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Years of Unwavering Credibility

THE INDIAN HOSPITALITY INDUSTRY

Revenue growth projected at 7-9% in FY2027, though prolonged West Asia conflict may weigh on travel sentiment

MARCH 2026

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Agenda

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1 Trend in Key Operating Metrics

2 Demand Dynamics

3 Supply Trends

4 Financial Forecasts

5 Credit Rating Movements

6 Peer Comparison & Annexures

Highlights

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Sustained demand and pricing power to support revenue growth for premium hotel segment in FY2027.

The ongoing conflict in West Asia is expected to impact travellers from and transiting through the region. However, the industry demand is largely driven by domestic travellers and direct impact from reduced foreign tourist arrivals (FTAs) is expected to be limited. Nevertheless, the situation remains uncertain, and impact on business travel spend, liquified petroleum gas (LPG) shortages and other inflationary factors remain monitorables.

- **ICRA estimates room occupancy and average room rates (ARRs) of 72-74% and Rs. 8,200-8,500, respectively, in FY2026, against 70-72% and Rs. 8,000-8,200, respectively, in FY2025.** Post-holiday season business travel, long weekends, and events including the India AI Impact Summit 2026 and ICC Men's T20 World Cup, supported demand in Q4 FY2026. Geopolitical disruptions in early March 2026, leading to international flight cancellations stranding tourists and travellers in India, resulted in extended stays.

- **ICRA expects the Indian hospitality industry's revenues to grow by 7-9% YoY in FY2027 following 9-12% growth in FY2026,** supported by domestic leisure travel, demand from meetings, exhibitions, conferences and events (MICE), weddings and business travel. ICRA anticipates the pan-India premium hotel occupancy rate to hold at 72-74% in FY2027, largely similar to that in FY2026, while ARRs for premium hotels are projected to rise to Rs. 8,600-8,800 in FY2027 from Rs. 8,200-8,500 in FY2026.

- **Cost rationalisation measures taken during the last few years, and operating leverage benefits led to a significant and sustained expansion in margins over the pre-Covid levels**. ICRA's sample set of 13 large hotel entities is likely to report operating margins of 34-36% in FY2027, similar to 34-36% in FY2026, against 20-22% posted prior to the pandemic. Higher cash accruals have strengthened the industry's capital structure and debt metrics over recent years, and ICRA expects the debt coverage metrics to remain comfortable over the near term. Inflationary or operational impact on key input materials, if any, from the West Asia conflict, or a dent in travel sentiments if the conflict prolongs, would remain monitorable.

- **The Indian hospitality industry continues its steady run amid the persistent demand-supply imbalances.** The premium room inventory (covering 12 key cities of the country) is projected to increase at a CAGR of 5-6% during FY2025-FY2028, based on ongoing executions and announcements by hoteliers. The pace of supply increase continues to lag demand growth of 8-9%, which is supported by favourable sentiments across segments. This imbalance is likely to continue over the next 2-3 years, based on the pipeline.

Analytical Contact Details

Name	Designation	Email	Contact Number
Jitin Makkar	Senior Vice-President and Group Head	jitinm@icraindia.com	0124 – 4545 368
Srikumar K	Senior Vice-President and Co-Group Head	ksrikumar@icraindia.com	044 – 4596 4318
Sruthi Thomas	Vice-President and Sector Head	sruthi.thomas2@icraindia.com	080 – 4332 6430
Sriraman Mohan	Assistant Vice President	sriraman.mohan@icraindia.com	080 – 4332 6428
Nilesh Kumar Jain	Senior Analyst	nilesh.jain2@icraindia.com	044 – 4596 4312
Aman Agarwal	Lead Analyst	aman.agarwal@icraindia.com	99715 07353

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

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Thank You!

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