

Chalet has been on a high-growth path for several years: Sanjay Sethi

The hospitality industry is finally in the midst of an upswing—one which was due four years ago – and it’s a situation that hotel companies are taking full advantage of and adding to their room inventories and properties.

ET HospitalityWorld spoke exclusively with Sanjay Sethi, the CEO and managing director of Chalet Hotels, who began by talking about his company’s strategy of growing steadily — something that they were doing even before the current upturn.

“Chalet has been on a high-growth path for several years—pre-pandemic, pre-listing, we started getting aggressive on adding properties to the portfolio,” Sethi said adding, “Today we are at about 3052 keys with close to 1000 under different stages of development. Our business development team is very active in terms of scouting for other opportunities, and we expect to add one or two hotels or green field land sites every year to the portfolio.”

The company has been able to service the growth activities through internal accruals. In April, they raised INR 1000 crore by way of a QIP (qualified institutional placement) which was used to pare down debt.

“This has brought the balance sheet to a comfortable position and created a currency for growth opportunities. The idea is to keep gunpowder dry for M&A activities and it doesn't have to be one or two assets at a time, it could be a portfolio of assets,” he said.

Speaking of the current situation in the industry which is seeing aggressive expansion from various companies, Sethi felt, “We see this upcycle for the industry to be a strong and longish one and Chalet is on the forefront, using this current scenario to sweat our existing assets and also have inorganic growth.”

“Hospitality is a capital-intensive business, so obviously the number of additions every year is not going to be 2000 or 3000 rooms. However we would like to grow around 400-500 rooms a year over the next few years. At INR 1.5

to 2 crore a room, this is a serious capital commitment for the business,” he added.

Taking advantage of the current market situation, Sethi said they would like to prioritise acquiring operational properties, but acquiring greenfield land parcels was also very much part of the Chalet growth strategy.

“Our current pipeline of 870 rooms and a potential of another 170 in Goa, which is under discussion—I believe is not enough. We should constantly have a pipeline of between 700-1000 rooms under development,” Sethi felt.