ICRA

THE INDIAN HOSPITALITY INDUSTRY

Seasonally strong quarter driven by weddings and festive demand

DECEMBER 2025

Agenda

1 **Trend in Key Operating Metrics**

2 **Demand Dynamics**

3 **Supply Trends**

4 **Financial Forecasts**

5 **Credit Rating Movements**

6 **Peer Comparison & Annexures**

Highlights

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Sustained demand and pricing power to support revenue growth for premium hotel segment in H2 FY2026 and FY2027.

The revision in the Flight Duty Time Limitation (FDTL) norms caused temporary flight disruptions in early December 2025. The impact on hotel bookings was largely contained, as travellers extended their stays due to flight cancellations, took alternative modes of transportation to reach destinations, which coupled with bulk bookings due to the wedding season reduced the impact to an extent.

- **ICRA estimates room occupancy and average room rates (ARRs) of 69-71% and Rs. 8,100-8,200, respectively, in 9M FY2026, over 69-71% and Rs. 7,800-7,900, respectively, in 9M FY2025.** Weddings and travel during long weekends in addition to business travel supported robust occupancy of 76-78% in Q3 FY2026, despite temporary travel disruptions due to flight cancellations in early December 2025. Sentiments have recovered from the travel disruptions seen in the first quarter due to the terror attacks and geopolitical developments.
- **ICRA expects the Indian hospitality industry's revenues to continue to grow in FY2026, despite the high base of FY2025**. The growth is likely to be supported by domestic leisure travel, demand from meetings, exhibitions, conferences and events (MICE), weddings and business travel. ICRA expects the pan-India premium hotel occupancy rate to hold at 72-74% in FY2026, largely 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 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 Indian hospitality industry continues its strong run amid 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 demand, which is supported by favourable sentiments across segments. This imbalance is likely to continue over the next 2-3 years, based on the pipeline.

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
Nilesh Kumar Jain	Senior Analyst	nilesh.jain2@icraindia.com	044 – 4596 4312

ICRA 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	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

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