

FHRAI cites Supreme Court's order on waiver of compound interest on loans as a positive sign for the industry

The Hon'ble Supreme Court's recent judgment concluding that the Government's scheme to restrict the waiver of interest on interest or compounded interest to loans worth only up to Rs.2 Crore as irrational has come as a major relief to the Hospitality industry.

A highly capital intensive business, loans largely borrowed by players in the Hospitality industry are above Rs.2 Crore. The Federation of Hotel & Restaurant Associations of India (FHRAI) has cited the order as a positive sign for the Hospitality industry and plans to continue engaging with the Government for sector specific relief.

"Paying interest on interest for the duration of the moratorium period, especially at a time when revenues are below 50 per cent of the pre-COVID levels is impractical and unreasonable. The judgment by the Hon'ble SC has come as a welcome relief for the Hospitality industry. It's over a year since the pandemic hit the country and the Hospitality industry is still reeling under the after-effects of the pandemic led lockdown. Being the first sector affected by COVID-19 and the last to revive, the Hospitality sector in the country is waging a battle for its existence. The industry is in dire need of a sector-specific package," says Pradeep Shetty, Jt. Hon. Secretary, FHRAI.

As of today, 20 per cent of the hotels and restaurants in the country have shut down permanently due to financial losses. Over 30 per cent of hotels and restaurants haven't opened fully after the lockdown. The remaining 50 odd per cent continue to run in losses and revenues are below 50 per cent of the pre-COVID levels.