ICRA

THE INDIAN HOSPITALITY INDUSTRY

Premium hotel inventory addition to continue to lag demand growth, supporting pricing power of hoteliers

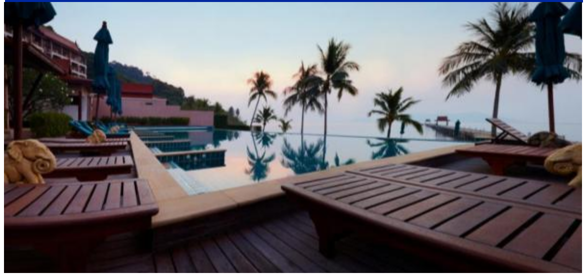
NOVEMBER 2025

Agenda

1 Demand and supply growth dynamics

2 Key Indian market supply pipeline

3 Airport hotels and spiritual tourism



4 Hotel expansion models

5 ICRA's ratings in the hospitality industry

Highlights

Click to see full report

Supply growth picking up pace gradually in the recent quarters. However, it continues to lag the demand, and the trend is likely to continue for next 2-3 years. New supply additions are largely being focused on Tier-2/3 cities, airport hotels and spiritual destinations with preference towards asset-light model of expansion.

NCR, Mumbai and Bengaluru to contribute to around 54% of supply pipeline over the medium term among the major cities.

Favourable demand and better pricing power to support revenue and earnings growth for the premium hotel segment in FY2026 and FY2027.

- **The Indian hospitality industry continues its strong run amidst the persistent demand-supply imbalances.** The premium room inventory (covering 12 key cities of the country) is projected to grow at 5-6% CAGR during FY2025-FY2028, based on ongoing executions and announcements by hoteliers. The pace of supply growth continues to lag the demand, which is supported by favourable sentiments across segments. This imbalance is seen continuing for the next 2-3 years, based on the pipeline. Supply additions in certain premium micro-markets in tier-I cities are constrained by limited land availability and high prices, and most announcements are seen in Tier 2/3 cities as economic development and tourism grow across India.

- **Airport hotels garner a lot of attention in major gateway cities** with over 2,000 premium keys in the pipeline. India has several spiritual sites and travel here is gaining traction, benefiting partly from improved connectivity, including through the UDAN scheme. Travellers are seeking premium travel experience, leading to development of various premium hotels across spiritual sites. Around 2,500 such units are likely to be added across key spiritual destinations such as Ayodhya, Varanasi, Tirupati etc. over the next 3-4 years.

- **Among the mix of supply addition, the hoteliers are increasingly adopting an asset-light model of expansion.** This is because of the rising construction cost per room (which has increased 20-25% over the past five years), high capital requirement and long lead time of capex to revenue.

- **On the demand front, the growth remains driven by domestic leisure travel, demand from meetings, incentives, conferences, and exhibitions (MICE), including weddings, and business travel.** ICRA expects pan-India premium hotel occupancy to improve to 72-74% in FY2026, from 70-72% in FY2024 and FY2025. The average room rates (ARRs) for premium hotels shall rise to Rs. 8,200-8,500 in FY2026, after a healthy Rs. 8,000-8,200 in FY2025. Accordingly, revenue per available room (RevPAR) is likely to rise to Rs. 5,900-6,300 in FY2026 (Rs. 5,600-5,900 in FY2025) given the expectations of continued healthy occupancies and ARRs.

Analytical Contact Details

Name	Designation	Email	Contact Number
Jitin Makkar	Senior Vice-President and Group Head	jitinm@icraindia.com	0124 – 4545 368
Srikumar K	Senior Vice-President and Co-Group Head	ksrikumar@icraindia.com	044 – 4596 4318
Sruthi Thomas	Vice-President and Sector Head	sruthi.thomas2@icraindia.com	080 – 4332 6430
Sriraman Mohan	Assistant Vice President	sriraman.mohan@icraindia.com	080 – 4332 6428
Swaminathan S	Analyst	swaminathan.s@icraindia.com	044 – 4596 4316

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head – Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.Kulkarni@icraindia.com	022 – 61693365
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

ICRA

ICRA

Thank You!