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Rubix Industry Insights

HOSPITALITY

India's hospitality sector is booming, fuelled by rising tourism (domestic and foreign), improved infrastructure, government initiatives, and growing demand in tier II and III cities, driven by spiritual and experiential travel.

Executive Summary

- The hospitality industry, which faced significant challenges during the pandemic with an all-time low occupancy rate of 35%, managed to recover and reach a 68% occupancy rate in FY2024, taking the industry size to INR 820 billion in FY2024¹.
- The industry is projected to grow by 10.5% CAGR till FY2027², **crossing INR 1 trillion by FY2026 and touching INR 1.1 trillion in FY2027 as estimated by Rubix Data Sciences**. The growth will primarily be driven by three key factors: domestic travellers, Foreign Tourist Arrivals (FTAs), and the Meetings, Incentives, Conferences, and Exhibitions (MICE) segment³.
- As of FY2024, the room inventory stood at 1.88 lakh. For the first time, hotel chains were expected to cross the 2-lakh-branded-rooms mark in FY2025⁴.
- Demand is projected to grow at a 10.5% annual rate, while supply is expected to increase by only 8% annually⁵. This supply-demand imbalance is likely to reduce vacancy rates and drive higher occupancy levels, as hotels face increased pressure to meet the rising demand. Consequently, going ahead, occupancy rate is expected to increase from 68% in FY2024 to 73% by FY2027⁶.
- In FY2024, the branded and organised hotel sector in India achieved impressive results with an Average Daily Rate (ADR) of INR 7,500 and Revenue Per Available Room (RevPAR) of INR 5,439, marking a historic peak of the decade.
- Western India has maintained its lead in RevPAR performance, recording a robust occupancy rate of 69.5% in FY2024. This strong showing is attributed to the continued growth in major commercial centres like Mumbai, Ahmedabad, Gandhinagar, and Pune, solidifying the region's status as the top-performing hospitality market in the country.
- In FY2024, tier III cities surpassed tier II cities in ADR, resulting in higher RevPAR, despite having marginally lower occupancy rates. Ongoing infrastructure improvements, especially in road connectivity, have made these regions more accessible to travellers.

^{1,4} Axis Securities, Sector Report, Hotel Industry, August 2024 and Hotelivate, 2024, Indian Hospitality, Trends and Opportunities

^{2,3,5,6} Axis Securities, Sector Report, Hotel Industry, August 2024

INR
820 bn

Industry
Size,
FY2024

INR
1.106 tn

Industry
Size,
FY2027

10.5% CAGR,
FY2024–FY2027

- While established business hubs like Mumbai, New Delhi, and Bengaluru continue to dominate in terms of overall room revenue, emerging leisure destinations such as Rishikesh, Udaipur, and Varanasi are demonstrating substantial growth in room revenue per key. This shift reflects the growing appeal of niche tourism markets, which are becoming increasingly profitable in the post-pandemic hospitality landscape.

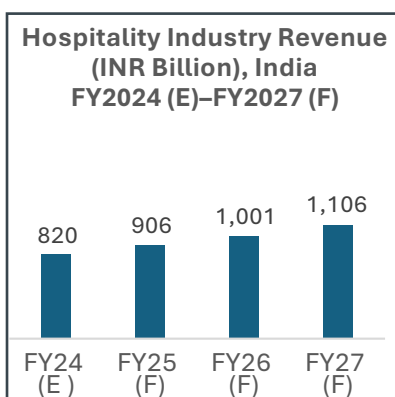
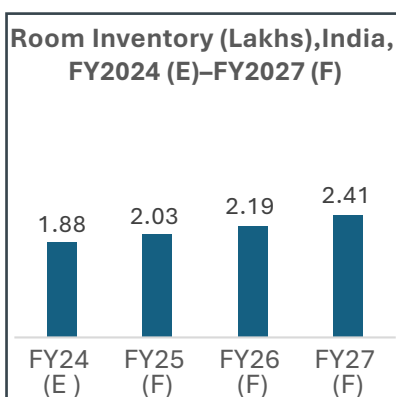
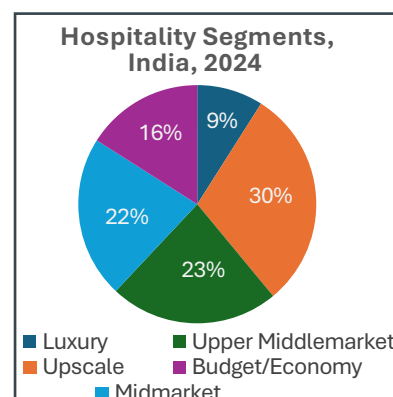
KEY METRICS FOR THE INDIAN HOSPITALITY INDUSTRY, FY2024 & FY2027			
Metric	FY2024	FY2027	CAGR Growth / Change
Industry Size/Revenue	INR 820 billion	INR 1,106 billion*	10.50%
Room Inventory	1.88 lakhs	2.41 lakhs	8.60%
Average Daily Rate (ADR)	INR 7,500	INR 8,900	5.90%
Revenue Per Available Room (RevPAR)	5,439	6,497*	6.10%
Occupancy Rate	68%	73%	5%

Source: Axis Securities, Sector Report, Hotel Industry, August 2024 and Hotelivate, 2024, Indian Hospitality, Trends and Opportunities

*As calculated and estimated by Rubix Data Sciences

Overview of the Indian Hospitality Industry

The revenue of the Indian hospitality industry is expected to cross INR 1 trillion by FY2026.



Source: Axis Securities, Sector Report, Hotel Industry, Aug 2024 and Hotelivate, 2024, Indian Hospitality, Trends and Opportunities

- The hospitality industry, which faced significant challenges during the pandemic with an all-time low occupancy rate of 35%, managed to recover and reach a 68% occupancy rate in FY2024. This translates to an industry size of INR 820 billion in FY2024⁷.
- Rubix projects the industry revenue will cross INR 1 trillion by FY2026**, with growth primarily

being driven by three key factors:

- (1) domestic travellers (expected to contribute 50% of the incremental growth in revenue)
- (2) FTAs (projected to account for a 30% share in revenue), and
- (3) the MICE segment (expected to contribute the remaining 20% of the revenue).

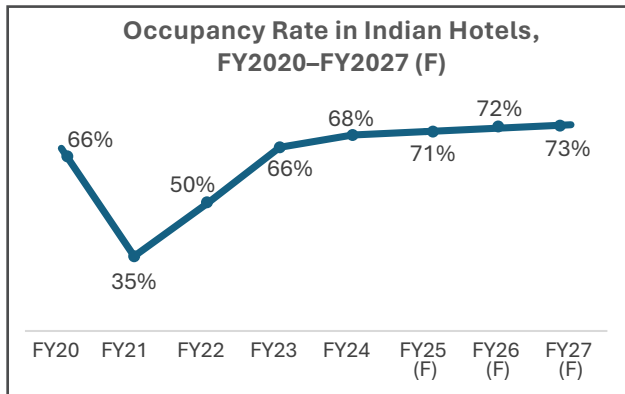
These drivers are expected to remain sustainable over the next three years and will significantly fuel the sector's expansion⁸.

- As of FY2024, the room inventory stood at 1.88 lakh. For the first time, hotel chains were expected to cross the 2-lakh-branded-rooms mark (200,000) in FY2025⁹.

^{7,9} Axis Securities, Sector Report, Hotel Industry, August 2024 and Hotelivate, 2024, Indian Hospitality, Trends and Opportunities

⁸ Axis Securities, Sector Report, Hotel Industry, August 2024

Demand outpacing supply, leading to improved occupancies¹⁰



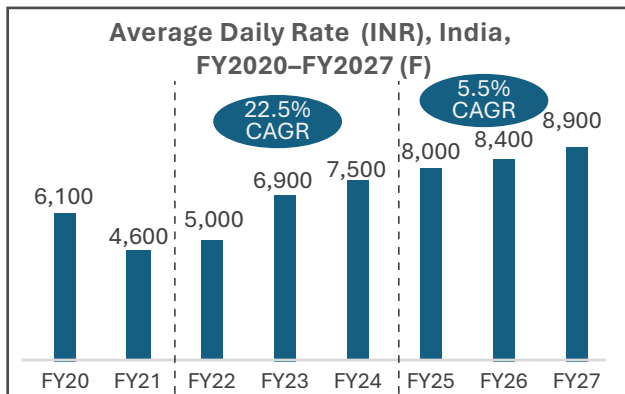
Source: Axis Securities, Sector Report, Hotel Industry, August 2024 and Hotelivate, 2024, Indian Hospitality, Trends and Opportunities

- The international travel restrictions and lockdowns during the COVID-19 pandemic posed significant challenges for the hospitality industry, with occupancy rates dropping to 35% in FY2021¹¹. This led to financial hardships, reduced revenue, and disruptions in hotel operations. In response, leading establishments focused

on cutting costs and preserving cash flow by delaying capital expenditure projects.

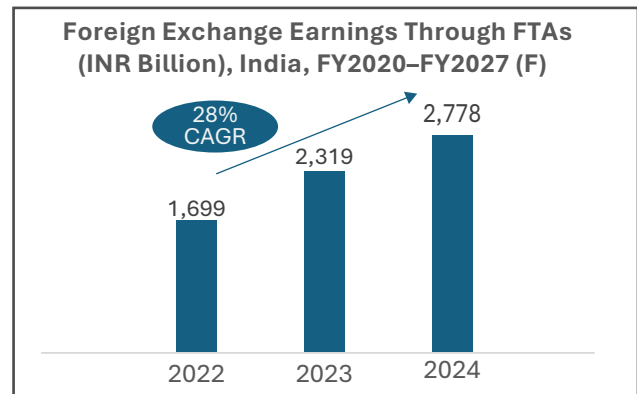
- Despite the challenges, the industry has shown resilience and recovery following the pandemic, with the occupancy rate in the branded and organised hotel sector nearly doubling from 35% in FY2021 to almost 68% in FY2024. This recovery has been driven by economic revival, pent-up travel demand, and industry adaptations that offer enhanced amenities and a wider range of accommodation options for different segments of the population¹².
- Demand is projected to grow at an annual rate of 10.5%, while supply is expected to increase by only 8% annually¹³, resulting in a higher number of potential guests compared to available accommodations. It is likely to reduce vacancy rates and drive higher occupancy levels to as much as 73% in FY2027¹⁴ as hotels begin facing increased pressure to meet the rising demand.

Average Daily Rate (ADR): Foreign Tourists Driving Premium Room Rates and Boosting Growth



Source: Axis Securities, Sector Report, Hotel Industry, Aug 2024 and Hotelivate, 2024, Indian Hospitality, Trends and Opportunities

- Following a decline during the COVID-19 pandemic, ADRs have steadily increased annually from FY2022, recording a 22.5% CAGR from FY2022 to FY2024 (on account of a relatively lower base)¹⁵.
- A positive correlation exists between the ADR and the FTAs contributing to Foreign Exchange Earnings (FEEs), as FTAs significantly influence the fluctuations in room rates **within the premium hotel segment**. For businesses like Chalet Hotels, which derive 35% to 40% of their revenue from foreign guests, FTAs are a key driver of ADR performance¹⁶. Foreign tourists, with higher spending power and a preference for luxury services, are vital contributors to the demand for premium rooms.



Source: Ministry of Tourism, India Tourism Data Compendium, 2024

- FTAs, which stood at 9.6 million in 2024, are expected to surpass pre-COVID levels (more than 10.5 million), supported by a robust recovery in recent years. Between 2022 and 2024, FTAs increased at 22.5% CAGR, and FEEs grew more than 1.5 times, while ADRs saw a 5.3% CAGR during the same period¹⁷.
- Rubix Data Sciences projects ADRs to grow by at least **5.5% annually from FY2025 to FY2027**, driven by a relatively constrained supply of rooms and a continued rise in FTAs, which are expected to reach nearly 30.5 million by 2028¹⁸.

¹⁰ Axis Securities, Sector Report, Hotel Industry, August 2024 and Hotelivate, 2024, Indian Hospitality, Trends and Opportunities

^{11, 12-16} Axis Securities, Sector Report, Hotel Industry, August 2024

¹⁷ Ministry of Tourism and Axis Securities, Sector Report, Hotel Industry, August 2024

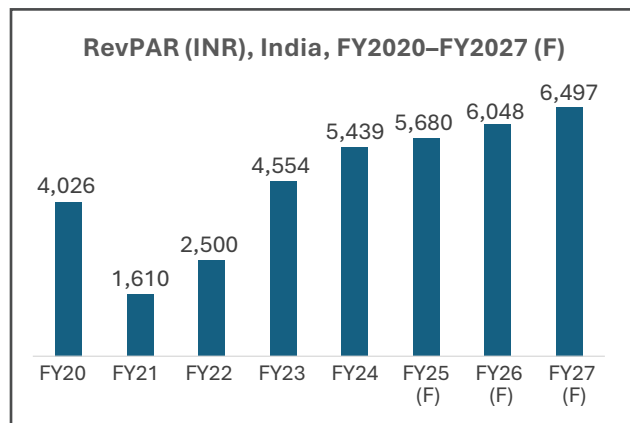
¹⁸ Hindustan Times, April 2024

- As these trends mature, premium room ADRs are anticipated to experience steady growth, closely aligned with the increase in FTAs and the corresponding boost

in FEEs. This is particularly important for listed hotel companies that rely on foreign guests for a significant share of their revenue.

Record-Breaking RevPAR and Strong Growth Ahead for India's Branded Hotel Sector

- In FY2024, occupancy and ADR of the branded and organised hotel sector in India reached a decadal high, resulting in the highest RevPAR in ten years¹⁹.



Source: Axis Securities, Sector Report, Hotel Industry, August 2024 and Hotelivate, 2024, Indian Hospitality, Trends and Opportunities
Forecasted data calculated by Rubix Data Sciences based on the formula $\text{RevPAR} = \text{ADR} \times \text{Occupancy Rate}$

(ADR stands for average daily rate, i.e., earnings per booked room, whereas RevPAR stands for earnings per available room).

- Hotels that have been operating since before FY2020 outperformed the national average, with an occupancy rate of 70.7% compared to the nationwide average of 68%. Additionally, these established hotels recorded an ADR of INR 8,195, exceeding the national ADR of INR 7,500. This shows that established hotels are better positioned to capitalise on industry upcycles²⁰.
- Rubix Data Sciences estimates RevPAR to increase by around 7% annually from FY205 to FY2027 due to the continued rise in domestic and international travellers, along with the increasing demand for premium accommodations. Additionally, limited new room supply and improving economic conditions will help drive higher occupancy and room rates.

Hotel Category-wise Operational Metrics, India, FY2020–FY2024

Category	Occupancy Rate			Average Daily Rate (INR)			RevPAR (INR)		
	FY2020	FY2024	Change (%)	FY2020	FY2024	CAGR	FY2020	FY2024	CAGR
Five-star Deluxe	66.5%	69.2%	2.7%	10,679	15,655	10.0%	7,103	10,829	11%
Five-star	67.2%	68.3%	1.1%	6,451	8,756	7.9%	4,334	5,983	8%
Four-star	66.8%	67.8%	1.0%	4,827	6,255	6.7%	3,223	4,241	7%
Three-star	64.6%	65.9%	1.3%	3,474	4,417	6.2%	2,245	2,912	7%
Two-star	60.4%	63.2%	2.8%	2,589	3,416	7.2%	1,563	2,160	8%

Source: Hotelivate, 2024, Indian Hospitality, Trends and Opportunities

Star power: Five-star Deluxe hotels take the lead

The CAGR for Average Daily Rates (ADR) has increased at the fastest pace of 10% for five-star deluxe hotels among all categories. In a price-sensitive market like India, such price increases typically lower occupancy, yet five-star deluxe hotels achieved the highest occupancy rate of 69.2% in FY2024. This shift reflects growing demand for superior quality in amenities, services, and experiences, with consumers willing to pay a premium for greater

value. Increasing interest from foreign tourists, who favour high-end accommodation, is also a key factor.

Similar trends in ultra luxury hotels (five-star deluxe) and budget hotels (two-star)

The occupancy rate change for five-star deluxe hotels (2.7%) from FY2019 to FY2024 nearly matches that of two-star hotels (2.8%), suggesting both segments are seeing similar demand trends despite market differences. Broader

^{19, 20} Hotelivate, 2024, Indian Hospitality, Trends and Opportunities

factors like economic conditions, shifting preferences, and competitive pressures seem to be influencing high-end and budget accommodations alike, driving a balance in demand dynamics.

Five-star hotels face the threat of losing market share to five-star deluxe hotels

Five-star deluxe hotels are outpacing five-star hotels in both CAGR (10% vs. 7.9%) and occupancy growth (2.7% vs. 1.1%), showing a clear consumer tilt toward more luxurious and exclusive experiences. Deluxe hotels' superior amenities and services are attracting guests willing to pay more, while five-star hotels may struggle to stand out. To retain market position, five-star hotels must enhance offerings and appeal to a more discerning clientele.

Four-star hotels need to differentiate from three-star hotels and elevate to gain a competitive edge

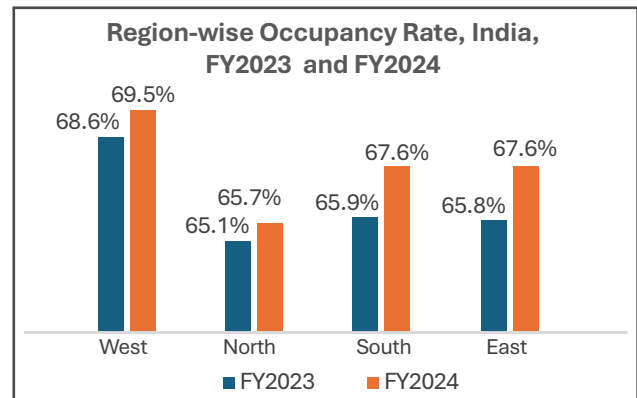
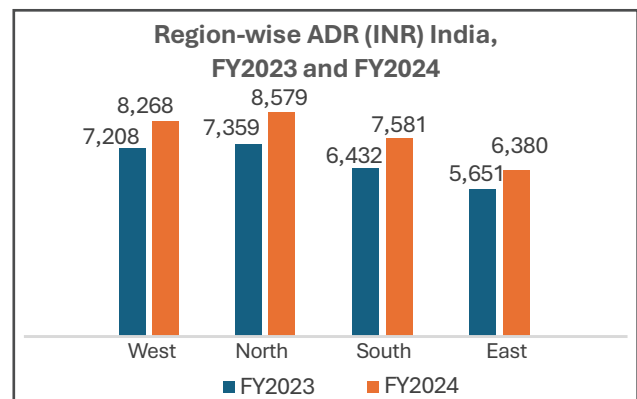
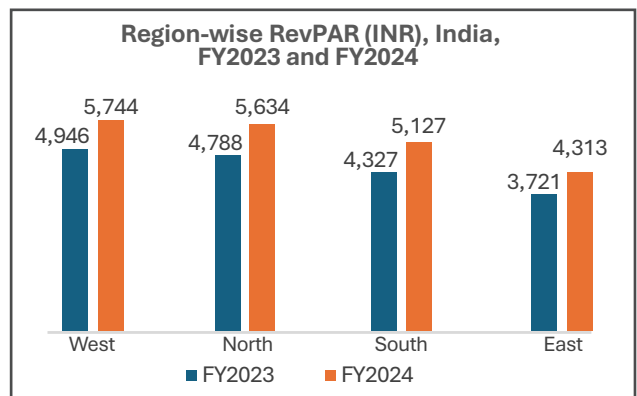
Three-star and four-star hotels saw similar ADR growth (6%–7% CAGR) and occupancy increases (1%) from FY2020 to FY2024, indicating comparable trends in pricing and demand. To avoid blending into the three-star category, four-star hotels must differentiate by elevating luxury experiences, improving service quality, adding innovative amenities, or targeting niche markets. This will help justify higher price points and secure a stronger competitive edge.

Region-wise Operational Metrics

West region leads in terms of higher occupancy rate and RevPar

Western India has consistently outperformed other regions in RevPAR. This success stems from the sustained growth of key commercial hubs like Mumbai, Ahmedabad, Gandhinagar, and Pune. Significant growth in the luxury leisure segment, particularly in Madhya Pradesh's wildlife destinations such as Pench, Bandhavgarh, and Kanha—driven by major players like Saj Hotels and Oberoi Hotels & Resorts, further enhanced RevPAR growth in 2023-24.

This trend is expected to continue with new hotel openings planned by Sterling Holidays, Spree Hospitality, and Lemon Tree Hotels in FY2025, expanding capacity and strengthening the region's hospitality landscape. Additionally, initiatives like hot air ballooning and paramotoring introduced in Pench in 2024 are driving greater demand for accommodations. This combination of infrastructure development, new supply in the luxury and leisure space, and innovative tourist experiences is solidifying Western India's leadership in the country's hospitality sector.



Source: Hotelivate, 2024, Indian Hospitality, Trends and Opportunities

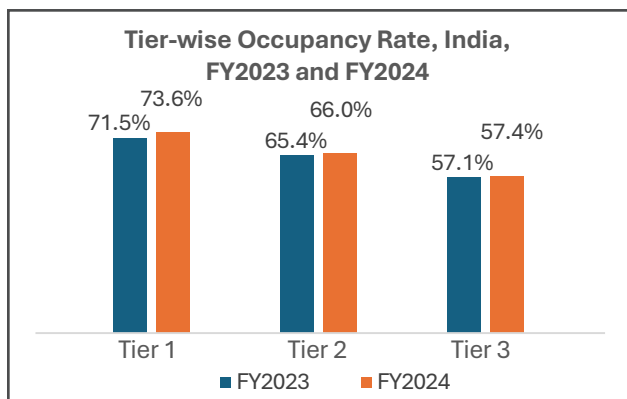
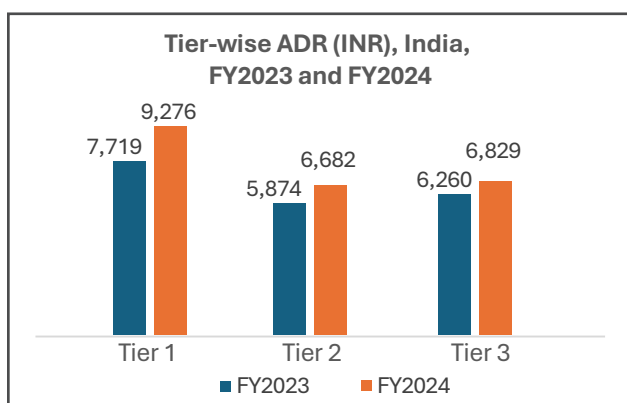
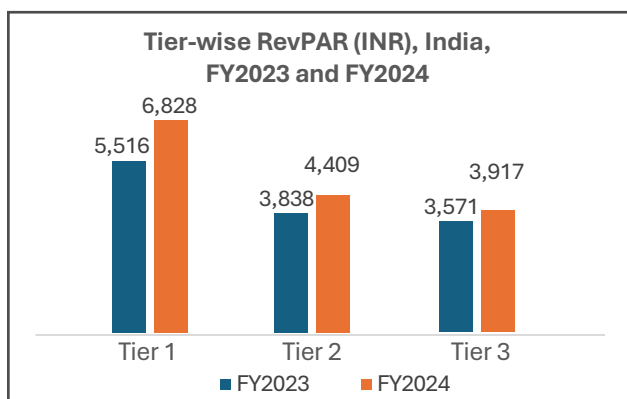
North has a slight edge over the West in terms of ADR

North India leads in terms of ADR, driven by the greater influx of high-spending international tourists and business travellers who are willing to pay a premium for luxury accommodations, as cities like Delhi and Agra attract a significant number of these affluent guests.

For example, Delhi remained the top entry point for foreign tourists, capturing nearly 33% of the overall share from January to December 2024. This robust demand from both leisure and business sectors allows for higher room rates in the region. On the other hand, Western India, while benefiting from strong economic activity and tourism, tends to have a higher concentration of mid-range and budget hotels, which results in lower ADR despite strong

occupancy rates. This contrast in the market composition and guest profiles between North and West India leads to North India's higher ADR, even as West India maintains a better RevPAR due to its superior occupancy.

Tier-wise Operational Metrics



Source: Hotelivate, 2024, Indian Hospitality, Trends and Opportunities

Tier I Cities Drive Strong RevPAR Growth with Premium Rates and High Demand

Tier I cities saw a significant 20% year-on-year increase in ADR for FY2024, while also recording the highest occupancy growth of 2%. This combination resulted in a robust 24% year-on-year growth in RevPAR. Strong pricing power, driven by high demand from business and luxury travellers, enabled hotels to command premium rates. Additionally, supply constraints in these high-demand urban centres allowed hotels to focus on rate

optimisation rather than relying solely on occupancy increases, further supporting RevPAR growth.

Tier II Cities Moving Towards Maturity With Stronger Pricing Power, Not Relying on Occupancy

In tier II cities, the increase in ADR and RevPAR, despite stable occupancy, highlights the growing maturity of the market. Growth in social MICE demand and increased regional tourism are presenting opportunities for hotels in cities like Jaipur, Shimla, Chandigarh, Visakhapatnam, Nagpur, etc. A rise in ADR and RevPAR in tier II cities, despite stable occupancy, indicates that hotels in these regions are successfully increasing room rates without significantly impacting demand. The data suggests stronger pricing power in the market, possibly driven by higher demand for premium or business accommodations and limited upscale supply. RevPAR growth indicates that hotels are optimising revenue by targeting higher-paying segments rather than solely focusing on occupancy. This trend reflects a shift towards value-driven pricing and increased demand for premium offerings, allowing higher room rates even with stable occupancy levels.

Tier III Cities Catching Up with Tier II Cities Through Infrastructure and Tourism Development

In FY2024, tier III cities surpassed tier II cities in ADR, resulting in higher RevPAR, despite having marginally lower occupancy rates. Ongoing infrastructure improvements, especially in road connectivity, have made these regions more accessible to travellers. Promotional efforts aimed at these destinations are expected to further boost demand, improving occupancy rates while maintaining upward pressure on room rates. For instance, cities like Varanasi and Rishikesh are gaining traction as spiritual hubs, Dharamshala is becoming a popular destination for those seeking tranquillity, Coorg is attracting leisure travellers, and Hampi is seeing an uptick in cultural tourism. As these cities continue to develop, their increasing appeal in both spiritual, leisure, and cultural tourism segments positions them for sustained growth.

Emerging Leisure Destinations Driving Higher Profitability Through Niche Tourism

While established business hubs like Mumbai, New Delhi, and Bengaluru continue to dominate in terms of overall room revenue, emerging leisure destinations such as Rishikesh, Udaipur, and Varanasi are demonstrating substantial growth in room revenue per key. This shift highlights the rising appeal and profitability of niche tourism markets post-pandemic. As travellers seek specialised experiences, these destinations are attracting both domestic and international tourists, pushing scenic and culturally rich cities to the forefront of profitability. Thus, leisure destinations are becoming key contributors to overall revenue growth.

Top 15 Hotel Markets by RevPAR (INR), India, FY2024

Rishikesh	9,786
Srinagar	8,940
Mumbai	8,866
Udaipur	8,665
Goa	8,186
New Delhi	7,886
Varanasi	6,420
Mussorie	6,222
Hyderabad	6,044
Gurugram	5,852
Bengaluru	5,620
Chandigarh	5,416
Jodhpur	5,271
Agra	5,260
Jaipur	5,244

Source: Hotelivate, 2024, Indian Hospitality, Trends and Opportunities

Industry Drivers

Driver	Impact		
	1–2 years	3–5 years	6–10 years
Tier II and III cities emerging as growth centres for Indian hospitality	High	High	High
Growth in domestic and international tourists	High	High	High
Strong government support enhancing the tourism and hospitality industry	High	High	High
Business-led travel surge as an engine for India's hospitality industry	High	High	High
Rising interest in concerts and spiritual journeys	High	High	High
Technology shaping the future of hospitality	High	High	High
Preference toward an asset-light strategy	High	High	Medium
Indian hotel chains embrace IPOs for growth, scalability, and long-term value	High	High	Medium
India's Hospitality Industry as a Prime Investment Destination with Strong Growth Potential	High	High	Medium

Tier II and III Cities Emerging as Growth Centres for Indian Hospitality

Tier II and III cities like Indore, Coimbatore, Bhubaneswar, and Chandigarh are rapidly emerging as key growth hubs for India's hospitality sector, driven by improved connectivity, infrastructure development, and rising leisure, spiritual, and business travel. Demand is growing at 13% annually versus a 10% supply increase²¹. Therefore, there are strong opportunities for hotel chains and investors, further supported by lower land costs, expanding tourism, and the popularity of destination weddings in cities like Udaipur, Rishikesh, and Jaipur.

Major hotel brands are accelerating their presence in these emerging markets. IHCL launched 26 new properties

in FY2025, with Ginger hotels in cities like Nagpur, Coimbatore, and Jamshedpur, along with a Taj resort in Puri and new entries in Dehradun and Patna²². Hyatt is planning to open six hotels in 2025, spanning from Ghaziabad to Kochi²³, while Radisson Hotel Group aims to scale up to 200 properties by 2027, focusing on tier III and IV cities²⁴. Hospitality players are moving beyond saturated metro markets to capture demand in culturally rich, scenic, and well-connected smaller cities.

Spiritual pilgrimages to places like Ayodhya, Mathura, Rameswaram, and Sarnath, adventure tourism in Himachal and Uttarakhand, and wellness retreats in Kerala and Rishikesh are also reshaping travel preferences. Cities like Lucknow, Jaipur, Jodhpur, Kochi, Shillong, and Guwahati are witnessing remarkable growth due to their cultural

²¹ Times of India, September 2024

²² IHCL Press Release, April 2025

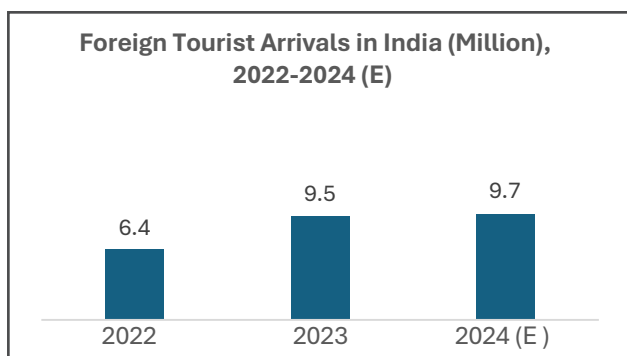
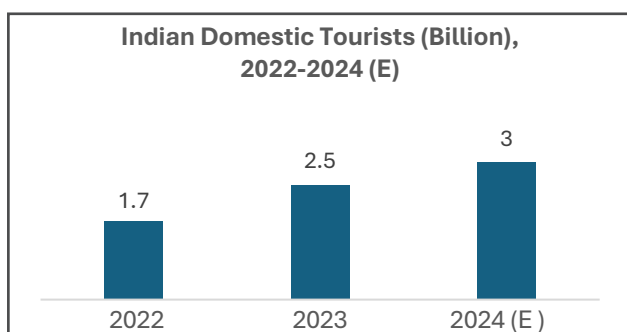
²³ Reuters, April 2025

²⁴ Hospitality, Economic Times, November 2024

significance and enhanced connectivity, while historic sites like Hampi in Karnataka, Maheshwar in Madhya Pradesh, and Majuli in Assam offer unique cultural and architectural experiences.

Additionally, the post-pandemic staycation boom and rising interest in eco and rural tourism are fuelling the demand for resorts and heritage homestays in offbeat destinations. The hospitality industry in tier II and III cities is lapping up these opportunities.

Growth in Domestic and International Tourists



Source: Ministry of Tourism, FY 2024-25 Annual Report, India Tourism Data Compendium 2024, Ministry of Tourism

FTAs in 2024 reached a provisional 9.7 million, contributing approximately USD 33 billion in FEEs, marking an 18.2% growth²⁵. This influx of international travellers is directly benefiting the hospitality sector by driving higher Average Room Rates (ARR), especially in premium hotels of major metro cities and emerging tourism hubs. International visitors tend to opt for higher-category accommodations and longer stays, pushing up demand for premium hospitality services. The Indian Government's target to more than double FTAs to 25 million over the next five years is expected to drive up ARR and occupancy rates further, prompting significant investments in new hotel developments and upgrades across luxury, business, and mid-market segments²⁶. Further, India's e-visa facility for over 170 countries (as of 30 April 2025) is boosting FTAs by simplifying travel access, thereby enhancing tourism revenue and global engagement²⁷.

Meanwhile, domestic tourism remains the backbone of India's travel economy, fuelled by a growing middle class, increasing disposable incomes, and a rising appetite for travel among Gen Z and millennials. With over 3 billion domestic visits estimated in 2024, the hospitality sector is experiencing strong demand across both urban centres and offbeat destinations. Government schemes such as UDAN (Ude Desh ka Aam Naagrik) and its enhanced version, announced in the Union Budget 2025-26, aim to improve regional connectivity to 120 new destinations, with a target to carry 4 crore passengers over the next decade²⁸. This will not only make travel more accessible but also distribute hospitality demand more evenly across regions, encouraging the development of hotels, resorts, and homestays in tier II and tier III cities.

Strong Government Support Enhancing the Tourism and Hospitality Industry

To make tourism a powerful engine of growth for India's hospitality industry, the Government of India has launched several flagship schemes, such as 'Swadesh Darshan 2.0' for sustainable destination development and Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive (PRASHAD) for spiritual tourism infrastructure, and provided financial assistance under the Special Assistance to States for Capital Investment (SASCI) scheme with a sanction of INR 33.9 billion for 40 tourism hubs²⁹. In collaboration with other ministries, the Ministry of Tourism is partnering with the Ministry of Railways to enhance tourist amenities at 22 railway stations, while also working with the Ministry of Road Transport and Highways and the National Highways Authority of India to strengthen road connectivity to key tourist destinations.

The 2025-26 Budget also announced that the Central Government plans to develop the top 50 tourist destinations in collaboration with states using a 'challenge mode' that promotes outcome-based execution and encourages innovation through performance-linked incentives. Hotels in these destinations will be included in the Harmonised Master List (HML) of infrastructure, enabling access to long-term financing and boosting private investment. Additionally, the government will support homestays by offering Mudra loans, empowering small entrepreneurs and local communities to actively participate in and benefit from tourism-driven economic growth.

Additionally, marketing campaigns under 'Incredible India'—with allocations of INR 330 million for international promotion and INR 1,770 million for domestic outreach—are aimed at strengthening India's global appeal³⁰.

These efforts are yielding results, as reflected in India's 39th rank in the World Economic Forum's Travel & Tourism

²⁵ Ministry of Tourism, Annual Report 2024-25

²⁶ TravelBiz Monitor, April 2025

²⁷ Bureau of Immigration, Ministry of Home Affairs

²⁸ Times of India, February 2025

²⁹ IDD News, February 2025

³⁰ HT Digital Streams Limited, Mint, July 2024

Development Index (TTDI) 2024, being one of only three countries in the top 10 across all three pillars of T&T Resources dimension which are Natural Resources (6th), Cultural Resources (9th), and Non-Leisure Resources (9th). It also excels in Price Competitiveness (18th), Air Transport Infrastructure (26th), and Ground & Port Infrastructure (25th)³¹.

Business-Led Travel Surge as an Engine for India's Hospitality Industry

India's hospitality industry is witnessing strong growth, propelled by the resurgence of business travel and the expanding MICE segment, which is driving higher occupancy rates, boosting revenues, and encouraging major investments in hospitality infrastructure, particularly in cities like Delhi, Mumbai, Bengaluru, Hyderabad, and Chennai.

The MICE segment, valued at INR 25,000 crore and growing at 8%³² annually, is central to India's goal of doubling its global MICE market share from under 1% to 2% under the National Strategy for the MICE Industry. Simultaneously, India's corporate travel market, currently worth over USD 10.6 billion, is projected to reach USD 20.8 billion by FY30³³, fuelled by demand for personalised, tech-enabled, and sustainable travel solutions.

Small and mid-size organisations (up to 250 employees) are spending up to INR 1 crore annually on travel, while larger companies (250–5,000 employees) allocate around INR 10 crore. This sustained demand is creating a steady revenue stream for the hospitality sector and prompting infrastructure upgrades tailored to business travellers³⁴. Together, these trends are elevating India's presence on the global tourism map while generating employment and long-term regional economic benefits.

Rising Interest in Concerts and Spiritual Journeys

Emerging tourism trends such as event-based tourism and spiritual tourism are significantly boosting India's hospitality

sector by driving massive footfalls and creating demand for accommodation, transport, and food and beverage services.

The rise of the 'concert economy' is transforming urban hospitality markets, with major global acts like Coldplay setting new benchmarks—its 2025 Republic Day concert in Ahmedabad drew a record-breaking crowd of 1.34 lakh people, making it India's largest concert ever³⁵. Such mega-events attract not just locals but international visitors, filling hotels and boosting local economies.

Meanwhile, religious and spiritual tourism, which already accounts for an estimated 60% of the country's total tourism³⁶, is up for a major boost. Critical developments are underway in key sites such as Ayodhya, Haridwar, and Bodh Gaya, and a spike in pilgrims is expected in these destinations. Besides, the recently concluded Kumbh Mela attracted over 420 million pilgrims, surpassing the combined populations of the U.S. and Canada³⁷, to take a holy dip at the Sangam in Prayagraj.

These large-scale gatherings are creating a surge in demand for lodging, hygiene infrastructure, transport services, and spiritual-tourism packages, prompting both public and private investment in hospitality and tourism infrastructure across key pilgrimage and cultural cities.

Technology Shaping the Future of Hospitality

India's hospitality industry is increasingly recognising the pivotal role of technology in enhancing guest experiences, streamlining operations, and driving revenue growth. Automation and AI have transformed check-ins, bookings, and customer service, reducing wait times and personalising interactions, while mobile apps and Internet of Things (IoT) devices enable seamless, contactless experiences. For example, The Indian Hotels Company Limited's Taj Hotels provide an E-Concierge service that digitally assists guests in wedding planning, including virtual visits to hotels and locations. Along with the digital services, guests can order food for any ceremony from Qmin, IHCL's food delivery app, for those loved ones unable to attend the special day³⁸.

³¹ India Tourism Data Compendium 2024, Ministry of Tourism

³² Economic Times, Travel World, October 2024

³³ Deloitte's report: Exploring India's Corporate Travel Market: Understanding Market Dynamics, TMCs, and User Preferences.

³⁴ Economic Times, September 2024

³⁵ Hindustan Times, January 2025

³⁶ Hospitality World, Economic Times, January 2025

³⁷ Economic Times, February 2025

³⁸ IHCL

“Demand is outpacing supply. There is no way that supply is going to catch up, at least in the next three to four quarters, with the demand. My personal view is that in the next ten quarters, demand will continue to outpace supply by 300-400 basis points.”

Puneet Chhatwal,
MD & CEO, Indian Hotels Company Limited

Data analytics and Customer Relationship Management (CRM) tools allow hoteliers to tailor services based on guest preferences, boosting satisfaction and loyalty, while social media integration offers immersive previews of hotel stays, helping travellers make informed choices. As technology continues to evolve, the future of hospitality will be shaped by further advancements in AI, robotics, and 5G connectivity, providing even more personalised, efficient, and immersive experiences for guests while optimising operational efficiency for hoteliers.

Preference for an Asset-light Strategy

In the Indian hospitality sector, management contracts have become increasingly popular as hotel chains shift towards an asset-light strategy. This approach allows them to focus on operational expertise rather than owning property, facilitating faster expansion while minimising financial risks. By entering into management contracts, hotel brands can scale rapidly without bearing the substantial capital expenditure typically associated with property ownership. This strategy is especially beneficial for luxury brands and leisure destinations, where longer and more stringent contract terms are preferred to ensure stability and profitability.

For example, Lemon Tree Hotels is aggressively pursuing growth through management contracts, with nearly 98% of its pipeline comprising such agreements³⁹. A significant portion of its new inventory is being developed in non-top-tier cities, which provides greater opportunities for expansion in emerging markets. Similarly, The Park Hotels is leveraging management contracts to expand in high-growth regions such as Indore, Manali, Mussoorie, and Udaipur, opening eight new properties in FY2024 alone. The company plans to add 228 more rooms under management contracts in FY2025, primarily in leisure destinations. This asset-light model allows them to capitalise on growing demand without the capital burden of owning real estate.

The trend towards asset-light expansion has proven particularly beneficial in the premium hotel segment. According to the ICRA report, 'The Indian Hospitality Industry: Riding High', revenue accruals for the premium hotel segment surged by approximately 200% in FY2024 compared to pre-COVID levels, with this growth expected to continue in FY2025 and FY2026. Hotel companies that have adopted an aggressive expansion strategy through the asset-light model are reaping the most benefits from this trend. These companies have reported a notable improvement in Return on Capital Employed (RoCE), driven by strong revenue accruals. In contrast, hotel companies pursuing asset-heavy expansion, which involves substantial capital investment in new properties (especially where land acquisition costs are high), have seen more limited improvements in their RoCE.

The heavy capital expenditure associated with acquiring land and building properties has constrained the potential financial benefits of such an expansion strategy, and this limitation is likely to persist in the future⁴⁰.

Indian Hotel Chains Embrace IPOs for Growth, Scalability, and Long-Term Value

Historically, Indian hotel chains relied heavily on private equity or debt funding for expansion. However, with the maturation of the industry, the need for diverse funding options has become clear. Initial Public Offerings (IPOs) have allowed hotel companies to tap into a broader capital pool without over-leveraging. In the past year, several Indian hotel chains, including Juniper Hotels, SAMHI Hotels, Apeejay Surrendra Park Hotels, Ventive Hospitality, and ITC Hotels, have successfully listed, marking a shift from the limited IPO activity seen over the past decade. Notable hotel companies such as Brigade Hotel Ventures, The Lalit, and Schloss Bangalore (the parent company of Leela Palaces, Hotels & Resorts) are also in the IPO pipeline. According to HVS ANAROCK India Hospitality Industry Overview 2024, Indian hotel deals are seen hitting INR 42 billion amid record IPO expectations, setting the stage for a robust 2025.

The launch of the Nifty India Tourism Index in 2024 further enhances the sophistication and benchmarking of the sector, attracting a wider pool of potential investors. The use of funds may differ across companies, but the overall trend is unmistakably focused on growth. Hotel chains are utilising IPO proceeds to reduce their debts, make acquisitions, or fuel expansion. For example, Juniper Hotels planned to raise growth capital through its INR 18 billion IPO, using a large portion of the funds to reduce high-cost debt while allocating the remainder for acquisitions and corporate purposes⁴¹. For SAMHI Hotels, going public was seen as a strategic move to access permanent capital for growth and create long-term value.

India's Hospitality Industry as a Prime Investment Destination with Strong Growth Potential⁴²

India's hospitality sector attracted USD 93 million in investment during the first half of 2024⁴³, highlighting the growing appeal of the country as an investment destination. Listed companies led the way, accounting for 44% of total transaction volumes. The upscale segment dominated the transaction share, contributing 44%, followed by the mid-scale segment at 31%, luxury at 23%, and the economy segment making up the remainder. Operational hotels represented around 72% of the transaction volume, while under-construction hotels accounted for 23%, and land leases made up the rest.

The strong investor interest in both operational assets

³⁹ Financial Express, July 2024

⁴⁰ Economic Times, January 2025

⁴¹ CoStar Group, January 2025

⁴² Business Standard, September 2024

⁴³ JLL Hotel Investment Trends - India H1 2024

and land sales reflects the sector's attractiveness, driven by favourable macroeconomic conditions, a growing commercial market, and enhanced air connectivity. For the full year, hotel investment volumes are projected to reach USD 413 million, a 22% increase from 2023, with tier I markets expected to account for 78% of the total transaction volumes. This reinforces India's position as a prime destination for hospitality investments, particularly in high-growth cities.

With India experiencing a robust surge in investment, the

country is projected to lead Asia Pacific, excluding China, in new hotel openings till 2026. According to a study by Lodging Econometrics (LE) on hotel construction pipeline trends, India accounted for 30% of all projects in the Asia-Pacific region at the end of Q2 of 2024⁴⁴. This strong performance places India well ahead of other countries like Vietnam, Indonesia, Thailand, and Japan. Its booming travel and tourism sector, robust economic growth, and increasing demand for hospitality infrastructure are key factors propelling it to the forefront of hotel expansion in the region.

Major Challenges

Major Challenges	Impact		
	1–2 years	3–5 years	6–10 years
Terrorism casts a shadow on Kashmir tourism	High	High	High
Workforce transformation is the need of the hour	High	High	High
Staying competitive in a click-driven hospitality market amidst changing consumer preferences	High	High	High
Seasonal peaks and structural gaps create occupancy challenges	High	High	High
Sustainability gains ground in hospitality, but small players struggle to keep pace	High	High	Medium

Terrorism Casts a Shadow on Kashmir Tourism

The recent terrorist attack (22nd April 2025) in Pahalgam, Kashmir has triggered major repercussions for India's tourism and hospitality sectors, especially in the Jammu & Kashmir region. According to the Kashmir Hotel Association, 80% of tourist bookings in the region have been cancelled⁴⁵. Additionally, 49 of 89 destinations have been temporarily closed to tourists due to the absence of multi-tier security cover, a precautionary, short-term measure⁴⁶. This has led to a sharp drop in hotel occupancy rates, disrupted travel itineraries, and financial strain on local hospitality businesses. The impact of the Pahalgam attack is compounded by the memory of the 2019 Pulwama attack, which also caused a significant dip in tourism to Kashmir. Such incidents highlight the vulnerability of the hospitality sector in conflict-prone regions, where recurring unrest can swiftly erode tourist confidence, destabilise local economies, and hinder long-term growth.

Workforce Transformation is the Need of the Hour

Workforce challenges are becoming increasingly critical in India's hospitality sector. Industry leaders often highlight that hospitality graduates lack practical skills, leaving them 'not industry-ready'. A declining rooms-to-staff ratio—from

1:1.75 to 1:0.75—signals cost-cutting by hotel owners, which, while protecting margins, compromises service quality. Brand managers are caught between profitability goals and maintaining guest satisfaction, contributing to a high attrition rate of around 55%, indicating systemic workforce instability.

Entry-level employees bear the brunt, facing long hours, low pay, and limited career growth—factors that drive high turnover. At the same time, hospitality roles are evolving, demanding a future-ready workforce with both technical and interpersonal skills. Increasing use of digital tools like AI and VR, along with a focus on empathy and adaptability, has made hiring suitable talent more challenging. Employers now prioritise individuals who can blend tech fluency with soft skills to enhance the guest experience.

Staying Competitive in a Click-Driven Hospitality Market Amidst Changing Consumer Preferences

In today's digital landscape, Indian hoteliers face mounting challenges as consumer expectations are evolving toward hyper-personalised, tech-enabled experiences. The dominance of Online Travel Agencies (OTAs) and aggregator platforms has reshaped how travellers discover and book stays, compelling hotels to enhance their digital presence and leverage data analytics to stay relevant.

⁴⁴ Hotels, LLC, *Hotels Mag*, August 2024

⁴⁵ *The Hindu*, 26 April 2025

⁴⁶ *The Hindu*, 30 April 2025

Simultaneously, the rise of alternative accommodations like homestays and vacation rentals is intensifying competition, pushing traditional hotels to innovate and differentiate through personalised services, immersive guest experiences, and sustainable practices. Adapting to these shifting dynamics is essential for hospitality players aiming to retain market share and drive long-term growth.

Seasonal Peaks and Structural Gaps Create Occupancy Challenges

Unlike mature hospitality markets like Dubai or Singapore, India continues to grapple with pronounced weekday-weekend and seasonal demand fluctuations across both urban and leisure destinations. In urban markets, demand typically peaks during weekdays due to business travel and dips on weekends, while leisure markets show the opposite trend, thriving over weekends and holidays but seeing a lull during weekdays. This dichotomy creates a structural limitation on achieving consistently high occupancy rates across the country, making it difficult to surpass the 70% to 75% national occupancy threshold. The lack of a steady, year-round demand cycle poses a significant challenge for hoteliers striving for profitability and operational efficiency, keeping India's hospitality sector anchored in a seasonality-driven model.

Sustainability Gains Ground in Hospitality, but Small Players Struggle to Keep Pace

In recent years, large players in India's hospitality industry have increasingly embraced sustainability,



driven by regulatory requirements and structured ESG strategies, for instance, IHCL's Paathya framework and ITC's "Responsible Luxury" approach⁴⁷. These efforts include significant shifts to renewable energy, water conservation, and waste management. However, widespread adoption remains limited, as nearly 90% of the sector is unorganised⁴⁸. Smaller and independent hotels face barriers such as high upfront costs, limited awareness, inconsistent regulations across states, and operational challenges, making it difficult to implement sustainable practices at scale despite growing environmental imperatives. Limited access to green financing and a lack of technical expertise further hinder smaller players from transitioning to eco-friendly operations. The absence of industry-wide incentives or recognition programs also dampens motivation to invest in long-term sustainability.

Government Initiatives

The Union Budget 2025-26 introduced significant measures to bolster India's tourism and hospitality sectors. Some key initiatives include⁴⁹:

- Allocation of INR 25.4 billion to enhance **infrastructure, skill development, and travel facilitation**
- Development of **50 top tourist destinations** in partnership with states through a challenge mode (i.e., competitive approach based on submission of proposals, outcome-based evaluations, etc.); it is designed to enhance tourism infrastructure, improve travel convenience, and boost connectivity to major attractions. Under this, states will contribute land for essential infrastructure, including hotels, which will be listed under the Harmonized Master List (HML) of infrastructure, facilitating greater investment and faster growth in the hospitality sector.
- 40 projects across 23 states will receive interest-free loans for 50 years, amounting to INR 32.9 billion under the **Special Assistance to States for Capital Investment**
- Continued expansion of the **Swadesh Darshan Scheme 2.0** (an extension of the original Swadesh Darshan scheme), focusing on sustainable and responsible tourism, with 34 projects already approved under this initiative, receiving INR 7.9 billion in total funding
- Allocation of INR 600 million for **skill development** in the financial year 2025-26 to support intensive skill-development programs for youth, including training in hospitality management and other tourism-related services
- Prioritise the development of sites associated with pilgrimage and heritage, with special emphasis on

⁴⁷ ITC Sustainability Report 2024; The Indian Hotels Company Limited website

⁴⁸ Skift, April 2025

⁴⁹ Press Information Bureau, Government of India, Ministry of Tourism, February 2025

destinations linked to the life and teachings of **Lord Buddha**, aligning with India's vision to become a key centre for Buddhist tourism

- The Pilgrimage Rejuvenation and Spiritual Augmentation Drive (**PRASHAD**) to upgrade infrastructure at key pilgrimage destinations and heritage cities, aiming to provide world-class facilities and improved accessibility for travellers

The government also runs different campaigns to promote tourism, such as:

- **Dekho Apna Desh Campaign:** This campaign, launched in January 2020, encourages domestic tourism by promoting lesser-known destinations within India, aiming to boost local economies and reduce seasonal dependency.
- **Chalo India Campaign:** The Ministry of Tourism launched the 'Chalo India' campaign during its participation in the World Tourism Market held in

London in November 2025 to encourage the Indian diaspora to become Incredible India ambassadors and encourage their non-Indian friends to visit India. As an incentive under this initiative, a gratis e-tourist visa for foreign visitors travelling to India was granted. The program was valid till 31st March 2025.

Update on National Tourism Policy: The proposed National Tourism Policy was expected to be placed before the Union Cabinet for approval in August 2022. Later, in February 2023, a revised Cabinet Note on the policy had been circulated for inter-ministerial consultation and was awaiting final approval. However, in March 2025, the Ministry of Tourism decided to shelve the proposed National Tourism Policy, which aimed to position India among the top five global travel destinations by 2030. As per the Ministry of Tourism, the focus remains on strengthening and effectively implementing the ongoing initiatives (mentioned above, such as Swadesh Darshan 2.0, PRASHAD, etc.) rather than formulating a separate policy⁵⁰.

⁵⁰ New Indian Express, March 2025

Key Initiatives by Major Players

Entity	Initiative
Atmosphere Core	Commencing Indian operations through an all-women managed hotel In April 2025, Maldives-based Atmosphere Core, a hotel management company announced plans to open an all-women managed hotel in Bhopal to commence its Indian operations.
Brigade Hotel Ventures	Plans for PIO debut to reduce debt and inorganic growth In February 2025, Brigade Hotel Ventures secured SEBI's approval for its INR 9,000 million IPO debut. From the proceeds, INR 4,810 million will be allocated to debt repayment, and INR 1,075 million will be utilised towards acquiring the undivided share of land from its promoter, Brigade Enterprises, and the remaining will be used for inorganic growth opportunities and other general corporate purposes.
Indian Hotels Company Limited (IHCL)/Taj Hotels	<p>Hitting the century mark with 100 New Destinations in FY25 In FY2025, IHCL increased its footprint with 100 new locations, with 74 signings and 26 openings in FY2025, taking its portfolio to 380 hotels (as on 15 April 2025).</p> <p>Expanding in Punjab with new Amritsar resort In line with IHCL's strategy of expanding its presence in key cultural and commercial markets, in May 2025, IHCL announced the signing of a SeleQtions hotel in Amritsar, which will be a suburban resort spread across 10 acres.</p> <p>Investing in a new Taj Bandstand hotel in Mumbai In February 2025, the Tata Group-backed Indian Hotels Company Limited (IHCL) announced an investment of INR 25 billion in the new Taj Bandstand hotel in Mumbai, which would be completed in the next 4 years.</p> <p>Accelerate 2030 strategy In November 2024, IHCL unveiled its ambitious 'Accelerate 2030' strategy, which includes expanding its brand portfolio, achieving industry-leading margins, doubling its consolidated revenue with a 20% return on capital employed, and growing its portfolio to over 700 hotels by 2030.</p> <p>Debut in Europe In November 2024, IHCL announced plans to add 120 new hotels to its portfolio in the coming years, including the company's debut in Europe, with the opening of its first hotel in Frankfurt.</p>

ITC Ltd	Demerging the hotel business ITC Limited announced the demerger of its hotels business, effective January 1, 2025, forming ITC Hotels Limited as an independent entity to create focused business units and enhance shareholder value. ITC Hotels got listed in January 2025.
Hilton Hotels and Resorts	<p>In November 2024, Hilton Worldwide announced that it expects to quadruple the number of hotel rooms in its India pipeline in the next five years. Some initiatives in this direction include:</p> <p>Foraying into Jabalpur as a first international branded hotel In May 2025, Hilton forayed into Jabalpur with the opening of its first Hilton Garden Inn in partnership with Ajay Satya Prakash Hospitality LLP, introducing the city's first internationally branded hotel.</p> <p>Launch of the first 'Signia by Hilton' brand in Jaipur In March 2025, to expand its luxury footprint in Asia-Pacific, Hilton announced the signing of its first Signia by Hilton hotel in the region, set to open in Jaipur, India. This 216-bedroom property will be developed in partnership with Sandeep Bakshi and Family LLP and will open in 2028.</p> <p>Launch of the Hampton brand in India In February 2025, Hilton signed a strategic licensing agreement with NILE Hospitality to introduce 75 'Hampton by Hilton' hotels across India, with the first properties set to debut in Gujarat, Rajasthan, Punjab, and Bihar in 2026 with an average room count of 75–120 at each property.</p> <p>Launch of the Spark brand in India In November 2024, Hilton signed a Strategic Licensing Agreement (SLA) with Olive by Embassy to open 150 Spark by Hilton hotels across India, marking the brand's debut in Asia-Pacific. The first Spark by Hilton hotel will open in southern India with a focus on Andhra Pradesh, Telangana, Goa, Karnataka, Tamil Nadu, and Maharashtra.</p>
Leela Palaces Hotels & Resorts	Plans for an IPO In September 2024, Schloss Bangalore Ltd, the operator of Leela Palaces Hotels & Resorts, filed for an IPO to raise INR 50 billion, with the proceeds from the fresh issue intended to repay loans taken by the company and its subsidiaries, as well as for general corporate purposes.
Lemon Tree Hotels	Listing of its subsidiary to reduce debt In August 2024, Lemon Tree Hotels announced plans to list its subsidiary, Fleur Hotels, to reduce its INR 18.5 billion debt, as 90% of its liabilities are tied to Fleur Hotels, aiming to unlock value, improve liquidity, and provide financial flexibility for further expansion and growth.
Park Hotels	IPO debut Apeejay Surendra Park Hotels (Park Hotels) made its debut IPO in February 2025. In 2024, it announced plans to double its room capacity to 3,996 from 2,111 rooms within the next five years through an asset-light model while increasing its portfolio of managed and leased properties.
Radisson Hotel Group	Strategic focus on tier II and III cities for expansion In March 2025, the Radisson Hotel Group announced its strategy to have 240 hotels in operation and under development in India by the end of 2025, driven by a strategic focus on tier II and III markets and the increasing demand for luxury lifestyle and midscale accommodations.
Treebo Hospitality Venture	Launch of its premium hotel brand In December 2024, Treebo Hospitality Venture introduced its new premium hotel brand 'Medalio,' with the opening of its first property in Udaipur, following closely on the heels of the launch of Park Inn & Suites by Radisson Thrissur, the company's inaugural hotel under its master franchise partnership with the Radisson Hotel Group.
The Lalit	Plans for an IPO In October 2024, The Lalit announced its plans to file an IPO in FY2026, with the size varying between INR 15 billion and 18 billion (though the final decision will depend on various factors), which could support its expansion, reduce debt, and enhance its brand visibility and credibility in the market.

Note: Listing of the activity is as per alphabetical order of the entity name. The information is as of 22 April 2025.

Key Mergers/Acquisitions/JVs

Entity	Mergers / Acquisitions / Collaborations
Chalet Hotels Ltd	Acquisition for expanding into premium leisure destinations In February 2025, Chalet Hotels Ltd expanded its luxury portfolio by acquiring The Westin Resort & Spa, Himalayas in Rishikesh for INR 5,300 million from Mahananda Spa and Resorts, a subsidiary of Mankind Pharma Ltd, highlighting the company's growing focus on premium leisure destinations.
Indian Hotels Company Limited (IHCL)	Acquisition for strengthening presence in experiential leisure In November 2025, IHCL announced the acquisition of a majority stake in Rajscape Hotels (RHPL) of the Ambuja Neotia Group, which manages 19 resorts and hotels under the Tree of Life Resorts and Hotels brand, to strengthen IHCL's presence in the experiential leisure segment.
Juniper Hotels	PPP with Assam Tourism for acquisition In March 2025, Juniper Hotels completed the full acquisition of Jenipro Hotels Private Limited, marking a key step in its expansion across India. The acquisition includes control over leased land in Kaziranga, secured through a Public-Private Partnership with the Assam Tourism Development Corporation, paving the way for the development of a luxurious 5-star hotel and resort that aims to transform tourism in Assam. Acquisition of a five-star hotel from the Lulu Group In October 2024, Juniper Hotels secured an INR 2,800 million deal to acquire a 220-room, five-star hotel near Bengaluru airport from Lulu Group's Twenty Fourteen Hotels India Pvt. Ltd., with plans to renovate and rebrand the property (which was in its shell stage at that time), under an international hospitality brand.
Kamah Hotels & Resorts	Collaboration for entry into the luxury and wellness segment In October 2024, Kamah Hotels & Resorts partnered with Wyndham Hotels & Resorts in a USD 70 million deal to develop four new luxury and wellness hotels—one in Dubai and three in India—under Wyndham's Trademark Collection, offering investors the unique opportunity to purchase units in internationally branded hotels and resorts in popular leisure destinations.
LaRiSa Hotels & Resorts and AM Hotel Kollektion	Strategic merger for expansion In February 2025, LaRiSa Hotels & Resorts and AM Hotel Kollektion announced a strategic merger, combining their expertise to expand their presence in the Indian hospitality sector, with the new entity set to operate 26 hotels and resorts and 6 properties in development, totalling 950 keys and exceeding INR 1000 million in annual operating revenue.
OYO	Acquisition for expansion in North America In December 2024, OYO completed its acquisition of US-based G6 Hospitality, the parent company of the Motel 6 and Studio 6, in an all-cash deal from Blackstone Real Estate for USD 525 million. The acquisition adds approximately 1,500 franchised hotels across the US and Canada to OYO's portfolio.
Samhi Hotels	Acquisition of Innmar Tourism and Hotels In October 2024, Samhi Hotels acquired Innmar Tourism and Hotels for INR 2,050 million, which is in line with the company's strategy of investing efficiently by acquiring existing assets at lower replacement costs rather than building new hotels from scratch.

Note: Listing of the activity is as per alphabetical order of the entity name.

Outlook

India's hospitality industry is expected to maintain a steady growth of 10.5% CAGR⁵¹, **crossing the INR 1 trillion mark by FY2026 and reaching INR 1.1 trillion by FY2027 as estimated by Rubix Data Sciences**. This momentum is fuelled by a combination of strong domestic leisure travel, the revival of inbound tourism, and a rapidly expanding MICE segment.

With demand expected to grow at 10.5% annually against a supply increase of just 8%, national occupancy

rates are forecasted to rise from 68% in FY2024 to 73% by FY2027⁵². This demand-supply gap points to strong pricing power and increased profitability for hotel operators.

India's hotel development pipeline reflects this optimism, with over 80,000 new rooms expected over the next five years. More than half of this growth is concentrated in the Upper Midscale and Midscale Economy segments, highlighting the rising demand for

⁵¹⁻⁵² Axis Securities, Sector Report, Hotel Industry, August 2024

quality yet affordable accommodation, especially in tier II and III cities, where tourism and business activity are accelerating⁵³.

Simultaneously, the MICE-related tourism is gaining traction, supported by infrastructure investments such as the Jio World Convention Centre in Mumbai and Yashobhoomi in Delhi. These world-class venues are positioning India as a global MICE hub, boosting inbound business travel and generating wider economic benefits for surrounding ecosystems

Despite the positive outlook, challenges persist. High land costs, inflationary construction expenses, and regulatory bottlenecks continue to affect the pace of development. To counter these hurdles, hotel chains are increasingly adopting asset-light models, focusing on management contracts and franchising to scale rapidly without heavy capital outlays.

International players are doubling down on India's long-term potential. Hyatt, for instance, plans to expand its footprint to 100 properties over the next five years, citing growing urbanisation, rising middle-class affluence, and domestic travel demand. Similarly, IHCL, the owner of Taj Hotels, is committing INR 50 billion to



double its hotel count and drive revenue growth.

As global and domestic players ramp up investments and diversify their offerings, the hospitality sector stands at the cusp of a transformative phase. With solid fundamentals, evolving consumer preferences, and strategic expansion plans, India's hospitality industry is well-positioned to thrive in the years ahead.

⁵³ *Economic Times*, March 2025

ABOUT RUBIX

Rubix Data Sciences Pvt. Ltd. helps you to take prudent credit risks, build a robust supply chain and monitor compliance for your business partners in India and around the world. Rubix helps you collect payments in time from your debtors, helping generate predictable cash flows.

Set up by highly experienced Risk Professionals, the company has been recognised at the IMC Digital Technology Awards in 2020 for the Rubix ARMS™ platform, and in 2021 for the Rubix Early Warning System (EWS). Rubix has also received the prestigious ET BFSI Exceller Award two times in a row: in 2023 for its ground-breaking analytics initiative, 'SME Income Range Estimation and Financial Ratio Benchmarking' and in 2024 for the Rubix Risk Scoring Model.

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