# THE INDIAN HOSPITALITY INDUSTRY

## Hotel bookings witnessed healthy demand in July

JULY 2025

# Agenda

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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*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.*

- **ICRA estimates the room occupancy and average room rates (ARR) of 64-66% and Rs. 7,600-7,700, respectively, in 4M FY2026, over 66-68% and Rs. 7,500-7,600, respectively, in 4M FY2025.** Room Occupancies were firm in July 2025, driven by business travel and meetings, incentives, conferences and exhibitions (MICE) activity. Sentiments have recovered from the temporary travel disruptions due to the terror attacks and geopolitical developments in the last quarter.
- **ICRA expects the Indian hospitality industry's revenues to grow by 6-8% YoY in FY2026, over the high base of FY2025**. The growth is expected to be driven by domestic leisure travel, demand from MICE, including weddings, and business travel. ICRA expects pan-India premium hotel occupancy to hold at 72-74% in FY2026, similar to 70-72% in FY2024 and FY2025. The ARRs for premium hotels are projected to rise to Rs. 8,200-8,500 in FY2026, after a healthy Rs. 8,000-8,200 in FY2025.
- **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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# Thank You!