

Chalet Hotels | BUY

Soft start to the year; new acquisition in Goa

Chalet Hotels (Chalet) 1Q revenue was 2% below JMFe, while lower than expected margins led to a 4% miss on EBITDA. The hospitality business, with revenue of INR 3.3bn (up 15% YoY), held its ground in a quarter where business was impacted by the General Elections, extreme heat wave conditions across the country and subdued MICE activity. The annuity business reported steady performance with revenue of INR 0.36bn (+25% YoY; flat QoQ) in the quarter. The company has entered into an MOU to acquire a c.11 acre land parcel in South Goa for INR 1.4bn, which will house a 5-star beachfront, 175-key property. This acquisition is expected to be completed by Aug'24 and the construction of the hotel is expected to start post-monsoon season, with the aim to complete the development in 36 months. We value Chalet on a SoTP basis with a Mar'25 TP of INR 980. Maintain BUY.

- Same-store RevPAR growth of 4% in 1QFY25:** Revenue from operations came in slightly lower than expected at INR 3.6bn (+16% YoY; down 14% QoQ; JMFe: 3.7bn) aided by a room count increase by 9% YoY and same-store RevPAR growth of 4%. EBITDA of INR 1.4bn (39% margin; +28% YoY; down 23% QoQ) was lower than our estimates. 1QFY25 portfolio-wide ARR and occupancy were flat on a YoY basis at INR 10,446 (+1% YoY; down 12% QoQ), and 71% (+50bps YoY; down 550bps QoQ) respectively; as a result, RevPAR grew to INR 7,361 (+2% YoY; down 18% QoQ). In 1QFY25, hospitality revenue grew 15% YoY to INR 3.3bn and hospitality EBITDA came in at INR 1.3bn (+12% YoY), as the margins were maintained at 41%.
- MMR remains the top market for Chalet:** In the hospitality segment, 59% of the total revenue was contributed by the Mumbai Metropolitan Region (MMR) which clocked an occupancy of 78% (+400bps YoY; down 300bps QoQ) and ARR of INR 10,530 (down 3% YoY). The company recorded accretive RevPAR performance in Mumbai at the Sahar and Powai hotels, while the Vashi property saw a 7% dip in RevPAR, as growth is subdued due to a significant increase of supply in the micro-market over the last 2 years. In Hyderabad, Westin Mindspace reported a 13% YoY growth in RevPAR, while Westin Hi-tech City saw a 15% RevPAR growth, operating on full (100%) occupancy.
- Other updates:** The management expects leased occupancy of 90% at its annuity assets across Powai and Bengaluru, where a few transactions are in the final stages of closure. This portfolio is expected to generate steady-state rental income of INR 2.8bn. Chalet is planning a capex outlay of c. INR 15bn over the next few years, including INR 6.5bn for the office development in Powai and INR 6.0bn for the hotels: DIAL, brownfield expansion at Dukes and JW Marriott, Bengaluru. In Raheja Vivarea (Bengaluru residential project), Chalet sold total of 17 new units (0.04msf) at an average rate of INR 21,548 /sqft, which is a 14% increase compared to the average rates in FY24.
- Maintain BUY with TP of INR 980:** We have included the impact of the Goa acquisition in our numbers and arrive at a SoTP-based Mar'25 TP of INR 980 ascribing an EV/Mar'26 EBITDA of 24.0x and cap rate of 7.5% for the hospitality and annuity assets respectively.



Sumit Kumar
sumit.kumar@jmfl.com | Tel.: (91 22) 66303089

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	980
Upside/(Downside)	17.3%
Previous Price Target	990
Change	-1.0%

Key Data – CHALET IN

Current Market Price	INR835
Market cap (bn)	INR182.1/US\$2.2
Free Float	32%
Shares in issue (mn)	218.1
Diluted share (mn)	218.1
3-mon avg daily val (mn)	INR202.0/US\$2.4
52-week range	959/467
Sensex/Nifty	81,333/24,835
INR/US\$	83.7

Price Performance

%	1M	6M	12M
Absolute	4.0	9.6	75.8
Relative*	1.0	-3.0	43.0

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	11,285	14,173	18,748	21,579	24,822
Sales Growth (%)	122.2	25.6	32.3	15.1	15.0
EBITDA	4,528	5,846	8,929	10,557	12,549
EBITDA Margin (%)	40.1	41.2	47.6	48.9	50.6
Adjusted Net Profit	1,410	2,782	3,758	5,054	6,452
Diluted EPS (INR)	6.9	13.5	17.2	23.2	29.6
Diluted EPS Growth (%)	0.0	96.8	27.3	34.5	27.7
ROIC (%)	5.6	10.4	10.1	11.1	12.7
ROE (%)	9.8	16.4	14.8	14.5	15.9
P/E (x)	121.4	61.7	48.5	36.0	28.2
P/B (x)	11.1	9.3	5.6	4.9	4.2
EV/EBITDA (x)	46.3	36.0	22.9	19.2	15.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 26/Jul/2024

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Portfolio overview

Exhibit 1. Hospitality portfolio, to add 870 keys by FY27E		
Hospitality Portfolio	Keys	Remarks
Operational Portfolio		
Novotel, Pune Nagar Road	311	Acquired this asset in FY20 at an EV of INR 2.9bn (INR 13mn/key)
JW Marriott, Mumbai Sahar	588	
Marriott Hotel, Bengaluru Whitefield	391	
The Westin, Hyderabad Mindspace	427	
Four Points by Sheraton, Navi Mumbai, Vashi	152	
Westin, Mumbai, Powai Lake	604	
Lakeside Chalet, Mumbai	173	
The Dukes Retreat	80	Acquired this asset in Mar'23; EV of INR 1.33bn (INR 17mn/key)
Westin Hyderabad Hitec City	168	
Courtyard by Marriott Aravali, NCR	158	Acquired this asset in Mar'24; EV of INR 3.15bn (INR 20mn/key)
Total Operational	3,052	
Under-Construction Portfolio		
The Dukes Retreat Expansion	70	To be operational by 3QFY25
Marriott Hotel, Bengaluru Expansion	130	To be operational by 3QFY25
DIAL	390	To be operational by 4QFY26
Hyatt Regency Airoli, Navi Mumbai	280	To be operational by 4QFY27
Total Under-Construction	870	
FY27E Portfolio	3,922	

Source: Company, JM Financial

Note: Portfolio doesn't include the recent announcement in Goa; portfolio as of 30th Jun'24

Exhibit 2. High quality commercial office portfolio		
Commercial Portfolio	Area (msf)	Remarks
Operational Portfolio		
The Orb at Sahar, Mumbai	0.5	
Cignus Whitefield Bangalore Tower 1	0.7	
Cignus Powai Tower 1	0.9	
Cignus Whitefield Bangalore Tower 2	0.3	
Total Operational	2.4	
Under-Construction Portfolio		
Cignus Powai Tower 2	0.9	To be operational by 4QFY27
Total Under-Construction	0.9	
FY27E Portfolio	3.3	

Source: Company, JM Financial

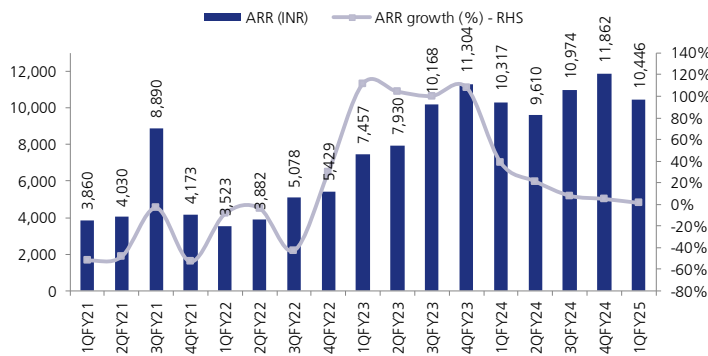
Quarterly information

Exhibit 3. Financial snapshot

Particulars (INR mn)	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	QoQ	YoY	1QFY25E	Variance
Cons. Revenue (INR mn)	3,108	3,145	3,737	4,183	14,173	3,610	-14%	16%	3,692	-2%
Total operating expense	2,010	1,886	2,077	2,354	8,327	2,208	-6%	10%	2,233	-1%
EBITDA	1,098	1,260	1,660	1,829	5,846	1,402	-23%	28%	1,459	-4%
EBITDA margin	35.3%	40.0%	44.4%	43.7%	41.2%	38.8%	-487bps	352bps	39.5%	-66bps
Depreciation & amortization	310	350	353	371	1,384	389	5%	26%	315	24%
EBIT	826	946	1,369	1,519	4,660	1,094	-28%	32%	1,199	-9%
EBIT margin	26.6%	30.1%	36.6%	36.3%	32.9%	30.3%	-601bps	372bps	32.5%	-216bps
Other income	38	36	62	61	198	81	32%	112%	55	47%
Profit before tax	372	445	887	990	2,694	777	-22%	109%	929	-16%
Income tax expense	-515	80	180	166	-88	171	3%	-133%	167	2%
PAT	887	364	706	824	2,782	607	-26%	-32%	761	-20%

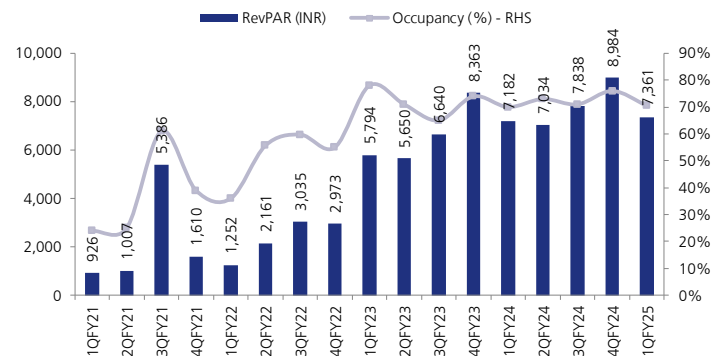
Source: Company, JM Financial

Exhibit 4. ARR grew 1% YoY on a same-store basis



Source: Company, JM Financial

Exhibit 5. Occupancies have been above 65% post Covid-19



Source: Company, JM Financial

Exhibit 6. Segment wise revenue break-up

Particulars	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY	QoQ
Hospitality revenue	2,298	2,233	2,653	3,097	2,821	2,844	3,434	3,830	3,255	15%	-15%
Room revenue	1,347	1,328	1,560	1,922	1,747	1,813	2,054	2,379	2,004	15%	-16%
F&B revenue	803	743	894	946	866	822	1,135	1,190	1,039	20%	-13%
Other revenue	148	162	199	229	208	209	245	261	212	2%	-19%
Rental revenue	231	244	244	281	285	300	301	354	355	25%	0%

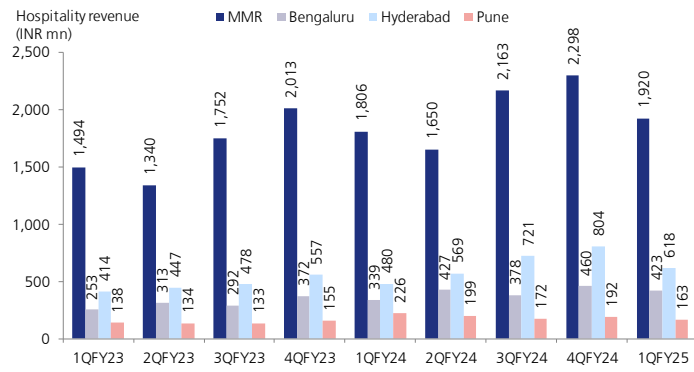
Source: Company, JM Financial

Exhibit 7. Quarterly city wise hospitality revenue share

City wise revenue share	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY	QoQ
City wise revenue share											
MMR Share of total revenue (%)	65%	60%	66%	65%	64%	58%	63%	60%	59%	-500bps	-300bps
MMR	1,494	1,340	1,752	2,013	1,806	1,650	2,163	2,298	1,920	14%	6%
Revenue (INR mn)											
Share of total revenue (%)	11%	14%	11%	12%	12%	15%	11%	12%	13%	0bps	100bps
Bengaluru	253	313	292	372	339	427	378	460	423	24%	22%
Revenue (INR mn)											
Share of total revenue (%)	18%	20%	18%	18%	17%	20%	21%	21%	19%	300bps	0bps
Hyderabad	414	447	478	557	480	569	721	804	618	44%	12%
Revenue (INR mn)											
Share of total revenue (%)	6%	6%	5%	5%	8%	7%	5%	5%	5%	0bps	0bps
Pune	138	134	133	155	226	199	172	192	163	24%	12%

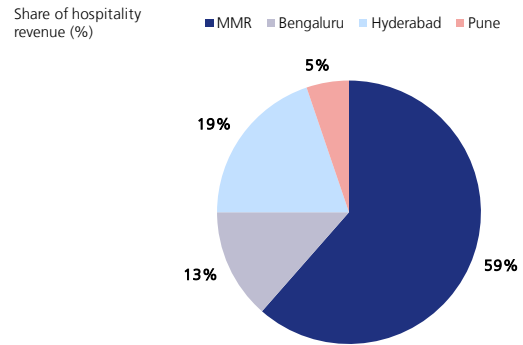
Source: Company, JM Financial

Exhibit 8. MMR and Hyderabad are the largest contributors



Source: Company, JM Financial

Exhibit 9. City wise hospitality revenue share (as of 1QFY25)



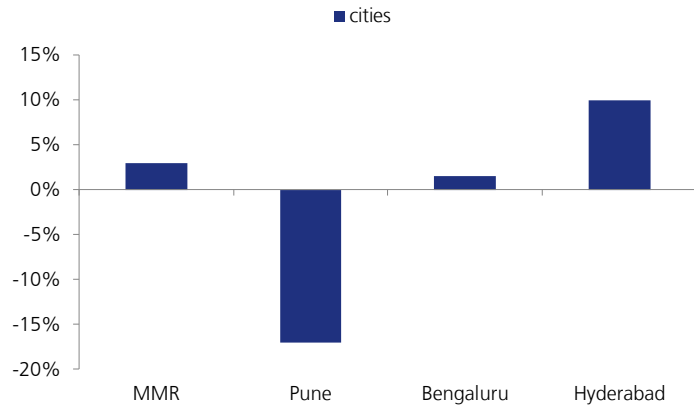
Source: Company, JM Financial

Exhibit 10. Leverage position; under construction assets to generate c. 20% returns (EBITDA on invested capital)

Particulars (INR mn)	FY21	FY22	FY23	FY24	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25
Debt									
Allocable to operating assets	14,403	14,147	11,757	11,486	12,176	14,914	12,432	11,486	319
Allocable to under-construction/to be operationalized assets	4,308	8,191	12,611	13,600	12,493	11,019	11,622	13,600	15,000
Total Debt	18,711	22,338	24,368	25,086	24,669	25,933	24,054	25,086	15,319
EBITDA	290	1,204	5,023	6,044	1,136	2,432	4,154	6,044	1,483
Capex Spend YTD	1,433	3,489	4,398	6,596	806	1,958	3,000	6,596	1,313
Interest Rate (%)	8.0%	7.5%	8.8%	8.9%	8.6%	8.7%	8.7%	8.9%	8.4%

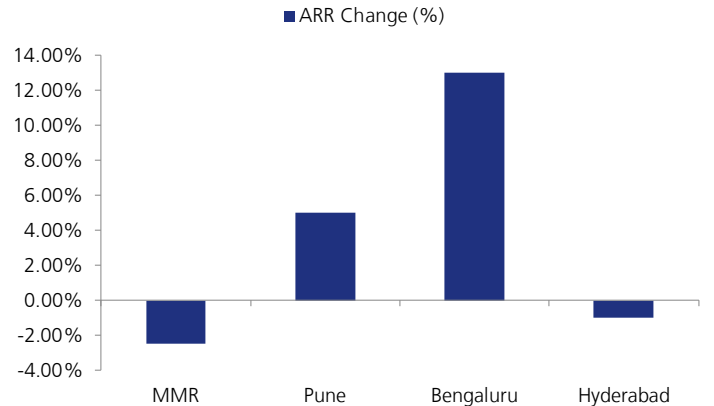
Source: Company, JM Financial

Exhibit 11. Geography wise movement %



Source: Company, JM Financial

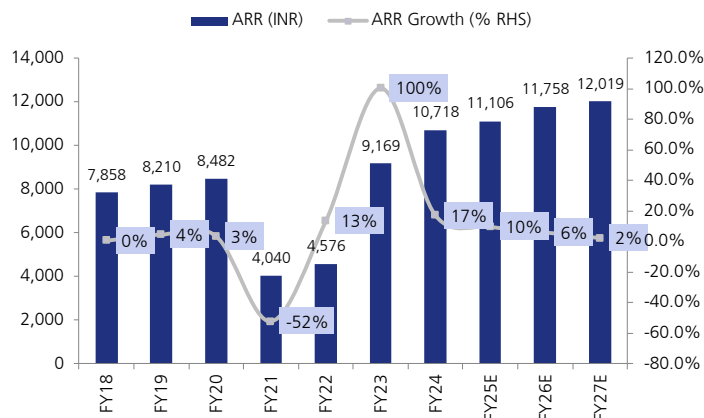
Exhibit 12. City wise ARR change



Source: Company, JM Financial

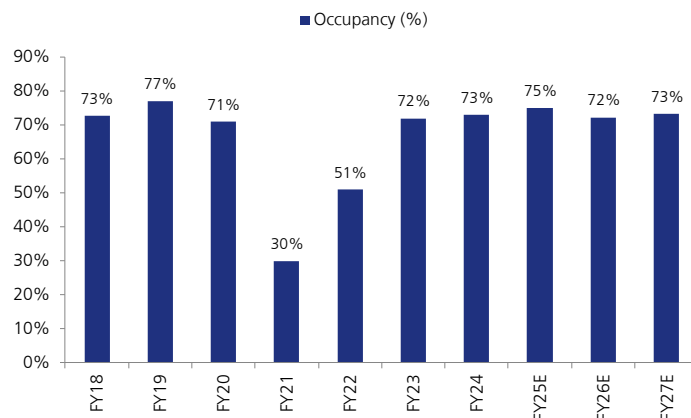
Annual Information and Estimates

Exhibit 13. Price power to kick in...



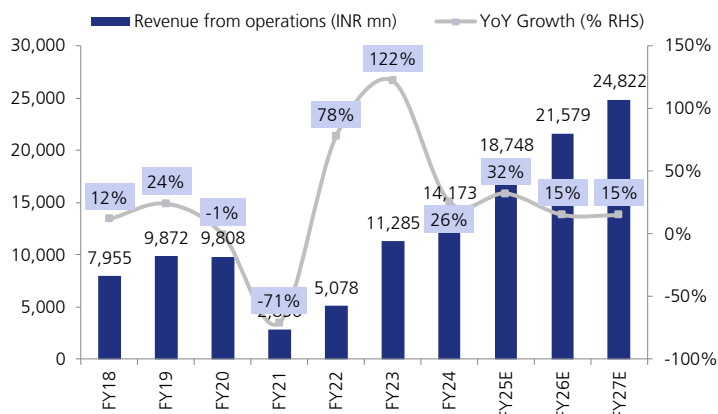
Source: Company, JM Financial

Exhibit 14. ...led by high occupancy rates



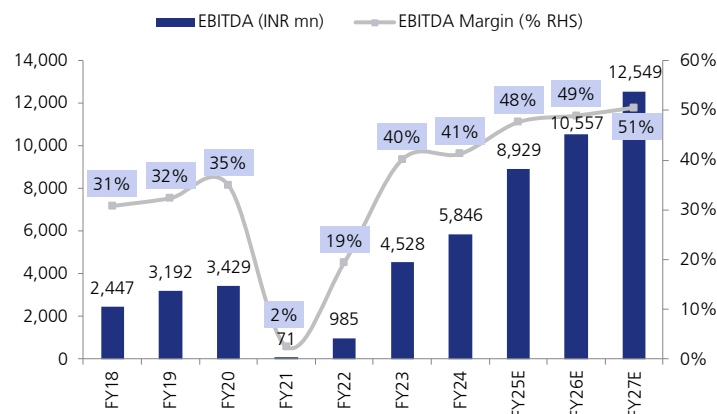
Source: Company, JM Financial

Exhibit 15. Growth largely led by capex...



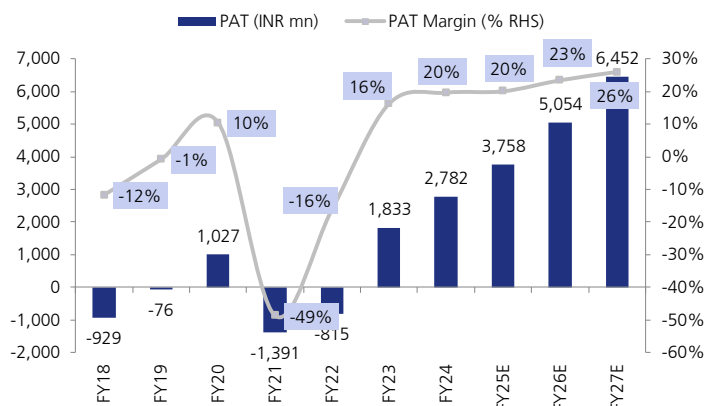
Source: Company, JM Financial

Exhibit 16. ...with healthy flow-through to EBITDA



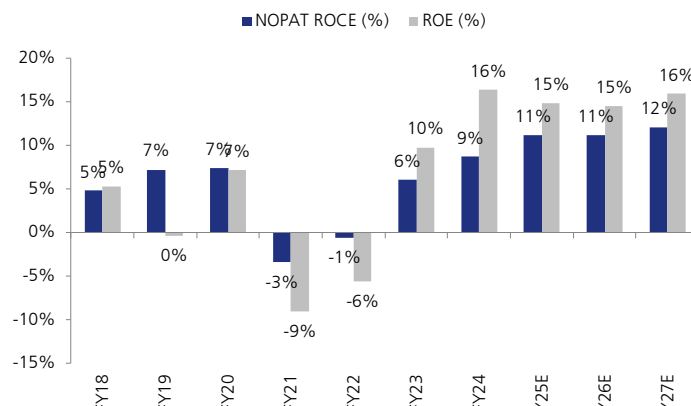
Source: Company, JM Financial

Exhibit 17. Operating leverage leads to higher PAT...



Source: Company, JM Financial

Exhibit 18. ...resulting in improved return ratios



Source: Company, JM Financial

Exhibit 19. Growth driven by strong development pipeline

Particulars (INR mn)	FY23	FY24	FY25E	FY26E	FY27E	CAGR FY24-27E (%)
Hospitality Revenue	10,285	12,929	16,422	18,822	21,066	17.7%
Rental & Annuity Business	887	1,100	2,327	2,757	3,757	51%
Other Operating Revenue	113	144	0	0	0	NA
Revenue from operations	11,285	14,173	18,748	21,579	24,822	21%
Consolidated EBITDA	4,528	5,846	8,929	10,557	12,549	29.0%
EBITDA Margin (%)	40%	41%	48%	49%	51%	

Source: Company, JM Financial

Exhibit 20. Segment wise revenue break-up

Asset wise revenue (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Hospitality assets					
Room revenue	6,157	7,993	9,880	11,330	12,657
Existing assets	NA	NA	8,709	9,376	9,619
New assets	NA	NA	1,170	1,954	3,039
F&B revenue	3,386	4,013	5,434	6,231	6,962
Other revenue	742	923	1,108	1,261	1,447
Total hospitality revenue	10,285	12,929	16,422	18,822	21,066
Commercial assets					
Existing assets	NA	NA	899	954	1,012
New assets	-	-	1,427	1,803	2,744
Total commercial revenue	891	1,100	2,327	2,757	3,757

Source: Company, JM Financial

Exhibit 21. Our Mar'25 SoTP based TP is INR 980

Chalet Hotels (INR mn unless specified)	Mar'25E
Hospitality EV	2,05,770
EV/EBITDA Multiple (x)	24.0x
Hospitality EBITDA (Mar'26E)	8,574
Rental EV	26,444
Rental EBITDA (Mar'26E)	1,983
Cap Rate	7.5%
Residential EV	749
Total EV	2,32,964
Net Debt (adj. for promoter loan)	19,315
NAV	2,13,648
Shares Outstanding (INR mn)	218
Mar'25 TP	980

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	11,285	14,173	18,748	21,579	24,822	
Sales Growth	122.2%	25.6%	32.3%	15.1%	15.0%	
Other Operating Income	0	0	0	0	0	
Total Revenue	11,285	14,173	18,748	21,579	24,822	
Cost of Goods Sold/Op. Exp	1,477	1,538	2,380	2,733	3,081	
Personnel Cost	1,511	1,946	2,296	2,548	2,752	
Other Expenses	3,769	4,843	5,144	5,741	6,440	
EBITDA	4,528	5,846	8,929	10,557	12,549	
EBITDA Margin	40.1%	41.2%	47.6%	48.9%	50.6%	
EBITDA Growth	359.8%	29.1%	52.7%	18.2%	18.9%	
Depn. & Amort.	1,173	1,384	1,687	1,726	1,986	
EBIT	3,355	4,462	7,241	8,831	10,563	
Other Income	495	198	206	214	223	
Finance Cost	1,545	1,967	2,079	1,824	1,568	
PBT before Excep. & Forex	2,305	2,694	5,368	7,221	9,218	
Excep. & Forex Inc./Loss(-)	423	0	0	0	0	
PBT	2,728	2,694	5,368	7,221	9,218	
Taxes	895	-88	1,610	2,166	2,765	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	1,833	2,782	3,758	5,054	6,452	
Adjusted Net Profit	1,410	2,782	3,758	5,054	6,452	
Net Margin	12.5%	19.6%	20.0%	23.4%	26.0%	
Diluted Share Cap. (mn)	205.0	205.5	218.1	218.1	218.1	
Diluted EPS (INR)	6.9	13.5	17.2	23.2	29.6	
Diluted EPS Growth	0.0%	96.8%	27.3%	34.5%	27.7%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	2,305	2,694	5,368	7,221	9,218	
Depn. & Amort.	1,173	1,384	1,687	1,726	1,986	
Net Interest Exp. / Inc. (-)	1,228	1,856	2,079	1,824	1,568	
Inc (-) / Dec in WCap.	-35	1,366	-277	121	709	
Others	-357	149	0	0	0	
Taxes Paid	31	-553	-1,610	-2,166	-2,765	
Operating Cash Flow	4,769	6,894	7,247	8,726	10,715	
Capex	-1,715	-4,277	-9,072	-5,382	-4,321	
Free Cash Flow	3,054	2,617	-1,825	3,345	6,394	
Inc (-) / Dec in Investments	-4,125	-2,270	0	0	0	
Others	-84	199	0	0	0	
Investing Cash Flow	-5,924	-6,349	-9,072	-5,382	-4,321	
Inc / Dec (-) in Capital	251	135	10,000	0	0	
Dividend + Tax thereon	0	0	0	0	0	
Inc / Dec (-) in Loans	9,976	381	-4,990	-748	-1,493	
Others	-8,873	-683	-2,932	-1,824	-1,568	
Financing Cash Flow	1,355	-167	2,079	-2,572	-3,061	
Inc / Dec (-) in Cash	199	379	254	773	3,333	
Opening Cash Balance	245	445	823	1,930	2,703	
Closing Cash Balance	445	823	1,077	2,703	6,035	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	15,441	18,509	32,266	37,321	43,773	
Share Capital	2,050	2,055	2,181	2,181	2,181	
Reserves & Surplus	13,391	16,454	30,085	35,140	41,592	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	27,939	29,503	24,514	23,766	22,273	
Def. Tax Liab. / Assets (-)	0	0	0	0	0	
Total - Equity & Liab.	43,380	48,012	56,780	61,087	66,046	
Net Fixed Assets	39,513	44,425	51,740	55,340	58,934	
Gross Fixed Assets	54,118	57,295	66,367	71,748	76,070	
Intangible Assets	1,062	1,145	1,114	1,092	2,379	
Less: Depn. & Amort.	16,645	14,385	16,072	17,798	19,784	
Capital WIP	978	369	332	299	269	
Investments	656	981	1,020	1,061	1,103	
Current Assets	9,359	12,090	13,998	14,903	18,197	
Inventories	4,129	5,420	5,625	5,395	4,964	
Sundry Debtors	590	552	937	1,079	1,241	
Cash & Bank Balances	445	823	1,930	2,703	6,035	
Loans & Advances	0	0	0	0	0	
Other Current Assets	4,195	5,295	5,506	5,727	5,956	
Current Liab. & Prov.	6,148	9,484	9,979	10,217	12,187	
Current Liabilities	2,458	3,266	3,513	3,493	5,194	
Provisions & Others	3,691	6,217	6,466	6,724	6,993	
Net Current Assets	3,210	2,606	4,020	4,686	6,009	
Total - Assets	43,379	48,012	56,780	61,087	66,046	

Source: Company, JM Financial

Dupont Analysis						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Margin	12.5%	19.6%	20.0%	23.4%	26.0%	
Asset Turnover (x)	0.3	0.3	0.3	0.4	0.4	
Leverage Factor (x)	2.9	2.8	2.1	1.7	1.6	
RoE	9.8%	16.4%	14.8%	14.5%	15.9%	

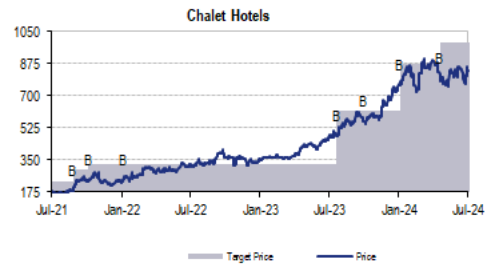
Key Ratios						
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
BV/Share (INR)	75.3	90.1	147.9	171.1	200.7	
ROIC	5.6%	10.4%	10.1%	11.1%	12.7%	
ROE	9.8%	16.4%	14.8%	14.5%	15.9%	
Net Debt/Equity (x)	1.8	1.5	0.7	0.6	0.4	
P/E (x)	121.4	61.7	48.5	36.0	28.2	
P/B (x)	11.1	9.3	5.6	4.9	4.2	
EV/EBITDA (x)	46.3	36.0	22.9	19.2	15.8	
EV/Sales (x)	18.6	14.9	10.9	9.4	8.0	
Debtor days	19	14	18	18	18	
Inventory days	134	140	110	91	73	
Creditor days	81	91	84	71	74	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
10-Feb-20	Buy	400	
10-Jun-20	Buy	230	-42.5
12-Aug-20	Buy	220	-4.3
13-Nov-20	Buy	220	0.0
11-Feb-21	Buy	230	4.5
20-May-21	Buy	230	0.0
11-Aug-21	Buy	230	0.0
20-Sep-21	Buy	300	30.4
30-Oct-21	Buy	330	10.0
30-Jan-22	Buy	330	0.0
16-Aug-23	Buy	620	87.9
26-Oct-23	Buy	620	0.0
29-Jan-24	Buy	875	41.1
14-May-24	Buy	990	13.1

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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