Group President, International for Marriott International, said: "Encouragingly, the recovery is now picking up steam again as cases in India have started to decline. Our footprint spans over 36 cities in India and we anticipate an uptick in domestic leisure travel surrounding the festive and wedding season subject to Covid caseload recovery patterns holding. Overall, we're seeing the combining of trip purposes: mixing business with leisure or "bleisure." More flexible remote work environments allow people to travel on more flexible timetables and have led to longer lengths of stay at resort properties. There is a higher percentage of international travellers in the luxury hotels, so until borders open up, occupancy will logically be somewhat suppressed accordingly." Smith said Marriott is open to strategic acquisitions, affiliations and partnerships in India, going forward.

Key driver

Haitham Mattar, Managing Director, IMEA, IHG Hotels & Resorts, said that domestic tourism has always been a key driver for the hospitality sector and hotels in the mid-market category are popular with domestic travellers. IHG's mainstream brands, Holiday Inn and Holiday Inn Express, represent 75 per cent of the group's portfolio in the country.

"Our guests in India are nowadays looking for quick weekend getaways, staycations or intercity vacations which have led to an increase in occupancy across our portfolio. Our hotels in markets such as New Delhi and Mumbai are recording over 60 per cent occupancy levels with many hotels also crossing the 80 per cent occupancy mark. Our strong presence and offering in the mainstream category have meant that we gained market share even in challenging times," he said.

Mattar said given the current circumstances, while full recovery for the corporate travel segment will take time, corporate movement is gaining momentum, especially with a revival in segments like IT, infrastructure, and manufacturing.

IHG is keen on expanding its footprint in India in the post pandemic



Keswani: bullish about the sector

phase. "There could potentially be some mergers and acquisitions taking place in India, as assets and asset owners may come under financial stress or look to be a part of a bigger chain to have access to more robust systems and resources. We will continue to explore such opportunities where it adds value to our offering," added Mattar.

Commenting on the much-anticipated mergers and acquisitions in the Indian hospitality industry in the post pandemic phase, Lakshyaraj Singh Mewar of Udaipur, a descendant of Maharana Pratap and Executive Director of HRH Group of Hotels that operates palaces converted into hotels and classic heritage properties in Rajasthan, said: "In good times and bad times, there exist phases of consolidation. I am sure that big hotel chains with deep pockets could invest in new properties or take over the smaller ones. It is quite normal for such business changes to occur. However, we are not in any expansionist mode at this stage. The challenge is to keep the ship steady and sail through these pandemic times."

He added that there will be a healthy rise in domestic tourism in India. Both for leisure, pilgrimage and ceremonial events like weddings and

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Overcoming challenges



Royal Orchid & Regenta Hotels is one of India's fastest-growing hospitality hotel chains. It was founded by industry veteran Chander K Baljee who presently serves as its chairman and managing director. Royal Orchid & Regenta Hotels currently operates 70 hotels across 49 locations. **Hemang Palan** interviews **Chander K Baljee** to find out more about his hotel chain's expansion plans in the post pandemic years.

Hotel firms have been suffering since the Covid-19 pandemic began. Various restrictions due to the Corona virus have meant that occupancies took a sharp beating as the resurgence of the second wave of Covid has pushed back the revival process. How has the second wave affected your hospitality chain, especially in the last six months?

The pandemic set a confounding impact across the world, and still affects the global economy in several ways. As one of the worst-hit industries, hotels across the country witnessed a sharp decline in their overall growth. We weren't spared either. The last 14 months have been challenging for us as we've dealt with an unprecedented demand slowdown and revenue challenges due to the strategies adopted to flatten the Covid curve such as community lockdowns, social distancing, stay-at-home orders, travel, and mobility restrictions.

However, we took this stoically. We picked ourselves up and



Smith: anticipating an uptick

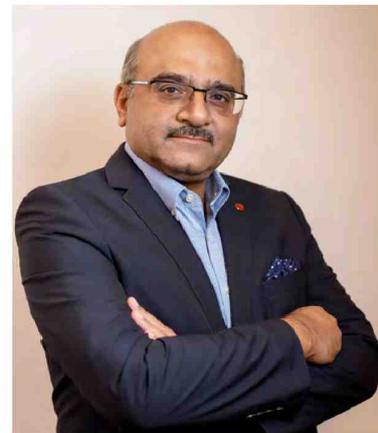
anniversaries. People living in big cities will feel the compulsion to travel and just be outdoors in the post pandemic years.

Abinash Manghani, CEO of Indian luxury hospitality chain ITC-promoted

WelcomHeritage Hotels & Resorts, which operates 40 classic heritage properties across 35 destinations in India, said that the second quarter of the current financial year looks very promising for his hotel chain as occupancy levels and revenues are showing an excellent growth – a rise of 50 per cent on the occupancy levels recorded during the same phase last year. ADR or the average daily rate measure is also witnessing a spurt across most WelcomHeritage properties nowadays due to the sudden surge in demand. Leisure hotels are currently facing an unprecedented demand and will continue to perform better in the future if such properties develop a reputation for quality and safety.

Spoilt for choice

Manghani believes that with the room rates softening across metropolitan cities and the excellent staycation offers available currently, guests are spoilt for choice at the country's premier hotels. If they can enjoy



Manghani: the industry will witness M&As

five-star luxury at affordable rates, there is no inherent logic for the mid-market branded hotels in India to recover earlier.

He said: "In most Indian cities, whether business or leisure destinations,

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dusted ourselves off and, decided we will do all that we can to overcome this uninvited challenge. While the first Covid wave caught us off guard, we were more than prepared for the second wave. We had taken substantial steps to preserve liquidity and mitigate the impact of extremely low levels of demand. In addition to reducing our operating expenses dramatically, we revised our organisation's strategy to become more agile. We also started several initiatives such as the Management Development Program through which we succeeded at rationalising costs and improving customer experience. Our priority during the incessant lockdowns was also to implement safety SOPs at the hotels to minimise the impact of the Covid viruses. All of this and more ensured that we could fortunately sail through the second wave relatively unscathed.

Will city-based properties heavily dependent on corporate travellers continue to report low or average occupancy levels for the next few months? Do you think that resorts and properties primarily dependent on domestic tourists might witness good occupancy levels in the near future, especially during the festive seasons?

There is no denying the fact that corporate travel has largely been the bread and butter for city-based hotels. Especially for those properties which are concentrated in the CBD area of any city. While corporate travel has started for sectors such as pharma, banking, and manufacturing, hotels will only fully recover when other sectors start to travel as well. I foresee a large chunk of corporate travel picking up in Q1 2023 unless new variants of the virus play spoilsport.

During the first Covid wave, we pivoted our strategies to

ensure all our hotels do well. For our city-based properties, we went back to the drawing board and started with realigning our marketing and revenue management strategy across channels and markets. A few other strategies that we implemented were – partnering with our corporate clients to offer special staycation, daycation and F&B offers for their employees, focusing on ancillary revenue streams such as promoting work from hotel, offering co-working spaces in our hotel, and renting rooms for parties. This showed us that despite the challenges that come with city-based properties, there are other options that can be explored to churn and maximise revenues.

Do you foresee huge consolidations in the Indian hospitality sector in the post pandemic years? What's the expansion strategy of your hospitality chain? Are you eyeing acquisitions too?

Consolidation within the industry has already started to happen. Small and medium hotels which are highly leveraged have already started looking for an exit. The pandemic might have started this but the second wave coupled with degrowth in occupancy only made it worse for owners.

We aim to add 40 more hotels to our portfolio by the end of 2022, and we are well on our way to achieving this goal. We're now investing in wildlife, spiritual, and leisure destinations while continuing expansion in Tier 1 and Tier 2 cities. Our expansion strategy is rooted in the fact that people today wish to travel further, more often, and to off-beat locations. Considering present-day guest needs, we've also started revamping our offerings through curated and personalised experiences for our more discerning guests.

the best and pricier hotels where Covid-related protocols are followed strictly will get maximum business during the pandemic phase. There exists a preference for such small hotels or resorts which are not crowded as guests are willing to pay a premium price for their safety and luxury."

Manghani predicts that the Indian hospitality industry will witness mergers and acquisitions in the future as standalone properties will align with branded hotel chains in the country. "There will be discernible interest amongst the hospitality players from an investment standpoint as many standalone properties will be available at bargain prices at landmark locations across the country."

Most hospitality brands of India will be skewed towards adopting asset light business models for expanding their footprints across the country in the post pandemic phase. Global hospitality brands too will continue to operate through management contracts and franchise models for expanding



Mattar: exploring M&A opportunities

their portfolios in India. The Indian hospitality sector is thus likely to witness an intense competition amongst branded hotel chains for signing management contracts through franchise agreements with hotels located at

promising locations.

With many Indian citizens now fully vaccinated or having taken at least the first Covid jab and awaiting their second vaccine dose, the travel bug seems to have fully caught them. After the resurgence of another Covid wave, which forced most Indian citizens to stay at home again after March 2021, they seem to be keen on celebrating the upcoming festive season at exotic locations in India. Short distance travel and mini vacations will perhaps be preferred by most domestic tourists in the near future.

It is undoubtedly good news for the beleaguered Indian hospitality sector which is limping back to normalcy gradually as the country is getting vaccinated at a laudable pace currently and hence most probably not likely to witness a sharp rise in acute cases of Covid in the months to come. Indeed, a hospitable future lies ahead for most hotels in India

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