

THE INDIAN HOSPITALITY INDUSTRY

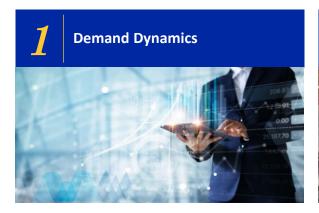
Hotel bookings witnessed healthy demand in July

JULY 2025



Agenda













Highlights



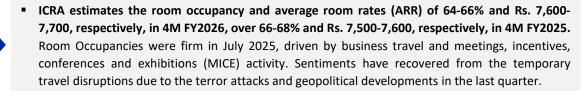


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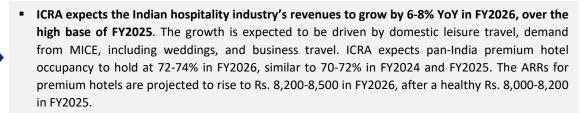
ICRA has a Stable outlook on the hospitality sector amidst expectations of a normalised revenue growth of 6-8% in FY2026 following three years of double-digit growth.

While the terror attacks in April and consequent heightened turmoil in North and West India in May 2025 led to a surge in cancellation of travel/MICE, the impact was largely temporary and localised, with recovery in the last two months.











Higher business accruals have strengthened the industry's capital structure and debt metrics. The debt coverage metrics are likely to stabilise. 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.



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 demand in the next 12-18 months. ICRA's premium room inventory database (12 key cities) across the country reflects a CAGR of 4.5-5.0% in supplies during FY2023-FY2026 but is likely to grow at higher rate going forward.



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