

Tourism, hospitality firms owe more to banks

Deployment of gross bank credit up 17.5 per cent

FORUM GANDHI

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Hit hard by the Covid-19 pandemic, the tourism and hospitality sectors have seen a 17.5 per cent increase in deployment of gross bank credit.

According to the Reserve Bank of India's data, the Indian tourism, hotels, and restaurants owed an outstanding credit amount of ₹48,687 crore as of October 23 this year to the banks, as compared to ₹41,373.14 crore on October 25, 2019.

Covid impact

The travel and hospitality industry was the worst-hit due to the pandemic and the lockdown that followed with limited domestic travel and a complete ban on international travel.

Karan Khanna, CFA, research analyst at Ambit Capital said with no clarity on recovery and with contractual obligations which had to be met, the sector had to avail/exhaust all its funding capacities to meet requirements in the first half of the last fiscal year. Having said that, "with the recovery post the unlocking, we have seen that growth was not as stark in 1H this year," he explained.

Speaking to *BusinessLine*, Pradeep Shetty, Jt. Hon Secretary, Federation of Hotel & Restaurant Associations of India (FHRAI), said the 17 per cent rise means there is more borrowing. This could mean two things—revenue shortfall or investment opportunities.

It looks like the former has more to do with the rise, he added.

Industry woes

A quick search on SMERGERS—a portal that facilitates sales and investments—showed that over 1,017 companies were listed in the travel, hotel, and restaurant industry segment.

"According to our analysis, 80 per cent of the industry borrowed more money to restart businesses and over 30 per cent of the establishments are still not open. While operations may have resumed, it does not translate into immediate revenues and it surely does not make up for the losses that the players have incurred due to the pandemic," said Shetty.

On the other hand, some players were not able to restart businesses, and were looking for more investments or selling their business to a larger player.

In March this year, the FHRAI had said the Indian hotel industry had taken a hit of over ₹1.30-lakh crore in revenue for FY21 due to the pandemic.