

Project Appraisal and Monitoring Services

Beyond the Metros: How Infrastructure, Connectivity, and Offbeat Destinations Are Redefining India's Tourism Growth Story



Introduction

India's tourism sector is undergoing a profound transformation. While traditional destinations such as Goa, Kerala, and Rajasthan remain strong, the future of tourism lies in Tier 2 and Tier 3 cities, spiritual hubs, industrial corridors, and offbeat leisure spots. Rising incomes, improved connectivity, and evolving traveller preferences are reshaping demand. Budget 2026 reinforces this trajectory by prioritizing infrastructure, hill tourism, skill development, and sustainable growth. Film-induced tourism and cultural branding are further catalyzing interest in new destinations, positioning tourism as a driver of regional economic development.

According to the Economic Survey 2026, the travel, tourism, and hospitality sector contributed approximately 5.22% of India's GDP in FY2024, underscoring its role as a critical pillar of the services economy and a major source of employment and foreign exchange earnings.

Connectivity as a Catalyst

Connectivity is the backbone of tourism expansion. The opening of Donyi Polo Airport for instance in Arunachal Pradesh and Sindhudurg Airport near Malvan (seen as competition to Goa) has unlocked access to remote destinations, strengthening regional tourism.

Budget 2026 emphasizes regional connectivity expansion through new aviation routes, UDAN, seaplane infrastructure, and faster rail and road links. Plans for high-speed trains will improve surface connectivity between metros and leisure hubs, while inland waterways are being developed to connect cultural towns and scenic coasts. Together, these initiatives ensure that once "offbeat" destinations are now within easy reach, fuelling both leisure and business travel.

Upskilling and Human Capital

Budget 2026 highlights the importance of upskilling guides, ensuring travellers experience destinations through knowledgeable, culturally sensitive, and multilingual professionals. This initiative enhances authenticity, enriches visitor engagement, and creates employment opportunities in smaller towns and heritage circuits. Human capital development is becoming a cornerstone of tourism growth, aligning with the sector's emphasis on experiential travel.

Occupancy Trends in Offbeat Destinations

The Indian hotel industry has seen a steadily increasing trend in occupancies, with offbeat destinations emerging as the strongest drivers of this growth. Hill and wellness retreats such as Dharamshala, Kangra Valley (H.P.), Lansdowne, Kasauli (Uttarakhand), and Igatpuri (Maharashtra) continue to report sustained demand, propelled by wellness tourism, corporate off-sites, and short leisure breaks.

Pilgrimage hubs including Ayodhya, Prayagraj, Bodhgaya, and Mathura-Vrindavan are recording consistently high year-round occupancy, reflecting the growing appeal of spiritual travel and the expansion of religious circuits.

Exhibit 1: Average hotel occupancy trends (India) in past fiscals and projected for CY 2026

| Calendar Year | Average Hotel Occupancy % (India) |
|---------------|-----------------------------------|
| 2022 | 50% |
| 2023 | 66% |
| 2024 | 67% |
| 2025 | 68% |
| 2026* | 70% |

*Projected

Coastal alternatives like Sindhudurg and Alibaug are achieving satisfactory occupancy levels, supported by new airport infrastructure, improved road connectivity, and the entry of branded hospitality players positioning them as authentic alternatives to Goa.

In the Northeast, properties in Ziro Valley, Tawang, and Pasighat are witnessing rising demand, with film-induced tourism accelerating visibility and drawing younger travellers seeking immersive cultural experiences. Wildlife reserves such as Ranthambore, Bandhavgarh, Kanha, and Pench remain strong performers, sustained by their global prominence and the steady inflow of international tourists

Film-Induced Tourism

Cinema and music are increasingly influencing travel choices, spotlighting destinations that quickly gain popularity among travellers. The song "Chikri Chikri" from the film Peddi spotlighted Savlya Ghat near Pune, drawing attention to Maharashtra's scenic landscapes. The film Bhediya showcased Ziro Valley in Arunachal Pradesh, accelerating interest in the Northeast. Chalukady Waterfalls in Kerala (showcased in the film Paramsundari) have gained visibility through cinematic storytelling, inspiring eco-tourism and adventure travel.

Pangong Lake in Ladakh, featured prominently in 3 Idiots, has become one of India's most iconic film-driven destinations. Rohtang Pass in Himachal Pradesh, the primary location for snow scenes in Jab We Met, continues to attract travellers seeking cinematic landscapes. Film-induced tourism not only boosts visibility but also sustains high occupancy in destinations that previously had limited exposure, blending entertainment with destination branding.

Emerging Destinations and Themes

India's tourism landscape is diversifying into new geographies and themes. Budget 2026 emphasizes hill tourism, highlighting destinations such as Lansdowne, Igatpuri, Kasauli, Dharamshala, and Kangra Valley, positioning them as wellness-led retreats and adventure hubs. Spiritual and wellness circuits such as Ayodhya, Prayagraj, Bodhgaya, and Mathura-Vrindavan are evolving into centres of mindful travel and personal renewal. Coastal alternatives like Sindhudurg, Alibaug, and the Konkan coast are rising as authentic alternatives to Goa. Wildlife and nature-based destinations such as Jawai (Rajasthan), Kanha (Madhya Pradesh), Pench (Maharashtra), and Pasighat's Siang River (Arunachal Pradesh) are gaining prominence for sensorially rich, context-driven experiences. These destinations reflect a shift toward authenticity, sustainability, and immersive travel.

Changing Revenue and Operating Patterns

Hospitality revenues in India are undergoing a structural transformation. While room revenues continue to form the backbone of the sector, their share is gradually declining as banquets, restaurants, and wellness services gain greater prominence. The banquet and events business is expanding rapidly in Tier 2 and Tier 3 cities, fuelled by weddings, corporate retreats, and regional festivals that demand large-scale venues.

| Revenue Stream | FY2024 (Actual) | FY2025 (Est.) | FY2026 (Proj.) | FY2027+ (Trend) |
|---------------------------------------|--------------------|------------------|-------------------|--------------------|
| Room Revenue (ADR × Occupancy) | 55–58% | 58–60% | 60–62% | 62–65% |
| Food & Beverage (F&B) | 25–28% | 24–26% | 22–24% | 20–23% |
| Banquets & Events (MICE) | 8–10% | 9–10% | 10–12% | 12–14% |
| Other Services (Spa, Laundry, Retail) | 7–9% | 6–8% | 6–7% | 5–6% |

Source – RIL Research

At the same time, food and beverage revenues are rising, with culinary tourism and authentic local cuisine experiences emerging as key differentiators for hotels and resorts. Operating models are also evolving, with management partnerships, franchise agreements, and asset-light strategies enabling both global and domestic brands to expand aggressively without heavy capital commitments.

Parallel to these shifts, traveller behaviour is changing: solo travel and micro-trips are reshaping demand patterns, particularly among younger travellers who prioritize flexibility, affordability, and unique experiences. Digital platforms are further diversifying revenue streams by enabling direct bookings, personalized itineraries, and dynamic pricing, ensuring that hospitality businesses remain agile and responsive to evolving consumer expectations.

Economic Growth and Investment Opportunities

Tourism is increasingly aligned with India's broader economic growth story. Rising incomes, a growing base of high-net-worth individuals, and expanding middle-class aspirations are fuelling demand for differentiated experiences. In India, incomes in the country have grown at a compound annual growth rate (CAGR) of around 7 per cent over the past decade. India's per capita disposable income for the year 2023–24 has surged to INR 2.14 lakh, showing a robust growth rate of 13.3% for the year FY23. Emerging destinations offer lower entry costs compared to saturated metro markets, scalable growth through mid-scale hospitality and wellness-led retreats, and first-mover advantage in under-supplied regions where demand outpaces supply.

Hospitality investments in these markets not only secure commercial returns but also catalyze regional development, creating jobs, improving infrastructure, and strengthening local economies.

Conclusion

India's tourism future is being shaped by a powerful convergence of strengthened infrastructure, rising incomes, emerging offbeat destinations, and new thematic circuits. Budget 2026 has reinforced this trajectory by prioritizing connectivity, hill tourism, skill development, and sustainable infrastructure. Film-induced tourism is redefining travel preferences, while wellness retreats, culinary hotspots, and spiritual hubs are expanding the tourism map.

For investors, operators, and policymakers, the opportunity lies in leveraging high occupancy trends, diversified revenue streams, and infrastructure expansion to build differentiated offerings. Tourism is no longer just a reflection of economic growth; it is becoming a driver of India's regional development, income generation, and cultural renewal.

Resurgent India Limited's imprint in the hospitality industry

Resurgent India Limited has progressively expanded its footprint across the Indian hospitality sector, covering diverse geographies from the hill regions of Uttarakhand and the Northeast to the plains of Gujarat and Tamil Nadu. This pan-India engagement has enabled it to gather distinct insights into terrain-specific hotel operations, comparing hill hotels with plain-based properties.

RIL has also differentiated between hotels, resorts, and amusement-linked hospitality formats, analysing their financial and operational models. Furthermore, its exposure to regional tourism circuits has enriched its understanding of cultural, spiritual, and nature-based themologies amongst others across hospitality (star and scale) categories. These insights now power the Resurgent India's hotel feasibility studies, in the pursuit assisting stakeholders navigate the project finance arena of domestic hotel landscape.

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