

Hoteliers Hope Next Govt to Drive Turnaround in Sector

Industry pinning its hopes on a stable and pro-business govt after the elections

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India's hospitality sector, which has been struggling with low room rates for the past five years, is expecting the next government to usher in friendly policies and an improved business environment.

In India, hotels are taxed anywhere between 20% and 25% depending on the state that they are operating in, when other Asian countries are levying 8-10%. In addition to this, different tax structures in different states are difficult for tourists to comprehend, say hoteliers. The ongoing economic slowdown has further hurt the sector as it affected both business and leisure travel.

"The general slowdown in the economy has hit the hotel industry. Over the last two years, average room rates have definitely reduced and occupancy has been stagnant," said SM Shervani, president of the Federation of Hotels and Restaurant Associations of India (FHRAI).

In fiscal 2012-13, occupancy rates in the sector dropped to a decade low of 58.3% and the average room rates fell to the lowest in six years at ₹6,214, according to data from hospitality consultancy HVS. Data for the last fiscal year aren't available.

Hotel owners want the next government to reduce interest rates on loans for the industry. "In the last decade, interest rate for new projects has been hiked from 8.00-8.25% to 12.50%," said Ashish Jakhanwala, managing director of SAMHI Hotel Investment.

"A new hotel project typically



Great Expectation

▶ **Hoteliers want next govt to cut interest rates on loans**

▶ **Anticipate an improvement in the overall lending to the sector**

▶ **Expect rupee will strengthen and bring down inflation**

takes anywhere between three and five years if you include regulatory delays. Debt repayment begins as soon as a project hits the ground and hotel owners are unable to access public capital, making repayment cycles longer than before," Jakhanwala said.

Dilip Puri, India managing director of Starwood Asia Pacific Hotels and Resorts, which runs brands like Westin and Le Meridien, expects the next government to offer some boosters to the industry because political parties have given "some recognition" to travel and tourism in their manifestos.

After the government unveiled its budget for fiscal 2013-14, the FHRAI had said that industries such as hospitality, which are particularly sensitive to volatility in economic cycles, should have been offered

support in the form of tax relief and other fiscal incentives. That was the last full budget of the current government as it has presented only an interim budget for this year. The full budget will be presented by the government that takes charge after the ongoing elections.

"We would look for pro-tourism policies from the next government which could potentially change the hospitality and tourism space in India for the better," said Arjun Sharma, managing director of Le Passage to India.

Speaking on the sidelines of the recently concluded Hotel Investment Conference South Asia (HICSA 2014), hospitality industry expert Uttam Dave said the industry is pinning its hopes on a stable government post the elections. For most, it is the idea of a pro-business government driving clear economic direction for the country, which will help the travel and hotel industry in a big way.

Rajeev Menon, Marriott Hotels' area vice-president for South Asia and Australia, expects three major hospitality-industry-related improvements post elections. "An implementation of the new electronic visa process and a clearly drafted vision and priorities for tourism are needed. We will also hopefully see an improved spending on infrastructure projects."

Lemon Tree hotels' president and executive director, Rahul Pandit, said the new government should concentrate on speeding up the 250 mega projects – involving investment of ₹1,000 crore or more – stuck in the pipeline. These also include several hospitality projects.

Hoteliers anticipate an improvement in the overall lending to the sector, in the coming months. "Low cost of borrowing, improvement in terms of lending and more moratoriums from banks is something we expect from the new government," said Puri of Starwood.