



THE INDIAN HOSPITALITY INDUSTRY

**From surge to stability: Industry
revenues to grow by 6-8% YoY in
FY2026, post three years of double-
digit expansion**

JUNE 2025



1 Trend in Key Operating Metrics



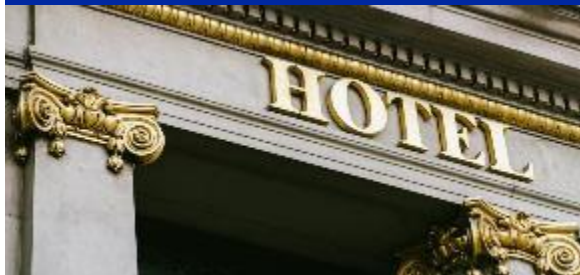
2 Demand Dynamics



3 Supply Trends



4 Financial Forecasts



5 Credit Rating Movements



6 Peer Comparison & Annexures





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ICRA has a stable outlook on the hospitality sector, considering expectations of normalised revenue growth of 6-8% in FY2026 on the high base posted after three years of double-digit revenue growth in the industry.

While the terror attacks in April and consequent heightened turmoil in North and West India in May 2025 had led to a surge in cancellation of travel/MICE, the impact has been largely temporary and localised.



- **ICRA estimates pan-India premium hotel occupancy to hold at 72-74% in FY2026**, similar to 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. Although the terror attacks and geopolitical developments in April and May 2025 impacted travel sentiments and customer confidence, resulting in heightened cancellations of travel/MICE, the impact was largely temporary and localised. Moreover, there has been a visible recovery in sentiment following the abatement of the conflict. Overall, ICRA estimates occupancy and ARR of 62-64% and Rs. 7,500-7,700, respectively, in 3M FY2026, over 65-67% and Rs. 7,300-7,500, respectively, in 3M FY2025.



- **ICRA expects the Indian hospitality industry to grow by 6-8% YoY in FY2026, over the high base of FY2025.** Sustained domestic leisure travel, demand from meetings, incentives, conferences and exhibitions (MICE), including weddings, and business travel have driven demand in FY2025; although growth is expected to plateau over the near term. With the stabilisation in growth and earnings, ICRA has revised the outlook on the sector to Stable, from the earlier Positive. Cost rationalisation measures undertaken during the last few years and operating leverage benefits have 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 FY2026, similar to 35.8% in FY2025, against 20-22% during the pre-Covid period.



- **Higher internal accruals have strengthened the industry's capital structure and debt metrics.** The debt coverage metrics are likely to stabilise. The credit ratio, defined as the ratio of rating upgrades to downgrades, has been improving since H2 FY2022, with more upgrades than downgrades.



- **The demand uptick led to an increase in supply announcements and resumption of deferred projects in the past 24-30 months.** Supply growth is expected to lag demand in the next 12-18 months. 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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