

Published Date:	Thursday 10th February, 2022	Publication:	BizzBuzz [Hyderabad]
Journalist:	Hemang Palan	Page No:	8
MAV/CCM:	13,276/33.19	Circulation:	5,000

ECLGS relaxation less likely to benefit small & mid-sized hotel

It will primarily benefit leading and branded hospitality players as their bankers will certainly provide them the financial cushion considering the magnitude of large hoteliers' operations

HEMANG PALAN

THE extension of the Emergency Credit Line Guarantee Scheme (ECLGS) and allocation of additional Rs 50,000 crore for hotels and the hospitality sector till March 2023 in the Union Budget 2022-23 although has brought a wave of relief to the industry, Patu Keswani, Chairman and Managing director of a Bombay Stock Exchange-listed company 'Lemon Tree Hotels Limited' believes that ECLGS relaxation is less likely to benefit small and mid-sized hotel operators of India.

"I firmly believe that ECLGS support announced in this Union Budget will primarily benefit leading and branded Indian hospitality players as their bankers will certainly provide them the financial cushion considering the magnitude of large hoteliers' operations. Standalone hotel operators or small and mid-sized hotel operators in the country probably will not get adequate financial support from their bankers," said Keswani.

Lemon Tree Hotels has planned a massive pan-India expansion spree in the current year. "We will adopt an 'asset lite' model for launching our hotels in India and plan to tie-up with property owners across the country in the months to come," added Keswani.

Under the ECLGS, which is for helping Indian companies tide over liquidity crunch resulting from Covid curbs, banks in India provide additional loans to the existing borrowers without asking for extra collateral. To encourage banks, these loans are fully guaranteed by the government of India against credit losses.

"The hospitality and related services, especially those by micro and small enterprises, are yet to regain their pre-pandemic level of business. Considering these aspects, the ECLGS will be extended up to March 2023 and its guarantee cover will be expanded by Rs 50,000 crore to total cover of Rs 5 lakh crore, with the additional amount being earmarked exclusively for the hospitality and related enterprises," Union Finance Minister Ms Nirmala Sitharaman, said recently in her Union Budget speech.

Sudeep Jain, Managing Director, South-West Asia, IHG Hotels & Resorts, said, "We appreciate the government's move to extend ECLGS up to March 2023 for the hospitality sector. The additional amount of Rs 50,000 crore that has been earmarked for hospitality and related sectors is a positive step towards providing the industry a boost this year. Additionally, the announcement on the introduction of e-passports and initiatives to improve connectivity within the country such as 'Gati Shakti plan' - focusing on roads, railways, airports, ports and waterways, national ropeway development plan,

new Vande Bharat trains and 'Parvat Mala' scheme to facilitate a modern system of transportation and connectivity in hills, are expected to ease domestic and international travel in the medium to long term."

However, not all hoteliers are happy with the sops announced in the Union Budget to help the ailing Indian hospitality sector. "Currently, many hoteliers don't have adequate money to repay their existing loans. Reduction of taxes, if announced in the Union Budget, would have helped a lot to the Indian hospitality industry," said Param Kannampilly, Chairman, Concept Hospitality - the owner of 'The Fern' brand. Kannampilly added that in the longer run, the Indian government's policy decision aimed at strengthening India's infrastructure sector is overall going to help the growth of the Indian hospitality industry. He said, "The government of India has been supportive, but it should be more proactive in



providing interest-free loans, more subsidies, tax cuts, technology advancements, and a measure to increase domestic travel."

The latest Covid wave of Omicron variant did not augur well for the Indian hospitality sector as according to industry body Federation of Hotel & Restaurant Associations of India, around 30 percent of establishments in the organized sector comprising around 60,000 hotels and five lakh restaurants have already shut shop and another 15 to 20 per cent could follow the suit if the Covid continues to drag the sentiments downwards for few more months in absence of huge international traffic, and restricted business as well as leisure travel of Indians across the country.

"Fortunately, the onslaught of Omicron has not proved to be fatal and also not badly hit our economy, and the Indian hospitality sector is in a gradual recovering phase at the moment," said Keswani.

It is anticipated that the Indian government's greater focus on infrastructure investments, notably road development and ropeways in the longer run will enhance connectivity in hilly areas would help the tourism sector make some strides. Developments like proposed operations of 400 Vande Bharat trains in India, the recent handover of Air India to the House of Tatas and the anticipated launch of more air operators like Rakesh Jhunjhunwala's Akasa Air will boost tourism as well as hospitality industry in India in the years to come.