



THE INDIAN HOSPITALITY INDUSTRY

**Industry expected to maintain its
strong footing in FY2026**

APRIL 2025



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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ICRA expects the industry revenues and earnings to remain strong in FY2026, supported by favourable demand-supply dynamics. ICRA has a 'Positive' outlook on the Indian hospitality industry.

Compared to the previous downcycle in FY2009, which saw untimely supply increases of over 15% of the inventory during the bottom of the cycle (FY2009-FY2013), the current inventory growth is 4.5-5% for FY2023-FY2026. This measured growth is expected to facilitate an upcycle, as demand outweighs supply.



- **ICRA estimates pan-India premium hotel occupancy at ~72-74% in FY2026**, following two years of ~70-72% in FY2024 and FY2025. The average room rates (ARRs) for premium hotels are estimated to rise to Rs. 8,200-8,500 in FY2026, after a healthy Rs. 8,000-8,200 in FY2025. The occupancy and ARR were 65-67% and Rs. 7,800-7,900, respectively, in April 2025. The spike in ARR in some hotels/specific pockets has been higher than average. The Revenue per available room (RevPAR) had inched towards the FY2008 peak in FY2025 and is anticipated to rise further to Rs. 5,900-6,300 in FY2026. The industry is expected to maintain its strong footing in FY2026, aided by favourable demand-supply dynamics.



- **ICRA expects the Indian hospitality industry to grow by 11-13% YoY in FY2025 and 6-8% YoY in FY2026, over the high base of FY2024.** Sustained domestic leisure travel, demand from meetings, incentives, conferences and exhibitions (MICE), including weddings, and business travel (despite a temporary lull during the General Elections) have driven demand in FY2025. This trend is likely to continue over the next 9-12 months. Spiritual tourism and tier-II cities are expected to contribute meaningfully in FY2026 as well. Cost rationalisation measures undertaken during the last few years and operating leverage benefits led to a sharp expansion in margins over pre-Covid levels. ICRA's sample set of 13 large hotel entities is likely to report operating margins of 34-36% for FY2025 and FY2026, against 20-22% during the pre-Covid period.



- **Higher business accruals have strengthened the capital structure and debt metrics of the industry.** Debt coverage metrics are likely to improve further, going forward. The credit ratio has been improving since H2 FY2022, with significantly more upgrades than downgrades since then.



- **The demand uptick led to an increase in supply announcements and resumption of deferred projects in the past 24-30 months.** However, supply growth is expected to lag behind demand, at least until FY2026. ICRA's premium room inventory database (12 key cities) across the country indicates a CAGR of ~4.5-5.0% during FY2023-FY2026.



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