

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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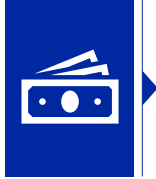




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Sustained demand and pricing power to support revenue growth for premium hotel segment in FY2027.

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 ARR 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.



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