September 03, 2025

Chalet Hotels Limited: Ratings upgraded; outlook revised to Stable from Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term fund based Term Loans	1,595.64	2,068.75	[ICRA]AA-; Upgraded from [ICRA]A+; outlook revised to Stable from Positive
Long-term Fund-based Limits	373.53	542.90	[ICRA]AA-; Upgraded from [ICRA]A+; outlook revised to Stable from Positive
Short-term Non-fund Based Limits	60.00	60.00	[ICRA]A1+; Upgraded from [ICRA]A1
Long-term/Short-term – unallocated facilities	916.83	274.35	[ICRA]AA-/[ICRA]A1+; Upgraded from [ICRA]A+/[ICRA]A1; outlook revised to Stable from Positive
Total	**2,946.00**	**2,946.00**	

**Instrument details are provided in Annexure-I*

Rationale

The upgrade in the ratings factors in the sustained improvement in Chalet Hotels Limited's (CHL) credit profile on the back of a healthy performance in FY2025 and Q1 FY2026, and ICRA's expectation of this improvement being sustained over the medium term, given the favourable demand outlook.

The hospitality segment, which represents more than half of CHL's total assets, has reported strong revenue growth over the past two to three years, supported by both demand uptick and the addition of keys/properties via both organic and inorganic routes. The segment reported revenues of Rs. 1,520.8 crore (up 17.6% YoY) in FY2025, and the growth trend continued into Q1 FY2026, with an increase of 18.1%. The company's commercial real estate (CRE) segment reported YoY growth of 58.8% to Rs. 197.0 crore in FY2025, primarily from leasing new CRE assets. For Q1 FY2026, the revenue was Rs. 73.2 crore due to the increase in total leased area by approximately 50% (1.9 msf in Q1 FY2026 vs. 1.2 msf in Q1 FY2025). Additionally, the company recognised revenues of Rs. 439.1 crore from the sale of residential apartments following the handover of 95 flats in Q1 FY2026, further supporting revenue growth. Improved operating leverage and sustained cost-optimisation measures resulted in healthy operating margins of 43.2% in FY2025 and 39.9% in Q1 FY2026, although net profits were impacted by one-time charges on deferred taxes. Strong revenue growth and margins translated into healthy accruals, with net cash accruals of Rs. 529.1 crore in FY2025 and Rs. 274.4 crore in Q1 FY2026. Going forward, revenues and profitability are likely to remain supported by the hospitality and CRE segments, while the residential segment is expected to generate incremental cash flows of Rs. 400.0-500.0 crore over the next two to three years. The company's debt metrics improved significantly in FY2025 due to debt prepayment from the QIP proceeds in April 2024, and this is expected to be maintained, given sufficient cash accruals to fund ongoing capex requirements.

Going forward, the favourable demand outlook for both hospitality and commercial/residential real estate is likely to augur well for the company. This, coupled with inventory addition in the hospitality segment in recent months, the full-year impact of the hotel acquired in Q4 FY2025, and further occupancy ramp-up in newly operational CRE properties, is expected to support CHL's revenues and cash accruals. The company has major capex plans of over Rs. 2,500 crore in the next three years. However, debt levels are unlikely to rise significantly, given the healthy operational cash flows generated by the company. The adjusted net debt[1]/ OPBITDA improved to 2.8 times as on March 2025, from 4.3 times as on March 2024, and 5.4 times as on March 2023. ICRA expects debt metrics to improve gradually, supported by better accruals. Furthermore, the company's efforts to

[1] Adjusted net debt refers to Total debt excluding promoter debt minus cash and liquid investments

refinance part of the debt through lease rental discounting (LRD) loans, post occupancy ramp-up in newly operational CRE assets, at favourable terms, would also aid improvement in debt metrics.

The ratings remain supported by CHL being part of the K Raheja Corp Group (referred to as 'the Group'), an established player in hospitality, commercial, and residential real estate businesses, which provides strong financial flexibility. The ratings also factor in CHL's diverse business mix, with revenues from the CRE segment providing a hedge against the cyclical hospitality segment; its management tie-ups with reputed international hotel brands such as Marriott International Inc., Indian Hotels Company Limited, and Accor Hotels; and adequate liquidity.

CHL, however, has a relatively higher geographic concentration with 45% of its inventory located in Mumbai, exposing it to region-specific exogenous shocks and risks. Further, its leisure portfolio, particularly the newly acquired Rishikesh property, is vulnerable to climatic risks. Its tenant concentration in CRE also remains high, with approximately 63% of its revenues derived from the top five tenants, although the concentration risks are likely to reduce going forward.

The Stable outlook on the company's long-term rating reflects ICRA's expectation that the company will maintain a healthy credit profile going forward, supported by the favourable demand outlook and prudent funding of capex/investments through internal accruals, without further material leveraging of its balance sheet.

Key rating drivers and their description

Credit strengths

Strong financial flexibility being part of K. Raheja Group – CHL is part of the K Raheja Corp Group, which has diversified business interests across real estate development (residential and commercial), hospitality and retail segments. The Group is a leading player in CRE development across India with a strong track record of execution and leasing. The company enjoys strong financial flexibility and lender/investor comfort by virtue of being a part of the larger group. Further, CHL's promoters had infused over Rs. 250.0 crore in the form of preference share capital/loans in FY2024 to meet the cash flow requirements of CHL's ongoing residential project in Koramangala, Bengaluru. While the same is likely to be repaid fully in FY2026, ICRA expects the promoters to extend timely and adequate financial support to CHL for meeting its operational and financial commitments going forward, should there be a need.

Sustained improvement in revenues and margins over the last few years lead to healthy accruals; favourable demand outlook – The hospitality segment, which represents more than half of CHL's total assets, has reported strong revenue growth since FY2023, supported by both demand uptick and addition of keys/properties through organic expansion and acquisitions. The segment reported 17-18% YoY growth in FY2025 and Q1 FY2026. The company's real estate portfolio also reported 58.8% and 105.9% YoY revenue growth in FY2025 and Q1 FY2026, respectively, the latter aided by incremental income from leasing new CRE space. Improved operating leverage and sustained cost-optimisation measures resulted in healthy operating margins of 43.2% in FY2025 and 39.9% in Q1 FY2026. Strong revenue growth and margins cascaded into healthy accruals. Additionally, cash flows were supported by customer advances of around Rs. 400.0 crore for residential unit sales in FY2025. Looking forward, the favourable demand outlook across hospitality and commercial/residential real estate is expected to benefit the company. This, along with anticipated inventory addition in hospitality and real estate, the full-year impact of the recently acquired hotel, and occupancy ramp-up in newly commenced CRE properties, will support CHL's topline and cash accruals.

Diversified asset mix – CHL has a mixed portfolio comprising hospitality, commercial, and residential real estate assets. CRE assets currently account for around 32% of total assets and have supported cash flows during hospitality industry downcycles, including the pandemic. The share of revenues from real estate has increased steadily in recent quarters and is likely to rise further as occupancy improves in new CRE assets and cash flows from the Koramangala residential project are realised periodically.

Management tie-up with well-known international hospitality operators – CHL derives hotel management support from international hospitality chains, Marriott International Inc. and Accor Hotels, through their well-established global brands. Nine of its 11 existing hotels are managed under Marriott's premium brands, while Novotel, Pune (acquired in February 2020), is managed under the Accor flag. The company benefits from Marriott's and Accor's global branding, marketing, and advertising networks for most of its properties. Additionally, CHL has tied up with Indian Hotels Company Limited for Taj branding of one of its upcoming hotels in Delhi.

Credit challenges

Sizeable capex Plans in the medium term – The company intends to add 0.87 msf commercial space and 600+ keys across three hotels in the next three years. Besides, it would also carry out renovations and refurbishments at some of its existing hotels. The total capital outlay for the next three years is expected to be more than Rs. 2,500 crore, which would be primarily funded by internal accruals. Any significant time or cost overrun in the proposed capex plans would be a key monitorable.

High geographic concentration in hospitality segment and high tenant concentration in CRE – Of CHL's 11 hotel properties, around 45% of its inventory is located in the Mumbai Metropolitan Region (MMR), exposing it to region-specific exogenous shocks and risks. However, this concentration is expected to reduce as the company plans to add at least 600 keys in other geographies, including the NCR and Goa, over the medium term. Tenant concentration in CRE assets also remains high, with 63% of revenues coming from the top five tenants, exposing CHL to market risks in the event of vacancy or non-renewal. Nevertheless, this has reduced from earlier levels with the addition of new properties and is expected to decline further with leasing progress in new assets.

Hotel revenues vulnerbale to inherent industry cyclicality, economic uncertainties and exogenous events; exposed to execution and market risks for ongoing realty projects – The operating performance of the hospitality segment remains vulnerable to industry cyclicality/seasonality, macroeconomic cycles, and exogenous factors (geopolitical issues, terrorist attacks, disease outbreaks, etc). Despite strong execution capabilities of the promoters and significant progress in project execution, the execution risk remains a monitorable for under-construction projects. Although CHL has a strong track record of leasing and pass-through of rental escalations, any weakness in the economic environment or any lag in the preleasing could impact the anticipated rentals for the upcoming assets and rent increments, going forward.

Environmental and social risks

Environmental considerations – Akin to other hotel companies, CHL is exposed to natural disasters (such as hurricanes and floods) and extreme weather conditions, which could interrupt operations or damage properties. However, the availability of insurance acts as a safeguard in these circumstances. Moreover, the entity's presence across multiple cities mitigates the risks from such environmental aspects to a large extent. Overall, the company faces low environmental risk.

Social considerations – CHL, akin to other hotel companies, would need to adapt to evolving social fabric (including changing consumer preferences and social trends) over time. Additionally, it relies heavily on human capital for its day-to-day operations. CHL is also vulnerable to data security and data privacy issues, like other hotels. Hence, there is moderate exposure to social risk.

Liquidity position: Adequate

CHL's liquidity profile is adequate, supported by healthy cash flow from operations. Further, the company has cash and liquid investments of Rs. 324.4 crore as on June 30, 2025. Against these sources of cash, CHL has scheduled debt repayment obligations of around Rs. 672.0 crore in Q2-Q4 FY2026, Rs. 190.0 crore in FY2027 and Rs. 356.0 crore in FY2028, respectively, on its existing debt. The company also plans to repay the preference share capital and ICDs of Rs. 200.0 crore in FY2026 using the surplus from the sale of residential flats. Further, the company has sizeable capex plans of more than Rs. 2,500.0 crore in the next three years. ICRA expects the company to meet its debt obligations and the proposed capex from a mix of internal accruals, existing liquidity and new loans (primarily LRDs) from banks. However, any debt-funded acquisition will be evaluated on a case-to-case basis. ICRA expects the promoters to extend timely and adequate financial support to CHL to meet its operational and financial commitments going forward, as and when required.

Rating sensitivities

Positive factors – The company's ability to improve its scale and have a diversified revenue and earnings profile, supported by healthy debt metrics and liquidity position, could be a trigger for improvement in the ratings.

Negative factors – Pressure on CHL's ratings could arise from demand slowdown and weakening operating metrics, leading to sustained pressure on earnings, profitability, and liquidity. Any significant time or cost overruns in capex plans, or large inorganic debt-funded acquisitions resulting in a material and sustained deterioration in debt metrics, could trigger a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotel Industry Realty – Lease Rental Discounting (LRD) Realty – Commercial/Residential/Retail
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Chalet Hotels Limited. Details are provided in Annexure-II.

About the company

Chalet Hotels Limited is a part of the reputed K Raheja Corp Group, which has diversified business interests across real estate development (residential and commercial), hospitality and retail segments. The company has 3,351 keys (as of July 31, 2025), and its existing hotel properties include The Westin Mumbai Powai (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 HITEC City Hyderabad (168 keys; leased), JW Marriott Mumbai Sahar (588 keys; owned), Marriott Hotel Whitefield, Bengaluru (512 keys; owned), Novotel Pune Nagar Road (311 keys; owned), The Dukes Retreat, Lonavala (117 keys; owned), Courtyard by Marriott, NCR (158 Keys; owned) and The Westin Resort & Spa, Rishikesh (141 keys; owned). All the hotels except Novotel, Pune (managed by the Accor Hotels) and The Dukes Retreat, Lonavala, are operated under management contracts with Marriott International Inc. Further, the company is expected to add around 600 rooms to its existing/new properties in the next three years.

The company has four operational CRE properties of 2.4 million sq. ft, of which three properties of approximately 1.8 million sq. ft. were commenced in FY2024 and Q1 FY2025. CHL is constructing another CRE property of 0.9 million sq. ft. in Powai, Mumbai. CHL also has an ongoing residential project at Koramangala, Bengaluru, wherein the company has started the sale for 9 towers (out of 11) from October 2023 and has sold 307 units out of 321 units with a collection of Rs. 953.0 crore as of June 2025.

Key financial indicators (audited)

Chalet Hotels Limited (consolidated)	FY2024	FY2025
Operating income	1,418.3	1,722.3
PAT	278.2	142.5
OPBDIT/OI	41.7%	43.2%
PAT/OI	19.6%	8.3%
Total outside liabilities/Tangible net worth (times)	2.0	1.3
Total debt/OPBDIT (times)	5.1	3.5
Interest coverage (times)	3.0	4.7

Amounts in Rs. crore; Source: Company, ICRA Research; Financial ratios in this document are ICRA adjusted figures and may not be directly comparable with results 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

Rating history for past three years

	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years						
		Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025			Date & rating in FY2024		Date & rating in FY2023
				Sept 03, 2025	March 21, 2025	Oct. 14, 2024	June 04, 2024	March 11, 2024	July 10, 2023	Sept 29, 2022
1	Term loans	Long term	2,068.75	[ICRA]AA- (Stable)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]BBB+ (Stable)
2	Fund based limits	Long term	542.90	[ICRA]AA- (Stable)	[ICRA]A+ (Positive)	[ICRA]A+ (Positive)	[ICRA]A (Positive)	[ICRA]A- (Positive)	[ICRA]A- (Positive)	[ICRA]BBB+ (Stable)
3	Non-fund based limits	Short term	60.00	[ICRA]A1+	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2
4	Unallocated limits	Long term/ Short term	274.35	[ICRA]AA- (Stable)/ [ICRA]A1+	[ICRA]A+ (Positive)/ [ICRA]A1	[ICRA]A+ (Positive)/ [ICRA]A1	[ICRA]A (Positive)/ [ICRA]A1	[ICRA]A- (Positive)/ [ICRA]A2+	[ICRA]A- (Positive)/ [ICRA]A2+	[ICRA]BBB+ (Stable)/ [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**	FY2015-FY2026	NA	FY2041	2,068.75	[ICRA]AA-(Stable)
NA	**Cash Credit**	NA	NA	NA	542.90	[ICRA]AA-(Stable)
NA	**LC / BG**	NA	NA	NA	60.00	[ICRA]A1+
NA	**Unallocated**	NA	NA	NA	274.35	[ICRA]AA-(Stable)/ [ICRA]A1+

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 Limited	100.00% (rated entity)	Full consolidation
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
Mahananda Spa and Resorts Private Limited	100.00%	Full consolidation

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

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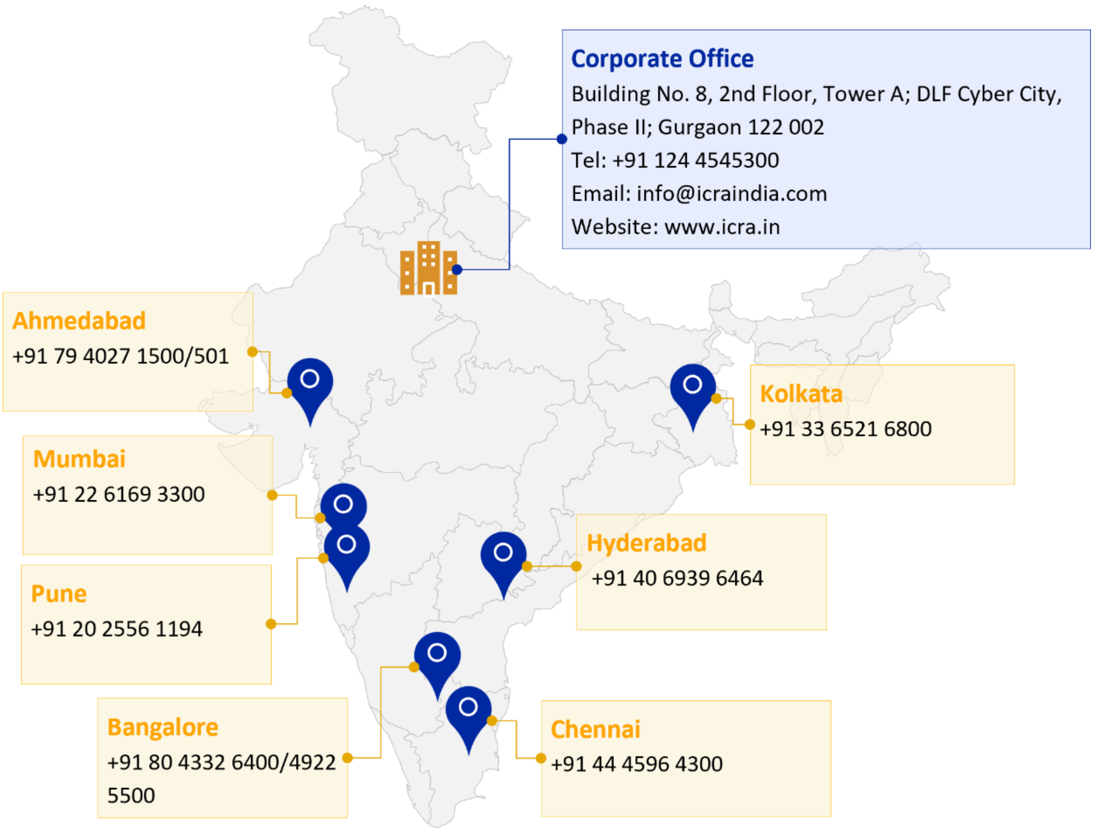

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