Early Warning System

IFC-44989

Chalet Hotels

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Quick Facts

Countries	India
Specific Location	Mumbai, Navi Mumbai, Hyderabad, Bengaluru, Pune
Financial Institutions	International Finance Corporation (IFC)
Status	Approved
Bank Risk Rating	B
Voting Date	2021-12-22
Borrower	CHALET HOTELS LIMITED
Sectors	Infrastructure
Investment Type(s)	Loan
Investment Amount (USD)	$ 51.40 million
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Project Description

According to IFC documents, the proposed investment is a senior loan of up to INR3,750 mn (approximately US$51 mn) to Chalet Hotels Limited (Chalet or Company), an owner/developer of hospitality, commercial and retail assets. Chalet's portfolio comprises of 7 upscale, upper upscale and luxury hotels including a serviced apartment project (together, 2,554 keys) as well as two commercial and two retail assets, across Mumbai, Bengaluru (Bangalore), Hyderabad and Pune.

IFC's loan will be used to (i) complete fairly advanced construction of a "green" IFC EDGE-certified commercial asset; (ii) refurbish and upgrade existing hotels and (iii) preserve operational liquidity at a time when hospitality cash flows have been devastated by the worst pandemic in a century.

The proposed IFC investment is up to INR 3750 Million (approximately US$51 million equivalent) to fund the following projects (the project): Renovation and upgrading of 300 rooms at RHI, Mumbai;Completion of Commercial asset at Marriott Complex in Whitefield, Bangalore; Conversion of Retail space to commercial space at JW Marriott Sahar complex in Mumbai; andGeneral maintenance capex for existing hospitality assets.Part of this investment (completion of the commercial asset in Whitefield, Bangalore), around ~US$25 million will be considered a green loan.

The most significant, expected Project-level outcome is derived from economy-wide effects by (i) preserving jobs at existing properties, (ii) restarting construction, which would result in the employment of hundreds of daily wage workers, as well as (iii) maintaining timely payments to suppliers including SMEs in the sector that is worst hit by the pandemic. The proposed investment will also (iv) promote greater market resilience in the tourism sector by demonstrating to other players that mixed-use developments create cross-demand and allow for more flexibility as the long-term nature of commercial lease contracts cushion volatility and seasonality of hospitality cash flows, altogether contributing to faster recovery from crises.

ENVIRONMENT AND SOCIAL INFORMATION

This is a Category B project according to IFC's Policy on Environmental and Social Sustainability because a limited number of specific environmental and social impacts may result which can be avoided or mitigated by adhering to generally recognized performance standards, guidelines or design criteria.

Key E&S risks and issues associated with this project include: (a) adequate assessment of social and environmental impacts related to the project; (b) systems to manage E&S aspects of its existing and proposed operations in compliance with legal requirements as well as IFC PSs and applicable World Bank Group (WBG) EHS Guidelines; (c) assurance of fair, safe and healthy working conditions during both construction and operation including freedom of association, prevention of sexual harassment, retrenchment (especially related to impact on hospitality sector due to pandemic) etc.; (d) resource efficiency and management of wastes, effluents and emissions; and (e) life and fire safety (LFS) management including emergency preparedness and response.

Investment Description

- International Finance Corporation (IFC)

The Company has a planned capex of US$109 mn in FY22 and FY23 which shall be used towards greenfield development of 2 commercial assets, the construction of which was halted due to COVID-19, repurpose existing retail space to office space, and refurbishment activities to maintain certain standards at its existing hotels.

IFC's loan of US$51.4 mn will be used by the Company for the completion of construction of commercial assets, for maintenance and refurbishment of its hotels and for general corporate liquidity needs at existing hotels.

Private Actors Description

Chalet Hotels Limited (CHL or the company- https://www.chalethotels.com/), part of the K. Raheja Corp, is an owner, developer and asset manager of high-end hotels in key metro cities in India. The Company has two main business segments: (a) hospitality business; and (b) commercial and retail. The Company's hotel platform comprises seven operating hotels (including a hotel with a co-located serviced residence), located in the key Indian cities of Mumbai, Hyderabad, Bengaluru and Pune representing 2,554 keys. All the hotels are branded with globally recognized brands, such as JW Marriott, Westin, Marriott, Marriott Executive Apartments, Renaissance, Four Points by Sheraton and Novotel, which are held by Marriott Group and the Accor Group. All its hotels except Novotel, Pune (which is managed by Accor) are run under management contracts/franchisee with Marriott International and its affiliates. The 7 hotel properties and a serviced residence which are managed by third parties are JW Marriott Hotel, Mumbai Sahar, Bengaluru Marriott Hotel Whitefield, The Westin Hyderabad Mindspace, Novotel Pune Nagar Road, Renaissance Mumbai Convention (RHI) Centre Hotel and Marriott Executive Apartments. Though primarily a hospitality company, CHL has 2 existing commercial properties (and 2 under construction) and 2 retail properties (1 retail asset proposed to be converted to Commercial asset).

The Company is promoted by one of India's largest and well-reputed property players, K Raheja Corp (KRC), which was established in 1996. The group is managed by brothers, Mr. Neel Raheja and Mr. Ravi Raheja (together with their father Chandru Raheja and KRC, the Sponsors) who have over 20+ years of experience in real estate development. KRC is the second largest commercial developer in India (developed area: 28 msf+ till FY20), with a sizable residential, retail and hospitality portfolio as well. The Sponsors hold 71.65% shareholding in the Company while domestic and foreign institutions hold ~22.4%.

Contact Information

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ACCESS TO INFORMATION

You can submit a request for information disclosure at: https://disclosures.ifc.org/#/inquiries

If you believe that your request for information from IFC has been unreasonably denied, or that this Policy has been interpreted incorrectly, you can submit a complaint at the link above to IFC's Access to Information Policy Advisor, who reports directly to IFC's Executive Vice President.

ACCOUNTABILITY MECHANISM OF IFC/MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org

Bank Documents

- Environment and Social Review Summary
- Summary of Investment Information