

# THE INDIAN HOSPITALITY INDUSTRY

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**Strong demand environment;  
India AI Summit boosts ARR in NCR**

**February 2026**



## 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





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



- **ICRA estimates room occupancy and average room rates (ARR) of 71-73% and Rs. 8,200-8,500, respectively, in 11M FY2026, against 70-72% and Rs. 8,000-8,200, respectively, in 11M FY2025.** Events including India AI Impact Summit 2026, ICC Men's T20 World Cup and business travel supported demand in February 2026. In Delhi-NCR, occupancy and room rates spiked during the India AI Summit at Bharat Mandapam, which drew global policymakers and tech leaders. Several hotels reported near-full occupancies and there were dynamic price increases across premium hotels during the summit week.



- **ICRA expects the Indian hospitality industry's revenues to grow by 9-12% YoY in FY2026, despite the high base of FY2025,** 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 stay at 72-74% in FY2026, largely similar to 70-72% recorded in FY2024 and FY2025. ARR for premium hotels are projected to rise to Rs. 8,200-8,500 in FY2026 from 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 the pre-Covid levels. ICRA's sample set of 13 large hotel entities is likely to report operating margins of 34-36% in FY2026, similar to 35.8% recorded in FY2025, and against 20-22% posted 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 a CAGR of 5-6% during FY2025-FY2028, based on ongoing executions and announcements by hoteliers. The pace of supply increase 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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