



ICRA



## THE INDIAN HOSPITALITY INDUSTRY

New year begins positively, aided by long-weekend demand and post holiday season business travel

January 2026

#35YearsofUnwaveringCredibility



## Agenda

# 1 Demand Dynamics



## 2 | Trend in Key Operating Metrics



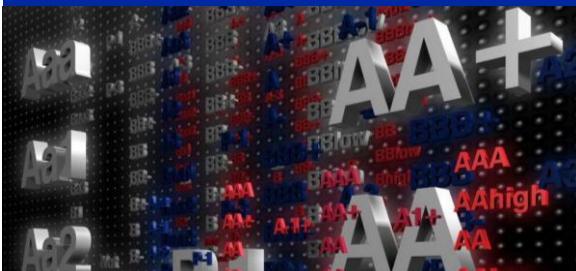
## 3 | Inventory Addition in the Last Few Months



# 4 Credit Rating Movements



## 5 | ICRA's Ratings in the Hospitality Sector



# Highlights



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*Sustained demand and pricing power to support revenue growth for premium hotel segment in Q4 FY2026 and FY2027.*



- **ICRA estimates room occupancy and average room rates (ARRs) of 70-72% and Rs. 8,200-8,300, respectively, in 10M FY2026, over 69-71% and Rs. 7,900-8,000, respectively, in 10M FY2025.** Long-weekend travel and post holiday season business travel supported demand in January 2026. Sentiments have recovered from the travel disruptions seen in the first quarter due to the terror attacks and geopolitical developments. Flight cancellations in early December 2025 due to flight duty time limitations (FDTL) were temporary and the situation is gradually stabilising.
- **ICRA expects the Indian hospitality industry's revenues to grow by 9-12% YoY 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 anticipates 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 cash accruals have strengthened the industry's capital structure and debt metrics.** The debt coverage metrics are likely to remain comfortable. 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 increase at 5-6% CAGR during FY2025-FY2028, based on ongoing executions and announcements by hoteliers. The pace of supply growth continues to lag demand growth of 8-9%, which is supported by favourable sentiments across segments. This imbalance is likely to continue over the next 2-3 years, based on the pipeline.



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