

Good times ahead for hotel sector?

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The Union budget 2026-27 put the spotlight on the tourism and hospitality sector. The finance minister proposed measures to strengthen the tourism ecosystem, with focus on medical tourism, skilling and institutional capacity-building.

The stocks of listed hotel companies EIH Ltd, ITC Hotels Ltd and Lemon Tree Hotels Ltd rose 2-4% on 1 February. These measures are expected to gradually boost the prospects of the Indian tourism sector, buoying average room rates (ARR) and occupancy levels.

The government has already cut the goods and services tax on hotel rooms for select tariff rates in September.

“The announcements made in the Union budget for the tourism and hospitality sector are sentimentally positive. Going ahead, in Q4FY26, the 2026 ICC Men's T20 cricket World Cup is a near-term demand trigger for



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hotels in cities where matches are scheduled,” said

Jinesh Joshi, ana-

lyst at PL Capital. The world cup will be co-hosted by India and Sri Lanka from 7 February to 8 March 2026. “Also, Q4 is typically a good quarter for companies which have more business focus in their portfolio.”

Shares of Easy Trip Planners Ltd and Mahindra Holidays & Resorts India Ltd rose intraday but later gave up some of those gains.

TCS relief

The finance minister proposed to reduce the tax collected at source (TCS) rate on the sale of overseas tour programme packages to 2%. It also proposed reducing TCS for education and medical purposes. TCS is collected by authorized dealers or tour operators on international travel expenses or remittances under the liberalized remittance scheme (LRS).

“The sharp reduction in TCS on overseas travel is an immediate demand stimulant for the sector and improves cash flows for both consumers and operators,” said Kunal Gala, partner at BDO India.

The travel industry is also considered a significant job creator.

The government plans to launch a new scheme to support states in setting up regional medical hubs in partnership with the private sector.

These hubs will have Ayush centres, infrastructure for diagnostics, post-care and rehabilitation, along with medical value tourism facilitation centres. Medical tourism is expected to boost foreign tourist arrivals and aid demand for premium hotels.

Foreign tourist arrivals in the first nine months of 2025 are still 19% lower than pre-covid levels of 2019, noted Pushan Sharma, director, Crisil Intelligence.

The budget allocation for overseas promotion for FY27 stands at ₹3.5 crore versus ₹415 crore seen in 2019, so concerted efforts are needed to prop-up India in the minds of the global outbound traveller, like we are seeing in competing countries like Thailand, Vietnam, Georgia, Azerbaijan, he added.

This would help improve foreign arrivals, aiding the share of tourism in India's GDP (5.2% as of FY24) and employment, which accounts for 13.3% of the overall share as of H1FY26.

Crisil expects the hotel industry to see 5% ARR rise in FY26 versus 6% in FY25, and occupancy to be at 72% and further improve in FY27.

GST on certain hotel rooms was reduced in September 2025