

## Steady quarter; tailwinds to continue aiding growth

Hotels ▶ Result Update ▶ July 28, 2024

TARGET PRICE (Rs): 850

We assume coverage on Chalet Hotels with an ADD recommendation and upside of 2%. Chalet Hotels delivered a steady performance in Q1FY25. Hospitality revenue growth of 15.3% YoY was aided by RevPAR growth, inventory addition, and F&B contribution. ARR/RevPAR growth moderated from previous quarters, as the extended general elections, heatwave, and weaker quarter for MICE were temporary headwinds. As per the management, growth in July bounced back sharply, with better occupancies and rates. Going ahead as well, the mgmt. is confident of double-digit growth, given supportive tailwinds enduring. Also, Chalet has announced acquisition of a land parcel in Goa for a sum of Rs1.37bn, though it will take a few years to become operational. We cut our FY25/26 EBITDA estimates by 4%/3%, factoring in the Q1 performance, and introduce FY27 estimates. We maintain ADD on Chalet with SOTP-based TP of Rs850/sh (SOTP-based Jun-26E EV/EBITDA of 20.5x for Hotels; 16x for rental assets).

## Chalet Hotels: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	11,285	14,173	17,865	21,002	24,357
EBITDA	4,528	5,846	8,244	10,027	12,069
Adj. PAT	1,833	2,782	4,233	5,596	7,219
Adj. EPS (Rs)	8.9	13.5	19.4	25.7	33.1
EBITDA margin (%)	40.1	41.2	46.1	47.7	49.6
EBITDA growth (%)	451.8	29.1	41.0	21.6	20.4
Adj. EPS growth (%)	0.0	51.4	43.4	32.2	29.0
RoE (%)	12.7	16.4	16.5	15.7	17.2
RoIC (%)	7.1	15.1	13.3	13.8	15.1
P/E (x)	93.4	61.7	43.0	32.6	25.2
EV/EBITDA (x)	42.5	32.4	23.4	19.4	15.9
P/B (x)	11.1	9.3	5.6	4.8	4.0
FCFF yield (%)	1.6	1.4	(0.8)	(0.1)	2.0

Source: Company, Emkay Research

## Results Summary

Consolidated Revenue/EBITDA grew 16.2% /27.7% YoY in Q1FY25. Hotel revenue grew 15.3% YoY to Rs3.26bn, with room revenue up 14.7% and F&B revenue up 20.1% YoY. Commercial revenue grew 24.6% YoY. ADR grew 1% YoY to Rs10,446 (MMR decline of 3% YoY and non-MMR growth of 8% YoY). Occupancies grew by 85bps YoY to 70.5%. Occupancies declined in non-MMR due to recent capacity addition in Novotel, Pune. Overall RevPAR grew 2% YoY to Rs7,361 (MMR growth of 3% and non-MMR growth of 6%). Same-store occupancy/RevPAR grew by 191bps/4% YoY. EBITDA margin expanded by 352bps YoY to 38.8%. Net debt declined to Rs15.3bn at the end of Jun-24 compared with Rs25.1bn at the end of Q4FY24, as the company utilized QIP proceeds. Cost of finance declined by 44bps QoQ to 8.43%.

## Earnings Call KTAs

1) Purchase of land in Goa: The company has purchased an 11-acre land parcel in South Goa for a sum of Rs1.37bn. Approvals for the plot are already done, hence construction work can start faster. Beachfront properties will attract premium pricing. 2) MMR: Vashi hotel saw a 7% YoY decline in RevPAR due to significant increase in room supply in hotels in Navi Mumbai. Due to major renovation work, the company removed limited inventory of Dukes Retreat from mid-May. 37 new rooms and some public areas will be opened for this facility before 15-Aug. 3) Non MMR: Bengaluru saw the strongest growth in Q1, followed by Hyderabad. Blended occupancy for Hyderabad is higher on YoY basis due to 100% occupancy in the second hotel. Occupancy is lower in Pune due to capacity addition. 4) Residential: Chalet sold 17 new units during the quarter, with the total number of units sold since the launch of the project now at 138. The residential project at Koramangala, Bengaluru has surpassed management expectations. 5) Commercial: Leasable area stands at 2.4msf, of which 1.2msf has been leased so far. The management expects 90% of the office portfolio to be leased by the end of the year. EBITDA margin for the segment is slightly lower, as the company carries the cost of unoccupied inventory.

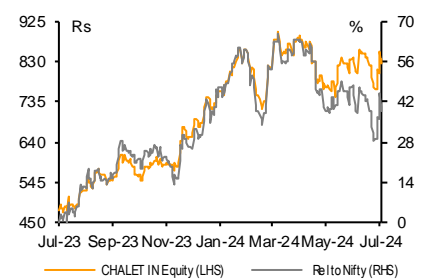
Target Price – 12M	Jun-25
Change in TP (%)	-
Current Reco.	ADD
Previous Reco.	BUY
Upside/(Downside) (%)	1.8
CMP (26-Jul-24) (Rs)	835.2

Stock Data	Ticker
52-week High (Rs)	959
52-week Low (Rs)	461
Shares outstanding (mn)	218.1
Market-cap (Rs bn)	182
Market-cap (USD mn)	2,175
Net-debt, FY25E (Rs mn)	10,952
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	203.0
ADTV-3M (USD mn)	2.4
Free float (%)	-
Nifty-50	24,835
INR/USD	83.7
<b>Shareholding, Jun-24</b>	
Promoters (%)	67.5
FPIs/MFs (%)	6.8/21.5

## Price Performance

(%)	1M	3M	12M
Absolute	2.6	(5.5)	79.2
Rel. to Nifty	(1.4)	(14.7)	42.7

## 1-Year share price trend (Rs)



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**Exhibit 1: Consolidated Quarterly Financials**

(Rs mn)	Q1FY24	Q4FY24	Q1FY25	Chg YoY (%)	Chg QoQ (%)
Revenue from operations	3,108	4,183	3,610	16.2	(13.7)
Real Estate Development	-	21	21	NA	0.6
Food and Beverages	246	288	266	8.1	(7.8)
Operating Supplies	115	104	91	(20.5)	(11.9)
Employee Costs	467	516	548	17.4	6.2
Other Expenses	1,161	1,425	1,281	10.3	(10.1)
Total Expenses	1,989	2,354	2,208	11.0	(6.2)
EBITDA	1,098	1,829	1,402	27.7	(23.3)
Adj. EBITDA	1,262	1,910	1,402	11.1	(26.6)
D&A	310	371	389	25.7	4.9
EBIT	788	1,457	1,013	28.5	(30.5)
Finance Costs	454	529	317	(30.2)	(40.1)
Other Income	38	61	81	112.5	31.9
PBT (before EO)	372	990	777	108.9	(21.5)
EO (loss)/gain	-	-	-	-	-
PBT (after EO)	372	990	777	108.9	(21.5)
Tax	(515)	166	171	(133.2)	2.9
PAT	887	824	606	(31.6)	(26.4)

Margin (%)	Q1FY24	Q4FY24	Q1FY25	Chg YoY (bps)	Chg QoQ (bps)
EBITDA	35.3	43.7	38.8	352	(487)
Adj. EBITDA	40.6	45.7	38.8	(176)	(681)
EBIT	25.4	34.8	28.1	270	(678)
PBT (before EO)	12.0	23.7	21.5	956	(215)
PAT	28.5	19.7	16.8	(1,173)	(291)

Source: Company, Emkay Research

**Exhibit 2: Operational Performance**

Hotel business	Q1FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
Rooms (no. of)	2,634	3,052	3,052	15.9	-
ARR (Rs)	10,317	11,862	10,446	1.3	(11.9)
Occupancy (%)	70.0	76.0	70.5	47 bps	-553 bps
RevPAR (Rs)	7,182	8,984	7,361	2.5	(18.1)
Room revenue (Rs mn)	1,747	2,379	2,004	14.7	(15.8)
Non-room revenue (Rs mn)	1,075	1,450	1,251	16.4	(13.8)
Total revenue (Rs mn)	2,822	3,829	3,255	15.3	(15.0)
EBITDA (Rs mn)	871	1,557	1,138	30.7	(26.9)
EBITDA Margin (%)	30.9	40.7	35.0	412 bps	-568 bps
<b>Commercial business</b>					
Revenue (Rs mn)	285	354	355	24.6	0.3
EBITDA (Rs mn)	227	272	264	16.3	(2.9)
EBITDA Margin (%)	79.6	76.8	74.4	-528 bps	-247 bps
<b>Consolidated</b>					
Revenue (Rs mn)	3,107	4,183	3,610	16.2	(13.7)
EBITDA (Rs mn)	1,098	1,829	1,402	27.7	(23.3)
EBITDA Margin (%)	35.3	43.7	38.9	351 bps	-486 bps

Source: Company, Emkay Research

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## Exhibit 3: Change in estimates

Change in estimates	FY25E			FY26E			FY27E
	Old	New	Change (%)	Old	New	Change (%)	Introduced
KPIs:							
Rooms (no. of)	3,252	3,252	-	3,642	3,642	-	3,922
Occupancy (%)	74.3	74.1	-17 bps	75.4	75.7	27 bps	77.0
ARR (Rs)	11,269	11,311	0.4	11,686	11,778	0.8	12,147
RevPAR (Rs)	8,373	8,386	0.2	8,817	8,912	1.1	9,355
Consolidated							
Revenue (Rs mn)	18,352	17,865	(2.7)	21,283	21,002	(1.3)	24,357
EBITDA (Rs mn)	8,565	8,244	(3.7)	10,394	10,027	(3.5)	12,069
EBITDA margin (%)	46.7	46.1	-56 bps	48.8	47.7	-106 bps	49.6

Source: Emkay Research

## Chalet Hotels: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>11,285</b>	<b>14,173</b>	<b>17,865</b>	<b>21,002</b>	<b>24,357</b>
Revenue growth (%)	128.4	25.6	26.1	17.6	16.0
<b>EBITDA</b>	<b>4,528</b>	<b>5,846</b>	<b>8,244</b>	<b>10,027</b>	<b>12,069</b>
EBITDA growth (%)	451.8	29.1	41.0	21.6	20.4
Depreciation & Amortization	1,173	1,384	1,641	1,883	2,161
<b>EBIT</b>	<b>3,355</b>	<b>4,462</b>	<b>6,603</b>	<b>8,144</b>	<b>9,908</b>
EBIT growth (%)	0.0	33.0	48.0	23.3	21.7
Other operating income	0	0	0	0	0
Other income	235	198	280	285	295
Financial expense	1,545	1,967	1,138	763	314
<b>PBT</b>	<b>2,045</b>	<b>2,694</b>	<b>5,745</b>	<b>7,665</b>	<b>9,889</b>
Extraordinary items	0	0	0	0	0
Taxes	895	(88)	1,512	2,070	2,670
Minority interest	0	0	0	0	0
Income from JV/Associates	683	0	0	0	0
<b>Reported PAT</b>	<b>1,833</b>	<b>2,782</b>	<b>4,233</b>	<b>5,596</b>	<b>7,219</b>
PAT growth (%)	0.0	51.8	52.2	32.2	29.0
<b>Adjusted PAT</b>	<b>1,833</b>	<b>2,782</b>	<b>4,233</b>	<b>5,596</b>	<b>7,219</b>
<b>Diluted EPS (Rs)</b>	<b>8.9</b>	<b>13.5</b>	<b>19.4</b>	<b>25.7</b>	<b>33.1</b>
Diluted EPS growth (%)	0.0	51.4	43.4	32.2	29.0
<b>DPS (Rs)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Dividend payout (%)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
EBITDA margin (%)	40.1	41.2	46.1	47.7	49.6
EBIT margin (%)	29.7	31.5	37.0	38.8	40.7
Effective tax rate (%)	43.8	(3.3)	26.3	27.0	27.0
<b>NOPLAT (pre-IndAS)</b>	<b>1,886</b>	<b>4,608</b>	<b>4,865</b>	<b>5,945</b>	<b>7,233</b>
Shares outstanding (mn)	205.0	205.5	218.1	218.1	218.1

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	2,045	2,694	5,745	7,665	9,889
Others (non-cash items)	2,044	3,388	2,497	2,360	2,177
Taxes paid	31	(553)	(1,350)	(1,923)	(2,539)
Change in NWC	(35)	1,366	(941)	(847)	(763)
<b>Operating cash flow</b>	<b>4,769</b>	<b>6,894</b>	<b>5,951</b>	<b>7,254</b>	<b>8,765</b>
Capital expenditure	(1,715)	(4,277)	(7,500)	(7,500)	(5,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	29	199	280	285	295
<b>Investing cash flow</b>	<b>(6,037)</b>	<b>(6,385)</b>	<b>(7,591)</b>	<b>(7,594)</b>	<b>(5,090)</b>
Equity raised/(repaid)	251	135	10,000	0	0
Debt raised/(repaid)	1,936	283	(4,000)	(727)	(691)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(927)	(1,496)	(1,138)	(763)	(314)
Dividend paid (incl tax)	0	0	0	0	0
Others	0	0	(548)	(520)	(494)
<b>Financing cash flow</b>	<b>1,260</b>	<b>(1,078)</b>	<b>4,314</b>	<b>(2,011)</b>	<b>(1,500)</b>
Net chg in Cash	(8)	(569)	2,674	(2,351)	2,174
OCF	4,769	6,894	5,951	7,254	8,765
Adj. OCF (w/o NWC chg.)	4,804	5,528	6,892	8,101	9,528
FCFF	3,054	2,617	(1,549)	(246)	3,765
FCFE	1,539	850	(2,407)	(725)	3,746
OCF/EBITDA (%)	105.3	117.9	72.2	72.3	72.6
FCFE/PAT (%)	83.9	30.5	(56.9)	(12.9)	51.9
<b>FCFF/NOPLAT (%)</b>	<b>161.9</b>	<b>56.8</b>	<b>(31.8)</b>	<b>(4.1)</b>	<b>52.0</b>

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	2,050	2,055	2,181	2,181	2,181
Reserves & Surplus	13,395	16,459	30,565	36,161	43,380
<b>Net worth</b>	<b>15,445</b>	<b>18,513</b>	<b>32,746</b>	<b>38,342</b>	<b>45,561</b>
Minority interests	(4)	(5)	(5)	(5)	(5)
Deferred tax liability (net)	(1,276)	(1,623)	(1,461)	(1,315)	(1,183)
<b>Total debt</b>	<b>32,199</b>	<b>36,719</b>	<b>31,898</b>	<b>30,472</b>	<b>29,207</b>
<b>Total liabilities &amp; equity</b>	<b>46,364</b>	<b>53,604</b>	<b>63,178</b>	<b>67,494</b>	<b>73,580</b>
Net tangible fixed assets	0	0	0	0	0
Net intangible assets	23,493	28,141	34,209	40,076	43,214
Net ROU assets	525	460	460	460	460
Capital WIP	978	369	377	384	392
Goodwill	537	686	686	686	686
Investments [JV/Associates]	16,474	18,447	18,816	19,192	19,576
<b>Cash &amp; equivalents</b>	<b>1,288</b>	<b>1,417</b>	<b>4,093</b>	<b>1,744</b>	<b>3,920</b>
Current assets (ex-cash)	5,824	7,498	7,658	7,824	7,998
Current Liab. & Prov.	1,693	2,268	1,973	1,726	1,520
<b>NWC (ex-cash)</b>	<b>4,131</b>	<b>5,230</b>	<b>5,684</b>	<b>6,098</b>	<b>6,477</b>
<b>Total assets</b>	<b>46,364</b>	<b>53,604</b>	<b>63,178</b>	<b>67,494</b>	<b>73,580</b>
Net debt	21,337	17,627	10,952	12,573	9,706
Capital employed	36,790	35,929	46,325	51,339	57,999
<b>Invested capital</b>	<b>27,624</b>	<b>33,371</b>	<b>39,893</b>	<b>46,174</b>	<b>49,692</b>
BVPS (Rs)	75.3	90.1	150.1	175.8	208.9
Net Debt/Equity (x)	1.4	1.0	0.3	0.3	0.2
Net Debt/EBITDA (x)	4.7	3.0	1.3	1.3	0.8
Effective coverage (x)	0.4	0.4	0.2	0.1	0.0
<b>RoCE (%)</b>	<b>10.2</b>	<b>12.8</b>	<b>16.7</b>	<b>17.3</b>	<b>18.7</b>

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	93.4	61.7	43.0	32.6	25.2
P/CE(x)	57.0	41.2	31.0	24.4	19.4
P/B (x)	11.1	9.3	5.6	4.8	4.0
EV/Sales (x)	17.1	13.4	10.8	9.3	7.9
EV/EBITDA (x)	42.5	32.4	23.4	19.4	15.9
EV/EBIT(x)	57.4	42.4	29.2	23.9	19.4
EV/IC (x)	7.0	5.7	4.8	4.2	3.9
FCFF yield (%)	1.6	1.4	(0.8)	(0.1)	2.0
FCFE yield (%)	0.9	0.5	(1.3)	(0.4)	2.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
<b>DuPont-RoE split</b>					
Net profit margin (%)	16.2	19.6	23.7	26.6	29.6
Total asset turnover (x)	0.3	0.4	0.4	0.4	0.4
Assets/Equity (x)	2.4	2.1	1.6	1.4	1.3
<b>RoE (%)</b>	<b>12.7</b>	<b>16.4</b>	<b>16.5</b>	<b>15.7</b>	<b>17.2</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	16.7	32.5	27.2	28.3	29.7
IC turnover (x)	0.4	0.5	0.5	0.5	0.5
<b>RoIC (%)</b>	<b>7.1</b>	<b>15.1</b>	<b>13.3</b>	<b>13.8</b>	<b>15.1</b>
<b>Operating metrics</b>					
Core NWC days	35.2	22.8	22.4	25.0	26.1
<b>Total NWC days</b>	<b>133.6</b>	<b>134.7</b>	<b>116.1</b>	<b>106.0</b>	<b>97.1</b>
Fixed asset turnover	0.5	0.5	0.6	0.6	0.6
Opex-to-revenue (%)	59.9	58.8	53.9	52.3	50.4

Source: Company, Emkay Research

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<b>SELL</b>	<15% downside

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