

# THE INDIAN HOSPITALITY INDUSTRY

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Steady growth in June, backed by  
domestic demand

JUNE 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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*The impact of the ongoing conflict in West Asia has been moderate so far as the industry demand is largely driven by domestic travellers. Given that Q1 is generally a lean period for the industry and moderation was witnessed owing to cross-border escalation during the same period previous fiscal, the YoY impact has remained limited so far.*

*The advisory from the GOI to curb discretionary travel for conserving fuel, along with inflationary concerns, could dampen demand to some extent. However, a potential shift away from international travel could spur spending on domestic travel in the near term.*



- **ICRA estimates the industry occupancy to have remained fairly stable at 66-68%, and average room rates (ARR) to have improved to Rs. 7,900-8,000 in June 2026 compared to Rs. 7,500-7,600 in June 2025** despite the advisory from the Government of India (GOI) to curb discretionary travel for reducing fuel consumption, and inflationary concerns. In Q1 FY2027, the occupancies and ARR are estimated to have improved to 66-68% and Rs. 7,800-8,000 respectively, with the YoY growth supported by the base effect of the Pahalgam attack previous year and robust domestic demand. The impact on food & beverages (F&B) revenues has been largely contained by shifting to alternative cooking modes and using piped gas wherever possible.



- **ICRA expects the Indian hospitality industry's revenues to rise by 7-9% YoY in FY2027**, supported by domestic leisure travel, demand from meetings, exhibitions, conferences and events (MICE), weddings, and business travel. ICRA anticipates pan-India premium hotel occupancy to remain at 72-74% in FY2027, largely like FY2026 level, while ARR for premium hotels are projected to increase to Rs. 8,600-8,800 in FY2027 from Rs. 8,200-8,500 in FY2026. A prolonged delay in resolution of the West Asia conflict, however, would exert pressure on these estimates.



- **Cost rationalisation measures undertaken over the last few years and operating leverage benefits led to a significant and sustained expansion in margins compared with the pre-Covid levels.** ICRA's sample set of 18 large hotel entities is likely to report operating margins of 34-36% in FY2027, broadly similar to the 37% reported in FY2026 against 20-22% recorded prior to the pandemic. Higher cash accruals have strengthened the industry's capital structure and debt metrics in recent years, and ICRA expects the debt coverage indicators to remain comfortable in the near term. Any inflationary or operational impact arising from the West Asia conflict, or a deterioration in travel sentiment if the conflict persists, remains a key risk. Although peace-talk signals offered brief comfort, renewed hostilities have resurfaced geopolitical uncertainty.



- **The Indian hospitality industry continues its steady run amid the persistent demand-supply imbalances.** Premium room inventory (covering 12 key cities) is projected to increase at a CAGR of 5-6% during FY2025-FY2028, based on the ongoing execution and projects announced by hoteliers. The pace of supply addition continues to lag demand growth of 8-9%, supported by favourable sentiment across segments. This imbalance is likely to continue over the next 2-3 years, based on the current pipeline, thus auguring well for the hoteliers.



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