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When World Cup brings a windfall

Vineetha Sampath
vineetha.s@livemint.com

After twelve years, the cricket world cup tournament is returning to India. The upcoming ICC Men's Cricket World Cup is set to bring a one-time bonanza to many sectors, as fans splurge during the event that stretches from 5 October to 19 November.

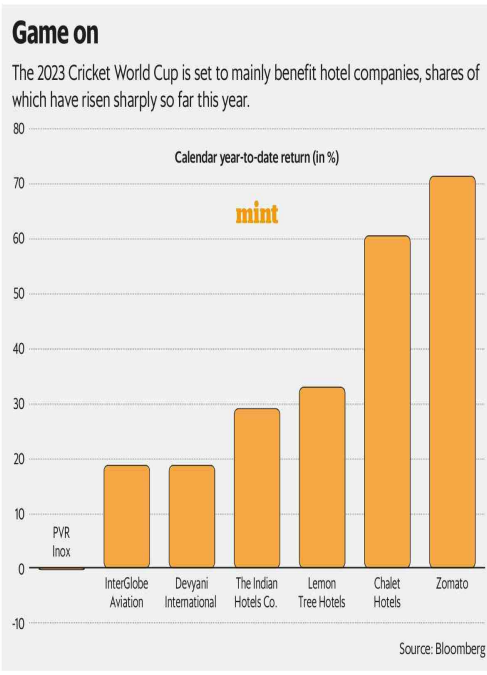
Hotels are the clear winners with the event falling in the festive and holiday season when demand is usually strong.

Occupancies and average room rates are likely to rise in the December quarter (Q3FY24) with the prices on match days expected to shoot up.

According to major hotel websites, a room at the Ginger hotel in Ahmedabad, RTO Circle costs ₹43,000 to ₹48,000 on 14 October, when India plays Pakistan. Ginger is a hotel brand under The Indian Hotels Co. Ltd (IHCL).

For perspective, IHCL's average room rate (domestic) in the June quarter was ₹9,128.

"Our checks with reservation desks of many hotels in bigger cities also indicate that occupancies for match days are already running high, which has



resulted in rates rising sharply and rates are likely to mostly increase further closer to match dates," wrote Prateek Kumar, an analyst at Jefferies India in a report on 27 September.

The rates on the non-India match

days are high as well.

Understandably, investors are excited about hotel stocks. Shares of key hotel companies—IHCL, Chalet Hotels Ltd and Lemon Tree Hotels Ltd—are up by 29-60% in 2023 so far, also helped by

strong demand seen in recent quarters.

"We believe the hotel sector is yet to achieve its peak with further headroom for rates to grow in FY25. This comes on the back of rise in business demand, sustained leisure demand and tailwinds from election related campaigning," said Prashant Biyani, an analyst at Elara Securities (India). Here, favourable demand-supply dynamics also help.

Meanwhile, the cricket frenzy would mean the seasonally strong December quarter could be a stellar one for airlines this time, after potentially lower yield in Q2. Yield here refers to the revenue a carrier earns per passenger per kilometre. "In Q3, InterGlobe Aviation's yield is likely to be much better as benefits of

World Cup and festive season may set in. But if the stiffness in crude oil price holds up, it may play spoilsport," said Jinesh Joshi, an analyst at Prabhudas Lilladher. Recall that InterGlobe had clocked a multi-quarter high yield of ₹5.40 per passenger per kilometre in Q3 of FY23.

The December quarter could also pan

out well for quick-service restaurant operators such as Westlife Foodworld Ltd and Devyani International Ltd. Further, as people stay glued to television screens, ordering from home might spike, benefitting companies like Zomato Ltd. Recall that in Q3 of FY23, Zomato had said one reason for the

muted sequential growth of 0.7% in the food delivery business' gross order value was due to the surge in travel. The cricket fever could work its magic, this time around, though. Zomato's shares have rallied sharply this year amid improving performance of its food delivery business in recent quarters.

On the flip side, footfalls at PVR Inox Ltd may fall as cricket matches start. Even so, the multiplex operator is shielded to some extent as it plans to screen some matches—specifically when India is playing.

To be sure, the benefit from the cricket mania would be a temporary windfall. The sectors mentioned above would need demand momentum to remain strong on a consistent basis.

SOME WIN, SOME DON'T

HOTEL companies, restaurant operators and the aviation sectors are clear winners

ON the flip side, PVR Inox Ltd's footfalls may see an adverse impact with the onset of matches