



INDIAN HOTEL INDUSTRY

Industry to be in a sweet spot in
FY2025

JULY 2024



1 Demand Dynamics



2 Trend in Operating Metrics



3 Inventory Addition over Last Few Months



4 Credit Rating Movements



5 ICRA Ratings in the Hospitality Sector





[Click to see full report](#)

ICRA expects demand to remain strong in FY2025. Along with robust margins, this will result in improvement in accruals.

Hotels, which have expanded through the asset-light mode over the last few years, have reported significant improvement in RoCE, aided by strong accruals. However, in case of asset-heavy expansion, the extent of improvement in RoCE has remained constrained by the high capital cost of new properties.



- **ICRA estimates the pan-India premium hotel occupancy to be at ~70-72% in FY2025**, after a healthy FY2024. The pan-India premium hotel average room rates (ARRs) are expected to rise to Rs. 7,800-8,000 in FY2025. The revenue per available room (RevPAR) was at an 8-12% discount to the FY2008 peak in FY2024. It is likely to inch towards the FY2008 levels in FY2025. The spike in ARR in some hotels and specific pockets has been higher than the average, with a few outliers crossing the FY2008 peak in FY2024.
- **ICRA expects the Indian hotel industry to grow by 7-9% YoY in FY2025, over the high base of FY2024.** Sustenance of domestic leisure travel, demand from meetings, incentives, conferences and exhibitions (MICE), including weddings, and business travel (despite a temporary lull during the General Elections) are likely to drive demand in FY2025. Spiritual tourism and tier-II cities are expected to contribute meaningfully in FY2025. Sustenance of a large part of the cost rationalisation measures taken during the Covid-19 period and operating leverage benefits have led to a sharp margin expansion over the pre-Covid levels. ICRA's sample set of 12 large hotel companies is expected to report strong operating margins of 31-33% for FY2025, against 20-22% during the pre-Covid period.
- **Improvement in business accruals has supported the capital structure improvement and debt metrics.** The coverage metrics are likely to improve further, going forward. The credit ratio has been improving since H2 FY2022, with more upgrades than downgrades in FY2023-Q1 FY2025.
- **The demand uptick led to a pickup in supply announcements and commencement of deferred projects in the last 18-24 months.** However, supply, which is expected to increase at a CAGR of 4.5-5% over the medium term, would lag demand.



ICRA Analytical Contact Details

Name	Designation	Email	Contact Number
Shamsher Dewan	Senior Vice-President and Group Head	shamsherd@icraindia.com	0124 – 4545 328
Srikumar K	Senior Vice-President and Co-Group Head	ksrikumar@icraindia.com	044 – 4596 4318
Vinutaa S	Vice-President and Sector Head	vinutaa.s@icraindia.com	044 – 4596 4305
Sriraman Mohan	Senior Analyst	sriraman.mohan@icraindia.com	044 – 4596 4316





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
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 – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!