

Travel and tourism industry requires higher relief measures

Ratings agency, ICRA, has in a recent report on the Indian aviation industry mentioned that, “Domestic air travel ascends in June 2021, with ~41-42% sequential growth, as Covid-19 infection trajectory moves down.” However, it has maintained the credit outlook for the sector as negative, suggesting that:

- Recovery in domestic passenger traffic has hindered by resurgence of second wave of Covid-19
- ICRA expects industry earnings to be adversely impacted in FY2022 due to lower revenues and high fixed costs
- Some airlines in financial distress, face stretched liquidity issues
- In the near term, the credit profile of Indian carriers will remain stressed

The Finance Minister has recently announced a Loan Guarantee Scheme to provide working capital or personal loans to people in the tourism sector to discharge liabilities or restart businesses impacted due to Covid-19. The scheme will cover 10,700 regional level tourist guides recognised by the Ministry of Tourism and Tourist Guides recognised by the State Governments and about 1,000 travel and tourism stakeholders recognized by the Ministry of Tourism.

The Finance Ministry has also announced a scheme to issue one-month tourist visas free of charge to first five lakh customers, validity of which is until March 31, 2022 or issuance of five lakh tourist visas, whichever is earlier; and the Ministry of Civil Aviation has increased the permissible capacity deployment on domestic routes to 65% from 50% with effect from July 05, 2021.

However, industry bodies feel that only those travel agencies registered with the Ministry of Tourism will benefit from the loan guarantee programme, and all travel and tourism entities registered under GST should be provided a relief package as they contribute towards the development of tourism in the country. Further, the hotel industry has called for interest subvention and a longer payback period for loans as the industry is highly capital-intensive, and the fixed costs of operations have become unsustainable.

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