

March 11, 2024

Chalet Hotels Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term fund-based –Term loans	2,748.50	2,748.50	[ICRA]A- (Positive)
Long-term fund-based limits	137.00	137.00	[ICRA]A- (Positive)
Short-term non-fund based limits	60.00	60.00	[ICRA]A2+
Long-term/Short-term –Unallocated	0.50	0.50	[ICRA]A- (Positive)/[ICRA]A2+
Total	2,946.00	2,946.00	

*Instrument details are provided in Annexure-I

Rationale

Vide an announcement in the BSE dated February 29, 2024, Chalet Hotels Limited (CHL/the company) announced that its Board of Directors has approved acquisition of 100% partners' share in Ayushi and Poonam Estates LLP, owning entity of Courtyard by Marriott, Aravalli Resort, a 158-key property in the National Capital Region (NCR). The transaction value is Rs. 315.0 crore (to be adjusted for net current assets including cash), and the transaction has been completed on March 01, 2024. CHL has funded the transaction through a combination of debt and internal accruals.

ICRA notes that the acquisition is in line with the company's expansion strategy to diversify the portfolio to include leisure properties. It is unlikely to have any material impact on CHL's credit profile, despite being party funded by debt. Also, the scale and margins of the acquired property are minimal compared to CHL's revenues.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, liquidity position, rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotel Industry Realty - Lease Rental Discounting (LRD)
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered consolidated financials of CHL.

About the company

Chalet Hotels Limited, promoted by the K. Raheja Corp Group (C. L. Raheja Group), is engaged in hospitality and real estate development. The promoter group is one of the leading business houses in the country with a presence in real estate development, retail and hospitality segments. The company's existing hotel properties of 3,502 keys (as of March 01, 2024), include The Westin Mumbai Powai Lake (604 keys; owned), Lakeside Chalet, Mumbai-Marriott Executive Apartments, Powai (173 keys; owned), Four Points by Sheraton, Navi Mumbai (152 keys; owned), The Westin Hyderabad (427 keys; owned), The Westin Hitech City Hyderabad (168 keys; leased), JW Marriott Mumbai Sahar (588 keys; owned), Bangalore Marriott Hotel Whitefield (391 keys; owned), Novotel Pune Nagar Road (311 keys; owned), The Dukes Retreat, Lonavala (80 keys; owned) and

Courtyard by Marriott (158 keys; owned). All the hotels except Novotel, Pune (managed by the Accor Group) and The Dukes Retreat, Lonavala are run under management contracts with Marriott International and its affiliates.

Further, the company is expected to add ~200 more rooms to its existing properties by the end of FY2025 and ~400 rooms at T3, DIAL by FY2026. The company has three operational commercial properties of approximately 1.1 million sq. ft., from which it earns lease rentals. The leasable area is expected to increase to 2.2 million sq. ft., in the next 3-6 months. Apart from this, CHL also has 0.9 million sq. ft. of commercial property under development in Mumbai. CHL also has an ongoing residential project at Koramangala, Bangalore, which was under litigation as Hindustan Aeronautics Limited (HAL) raised objections regarding the permissible height of the buildings. The company has signed terms for an amicable settlement of all disputes and received an NOC from HAL in FY2022. The company has started the sale of apartments for 4 of the 11 towers and has so far sold 125 units as of December 31, 2023.

Key financial indicators (audited)

Consolidated	FY2022	FY2023
Operating income (OI)	513.7	1,132.2
PAT	-74.9	183.3
OPBDIT/OI	20.7%	40.6%
PAT/OI	-14.6%	16.2%
Total outside liabilities/Tangible net worth (times)	2.9	2.8
Total debt/OPBDIT (times) ¹	24.5	6.2
Interest coverage (times)	0.7	3.0

Amount in Rs crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with numbers reported by the company in some instances; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

¹ The company's Adjusted Net Debt / OPBDIT stood at 21.6 times and 5.4 times for FY2022 and FY2023, respectively.

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Amount outstanding as of March 31, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2021	
				March 11, 2024	July 10, 2023	Sep 29, 2022	July 19, 2021	Dec 11, 2020	Apr 13, 2020
1	Term loans	2,748.50	2,562.50	[ICRA]A-(Positive)	[ICRA]A-(Positive)	[ICRA]BBB+(Stable)	[ICRA]BBB+(Negative)	[ICRA]BBB+(Negative)	[ICRA]BBB+(Negative)
2	Fund based limits	137.00	9.02	[ICRA]A-(Positive)	[ICRA]A-(Positive)	[ICRA]BBB+(Stable)	[ICRA]BBB+(Negative)	[ICRA]BBB+(Negative)	[ICRA]BBB+(Negative)
3	Non-fund based limits	60.00	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2
4	Unallocated limits	0.50	-	[ICRA]A-(Positive)/[ICRA]A2+	[ICRA]A-(Positive)/[ICRA]A2+	[ICRA]BBB+(Stable)/[ICRA]A2	[ICRA]BBB+(Negative)/[ICRA]A2	-	[ICRA]BBB+(Negative)/[ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund based – term loans	Simple
Long-term fund based limits	Simple
Short-term non-fund based limits	Very Simple
Long-term / Short-term – Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans	FY2014-FY2023	NA	FY2037	2,748.50	[ICRA]A- (Positive)
NA	Cash Credit	NA	NA	NA	137.00	[ICRA]A- (Positive)
NA	LC / BG	NA	NA	NA	60.00	[ICRA]A2+
NA	Unallocated	NA	NA	NA	0.50	[ICRA]A- (Positive) / [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership %	Consolidation Approach
Chalet Hotels & Properties (Kerala) Private Limited	90.00%	Full consolidation
Chalet Airport Hotel Private Limited	100.00%	Full consolidation
Sonmil Industries Private Limited	100.00%	Full consolidation
The Dukes Retreat Private Limited	100.00%*	Full consolidation
Ayushi and Poonam Estates LLP	100.00%**	Full consolidation

Source: Company; * 82.28% is held by Chalet Hotels Limited, and the remaining are held by Sonmil Industries Private Limited; ** acquired entity

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545 328
shamsherd@icraindia.com

K Srikumar
+91 44 4596 4318
ksrikumar@icraindia.com

Vinutaa S
+91 44 4596 4305
vinutaa.s@icraindia.com

Kishore Kumar A
+91 44 4596 4312
kishore.a@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



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