

Amid 2nd Covid-19 wave worry, FHRAI seeks Centre's help for loan restructuring

Hotels and restaurants across the country are once again on the edge with fears of state-wise lockdowns and restrictions due to the rising number of Covid-19 cases. In view of the possibility of a second pandemic wave, the Federation of Hotel & Restaurant Associations of India (FHRAI), the apex hospitality body, is seeking a sector-specific loan restructuring plan from the government.

The apex association has opined that loan extensions should be given to the hospitality sector on similar lines as those given under the Prime Minister's scheme for loans below Rs 25 crore for SMEs and MSMEs. Provisioning this, the association has asserted, is the need of the hour for saving the hospitality industry from an almost imminent collapse. "The hospitality and tourism sector of India is not a risk to the Indian banking system and it needs to be protected to prevent its assets from becoming non-performing. With existing travel restrictions, in February 2020, 1.01 million foreign tourists arrived in India compared to 1.08 million in February 2019, registering a year-on-year decrease of 6.6 per cent already," said Gurbaxish Singh Kohli, Vice President, FHRAI.

Since then, there has been no free trade agreement (FTAs) and are not expected anytime in the near future amid fears of a second wave. "The total value at risk to the entire economy is close to Rs 10 lakh crore with more than 50 per cent job losses within the industry. There is a justifiable fear that most of the hospitality businesses companies in this industry would be unable to service their financial obligations and eventually slip into the most distressed category," he said, seeking government's help.

Over the 18 months from March 2018 till September 2019, the gross bank credit by the banks and financial institutions stood at Rs 83,99,196 crore which as on September 2019 increased by 14 per cent to Rs 95,57,487 crore - an increase of Rs 11,58,291 crore. The total outstanding to the service sector was Rs 25,30,553 crore while the credit for tourism, hotels and restaurants sector was Rs 56,766 crore which is only 0.58 per cent of the total deployment of Gross Bank Credit. While the total gross bank credit has increased in the

country, the share of tourism, hotels and restaurants sector has come down from the 18-month period from 0.62 per cent to 0.43 per cent in the current financial year. “Businesses are steadily closing and the NPAs too are rising. Conservative projections show estimated revenues of only Rs 36,400 crore against total revenue of Rs 1.82 lakh crore in FY20. This translates to a revenue loss of Rs 1.14 lakh crore. The total loan outstanding to the hospitality industry is Rs 55,000 crore and the value at risk for the hospitality and tourism sector is at approximately Rs 10 lakh crore without accounting for a second lockdown and its repercussions,” adds Pradeep Shetty, Joint Honorary Secretary, FHRAI.