

July 09, 2025

## Indian Hospitality - Q1 FY26 Earnings Preview

### Growth likely to sustain despite challenging macros, driven by robust ADRs

Indian Hospitality sector witnessed impact of challenging macro environment due to heightened geopolitical tensions in May (Indo-Pak) and June (Iran-Israel). Despite headwinds, industry is likely to register sustained growth for Q1FY26. This will be driven by sustained ARR growth despite pressure on occupancy in May, robust rooms addition and benefit of lower base LY. At an industry level, April witnessed strong momentum with 11-13% ARR growth YoY and 4-6pp increase in occupancy, resulting in RevPAR growth of 20-22% across the industry. May revealed a noticeable dip in occupancy YoY, reflecting seasonal softening combined with geopolitical tensions dampening travel demand. As a result, occupancy declined by 1-3pp YoY, however, ARR sustained with 6-8% growth YoY. ARR for May reported MoM decline of 10-12%, exacerbated by heightened geopolitical tensions. Our industry checks suggest mixed trends for Jun'25, as demand was impacted in the first half of the month, primarily on account of FTAs. This was partially offset by sharp spike in demand in the last week of June, suggesting gradual return to normalcy.

We believe FTAs have taken the major brunt of the overall demand slowdown in May and June. Hence, key metro cities / Tier-1 markets will see sluggish demand trends in Q1 due to loss of business for 20-30 days from foreign guests and MICE/Weddings activities. Further, upscale & above segments are likely to be most affected due to higher share of FTAs and MICE events. While players with diversified presence across segments and geographies are expected to report better RevPAR growth. Thus, we expect EHI, IHCL and CHAET to report RevPAR growth of 5-8% YoY, while LTH is expected to report ~11% RevPAR growth. Going forward, we expect revival in occupancies along with sustained ARRs, supported by higher MICE activity, spike in domestic leisure travel and rebound in FTAs. we maintain our positive view on the Indian Hospitality industry and remain constructive on the sustainable industry upcycle as demand-supply scenario is likely to remain favorable till FY29.

**Room Rates sustain, Occupancies impacted:** Momentum in ARR growth has continued for Q1, albeit, with some moderation. Occupancy saw greater impact with decline of 1-3pp in month of May and subdued demand continuing in first half of June. Thus, we expect industry to post mid-high single digit RevPAR growth for Q1FY26. Mumbai and Delhi markets have continued to command highest ARRs and leading occupancies. While Bangalore, Jaipur and Hyderabad markets have reported strongest ARR growth. Heightened geopolitical tensions have impacted FTAs and scheduled MICE events in Q1. As a result, branded players with reliance on metro and tier-1 markets, especially in premium segments are likely to see greater impact on RevPAR compared to diversified players. Going forward, we expect sharp revival in MICE activities as events which got postponed in May/June are likely to be rescheduled in coming months. Similarly, inbound foreign travelers have postponed travel to later dates, in many cases, which can result in spike in demand in the coming quarters. Demand-supply mismatch continues with demand outpacing supply.

**New signings & openings witness pick-up:** Signings have picked up again from Mar'25 onwards after a subdued trend in Jan & Feb'25. For April & May combined, Signings have increased by +45% YoY with 7.2K+ keys signed in 2 months. Majority of signings are into Tier-3 & Tier-4 cities, which indicates broad based future supply, which bodes well for existing players with strong presence in metro / tier-1 markets. Hotel's openings have seen pick-up in May with +46% growth YoY after sluggish trend in openings till April. On a YTD basis. Hotels openings by keys have reported 26% growth YoY.

### STOCK VIEW

Company	Rating	TP
IHCL	NEUTRAL	835
Lemon Tree	BUY	188
EIH Ltd	REDUCE	355
CHALET	BUY	1,080

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## Indian Hospitality - Q1 FY26 Earnings Preview

**Indian Hotels (NEUTRAL | TP Rs 835):** We expect IHCL to witness moderate impact of demand slowdown in May and June, primarily in its key markets – Mumbai and Delhi. However, IHCL's diversified presence across geographies and segments should result in limited impact on overall RevPAR. We expect IHCL (Standalone) to post RevPAR growth of ~8%, driven by 9% ARR growth and slight decline in occupancy to ~75%. Ginger (Roots Corp) should continue to outpace the other segments in Q1, due to better demand resilience in midscale segment.

IHCL is expected to post sales growth of 14% YoY (Ex-TajSATS) with OPM at ~30% (+110bps YoY). Consolidated revenue should grow by ~30% YoY. Operating margins should see sharp sequential decline (-630bps), in-line with seasonality. APAT is expected to register growth of +22% YoY. Momentum in new signings & openings is expected to continue in Q1 for IHCL.

**Lemon Tree Hotels (BUY | TP Rs 188):** LTH is expected to be largely immune to the geopolitical tensions due to its lower reliance on FTAs and MICE activities along with diversified presence across India and limited presence into upscale & above segments. As a result, RevPAR is expected to register growth of ~11% YoY for Q1, one of the highest in the industry. Aurika is expected to sustain its Q4 momentum with occupancy at 75-76% and ARR at INR 9.5-10K.

For Q1FY26, we expect Lemon Tree to post 15% revenue growth YoY on a strong base, led by 7% growth in ARR and +150bps improvement in occupancy, leading to +11% RevPAR growth. We expect +140bps improvement in OPM, partially offset by ongoing renovation expenses in Q1, leading to RPAT growth of +72% YoY.

**EIH Ltd (REDUCE | TP Rs 355):** We expect a subdued quarter due to macro headwinds, lower operational inventory and loss of airport lounge business. EIH has handed over Wildflower Hall, Shimla property to government (81 keys) in Mar'25. Oberoi Grand, Kolkata is also shut for renovation. In addition, lease for its Mumbai Airport Lounge has also been terminated, which contributed est ~40% of operating profits of OFS/OAS segment. This impact will only be partially offset by opening of Oberoi Rajgarh (65 keys).

We expect EIH to post revenue growth of +9% YoY, driven by RevPAR growth est. at 8% YoY. We expect occupancy to improve slightly to ~72% for Q1, with ~8% YoY growth in ARR. OPM is likely to be subdued at ~26.7% (+110bps YoY). RPAT expected to register +21% growth YoY.

**CHALET Hotels (BUY | TP Rs 1,080):** We expect Chalet to witness significant impact of subdued demand trends in May and June. This is due to Chalet's higher reliance on key metros (Mumbai, Bangalore, and Hyderabad) and presence in premium segment. Chalet also has one of the highest mix of foreign guests at ~38-40%, which can result in material impact on RevPAR. We expect higher impact on occupancy in Bangalore and Hyderabad markets for Chalet due to FTAs impact. As a result, we expect RevPAR growth at ~5% YoY for Q1. ARR likely to sustain with 10-12% increase YoY, however, occupancy should be impacted with 5-6pp decline YoY.

Despite lower RevPAR growth, keys addition and improvement in CRE business should support overall Revenue/EBITDA growth. CRE business should report robust revenue/EBITDA growth of ~+80%/90% YoY, driven by increase in leased area. Operational keys for Chalet have increased by ~9% YoY, which should result in ~15% revenue growth for hospitality segment. We expect overall Revenue / EBITDA growth for Chalet to remain robust at +19%/+27% YoY with OPM at ~41.2% (+140bps YoY). OPM expansion should be driven by improvement in CRE business EBITDA margin and robust ARR growth leading to better profitability in hospitality segment.

For Bangalore Real estate project, we expect revenue recognition to commence from Q1FY26, as intimated earlier by the management.

**Sector Overview:** Our coverage universe is expected to report Revenue / EBITDA growth of +14%/+18% YoY (Ex-TajSATS). OPM should see slight improvement of +120bps due to robust ARR growth across companies. Occupancy is expected to remain flattish to negative across players, leading to high single-digit to low double-digit RevPAR growth.

## Exhibit 1: Q1FY26E Preview Snapshot – Indian Hospitality Sector

Co. name (Rs mn)	Revenue			EBITDA			PAT			Remarks
	Q1 FY26	YoY (%)	QoQ (%)	Q1 FY26	YoY (%)	QoQ (%)	Q1 FY26	YoY (%)	QoQ (%)	
Indian Hotels	20,234	30.5	(16.6)	5,874	30.7	(31.4)	3,039	22.4	(42.1)	Expect high single digit RevPAR growth, primarily led by ~9% ARR growth. Occupancy to remain flattish for the quarter due to the impact of geopolitical tensions in May and June. Ex-TajSATS, revenue growth expected at +14% YoY. Operating margins are expected to be +110bps higher YoY for hospitality segment. Management income expected to register 20%+ YoY growth, led by addition of managed keys over FY25.
Lemon Tree Hotels	3,731	14.0	5.1	1,978	60	110	862	2.6	37.9	We expect 15% YoY revenue growth with +140bps EBITDA margin expansion YoY, led by improvement in performance of Aurika. Aurika expected to post ~75%+ occupancy with stable ARR QoQ at ~INR 10K. OPM expansion is limited due to ongoing renovations. LTH is likely to be least impacted by the geopolitical tensions in May and June and thus, expected to report better RevPAR growth at ~11%.
EIH Ltd	8,155	10.0	1.9	3,507	200	-160	2,561	21.5	(3.8)	EIH is likely to deliver relatively muted quarter with est revenue growth of 9% YoY, driven by RevPAR growth of 8%. Lower operational inventory YoY, along with shutdown of airport lounge business is likely to impact sales. Margins are expected to be subdued for Q1 at 26.7%, +110bps YoY. Full shutdown of Oberoi Grand, Kolkata and Termination of Wildflower Hall, Shimla can have significant impact on operational performance in Q1FY26.
Chalet Hotels	8,155	10.0	1.9	3,507	200	-160	2,561	21.5	(3.8)	We expect Chalet to deliver high teens revenue growth for Q1, on account of capacity addition, mid-single digit RevPAR growth led by robust ARRs for Q1 and improvement in CRE business. Occupancy is likely to witness decline YoY due to addition of new inventory and impact on FTAs in Q1.

Source: Companies, YES Sec

## Exhibit 2: Q1FY26E Preview – YoY Financial Comparison

Co. Name	Q1FY26E				Q1FY25				YoY (%)			
	Rev. (INR mn)	EBITDA (INR mn)	EBITDA (%)	RPAT (INR mn)	Rev. (INR mn)	EBITDA (INR mn)	EBITDA (%)	RPAT (INR mn)	Rev.	EBITDA	EBITDA (bps)	RPAT
Indian Hotels	20,234	5,874	29.0%	3,039	15,502	4,496	29.0%	2,484	30.5%	30.7%	3bps	22.4%
Lemon Tree	3,082	1,365	44.3%	340	2,680	1,151	42.9%	198	15.0%	18.6%	135bps	71.8%
EIH Ltd	5,739	1,532	26.7%	1,118	5,265	1,349	25.6%	922	9.0%	13.6%	109bps	21.2%
Chalet Hotels	4,313	1,779	41.2%	663	3,610	1,402	38.8%	607	19.5%	26.9%	240bps	9.3%

Source: Companies, YES Sec

## Exhibit 3: Q1FY26E Preview – QoQ Financial Comparison

Co. Name	Q1FY26E				Q4FY25				QoQ (%)			
	Rev. (INR mn)	EBITDA (INR mn)	EBITDA (%)	RPAT (INR mn)	Rev. (INR mn)	EBITDA (INR mn)	EBITDA (%)	RPAT (INR mn)	Rev.	EBITDA	EBITDA (bps)	RPAT
IHCL	20,234	5,874	29.0%	3,039	24,251	8,568	35.3%	5,223	-16.6%	-31.4%	-630bps	-41.8%
Lemon Tree	3,082	1,365	44.3%	340	3,785	2,041	53.9%	846	-18.6%	-33.1%	-964bps	-59.8%
EIH	5,739	1,532	26.7%	1,118	8,275	3,508	42.4%	2,529	-30.6%	-56.3%	-1570bps	-55.8%
CHALET	4,313	1,779	41.2%	663	5,220	2,414	46.3%	1,238	-17.4%	-26.3%	-501bps	-46.4%

Source: Companies, YES Sec

## Exhibit 4: Q1FY26E Preview – YoY Operational Performance Comparison

Co. Name	Q1FY26E				Q1FY25				YoY (%)			
	Owned Keys	ARR (Rs)	Occ (%)	RevPAR (Rs)	Owned Keys	ARR (Rs)	Occ (%)	RevPAR (Rs)	Owned Keys	ARR	Occ (bps)	RevPAR
IHCL	4,840	14,003	74.5	10,432	4,840	12,906	76	9,809	0%	9%	-150bps	6%
Lemon Tree	5,759	6,141	68.1	4,182	5,759	5,686	66.6	3,787	0%	8%	150bps	10%
EIH	2,171	14,873	72	10,708	2,270	13,771	70	9,640	-4%	8%	200bps	11%
CHALET	3,268	11,908	65	7,740	3,006	10,446	70.5	7,364	9%	14%	-550bps	5%

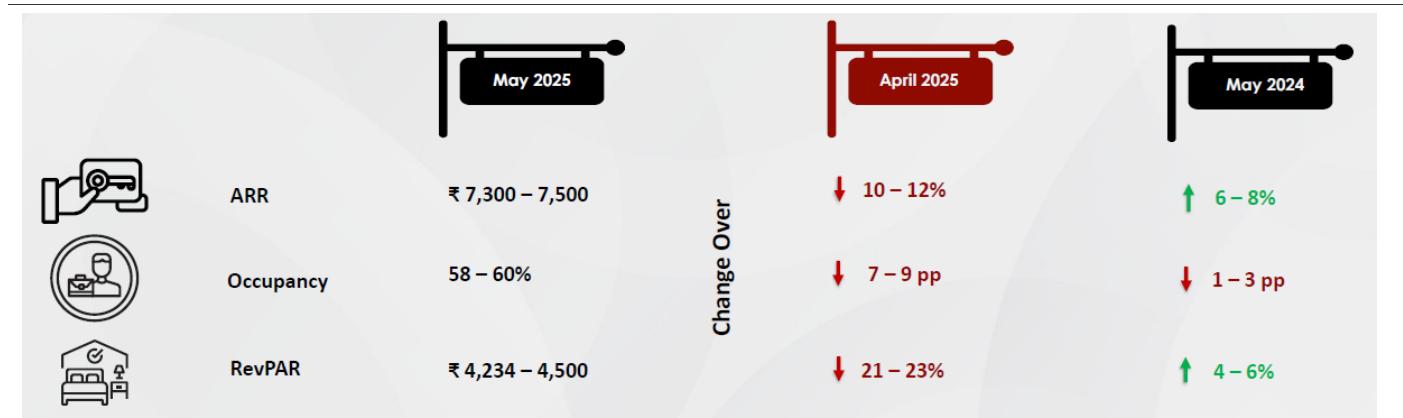
Source: Companies, YES Sec

## Exhibit 5: Q1FY26E Preview – QoQ Operational Performance Comparison

Co. Name	Q1FY26E				Q4FY25				QoQ (%)			
	Owned Keys	ARR (Rs)	Occ (%)	RevPAR (Rs)	Owned Keys	ARR (Rs)	Occ (%)	RevPAR (Rs)	Owned Keys	ARR	Occ (bps)	RevPAR
IHCL	4,840	14,003	74.5	10,432	4,840	21,013	80.1	16,831	0.0%	-33.4%	-560bps	-38.0%
Lemon Tree	5,759	6,141	68.1	4,182	5,759	7,042	77.6	5,465	0.0%	-12.8%	-950bps	-23.5%
EIH	2,171	14,873	72	10,708	2,270	23,625	82	19,373	-4.4%	-37.0%	-1000bps	-44.7%
CHALET	3,268	11,908	65	7,740	3,221	14,345	76	10,902	1.5%	-17.0%	-1100bps	-29.0%

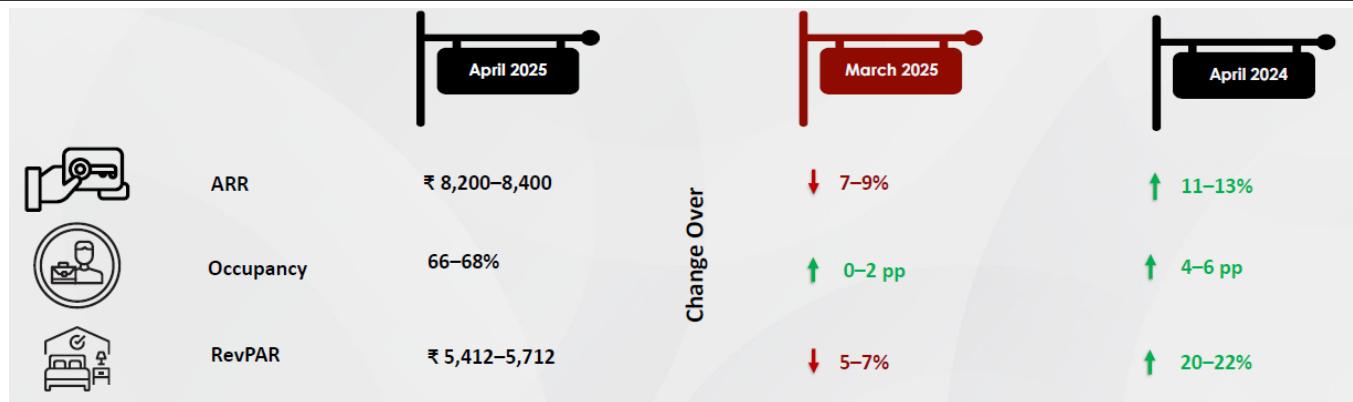
Source: Companies, YES Sec

## Exhibit 6: Indian Hospitality – Sectoral Performance for May 2025



Source: Company, YES Sec

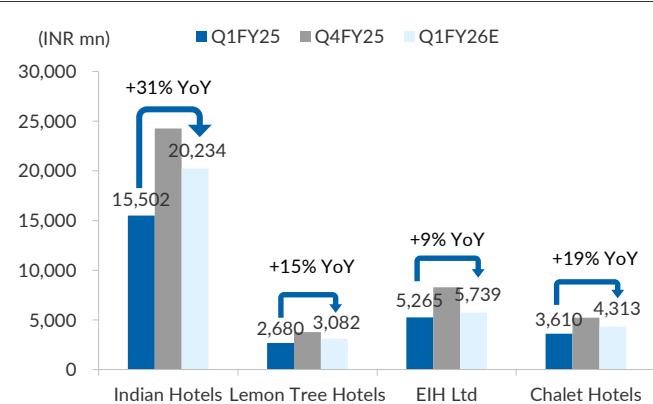
### Exhibit 7: Indian Hospitality – Sectoral Performance for April 2025



Source: Company, YES Sec

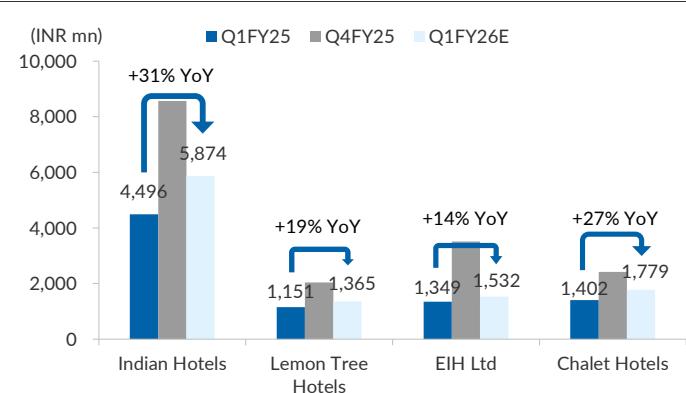
## COVERAGE UNIVERSE CHARTS

### Exhibit 8: Revenue growth momentum likely to sustain across players



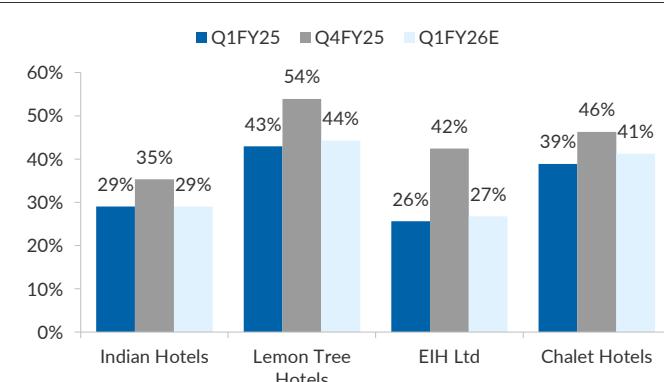
Source: Companies, YES Sec

### Exhibit 9: EBITDA growth to be driven by operating leverage and higher ARRs



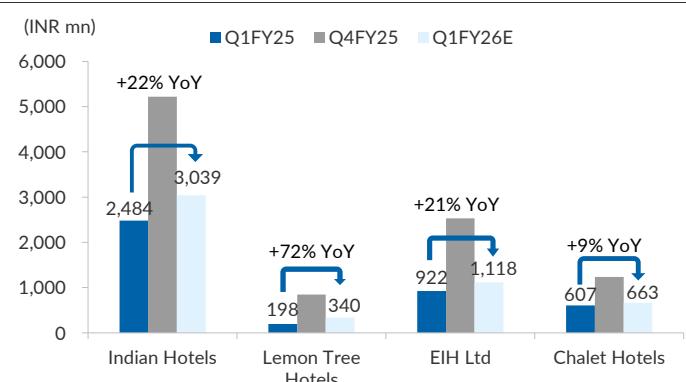
Source: Companies, YES Sec

### Exhibit 10: EBITDA Margins are expected to improve YoY across companies



Source: Companies, YES Sec

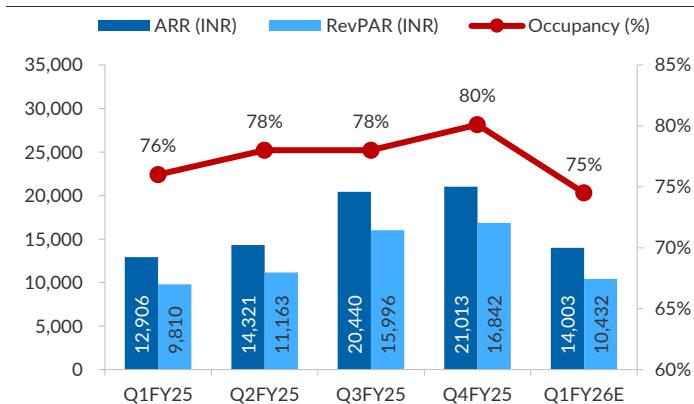
### Exhibit 11: Leading to robust RPAT growth across coverage companies



Source: Companies, YES Sec

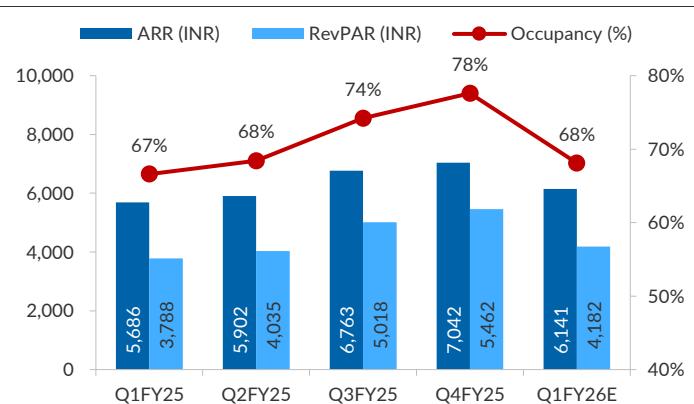
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**Exhibit 12: Indian Hotels (IHCL) – Trend in quarterly key operational metrics**



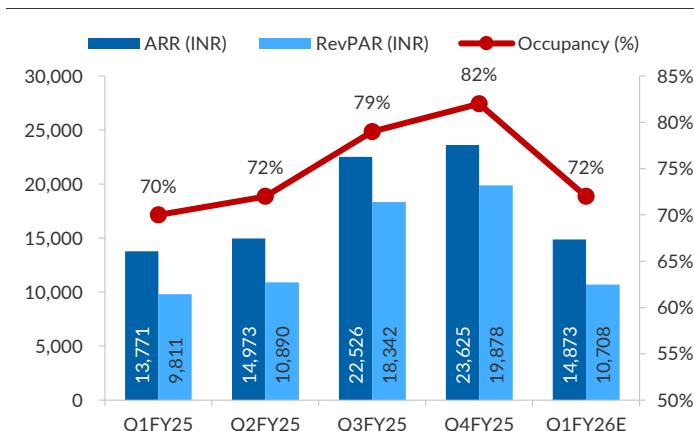
Source: Company, YES Sec

**Exhibit 13: Lemon Tree Hotels – Trend in quarterly key operational metrics**



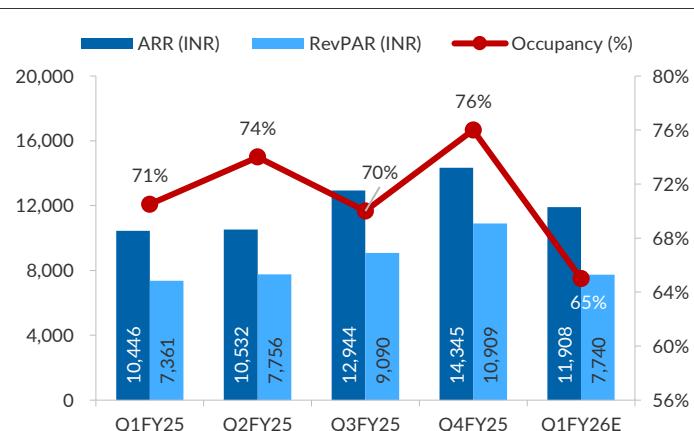
Source: Company, YES Sec

**Exhibit 14: EIH Ltd – Trend in quarterly key operational metrics**



Source: Company, YES Sec

**Exhibit 15: Coverage Opex/tn to decline by 1.5% YoY**



Source: Company, YES Sec

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2	Research Analyst or his/her relative or YSIL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the research report	No
3	Research Analyst or his/her relative or YSIL has any other material conflict of interest at the time of publication of the research report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSIL has received any compensation from the subject company in the past twelve months	No
6	YSIL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSIL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSIL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSIL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSIL has been engaged in market making activity for the subject company(ies)	No

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## RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

## NOT RATED / UNDER REVIEW

Analyst signature

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