

Indian hotel trade to take 18 months to hit pre-Covid levels



Anoop Agrawal • 20 hours ago

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Hotel check-in - Photo: Shutterstock

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The revival of check-in into India's hotels will begin next month, but it will take the next 18 months to reach pre-Covid occupancy levels and average room rates (ARR), according to a CARE Ratings estimate.

The resumption of international travel and corporate business will be key to the rise in hotel check-ins, CARE Ratings said.

Local tourism is expected to be the primary growth driver in the near-to-medium term, as overall sentiment gets a boost from the accelerated vaccination drive, particularly among

of a third Covid wave and its severity.

Global crisis

"The global crisis pushed the sector to historically low occupancies in FY21 (year ended March 2021). The strong linkage that the hospitality industry has with travel and tourism, and the void that foreign travel and tourism created, is evident in the fact that the occupancy plunged to 33% in FY21 from over 65% earlier. ARR dropped by 35% in FY21," said CARE.

The report continued: "Occupancies are unlikely to increase beyond 50%-55% in FY22, given the impact of the second wave and the fear of a third wave of the pandemic."

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Pent-up travel demand, cost containment measures adopted to tame operational losses by hoteliers, timely inoculation of hotel staff and the ability to deleverage balance sheets through equity fund-raise activities are seen as the key positives by CARE Ratings.

Average room rates may surge by as much as 10% in the year ending March 2022. This would still, however, be 30-35% lower than pre-Covid levels.

While the surge in average room rates may only be achieved after the recovery in occupancies, the full extent of the recovery may depend on brand recall and scale, CARE said.

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