



**Acquisitions, new builds to fuel
Chalet Hotels' expansion ▶ P7**

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The company is looking to capitalize on the hospitality sector's robust growth phase

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Chalet Hotels Ltd is preparing to add another 1,000 rooms in India's big cities by FY28, including through acquisitions, as it seeks to expand its capacity by about a third in the country's heated hospitality sector.

The K Raheja Corp.-backed company, which owns big-ticket properties including JW Marriott Mumbai, Sahar and Westin Powai, will use internal accruals and target both new and existing projects in metro cities for the expansion, said managing director and chief executive Sanjay Sethi.

"About a year ago, we had clear visibility ahead of us for where the industry would be in four years, due to the hotel room demand and supply mismatch. One year later, we still see it as another four-year window," Sethi said in an interview with Mint. "The new hotel room supply is not changing quickly enough and the demand for hotel rooms seems very strong still."

India's hotel room inventory grew to about 180,000 rooms in 2023-24, a 9.2% year-on-year increase, according to hospitality consultancy Hotelivate.

This expansion was notable not only in major cities such as Mumbai, Bengaluru, and Delhi but also in growing hospitality markets like Dehradun, Jaipur and Navi Mumbai.

The domestic industry's occupancy rate in FY24 was 67.5%, one of the highest in recent history. It exceeded the sector's pre-pandemic occupancy rate of 66.1% in FY20, reflecting a robust recovery. Occupancy rate is a key hospitality industry metric measuring demand and operational efficiency.

Chalet's focus has mainly been on



Chalet Hotels managing director and chief executive Sanjay Sethi.

building large-format hotels in big cities, primarily around office properties. It currently has 3,052 rooms across 10 hotels, including The Westin in Hyderabad, Novotel Pune Nagar Road Hotel, and The Dukes Retreat in Lonavala. It is also preparing to open a hotel at

New Delhi's Indira Gandhi International Airport.

Given that the hotel industry is capital-intensive and cyclical in nature "we decided to counter that by having assets in spaces that have office complexes (and) where office leases are of at least 8-10 years", said Sethi.

"We now have an existing 2.4 million sq ft of office space, (and) we expect our annualized rate of return to be around ₹300 crore from these office assets we own. These are (the) cash flows that come in and help us

finance our newer projects."

Chalet recently acquired an 11-acre plot near Varca beach in Goa. Among its other acquisitions are The Dukes Retreat in Khandala and The Courtyard by Marriott Aravali Resort in the Delhi-National Capital Region. It also has rental assets in Mumbai and Bengaluru.

"We are hungry for growth, but greenfield development takes its own time. Not too many assets are also available for sale. So we are also looking at brownfield projects... to acquire and also renovate and grow the inventories of some of these hotels we buy," said Sethi.

"We are still young as a listed company, but investors are finally seeing the longevity of the hotel business cycle. We are built on the business of hard assets, and that's helping us in terms of value-

creation," he said, adding that Chalet intends to have about 20% of its portfolio in leisure hotels and the rest in large inventory hotels in big metro cities.

He said that the company will only focus on building big hotels in large metros in the immediate future. "What I am not confident of is getting into small, tier-3 and 4 locations to build either leisure or business hotels. We will continue to focus on 3-4 hour driveable markets from big cities, for leisure, but not beyond that," he said.

Towards that, Chalet is evaluating options in Bengaluru, Mumbai, Delhi, Hyderabad and other cities.

"Chalet Hotels' strategic approach in the upper upscale to luxury segment, focusing on large-scale properties, positions them to target acquisition opportunities predominantly in metro and tier I cities," said Nikhil Shah, senior director, capital markets and investment services (hospitality) at Colliers India, a professional services and investment management company.

Chalet Hotels competes with Samhi Hotels Ltd and Juniper Hotels, which have their own hotels, and others such as the Tata group's Indian Hotels Co. Ltd, EIH Hotels, Bharat Hotels and Lemon Tree Hotels, which have both owned and managed hotel portfolios.

Chalet is among India's most highly valued hospitality companies, with a market cap of about ₹21,700 crore as on 18 December, when it ended the day's trading at ₹1,010.00 per share. The stock, which has gained about 44% so far this year, climbed to a record high of ₹1,052.45 per share last week.

Chalet's revenue in the September quarter rose 19% from a year ago to ₹377 crore, but swung to a loss of ₹138.5 crore, from a ₹36.4 crore profit.

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1,000

Rooms Chalet plans to add in India by FY28

9.2%

Rise in India's hotel room inventory in 2023-24