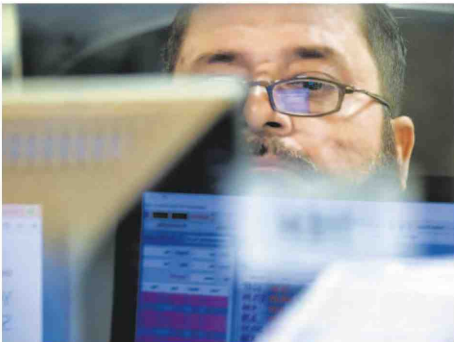


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# GST cut may put hotel stocks back in play

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Hospitality stocks have had a checkered 2025. Most hotel stocks have eroded investor wealth, lagging their 52-week highs, as weak demand and earnings disappointments clipped growth. Shares of EIH, Westlife Food, Indian Hotels Co, Jubilant FoodWorks, Specialty Restaurants, ITDC, Juniper Hotels, and The Byke Hospitality have slipped 3-28% in 2025 so far. Though Kamat Hotels, Taj GVK, Lemon Tree, Samhi Hotels, and Chalet Hotels have managed gains of 3-31% over the same period, all of these are lagging their 52-week highs by a steep 8-126%, showed Capitaline data. The fact that hotel stocks are far from their 52-week highs reflects the current softness in demand, said Prashant Biyani, vice-president of Institutional Equity at Elara Capital. Biyani said growth was hit across the board due to the Pahalgam attack and the Air India crash, which weighed on both average room rate (ARR) and occupancy. While flight cancellations hurt occupancy in July, he believes ARR has recovered slightly in August. The GST Council has decided to cut tax on hotel rooms priced up to ₹7,500 per night from 12% to 5%. Rooms above ₹7,500 will continue to attract 18% GST, while those below ₹1,000 remain tax-free. Several market participants believe that GST rate cuts bode well for demand and occupancies in non-luxury hotels across



Several market participants believe that GST cuts may lift demand in non-luxury hotels across smaller cities, tourist hubs & CBDs. AFP

tier II and III cities, religious tourism hubs, and mid-scale properties in central business districts (CBDs), where supply is rising. CBDs are the key commercial hubs of a city with a high concentration of offices, banks, and retail outlets, with hotels mainly serving business travellers. "We anticipate this change will translate into stronger demand and improved occupancy levels," said Neha Kapoor, general manager, Hyatt Place Gurgaon. The recent tax tweaks could not only drive up demand but also push more customers towards branded hotels, paving the way for higher ARR growth—and with it, better profitability. "The GST cut is undoubtedly a win for hotels with room rates under ₹7,500. That said, the impact would have been far

**The GST Council has decided to cut tax on hotel rooms priced up to ₹7,500 per night from 12% to 5%**

more meaningful if hotels were also allowed to claim input tax credit," according to Vaibhav Muley, lead analyst - hotels & hospitality, Yes Securities. "Even so, midscale names like Lemon Tree Hotels, Samhi Hotels, Royal Orchid Hotels, Kamat Hotels (India), Sayaji Hotels, and Espire Hospitality are expected to clock steady growth in both revenue and Ebitda," Muley said. The only dampener is the inability to claim input tax credit (ITC), which keeps the cost structure elevated and could slightly weigh on margins. "Input tax credit is typically what you can claim as set off against your GST dues," said Karan Khanna, lead analyst for hotels, aviation, property and small & midcaps, Ambit Capital. With the GST cut, hotel room rates should become

more affordable, particularly for retail customers, which should be positive, he said. Vikramjit Singh, founder of Alivaa Hotels, a new-age hotel brand backed by Ananta Capital, told *Mint* that no input tax credit will surely increase overheads for hospitality players and impact margins slightly. Industry body Hotel Association of India warned that the withdrawal of ITC could hurt investment and expansion in the segment. "It would prove to be beneficial to retain the GST rate at 5% while allowing ITC." Despite disruptions in May due to geopolitical tensions, hotels saw demand rebound by June and maintained strong momentum in Q1. Most players posted double-digit ARR (average room rate) and revenue per available room (RevPAR) growth, according to a 25 August note by Nuvama Institutional Equities. "Industrywide, RevPAR rose 11-13% YoY driven by ARR growth of 9-11%, whereas occupancies were largely flat," the note highlighted. Profitability also improved across the sector on the back of strong ARR, disciplined cost control and productivity improvements, it added. Several analysts believe that the second half of this fiscal year will see strong growth, driven by travel during festival season, weddings, conferences, and a surge in foreign tourist arrivals. Limited supply in premium and luxury hotels should also keep ARR growth intact. Varuni Khosla contributed to this story. For an extended version of this story, go to [livemint.com](https://www.livemint.com)