Hotel earnings remain resilient amid conflict

Listed hotel firms reported strong FY26 results despite travel disruptions

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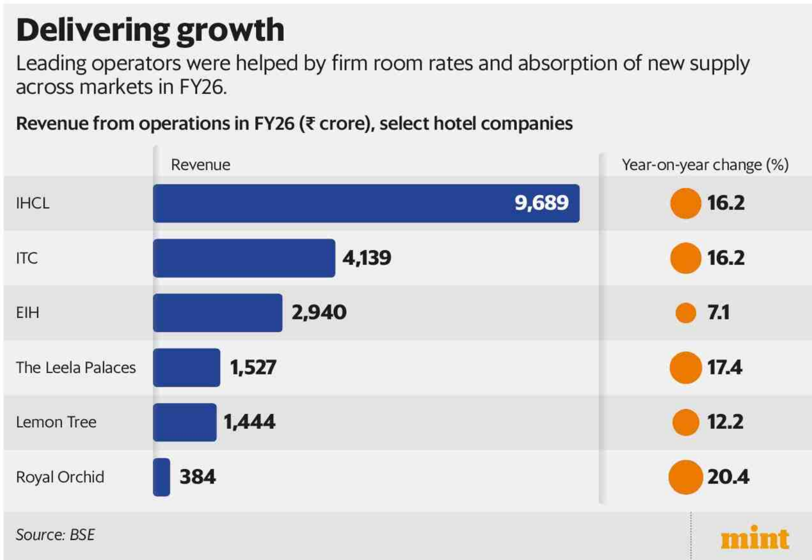

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India's listed hotel firms delivered strong FY26 earnings despite a year marked by military conflict, airline disruptions and geopolitical tensions, even as investor sentiment weakened and hotel stocks corrected sharply.

Despite shocks to travel demand from Operation Sindoor, IndiGo's flight disruptions during the peak tourist season and the West Asia war, leading hotel operators such as IHCL, EIH, ITC Hotels, Lemon Tree Hotels and Leela reported higher revenue and profitability, aided by firm room rates and absorption of new supply.

IHCL, India's largest hotel company by room inventory, reported consolidated revenue of ₹9,689 crore, up 16% and a record net profit of ₹2,247 crore, up 10.2%. Lemon Tree Hotels reported 13% revenue growth and a 19% increase in profit. ITC Hotels saw a 29% jump in its net profit.

Profit growth varied depending on asset maturity, financing costs, expansion strategies and in some cases labour code changes. Leela was among the standout performers, with net profit up more than eightfold to ₹406 crore from ₹47 crore, aided by stronger pricing and debt reduction. Chief executive officer Anuraag Bhatnagar told *Mint* that same-store revenue per available room, or RevPAR, grew 14% in FY26, well ahead of the broader luxury segment.

Industry fundamentals stayed supportive through FY26 despite periodic disruptions to travel demand. According to a Kotak Institutional Equities report, RevPAR—a key measure of hotel performance that combines occupancy and room rates—rose an average 7.4% across the industry during the year to about ₹5,700, driven largely by higher average room rates, while occupancy remained healthy at around 65%.

"For hotel companies, net profit margins of 18-22% are very good...Investors are also now focusing on earnings quality, balance-sheet strength, cash generation and the visibility of future growth," said Rattan Keswani, an industry veteran and former deputy managing director of Lemon Tree Hotels and president of Trident Hotels (The Oberoi Group).

Some companies are still absorbing newer assets, while others have reached a more mature operating run rate, he added. Occupancy levels, average room rates, and RevPAR continued to grow in the fiscal year, Keswani said.

EIH, which operates Oberoi and Trident brands, posted an Ebitda of 3% while RevPAR across its flagship Oberoi assets rose 10.4%, while reported profit fell 14%.

EIH managing director and chief executive officer Vikram Oberoi acknowledged the disruptions but said industry fundamentals remained intact. "Our Ebitda performance has been the highest in our history... Our hope is that things stabilize soon," he added.

Despite strong operating performance, hotel stocks corrected over the year, particularly after the West Asia conflict. Shares across the sector declined 15-35% as earnings growth fell short of investor expectations and valuation multiples compressed.

Collectively, the top listed hotel firms command a market capitalization of roughly ₹1.5 trillion, with IHCL accounting for the largest share. "Combined with a growing number of hospitality companies tapping capital markets and a broader loss of momentum in hotel stocks, valuation multiples have compressed across the sector," said Prashant Biyani, vice president (Institutional Equity) at Elara Capital.

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STRONG FUNDAMENTALS

INDUSTRY RevPAR rose 7.4% to ₹5,700 in FY26, aided by higher room rates and healthy occupancy

THE top listed hotel companies together command a market capitalization of about ₹1.5 trillion

BUT hotel stocks fell 15-35% over the year as earnings growth failed to meet investor expectation