

Hotels & Tourism Update – January 2021

Hotels and tourism industries were amongst one of the first sectors to be affected due to the global outbreak of Covid-19. The entire value chain which spans aviation, tour operators, travel agents, hotels, restaurants, and other service providers in the tourism industry were impacted. Both business and leisure user segments were affected due to imposition of travel restrictions.

Performance of tourism industry in CY20

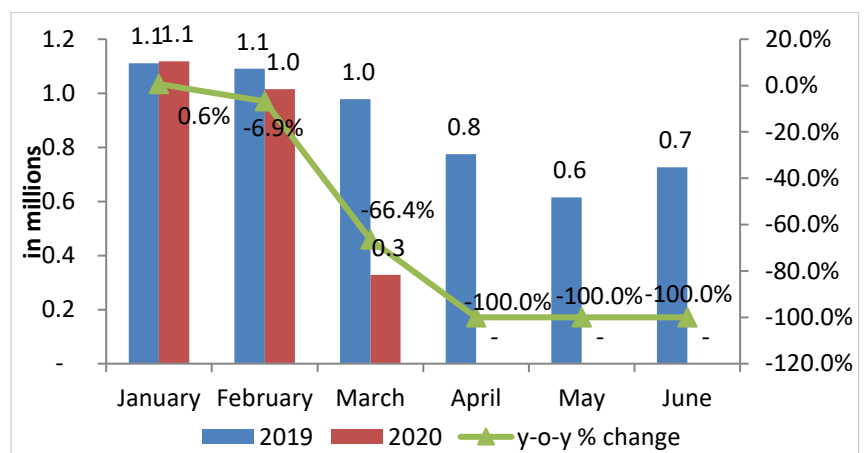
Foreign Tourist Arrivals

For Calendar Year (CY) 2019, Foreign Tourist Arrivals (FTAs) had reported a growth of 3.5% from 10.6 million arrivals in CY18 to 10.9 million arrivals in CY19.

In CY20, apprehensions surrounding a new type of coronavirus across the globe in the months of December 2019 and January 2020 led to a y-o-y de-growth of 6.6% in FTAs in the month of February 2020 followed by 66.4% decline in the month of March.

In a bid to tackle the outbreak of Covid-19 in the country, the Government of India (GoI) in the last week of March imposed a nationwide lockdown and a complete ban on international travel was issued which led to de-growth of 100% in FTAs during Q1FY21 as nil arrivals of foreign tourists were recorded.

Chart 1: Foreign Tourist Arrivals in India (Jan-June)



Source: Ministry of Tourism

Domestic Tourist Arrivals

In CY19, domestic tourist visits registered a y-o-y growth of 21.1% to 2.3 billion visits in comparison with 1.9 billion visits in CY18. The nationwide lockdown imposed in India adversely affected the domestic tourist visits; both business and leisure users' travel plans

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were impacted. Companies resorted to conducting their business through online through video calls during lockdown and people who wished to travel for leisure purpose had to remain confined in their homes. As restrictions on intra and interstate travel were lifted in a phased manner, initially people were cautious of venturing out of their homes due to fears of virus contraction. Gradually people have started stepping out for weekend getaways and staycations.

Performance of hotels industry in CY20

The outbreak of Covid-19 and the subsequent imposition of lockdown severely impacted the occupancy across hotels and the overall occupancy rate (OR) fell from 70.5% in January of CY20 to as low as 11.7% in April, a sharp decline of 83.4%. In addition to this, other parameters that indicate operational performance of hotels such as Average Daily Rate (ADR) and Revenue per available room (RevPAR) also declined as shown in the table below.

However, from May-June onwards, OR and RevPAR started picking up pace on a monthly basis. Similarly, ADR started gaining traction from August onwards. This improvement in the parameters overall was initially led by Vande Bharat mission flights and quarantine business as demand from leisure and business user segments remained muted even after Government of India (GoI) gave permission to operate hotels & restaurants and resume domestic flights in May-June. The demand was subdued as covid cases were increasing and Covid-19 induced restrictions including quarantine rules differed across states.

From September, 2020 domestic leisure travel has started showing signs of recovery as people who were at first cautious of stepping out of their homes to travel are now willing to do. In addition to this, ease in some restrictions on social gatherings like weddings is somewhat aiding the occupancy in hotels.

On the other hand, demand from business user segment has not picked up yet.

Table 1: Operational performance of hotels in CY20 (Jan-Nov)

CY 2020	Occupancy Rate (in %)	y-o-y change	Average Daily Rate (in Rs)	y-o-y change	RevPAR (in Rs)	y-o-y change
Jan	70.5%	0.5%	6,560	0.83%	4,620	1.34%
Feb	73.5%	-2.0%	6,620	-2.1%	4,870	-4.1%
Mar	31.0%	-52.9%	5,690	-6.8%	1,750	-56%
Apr	11.7%	-81.8%	4,113	-27%	482	-86.70%
May	14.3%	-76.7%	3,353	-37.50%	481	-85.40%
Jun	20.80%	-67.1%	3,140.7	-40.80%	652.9	-80.50%
Jul	NA	-62% to -65%	NA	-36% to -39%	NA	-76% to -79%
Aug	20% to 25%	-60% to -63%	3,200 to 3,800	-29% to -32%	640 to 950	-72% to -75%
Sep	24% to 26%	-59% to -61%	3,400 to 3,600	-29% to -31%	815 to 935	-71% to -73%
Oct	29% to 31%	-47% to -49%	3,700 to 3,900	-31% to -33%	1,070 to 1,210	-64% to -66%
Nov	35% to 37%	-49% to -51%	4,100 to 4,300	-33% to -35%	1,435 to 1,591	-66% to -68%

Source: HVS

Note: NA – Not Available

Outlook for CY21

The occupancy rate although improving on a monthly basis, has not reached pre-covid level of business yet. This is mainly due to the ban on FTAs which is not expected to be lifted in the near future. In addition to this, GoI in October, 2020 has permitted visa relaxations for all purposes except for tourism which in turn is expected to further affect the recovery in FTAs.

For the occupancy across hotels to reach pre-covid levels, it depends how quickly the virus is contained within India and globally and accordingly when the travel restrictions will be eased globally for foreign travel.

Meanwhile, although the overall average occupancy rate for FY21 will remain low, it is expected to improve on a quarterly basis in Q4FY21. Further, H1 FY22 will face muted consumer demand on account of lean business season. However, from Q3FY22 onwards, the occupancy rate is expected to start gaining traction.

Also, restriction on outbound tourism is leading to people exploring destinations within the country. With the easing of travel restrictions, people have started stepping out for weekend getaways and staycations and are also using hotel facilities as their workstations. All these factors in turn will aid the revival of hotels industry.

Concluding Remarks:

- The performance of hotels and tourism industry was severely impacted due to the outbreak of Covid-19. Tourism industry that mainly relies on FTAs reported nil arrivals in Q1FY21.
- The operational parameters of hotels such as Occupancy rate, ADR and RevPAR witnessed a y-o-y decline in CY2020 owing to the spread of virus.
- The occupancy across hotels is improving on a m-o-m basis but it has not reached pre-covid levels yet. Domestic tourism is expected to aid the recovery of hotels and tourism industry as the ban of FTAs is not expected to be lifted in the near future.