

THE INDIAN HOSPITALITY INDUSTRY

**Growth momentum continues on a
supportive base; inflationary impact
on discretionary spend remains
monitorable**

MAY 2026



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





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The impact from the ongoing conflict in West Asia has been moderate so far, as the industry demand is largely driven by domestic travellers. Given that Q1 is generally the lean period for the industry, and the last fiscal had witnessed moderation owing to the cross-border escalations during this period, the YoY impact remains limited so far.

However, the evolving geopolitical situation remains a key monitorable, with respect to its potential implications on business travel expenditure. Disruptions arising from LPG shortages have been largely contained, aided by the availability of piped gas infrastructure and adoption of alternative cooking solutions.



- **ICRA estimates industry occupancy and average room rates (ARR) at 66-68% and Rs. 7,800-8,000, respectively in 2M FY2027 against 62-64% and Rs. 7,500-7,700, respectively in 2M FY2026, with the YoY growth supported by the base effect of Pahalgam attack.** The advisory from the Government of India (GOI) to curb discretionary travel for conserving fuel consumption, and inflationary concerns can dampen demand to some extent. However, a potential shift from international travel could lead to increased spending on domestic travel in the near term. Impact on food & beverages (F&B) revenues has been largely contained by shifting to alternative cooking modes and using piped gas wherever possible.



- **ICRA expects the Indian hospitality industry's revenues to rise by 7-9% YoY in FY2027,** 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 like FY2026 levels, while ARR 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 delay in resolution of the West Asia conflict, however, would exert pressure on these estimates.



- **Cost rationalisation measures taken over the last few years and operating leverage benefits led to a significant and sustained expansion in margins in recent periods 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 the levels reported 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 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 the 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, thus auguring well for the hoteliers.



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