

Iran unrest may check into hotel sector's Q4

Foreign arrival drop may weigh on ARR's even as domestic demand holds

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Geopolitical turmoil and softer average room rates (ARRs) in the near term could weigh on the earnings of listed hotel majors. While domestic demand has remained robust, foreign tourist arrivals may decline, affecting both room rates and occupancies in the premium segment.

Most brokerages remain positive on the sector's medium-term outlook, though near-term growth and margin trends will hinge on the duration of the ongoing conflict.

Analysts Adhidev Chattopadhyay and Saishwar Ravekar of ICICI Securities observe that in March, domestic demand remains resilient, but geopolitical tensions have affected foreign inbound travel.

Luxury hotels, which derive 30-50 per cent of guests from abroad and earn higher revenue from food, beverages, and MICE (meetings, incentives, conferences, and exhibitions) compared with upper-upscale and upscale hotels, are seeing cancellations for April-May due to uncertainties over international flights and higher travel costs, according to ICICI Securities.

Nomura Research, citing management of Indian Hotels Company (IHCL) and ITC Hotels, says the war has had a limited impact on these chains. IHCL has three hotels in Dubai under management contracts, contributing just 5-6 per cent of consolidated revenue. "Since only the Dubai properties were affected, the impact on management fees should be limited," says analyst Akash Gupta of Nomura.



Long-term outlook intact

Projected CAGR (%) FY25-28

	Revenue	Operating profit	Net profit
Indian Hotels	14	15	18
ITC Hotels	15	18	27
EIH	9	11	13
Chalet Hotels	24	23	74
Ventive Hospitality	25	13	63
Leela Palaces Hotels	17	19	NA
Lemon Tree Hotels	15	14	29

Note: Leela Palaces posted losses in FY24 and FY25
CAGR: Compound annual growth rate
Source: Nomura Research

The company did see some domestic cancellations and extension requests tied to the conflict.

Brokerages are closely tracking ARR's, which have been volatile in recent months.

A recent HVS Anarock Monitor indicated that January posted the slowest growth in 14 months, with low-to-mid single-digit ARR growth (3-5 per cent) to ₹9,400-9,600, amid after-wedding normalisation and tapering demand following the festival peak. Occupancy remained stable at 66-68 per cent, resulting in 4-6 per cent year-on-year (Y-o-Y) revenue per available room growth.

Analysts at Antique Stock Broking, led by Vikas Ahuja, expect the sector to continue showing strong operating performance, supported by healthy corporate travel, MICE demand, large-scale events, and a resilient wedding segment.

Average daily rates across major cities peaked toward the end of February, driven by event-led demand, including large international summits and conferences in Delhi (India AI Impact Summit 2026), robust corporate travel, and seasonal leisure demand. Rates moderated into early to mid-March as event-related demand tapered. Nomura estimates a 15-20 per cent

month-on-month decline, largely due to geopolitical events in West Asia driving cancellations.

Most brokerages remain bullish on the sector. Nomura maintains a 'buy' rating on IHCL and ITC Hotels, expecting 7-10 per cent quarter-on-quarter and 8-9 per cent Y-o-Y room rate growth for the fourth quarter of 2025-26 (FY26). Signing momentum was strong for IHCL and Lemon Tree Hotels, with new openings from both IHCL and ITC Hotels.

Except for extended geopolitical disruptions, ICICI Securities expects high single-digit ARR growth of 6-8 per cent across hotels through FY28. New asset additions and completions will be key for companies to deliver operating profit growth of 15-20 per cent over 2024-25 through FY28. ICICI Securities has a 'buy' rating on IHCL, ITC Hotels, Leela Palaces Hotels & Resorts, Chalet Hotels, Lemon Tree Hotels, and Brigade Hotel Ventures.

Antique Stock Broking sees medium-term growth driven by a continued demand-supply mismatch (with 65-70 per cent of future supply outside the top 10 cities) and a strong hotel addition pipeline. Its top sector picks are Chalet Hotels and Samhi Hotels, with target prices of ₹1,250 and ₹255, respectively.