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Hotels see green shoots of recovery as the fear of the pandemic recedes

But recovery in average daily rates remains some distance away

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The mood at the Hotel Investment Conference South Asia (HICSA), the annual [hospitality](#) industry conference was rather upbeat. But hotel brand operators and owners remain cautiously optimistic of the outlook and are living on a hope that a third wave of the pandemic doesn't become a reality. Having just survived the unprecedented zero revenue situation, the two day conference organised by consulting firm Hotelivate, was dotted with anecdotes and best practices adopted by the [hotels](#) of all hues.

It's the first in person large format event since the outbreak of the pandemic signalling that [hotels](#) are ready to get back to the business.

With the normalcy getting restored and public spaces re-opening after being shuttered for most part of the last 18 months after an extensive vaccination drive, [hotels](#) are bracing for the return of the business travellers.

Most hotels have seen the average occupancies at a blended level (business and leisure) inch up to 60-70 per cent of the pre-pandemic levels but the average daily rates (ADRs) remain depressed and get to the pre-pandemic levels only in another six to eight months.

"The September quarter has been far better than anyone of us expected. Leisure has been driving business and the revenue per average room (RevPar) has been higher than what it was in the pre-COVID level," Puneet Chatwal, MD and CEO, Indian Hotels

Company Limited said. If the hotels in the metros get back even to 80 to 90 percent of the Revpar seen during the pre-Covid phase, then we would cross 100 percent. It's because Revpar at leisure destinations are 100-250 per cent of what it used to be in FY19.

A similar sentiment was echoed by others. "In terms of occupancy, we are pretty much there, but the rates are still half of what it was before the outbreak of the pandemic," pointed out Sudeep Jain, Managing Director, South West Asia, Intercontinental Hotel Group.

Rating agency Care Ratings expect average room rate see an uptick of 7 per cent -10 per cent y-o-y in FY22 but expected to be 30 per cent -35 per cent down from pre-covid levels. The average room rate normalcy may only be achieved post [recovery](#) in occupancies, it said in a recent research report..

Even as the [recovery](#) has kicked in leveraged balance sheets remains an overhang for most hotel companies. The the pandemic induced lockdown forced hotels to re-think the business and revisit various practices and re-align costs structures, said the delegates who attended the meet.

Among other things most firms have stepped the use of digital to save costs, enhance efficiency. Lemon Tree Hotels for instance, has engaged Boston Consulting Group for digitising its front end and back-end, said Patu Keswani, Managing Director, Lemon Tree Hotel during a panel discussion.

To tide over the tough situation, hotels had downsize the workforce. Lemon Tree for instance now has 5500 people against 8500 earlier.

Restricted travel and shuttered hotels also hit Online Travel Agents (OTAs) "The June quarter was brutal," said Deep Kalra, founder and CEO MakeMyTrip.

"The Toughest one to cut was people cost, had to let go of 10 percent of cost," said Kalra.

According to Priya Paul, chairperson of Apeejay Surrendra Park Hotels, even as normalcy has started getting restored hotels are unlikely to get back to the old ways of doing business and will retain the best practises they have adopted.

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