

Hotels & Resorts

Industry Code (as per CMIE Prowess): 0101040101000000'

June 2022

Overall Industry Risk Score: **11/20 | Marginally Favourable**

Sample Size: 37 Companies

Median Rating Value of sample size: BBB+

Individual Parameters Contributing to the Score

Demand & Supply Balance



12/20

DS Equilibrium

This sector has been significantly impacted due to Covid pandemic; Hotels, Restaurants and Tourism based sectors saw their revenue decline in FY21. As per FHRAI, (The Federation of Hotels & Restaurant Association of India), an association of the industry, the industry lost around 75% of its revenues i.e Rs.1.3 trillion during FY21. The industry witnessed y-o-y growth in sales revenue by 30% from Rs.20.5 billion in March 2021 quarter to Rs.30.3 billion during the quarter ended March 2022. Renowned hotels like Taj GVK, India Hotel Company, Chalet Hotels increased by 80-125% during the December 2021 quarter. Covid related restrictions had restricted public movement for recreation and business travel but in the second half of FY22, the demand in MICE (Meetings, Incentives, Conferences & Exhibitions) business and leisure travel picked up due to ease in travel restrictions. The demand is expected to be at pre-covid levels in the near to medium term. The occupancy levels and RevPar have been on an increasing trend. Some of the large hotels chains like Indian Hotels have announced major expansion plans.

Extent of Competition



8/20

Fragmented Industry

The sector remains largely fragmented and unorganized especially at the lower price points (Budget). Leading branded players are increasing their presence across various price points. Online platforms, especially room aggregators, have been offering consolidation opportunities to hitherto unorganised players.

Regulatory Risk



12/20

Predictable Regulatory environment

Tourism has been a focus area for the Government, although the restrictions on Hotels and Restaurants have eased to quite a great extent, the industry growth will be gradual subject to regulatory restrictions in the near term; the opening up of travel will act as a catalyst for demand revival of hospitality sector. The FHRAI has sought a realignment of tariff thresholds for the purposes of GST. The Government has also discussed the issue of levy of service charge by the Hotels and Restaurants.

Input Related Risk



12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

Manpower availability issues have been addressed with the unlocking of the sector, revised operating and social distancing norms due to the pandemic have now been removed across the country.