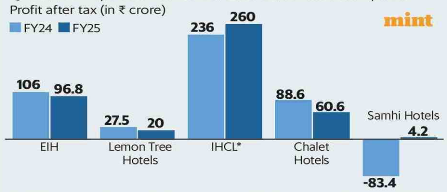
Published Date:	13 Aug 2024	Publication:	Mint [New Delhi]
Journalist:	Varuni Khosla	Page No:	5
Circulation:	93,000		

Lack of cheer

Traditional Q1 FY25 challenges included high temperatures and reduced domestic travel.

Q1 results as reported in consolidated balance sheet of companies

Profit after tax (in ₹ crore)



*IHCL's revenue also includes its international hotels, air catering business TajSATS, ice business, home stays business, ama stays etc

Source: BSE India

PARAS JAIN/MINT

Indian hotels had a mixed Q1, but hope to rebound soon

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India's hotel industry reported mixed June quarter results, with the general election, heatwaves, and increased foreign travel hurt-
1 ing the sector's performance.

Bigwigs like The Oberoi Group reported a 9% year-on-year decline in profit during the first quarter of FY25. Lemon Tree also logged a 27% lower net profit. Chalet Hotels, the owner of hotels like JW Marriott Mumbai Sahar and The Westin Mumbai Powai Lake saw a substantial 31% erosion in its net profit. Tata group-owned Indian Hotels Company Ltd (IHCL), however, showed a modest growth of 10%.

Traditional Q1 challenges included high temperatures and reduced domestic travel, but the absence of major events like the G20 Summit and ICC Men's World Cup, which gave the industry impetus last year, compounded the industry's problems.

Post covid, many companies saw strong double-digit growth, but there was a moderation in growth in Q4 of FY24 and the following quarter saw a slowdown. While EIH's Oberoi saw a 5% drop in revenue from operations, Lemon Tree saw a 19% growth.

"We had the election this year. When compared to the previous elections, the impact of this election has been more," said Vikramjit Singh Oberoi, MD and CEO of EIH Ltd that runs Oberoi Hotels, in an investor call last week. "This (slow growth) was just a temporary circumstance and we should see demand come back in the third and fourth quarter of the year." He said the company's performance was hit due to extreme heat in locations like Rajasthan and lower demand.

IHCL, while recording better revenue and net profit growth than its peers, showed a marginally lower occupancy of 74.8% versus 76% in the same quarter last year.

The company, in a call and in its report, told investors that its overall business was impacted by elections, fewer auspicious wedding dates and a 25% lower revenue from weddings across its enterprise. In fact, at a standalone level, the firm saw a 4% growth in its revenue from operations and a 10% increase in profit after tax.

Patanjali G. Keswani, chairman and managing director of Lemon Tree Hotels, which also saw a weak quarter, said the right metric to compare the earnings would be quarter on quarter rather than year on year due to the high seasonality. Lemon Tree's lower Ebitda, at least half of it, was due to a one-off increase in renovations and digital transformation of the company.

The hotel's occupancy stood at 66.6% in Q1 and average room rates were ₹5,686, up 9% over last year. The company has over 10,000 rooms across its 107 hotels.

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"When I talk about a structural uptick and change, I reflect on China and Indonesia back in the 2016-17 period when their GDP per household was roughly the same as India's today," Keswani told investors on their earnings call last week. "What happened for them in the next six years, was a massive increase in SUV car sales, an increase in four-lane highways, an increase in runways and airports, a massive increase in airline seats and this led to a 22-25% CAGR growth in the market for hotel room demand over the next six years."

"So, we felt we would prefer to bite the bullet now in terms of our renovations and upgrades and take some short-term pain for what we anticipate will be long-term gain and become future-ready today," he added.

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