



MEDIA STATEMENT

HAI urges FM to customise ECLGS scheme, extend moratorium period and reduce loan interest rate

New Delhi, 30 April 2021: The second wave of the pandemic has stopped in its tracks, the recovery of the hospitality and tourism sector. The hotels in India, shut for nearly 6-8 months reopened in a staggered manner and were recovering somewhat on the strength of domestic leisure tourism and intimate weddings/ family get-togethers only to be impacted yet again on account of lockdowns in some states, night and weekend curfews, reduced limits on the number of guests allowed for functions and other restrictions.

Hotel Association of India (HAI) understands the compulsions of such restrictions and stands united with the Government in its efforts to curb the spread of the pandemic. However, it is also a fact that the curbs have impacted hospitality the most. For an already crippled industry, the set-back caused by the recently imposed restrictions has affected the viability of most and survival of many hotels.

HAI has therefore made some submissions recently to the Finance Ministry. While conveying its deep gratitude for extending support to the Industry by extending the scope of Emergency Credit Line Guarantee Scheme (ECLGS) through introduction of ECLGS 3.0 to cover business enterprises in Hospitality, Travel & Tourism, The Association has highlighted that the Scheme requires some customisation. In addition to being highly capital intensive, hotels have a high percentage of fixed costs of operations that have become unsustainable owing to nil or negligible revenues. The recovery of hotels will also be long drawn as borders will be re-opened with extreme caution and traveller confidence will return over an extended period of time. The ECLGS 3.0 scheme for hotels, therefore, needs to factor-in these aspects unique to the Industry.

Inclusion of State Financial Corporations, Asset Reconstructions Companies (ARCs) and Debt Funds, extension of moratorium, capping of interest rate at 8 percent, increasing of the delinquency period are some of the suggested customisations. In addition, the Association has requested that Hotels with no borrowings should also be eligible for ECLGS 3.0 as these too are facing a severe liquidity crunch. HAI has highlighted that while ECLGS 3.0 offers liquidity to pay interest obligations, it does not help businesses to survive. Interest subvention and a longer payback period can provide both liquidity and relief.

A simpler and quicker dispersal process will make for a better and more improved scheme. Allowing hotels to utilise the credit line for any business purpose, including repayment of loans and interest payment would provide additional support.

A complete or partial waiver of statutory expenses like property tax/ lease rentals/license fee /excise fee payable by hotels to various government authorities and an Introduction of a plan/policy where hotels can renegotiate lease rentals/license fee in a manner that for the remaining term, the lessor/licensor can have incremental revenues, while the hotels are given the opportunity of recovering/recouping their losses due to this pandemic are other relief measures suggested by the Association for sympathetic consideration.