

HVS Monday Musings: Granting Industry and Infrastructure Status to the Indian Hospitality Sector is the Need of the Hour

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In the past few months, several state governments have been proactively lending a helping hand to the tourism & hospitality sector in their respective states, providing various relief measures to help the sector stay afloat during these trying times. Last month, in a move to reboot the sector, the Maharashtra government conferred 'industry' status to the state's hospitality sector.

The industry status allows hospitality establishments in the state to be levied electricity rate, electricity charges, water charges, property tax, development tax, increased carpet ratio and non-agricultural tax at industrial rates (with effect from 1st April 2021). As a result, operating costs for hospitality players in Maharashtra are expected to reduce significantly as industrial tariffs are much lower than the commercial tariff that they currently pay.

Earlier in October 2020, the state had also reduced pre-establishment licenses for the sector from 70 to 10, which along with the industry status is expected to boost the growth in the hospitality sector in Maharashtra.

We now hope that other states will take cognizance of what Maharashtra has done and follow the same. This could then be the harbinger of change for the industry, one that could significantly impact its fortunes in a much-needed positive manner.

Infrastructure-lending status to the Indian hospitality sector – the next frontier

India is one of the fastest growing travel & tourism (T&T) economies in the world thanks to its diverse landscape, rich heritage, and cultural diversity, which attracts tourists from across the country and the world. However, we have still not tapped into the full potential of tourism in the country, especially leisure tourism, mainly due to the lack of good quality hotel infrastructure.



The hospitality sector is highly capital intensive and the high cost of capital often makes investments in this sector seem less attractive. The sector is a significant contributor to the country's GDP growth and employment and granting infrastructure-lending (infra) status to the sector– a long-pending request by key stakeholders – will be the next frontier in its growth path.

The government has granted infra status to three-star or higher category hotels outside cities with a population

Summary

The growth of the Indian hospitality sector, a key contributor to GDP and employment, will fuel the economy in the post-COVID world, making a compelling case for the sector being granted infrastructure status – a long-pending request by key stakeholders – and the next frontier in the sector's growth path.

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of over one million and to hotels with a project cost of more than INR 2 billion (excluding land costs). However, this has not provided any significant fillip to the sector as the benefits have been limited to a minuscule proportion of projects.

In the recent past, there have been several successful examples of sectors, such as hospitals, logistics and affordable housing to name a few, which have witnessed exponential growth in investments after they were accorded the infrastructure status.

Similarly, infrastructure status will provide the Indian hospitality sector with several benefits and concessions, including longer loan repayment tenure and lower borrowing rates, which will help in attracting substantial fresh investments and will go a long way in improving the health of the sector, which is currently struggling due to the ongoing pandemic. The growth of the hospitality sector will in turn fuel the economy in the post-COVID world, making a compelling case for the sector being granted infrastructure status.

About **Mandeep S Lamba**



Mandeep S. Lamba, President – South Asia, oversees the HVS global hospitality practice for South Asia. He has spent over 30 years in the hospitality industry of which the last 19 have been in CEO positions. Having worked with leading International and domestic Hotel Companies such as IHG, Radisson & ITC Hotels, he also set up joint venture companies with Dawnay Day Group UK and Onyx Hospitality, Thailand to own and operate hotels in India giving him a broader exposure to the hospitality business.

An established industry leader, Mandeep has won several awards and recognitions in India and abroad for his accomplishments and contribution to the hospitality industry. He is a Certified Hospitality Administrator from the American Hotels Association (CHA), a member of the Royal Institute of Chartered Surveyors, UK (MRICS) and a member of the Tourism Council of CII (Northern India). His views are often solicited for television and print media as a spokesperson for the hospitality & tourism sector.

Prior to joining HVS in 2018, Mandeep was the Managing Director, Hotels & Hospitality Group for JLL.

Contact Mandeep at +91 981 1306 161 or [\[email protected\]](#)

About **Dipti Mohan**



Dipti Mohan, Senior Manager - Research with HVS South Asia, is a seasoned knowledge professional with extensive experience in research-based content creation. She has authored several 'point of view' documents such as thought leadership reports, expert opinion articles, white papers and research reports. Contact Dipti at [\[email protected\]](#)