

Hospitality sector is a key winner amid reviving economic activity

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Companies in sectors such as aviation and hospitality are seeing a surge in their shares, with the opening up of economic activities and the easing of restrictions imposed to contain the spread of coronavirus.

The aviation industry is benefiting from improved domestic traffic and has gained further with the resumption of all flights on international routes. The easing of restrictions on flights to and from India has also

brought cheer to the hospitality industry, which has been catching the attention of investors with improving occupancy levels. Improved investor confidence is reflected in 20-38% gains by the stocks such as those of Lemon Tree, Indian Hotels, and EIH Ltd during March itself. Experts are of the view that there are more gains in store for these stocks.

The hospitality industry was among the hardest hit during the pandemic, said Mitul Shah head of research, Reliance Securities Ltd.

The impact of disruptions caused by the spread of cov-

id-19 has been significant over the last two years. As many as 20-30% of hotels and restaurants in India are estimated to have permanently shut down since 2020, according to experts. The impact is also significant for the Indian economy with the tourism and hospitality sector being among the key foreign exchange earners for the country.

Some green shoots have been visible in the travel and tourism industry during the second half of the calendar year 2022, but the Omicron strain of coronavirus spread by the end of Q3 and took away the benefits. The recovery



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now holds some promise.

Shah anticipates a faster recovery in the demand environment given the vaccination drives and improving eco-

nomics indicators. Experts such as Shah are hopeful that consumption will reach pre-covid levels in H1FY23, led by revenge travel in the domestic

tourism segment, demand from the wedding season and likely reopening of doors for foreign tourists from Q1FY23, Shah said. Hotel companies are now leaner in terms of costs. This, coupled with reduced room supplies, would make strong players stronger in the long run.

Pent-up demand is benefiting the hospitality industry and near-term benefits may continue to accrue with rebounding occupancy, feel experts such as Ashutosh Tikekar, head of global markets, BNP Paribas. However, Tikekar feels there is a need to watch impact of higher infla-

tion on disposable income. The rise in inflation due to higher oil prices can impact spending power, which can taper growth rates of sectors. These factors, along with rising aviation turbine fuel prices must be watched for in the aviation sector though the sector is benefiting from the opening up of the economic activities.

The number of weekly average daily fliers recovered to 359,000 in the week ended 26 March 2022 versus 332,000 in the previous week, according to an ICICI Securities report. All major airlines witnessed a sequential increase in passenger load factor in February '22,

the report highlighted.

Shah is also positive about the aviation sector with a possible boost to international capacity and help soften airfares that have been soaring due to increased demand and rise in crude oil prices. International routes also mean higher revenue per seat.

However, Shah cautioned that in the short term the higher fuel prices may impact the profitability of the company though in the long term, aviation is also one of the promising sectors to play India's growth story. Fuel costs almost account for almost 40% of airlines' operating costs.