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Marriott eyes over 10% in Raheja’s Chalet Hotels

Reeba Zachariah | TNN | Updated: Jan 30, 2019, 14:03 IST

MUMBAI: Marriott International, the world’s largest lodging company, is considering buying a significant minority stake in Chandru L Raheja’s hotels business, according to people familiar with the matter. Marriott plans to acquire at least 10% in Chalet Hotels, which owns high-end properties in India — including the JW Marriott Mumbai and the Bengaluru Marriott — for about Rs 574 crore. Besides Chalet Hotels, Raheja owns Shoppers Stop, in which Jeff Bezos’s Amazon has an investment, and Inorbit Mall.

Typically, international lodging companies don’t invest in properties as they prefer to be asset-light while focusing on franchising their brands and managing hotels. But, they do loosen their purse strings to invest in select properties.

Marriott’s move to buy a slice of Chalet Hotels indicates the Nasdaq-listed, $22-billion chain’s big bet on the Indian market where it operates 100 properties. After the US and China, India is the third country where Marriott has a hospitality portfolio running into three digits.

Marriott International as well as Raheja’s younger son and Chalet Hotels non-executive director Neel Raheja declined to comment on the report. Chalet Hotels owns five properties in the west and south of India, aggregating to 2,328 rooms, and is in the midst of building three more, which will have 588 keys.

“While hotel operators tend to move towards asset-light businesses, they invest or provide key money to owners to obtain long-term management contracts. These are done usually in markets that are much sought-after or for prime properties,” said Sujjain Talwar of Economic Laws Practice. Achin Khanna of Hotelivate, a consulting firm, said, “Global brands usually invest in a project if it has a strategic benefit. It may either allow them access to a key market or enable a strong, long-term relationship with a promoter who they would like to be in business with.”

Last year, Marriott sold its 33% stake in a full-service hotels joint venture (JV) with Samhi. Though Samhi holds 100% in the erstwhile JV, the outfit owns 14 Marriott properties in India, aggregating to 2,000 rooms.