

## Strong Q1 Performance Led by Real Estate Recognition

**Est. Vs. Actual for Q1FY26:** Revenue – **INLINE** ; EBITDA – **INLINE** ; PAT – **INLINE**

**Changes in Estimates post Q1FY26:**

**FY26E/FY27E:** Revenue: -7.5%/5.7%; EBITDA Abs.: -7.5%/5.7%; PAT: -10.8%/8.3%

### Recommendation Rationale:

- **The hospitality business reported an 18.5% YoY growth**, with ARR increasing to Rs 12,200 (+18% YoY) and occupancy reaching 66%, down 360 bps YoY.
- **The MMR and other regions reported ADR growth rates of 10% and 24% YoY**, respectively. The rental annuity saw strong growth of 106%, driven by a 50% increase in new leased area.
- **Consolidated margins (ex-residential) stood at 42.5%**, up 367 bps YoY and down 374 bps QoQ, driven by the annuity business supporting profitability and strict operating cost discipline. The company's reported PAT was Rs 203 Cr, boosted by residential units handover.

### Sector Outlook: Positive

**Company Outlook & Guidance:** The hospitality industry upcycle is expected to be long and sustained. According to Horwath HTL's prediction, demand is projected to grow at 10%+ annually for the next 3–4 years, while supply, at 7%, will continue to lag behind demand. Foreign Tourist Arrivals (FTA) reached 92 Lc in FY24, and corporate travel expenses under MICE remain below pre-COVID levels.

**Current Valuation:** PE 34x for FY27E earnings (Earlier 35x/PE)

**Current TP:** Rs 1,030/share (Earlier TP: Rs 975/share)

**Recommendation:** BUY

### Financial Performance

Chalet reported revenue of Rs 895 Cr in Q1FY26, boosted by recognised real estate sales of Rs 440 Cr. Excluding the real estate segment, revenue grew 26% YoY, broadly in line with estimates, while EBITDA rose 38% YoY. EBITDA margin (ex-real estate) expanded by 367 bps to 42.5%, marking the highest margin ever for a June quarter. RevPAR grew 10%, entirely driven by a 17% increase in ARR, though occupancy declined by ~4% YoY.

The annuity segment posted 130% YoY EBITDA growth, with margins expanding to 83.1%, supported by improved occupancy at the Powai asset (up to 79% from 71% QoQ). Revenue in this segment doubled YoY, aided by an expansion in the leased area to 1.9 msf. Meanwhile, the residential segment contributed Rs 440 Cr with a healthy EBITDA margin of 37.1%.

Chalet Hotels added 165 keys YTD, led by 121 new rooms at Marriott Whitefield (now at 512 keys, nearing 520) and 44 keys at The Dukes Retreat, Khandala, with another 30 soon to follow. These additions represent a ~5% increase in inventory and align with Chalet's strategy to scale across both business and leisure destinations. Further key additions are expected from projects under development, including the upcoming Delhi Airport hotel (FY27) and the broader expansion target of 5,000+ keys by FY26.

### Key Financials (Consolidated)

(Rs Cr)	Q1FY26*	QoQ (%)	YoY (%)	Axis Est.	Variance %
Net Sales	455	26%	-13%	441	3.2
EBITDA	194	38%	-20%	198	-2.4
EBITDA Margin(bps)	42.5%	367	-374	44.9%	-
Net Profit	81	33%	-35%	84	-4.0
EPS (Rs)	3.7	33%	-35%	3.9	-4.0

Source: Company, Axis Securities Research, \*Adjusted

(CMP as of 01<sup>st</sup> Aug, 2025)

CMP (Rs)	882
Upside /Downside (%)	17%
High/Low (Rs)	1082/634
Market cap (Cr)	19,270
Avg. daily vol. (6m)Shrs.	1,26,280
No. of shares (Cr)	21.81

### Shareholding (%)

	Dec-24	Mar-25	Jun-25
Promoter	67.4	67.4	67.4
FII's	7.5	5.2	5.3
MFs / UTI	19.0	21.1	21.3
Others	6.1	6.3	6.0

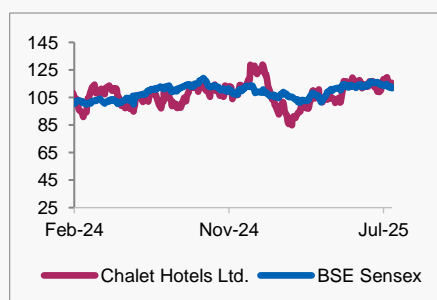
### Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	1,718	2,711	2,978
EBITDA	736	1,193	1,281
Net Profit	143	585	658
EPS (Rs.)	6.5	26.8	30.1
PER (x)	134.9	32.9	34.2
EV/EBITDA (x)	29.5	17.1	17.5
P/BV (x)	6.3	5.3	5.2
ROE (%)	4.7	16.1	15.3

### Change in Estimates (%)

Y/E Mar	FY25E	FY26E
Sales	-7.5%	5.7%
EBITDA	-7.5%	5.7%
PAT	-10.8%	8.3%

### Relative Performance



Source: ACE Equity

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### Financial Performance

Chalet recognised Rs 440 Cr in residential revenue and Rs 160 Cr EBITDA in Q1FY26 from the handover of 95 units at Vivarea Koramangala, Bengaluru (~37% margin). Another 58 units are expected to be recognised in Q2, while no further revenue is anticipated for the rest of FY26. With 307 of 321 units sold, the project is expected to generate Rs 400–450 Cr net cash over the next 24 months. Management reiterated that this is a one-off initiative and not a recurring business focus. Therefore, estimates were tweaked and incorporated over FY26–FY28E, with a larger portion in FY26E/FY27E.

### Outlook

The hospitality industry's upcycle is anticipated to be long and sustained. According to Horwath HTL, demand is expected to grow at over 10% annually over the next 3–4 years, with supply continuing to lag. Foreign Tourist Arrivals (FTA) reached 92 Lc in FY24, while corporate travel expenses under MICE remain below pre-COVID levels. Upcoming events, such as the World Cup hockey and Kabaddi championships, could further boost occupancies in the coming quarters. The leisure segment is already a significant driver in the hotel industry, and these factors are expected to benefit the sector in the quarters ahead.

### Valuation

We remain confident in Chalet's strong execution capabilities. Its diversified portfolio across corporate and leisure hotels, annuity assets, and a robust development pipeline—particularly in high-demand metro locations—positions it well to deliver revenue growth ahead of industry averages. We value the stock at a P/E of 34x on FY27E earnings, arriving at a target price of Rs 1,030/share.

### Key Risks to Our Estimates and TP

- The economic slowdown in India may impact demand for the travel Industry.
- An increase in supply could impact the realisations of the company.
- Negative operating leverage is a big hurdle to sustaining EBITDA margins.
- Delay in commissioning the projects.

### Change in Estimates (Rs Cr)

	New		Old		% Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	2,711	2,978	2,931	2,818	-7.5%	5.7%
EBITDA	1,193	1,281	1,289	1,212	-7.5%	5.7%
PAT	585	658	656	607	-10.8%	8.3%

Source: Company, Axis Securities Research

**Results Review**

Particulars (Rs Cr)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q1FY26	YoY(%)	QoQ (%)
<b>Net Sales</b>	<b>361</b>	<b>377</b>	<b>458</b>	<b>522</b>	<b>895</b>	<b>455</b>	<b>26.2%</b>	<b>-12.7%</b>
<b>Growth (YoY%)</b>	<b>16.2%</b>	<b>19.9%</b>	<b>22.5%</b>	<b>24.8%</b>	<b>147.8%</b>	<b>26.2%</b>		
Total Expenditure	221	228	253	281	537	262	<b>18.6%</b>	<b>-6.7%</b>
Raw Material Consumed	27	27	31	32	296	30		
<b>Gross Profits</b>	<b>334</b>	<b>350</b>	<b>427</b>	<b>490</b>	<b>599</b>	<b>425</b>		
<b>% of sales</b>	<b>7.4%</b>	<b>7.2%</b>	<b>6.8%</b>	<b>6.1%</b>	<b>33.1%</b>	<b>6.7%</b>		
<b>Gross margins (%)</b>	<b>92.6%</b>	<b>92.8%</b>	<b>93.2%</b>	<b>93.9%</b>	<b>66.9%</b>	<b>93.3%</b>	69	-54
Employee Expenses	55	54	58	68	69	69		
% of sales	15.2%	14.4%	12.6%	13.0%	7.8%	15.3%		
Other Expenses	139	146	164	181	172	162		
% of sales	38.6%	38.8%	35.9%	34.6%	19.2%	35.6%		
<b>EBITDA</b>	<b>140</b>	<b>150</b>	<b>205</b>	<b>241</b>	<b>357</b>	<b>194</b>	<b>38.1%</b>	<b>-19.8%</b>
<b>EBITDAM (%)</b>	<b>38.8%</b>	<b>39.7%</b>	<b>44.7%</b>	<b>46.3%</b>	<b>39.9%</b>	<b>42.5%</b>	367	-374
Interest	32	34	45	48	49	49		
Depreciation	39	42	48	50	54	54		
Other Income	8	6	7	15	14	14		
Exceptional Items	0	0	0	0	0	0		
<b>PBT</b>	<b>78</b>	<b>79</b>	<b>118</b>	<b>159</b>	<b>269</b>	<b>105</b>	<b>35.0%</b>	<b>-33.9%</b>
Tax	17	218	22	35	65	24		
Tax (%)	22.0%	274.4%	18.4%	22.0%	24.4%	22.9%		
<b>Reported PAT</b>	<b>61</b>	<b>-139</b>	<b>97</b>	<b>124</b>	<b>203</b>	<b>81</b>		
<b>Adjusted PAT</b>	<b>61</b>	<b>64</b>	<b>97</b>	<b>124</b>	<b>203</b>	<b>81</b>	<b>33.5%</b>	<b>-34.6%</b>

Source: Company, Axis Securities Research

**Segment Breakup**

Particulars (Rs Cr)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>Occupancy %</b>	<b>69.6</b>	<b>74.0</b>	<b>70.0</b>	<b>76.0</b>	<b>66.00</b>
<b>ARR (Rs)</b>	<b>10,317</b>	<b>10,532</b>	<b>12,944</b>	<b>14,345</b>	<b>12,200</b>
<b>RevPAR (Rs)</b>	<b>7,181</b>	<b>7,794</b>	<b>9,090</b>	<b>10,902</b>	<b>8,052</b>
<b>Room Revenue</b>	200	212	249	302	236
<b>F &amp; B Revenue</b>	104	101	123	126	118
<b>Other Revenue</b>	21	22	29	31	32
<b>Hospitality Revenue</b>	326	335	401	460	386
<b>Annuity Rental</b>	36	42	58	62	73

Source: Company, Axis Securities Research

## Financials (consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
<b>Net Sales</b>	<b>1,718</b>	<b>2,711</b>	<b>2,978</b>	<b>3,193</b>
<b>Growth (%)</b>	<b>21.2%</b>	<b>57.8%</b>	<b>9.9%</b>	<b>7.2%</b>
Total Expenditure	982	1,518	1,698	1,661
Raw Material Consumed	117	325	357	287
Gross margins (%)	<b>91.0%</b>	<b>88.0%</b>	<b>88.0%</b>	<b>91.0%</b>
Employee Expenses	234	298	357	383
% of sales	13.5%	11.0%	12.0%	12.0%
Other Expenses	631	895	983	990
% of sales	37.0%	33.0%	33.0%	31.0%
<b>EBITDA</b>	<b>736</b>	<b>1,193</b>	<b>1,281</b>	<b>1,533</b>
<b>EBITDAM (%)</b>	<b>42.8%</b>	<b>44.0%</b>	<b>43.0%</b>	<b>48.0%</b>
Depreciation	179	199	210	224
% of GB	3.6%	4.0%	4.0%	4.0%
EBIT	557	993	1,071	1,309
EBITM (%)	32.4%	36.6%	36.0%	41.0%
Interest	159	232	214	196
Other Income	36	40	44	48
Share of P/L of Associates	0	0	0	0
PBT	434	801	901	1,161
<b>Tax Rate (%)</b>	<b>23.0%</b>	<b>27.0%</b>	<b>27.0%</b>	<b>27.0%</b>
Tax	292	216	243	314
<b>Reported PAT</b>	<b>143</b>	<b>585</b>	<b>658</b>	<b>848</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Share Capital	218	218	218	218
Reserves & Surplus	2,827	3,412	4,070	4,917
Net Worth	3,046	3,630	4,288	5,136
Total Loan funds	2,679	2,579	2,379	2,179
Deferred Tax Liability	85	85	85	85
Long Term Provisions	16	12	12	12
Other Long-Term Liability	41	230	253	271
<b>Capital Employed</b>	<b>7,063</b>	<b>7,779</b>	<b>8,141</b>	<b>8,681</b>
Gross Block	4,684	4,984	5,244	5,594
Less: Depreciation	1,472	1,671	1,881	2,105
Net Block	3,212	3,313	3,363	3,489
Investments	99	99	99	99
Sundry Debtors	78	111	122	131
Cash & Bank Bal	186	1,426	2,429	3,385
Loans & Advances	23	23	23	23
Inventory	633	432	222	65
Other Current Assets	147	147	147	147
Total Current Assets	2,204	2,250	2,132	2,006
CurrLiab&Prov	1,165	2,237	3,042	3,849
Net Current Assets	-1,039	-13	910	1,843
<b>Total Assets</b>	<b>7,063</b>	<b>7,779</b>	<b>8,141</b>	<b>8,681</b>

Source: Company, Axis Securities Research

**Cash Flow**
**(Rs Cr)**

Y/E March	FY25	FY26E	FY27E	FY28E
PBT	434	801	901	1,161
Add: Depreciation	179	199	210	224
Add: Interest	159	232	214	196
Cash flow from operations	772	1,233	1,325	1,581
Change in working capital	54	-392	-96	-34
Taxes	292	216	243	314
Net cash from operations	427	1,409	1,178	1,301
Capital expenditure	-1,130	300	240	50
Net cash from investing	-1,228	163	240	50
Increase/Decrease in debt	-271	-100	-200	-200
Dividends	0	0	0	0
Proceedings from equity	13	-0	0	0
Interest	-159	-232	-214	-196
Others	1,272	-0	0	-0
Net cash from financing	855	-332	-414	-396
Net Inc./(Dec.) in Cash	53	1,240	1,004	955
Opening cash balance	132	186	1,426	2,429
Closing cash balance	186	1,426	2,429	3,385

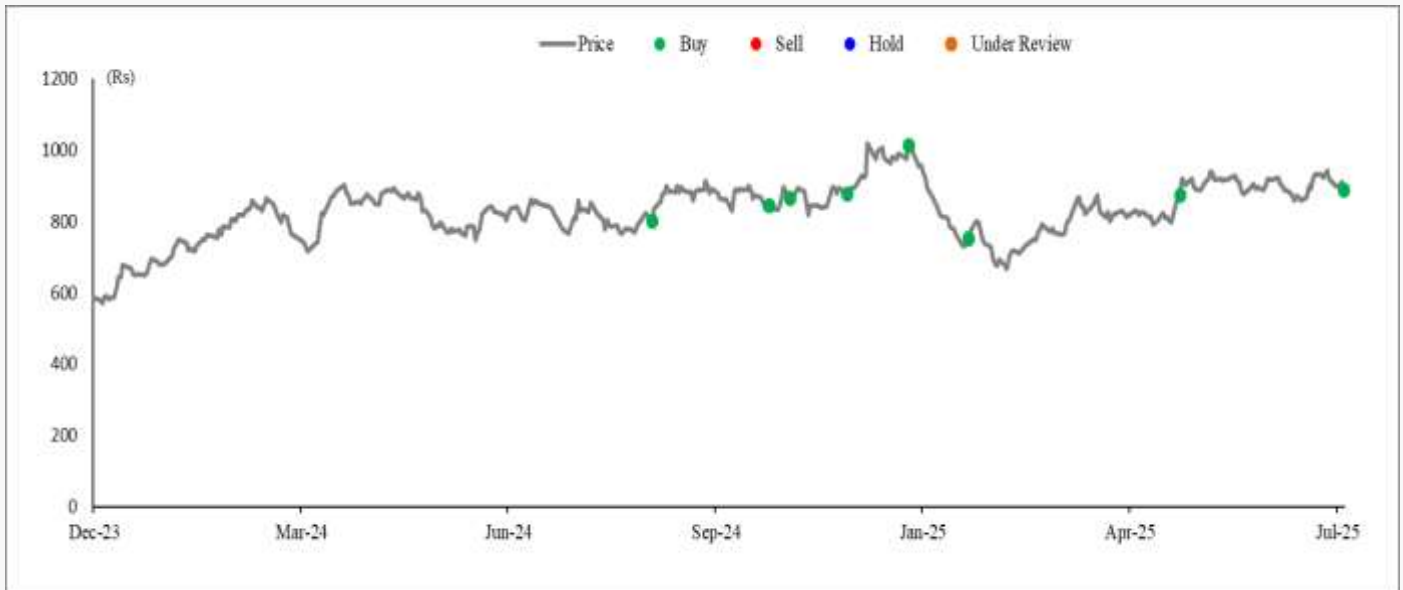
Source: Company, Axis Securities Research

**Ratio Analysis**
**(%)**

Y/E March	FY25	FY26E	FY27E	FY28E
<b>Sales growth</b>	<b>21.2</b>	<b>57.8</b>	<b>9.9</b>	<b>7.2</b>
<b>OPM</b>	<b>42.8</b>	<b>44.0</b>	<b>43.0</b>	<b>48.0</b>
Oper. profit growth	25.9	62.1	7.4	19.7
COGS / Net sales	9.0	12.0	12.0	9.0
Overheads/Net sales	50.4	44.0	45.0	43.0
<b>Depreciation / G. block</b>	<b>3.6</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>
Effective interest rate	23.0	27.0	27.0	27.0
Net wkg.cap / Net sales	0.1	(0.1)	(0.1)	0.0
Net sales / Gr block (x)	0.4	0.5	0.6	0.6
<b>RoCE</b>	<b>9.4</b>	<b>19.6</b>	<b>24.4</b>	<b>33.3</b>
Debt/equity (x)	0.9	0.7	0.6	0.4
Effective tax rate	23.0	27.0	27.0	27.0
<b>RoE</b>	<b>4.7</b>	<b>16.1</b>	<b>15.3</b>	<b>16.5</b>
Payout ratio (Div/NP)	0.0	0.0	0.0	0.0
<b>EPS (Rs.)</b>	<b>6.5</b>	<b>26.8</b>	<b>30.1</b>	<b>38.9</b>
EPS Growth	(48.7)	310.2	12.4	28.9
CEPS (Rs.)	14.7	36.0	39.8	49.1
DPS (Rs.)	0.0	0.0	0.0	0.0

Source: Company, Axis Securities Research

## Chalet Hotels Price Chart and Recommendation History



Date	Reco	TP	Research
30-Aug-24	BUY	975	Initiating Coverage
28-Oct-24	BUY	975	Result Update
04-Nov-24	BUY	1,035	Top Picks
02-Dec-24	BUY	1,035	Top Picks
01-Jan-25	BUY	1,075	Top Picks
31-Jan-25	BUY	975	Result Update
14-May-25	BUY	975	Result Update
04-Aug-25	BUY	1,030	Result Update

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.