

December 05, 2025

Chalet Hotels Limited: Ratings reaffirmed; assigned to NCD programme

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term fund based Term Loans	2,068.75	2,241.81	[ICRA]AA- (Stable); reaffirmed
Long-term Fund-based Limits	542.90	572.05	[ICRA]AA- (Stable); reaffirmed
Short-term Non-fund Based Limits	60.00	60.00	[ICRA]A1+; reaffirmed
Long-term/Short-term – unallocated facilities	274.35	72.14	[ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed
Long-term – Proposed NCD		250.00	[ICRA]AA- (Stable); assigned
Total	2,946.00	3,196.00	

*Instrument details are provided in Annexure-I

Rationale

The rating action factors in Chalet Hotels Limited's (CHL) strong credit profile on the back of a healthy performance in FY2025 and H1 FY2026, and ICRA's expectation of this to sustain 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 rising demand and the addition of keys/properties through both organic and inorganic routes. The segment reported revenues of Rs. 765.8 crore (up 15.9% YoY), while the company's commercial real estate (CRE) segment recorded YoY growth of 89.9% to Rs. 147.0 crore in H1 FY2026, primarily due to leasing newly developed CRE assets. Additionally, the company recognised revenues of Rs. 721.3 crore from the sale of residential apartments following the handover of 150 flats in H1 FY2026, further contributing to revenue growth. Improved operating leverage and sustained cost-optimisation measures resulted in healthy operating margins of 40.6% in H1 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. 300.0-400.0 crore over the next two to three years. The company's debt metrics improved significantly in FY2025 and H1 FY2026 owing to debt prepayment from QIP proceeds in April 2024, and this trend is expected to continue, 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, along with inventory additions 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 from FY2026-FY2028. However, debt levels are unlikely to increase significantly, given the healthy operational cash flows generated by the company. ICRA expects debt metrics to improve gradually, supported by stronger accruals. Furthermore, the company's efforts to refinance part of the debt through lease rental discounting (LRD) loans, post occupancy ramp-up in newly operational CRE assets, on favourable terms, would also aid an improvement in debt metrics.

The ratings remain supported by CHL's association with the K Raheja Corp Group (referred to as 'the Group'), an established player in the hospitality, commercial, and residential real estate sectors, which provides strong financial flexibility. The ratings also factor in CHL's diversified business mix, with revenues from the CRE segment offering 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. ICRA notes that the company has recently launched its own brand, "ATHIVA", which is expected to support its business prospects over the medium to long term.

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. Tenant concentration in CRE also remains high, with approximately 63% of revenues derived from the top five tenants, although this concentration is 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 materially increasing leverage on 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. 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 due to its association with the larger Group. Further, CHL's promoters 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 residential project in Koramangala, Bengaluru. Although this amount has been fully repaid, 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 (16% YoY growth in H1 FY2026), driven by increased demand and expansion through both organic additions and acquisitions. The company's real estate portfolio also reported 90% YoY revenue growth in H1 FY2026, aided by incremental income from leasing new CRE space. Improved operating leverage and sustained cost-optimisation measures resulted in healthy operating margins of 40.6% in H1 FY2026. Looking forward, the favourable demand outlook across hospitality and commercial/residential real estate is expected to support the company's performance. This, combined with anticipated inventory additions in hospitality and real estate, the full-year impact of the recently acquired hotel, and occupancy ramp-up in newly operational 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 downturns, 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 the new CRE assets.

Management tie-up with well-known international hospitality operators – CHL receives hotel management support from international hospitality chains—Marriott International Inc. and Accor Hotels—through their established global brands. Eight of its 11 existing hotels are operated under Marriott's premium brands, while Novotel, Pune (acquired in February 2020), is operated 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 of commercial space and over 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 exceed Rs. 2,500 crore, primarily funded through internal accruals. Any significant time or cost overruns 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 external 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 remains high, with 63% of revenues generated from the top five tenants, exposing the company to market risks in the event of vacancy or non-renewal. Nevertheless, this share has declined from earlier levels with the addition of new properties and is expected to reduce further as leasing progresses in new assets.

Hotel revenues vulnerable 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 external shocks (such as geopolitical issues, terrorist attacks, and disease outbreaks). Despite strong execution capabilities of the promoters and substantial progress in project execution, 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 delays in pre-leasing could impact the anticipated rentals for 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 storms and floods) and extreme weather conditions, which could interrupt operations or damage properties. However, insurance coverage mitigates these risks to a large extent. Furthermore, the company’s presence across multiple cities reduces its overall exposure to environmental risks. Overall, the company faces low environmental risk.

Social considerations – CHL, like other hotel companies, must adapt to evolving social dynamics, including changing consumer preferences and shifting social trends. Additionally, the company relies heavily on human capital for its daily operations. CHL is also exposed to data security and privacy risks, similar to other players in the sector. Accordingly, the company encounters moderate social risk.

Liquidity position: Adequate

CHL’s liquidity profile is adequate, supported by healthy cash flow from operations. Further, the company had cash and liquid investments of Rs. 287.2 crore as on September 30, 2025. Against these sources of cash, CHL has scheduled debt repayment obligations of around Rs. 374.0 crore in H2 FY2026, Rs. 201.0 crore in FY2027 and Rs. 370.0 crore in FY2028, respectively, on its existing debt. The company has fully repaid the loan from the promoter group, including preference shares of Rs. 200.0 crore in October 2025, using proceeds from the sale of residential flats. The company also has sizeable capex plans of more than Rs. 2,500.0 crore from FY2026-FY2028. ICRA expects the company to meet its debt obligations and capex requirements through a mix of internal accruals, existing liquidity, and new loans (primarily LRDs). Any debt-funded acquisition will be evaluated on a case-by-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 required.

Rating sensitivities

Positive factors – The company’s ability to scale up and maintain a diversified revenue and earnings profile, supported by healthy debt metrics and liquidity, could be a trigger for improvement in the ratings.

Negative factors – Pressure on CHL’s ratings could arise from a 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 part of the reputed K Raheja Corp Group, which has diversified business interests across real estate development (residential and commercial), hospitality, and retail. The company has 3,359 keys (as of October 31, 2025), and its existing hotel portfolio includes 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 (520 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 hotels except Novotel, Pune (managed by Accor Hotels), and The Dukes Retreat, Lonavala, are operated under management contracts with Marriott International Inc. Further, the Dukes Retreat has been rebranded under the company's own brand, "ATHIVA", in Q2 FY2026. The company is expected to add around 600 rooms to its existing/new properties over the next three years.

The company has four operational CRE properties covering 2.4 million sq. ft., of which three properties of approximately 1.8 million sq. ft. commenced operations in FY2024 and Q1 FY2025. CHL is developing another CRE property of 0.9 million sq. ft. in Powai, Mumbai. The company also has an ongoing residential project in Koramangala, Bengaluru, where it launched sales for 9 towers (out of 11) in October 2023 and has sold 314 out of 321 units with a collection of Rs. 1,087 crore as of September 2025.

Key financial indicators (audited)

Chalet Hotels Limited (consolidated)	FY2025	H1 FY2026
Operating income	1,722.3	1,629.9
PAT	142.5	357.9
OPBDIT/OI	43.2%	40.6%
PAT/OI	8.3%	22.0%
Total outside liabilities/Tangible net worth (times)	1.3	1.0
Total debt/OPBDIT (times)	3.5	1.9*
Interest coverage (times)	4.7	7.0

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Type	Amount rated (Rs. crore)	Current rating (FY2026)					Chronology of rating history for the past 3 years		
				Date & rating in FY2026		Date & rating in FY2025			Date & rating in FY2024		Date & rating in FY2023
				Dec 05, 2025	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	2,241.81	[ICRA]AA-(Stable)	[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	572.05	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]A+(Positive)	[ICRA]A+(Positive)	[ICRA]A(Positive)	[ICRA]A-(Positive)	[ICRA]A-(Positive)	[ICRA]BBB+(Stable)
3	Proposed NCD	Long term	250.00	[ICRA]AA-(Stable)	-	-	-	-	-	-	-
4	Non-fund based limits	Short term	60.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2
5	Unallocated limits	Long term/ Short term	72.14	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]AA-(Stable)/ [ICRA]A1+	[ICRA]A+(Positive)/ [ICRA]A1	[ICRA]A+(Positive)/ [ICRA]A1	[ICRA]A(Positive)/ [ICRA]A1	[ICRA]A-(Positive)/ [ICRA]A1	[ICRA]A-(Positive)/ [ICRA]A1	[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 – Proposed NCDs	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	2,241.81	[ICRA]AA-(Stable)
NA	Cash credit	NA	NA	NA	572.05	[ICRA]AA-(Stable)
NA	LC / BG	NA	NA	NA	60.00	[ICRA]A1+
NA	Unallocated	NA	NA	NA	72.14	[ICRA]AA-(Stable)/ [ICRA]A1+
NA*	Proposed NCD	NA	NA	NA	250.00	[ICRA]AA-(Stable)

Source: Company *Yet to be placed

[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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