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35 Years of Unwavering Credibility

THE INDIAN HOSPITALITY INDUSTRY

Geopolitical uncertainties persist amid a seasonally soft first quarter

APRIL 2026

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Agenda

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1 Demand Dynamics

2 Trend in Key Operating Metrics

3 Inventory Addition in the Last Few Months

4 Credit Rating Movements

5 ICRA's Ratings in the Hospitality Sector

Highlights

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The ongoing conflict in West Asia is impacting direct and indirect travel from the region to India. However, industry demand is largely driven by domestic travellers, and the direct impact from reduced foreign tourist arrivals (FTAs) is expected to be limited. Nevertheless, the situation remains uncertain, and the impact on business travel spend remains a monitorable factor. Disruptions due to LPG shortages have been limited owing to the use of piped gas (wherever available) and a shift to alternate cooking modes such as electric induction, among others.

- **ICRA estimates pan-India premium hotel occupancy to have remained flattish in April 2026.** While there has been some decline in foreign tourists arrival (FTA) due to the ongoing West Asia conflict, ARRs have largely remained stable, driven by domestic travel demand. Impact on food & beverages (F&B) revenues has also been largely contained through shift to alternate cooking modes and use of piped gas wherever possible. Overall, ICRA does not expect a significant YoY impact on RevPAR at present, as Q1 is a seasonally lean quarter in terms of demand, coupled with the low base of Q1 FY2026 owing to the India-Pakistan conflict.

- **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 pan-India premium hotel occupancy to remain at 72-74% in FY2027, largely similar to FY2026 levels, while ARRs for premium hotels are projected to increase to Rs. 8,600-8,800 in FY2027 from Rs. 8,200-8,500 in FY2026. A prolonged conflict, however, would exert downward pressure on these estimates.

- **Cost-rationalisation measures taken over the last few years and operating leverage benefits have led to a significant and sustained expansion in margins compared to 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% recorded prior to the pandemic. Higher cash accruals have strengthened the industry's capital structure and debt metrics in recent years, and ICRA expects debt coverage metrics to remain comfortable in the near term. Any inflationary or operational impact on key input materials arising from the West Asia conflict, or a deterioration in travel sentiment if the conflict prolongs, would remain key monitorable risks.

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

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Thank You!

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