

ARR-driven growth

30 January 2025

Chalet Hotels (CHALET IN) reported in-line Q3, with slight miss on profitability due to higher-than-expected depreciation and interest costs. Segmental financials are largely in line for both hospitality and commercial lease rental segments. CHALET reported INR 965mn profit at the PAT level versus our estimate of INR 1.1bn profit. We remain structurally positive on CHALET, given visibility on healthy room addition till FY29. Healthy cash generation FY25 onwards will give it gunpowder to harness inorganic growth opportunities. Reiterate BUY with a lower SoTP-TP of INR 1,039.

MMR RevPAR down by 2% YoY due to drop in occupancy: MMR's revenue contribution dropped from 63% to 56%, reflecting a strategic diversification towards other key markets, with Hyderabad and NCR markets offsetting the dip. ADR in MMR grew 13% YoY to INR 12,972, underscoring strong pricing power, while occupancy declined 400bps to 74%, as CHALET let go off some low-paying clients. CHALET was supported by a robust ADR strategy, which led to RevPAR growth of 7% despite dip in occupancy. Occupancy remained in mid-70s. Additionally, the upcoming launch of Fairmont Mumbai (1 March 2025) could pose competitive pressure on JW Marriott Sahar, potentially impacting ARR and occupancy, given its comparable market positioning.

Ex-MMR RevPAR grew by 6% led by both occupancy and ARR: Ex-MMR, occupancy growth of 400bps was led by ~1,600bps rise in occupancy in Pune. A 26% ARR growth in ex-MMR markets was led by 31%, ~10% and ~10% increase in ARR at hotels in Bengaluru, Pune and Hyderabad respectively. Courtyard by Marriott, Aravali witnessed increased occupancy as well as ARR. The property will be repositioned as Marriott in the next six months. The upcoming addition of ~130 rooms at Bengaluru Marriott hotel in the coming weeks is expected to further strengthen capacity and market presence in the IT city. About 40 keys at Dukes, Khandala remain out of circulation, but the hotel will be relaunched in May at full capacity of 145 rooms.

Reiterate Buy with a lower TP of INR 1,039: The recent addition of Goa and Kerala assets to the pipeline provides growth visibility beyond FY27. With strong cash generation from FY25, we expect CHALET to pursue inorganic growth opportunities. Strong promoter pedigree – the Raheja Group – ensures operational expertise, management bandwidth and financial flexibility. CHALET's tie-ups with global brands ensure continued high occupancy and healthy ARR.

We have cut EBITDA and APAT by 5% and 12% for FY26E and by 4% and 9% for FY27E, respectively, to factor in ~100-150bps lower-than-earlier expected occupancy in MMR. So, we lower SoTP-TP to INR 1,039 from INR 1,089, assuming 22x (unchanged) FY27E EV/EBITDA for the hotels business, with an 8% capitalization rate for commercial leasing and 1x (unchanged) NAV for residential real estate. Key risks include weak hotel demand and lower-than-expected ARR growth. We reiterate **Buy**.

Key financials

YE March	FY23	FY24	FY25E	FY26E	FY27E
Rev (INR mn)	11,285	14,173	17,260	20,179	23,418
YoY (%)	122.2	25.6	21.8	16.9	16.1
EBITDA (INR mn)	4,528	5,846	7,296	8,694	10,376
EBITDA margin (%)	40.1	41.2	42.3	43.1	44.3
Adj PAT (INR mn)	1,400	2,782	2,906	4,285	5,543
YoY (%)	(298.6)	98.8	4.5	47.4	29.4
EPS (INR)	6.8	13.5	13.3	19.6	25.4
RoE (%)	9.1	15.0	9.3	11.4	12.0
RoCE (%)	5.2	9.6	1.9	9.4	10.0
P/E (x)	53.3	65.2	56.6	38.4	29.7
EV/EBITDA (x)	23.8	35.9	24.6	20.2	15.9

Note: pricing as on 30 January 2025; Source: Company, Elara Securities Estimate

Rating: **Buy**

Target Price: **INR 1,039**

Upside: **35%**

CMP: **INR 767**

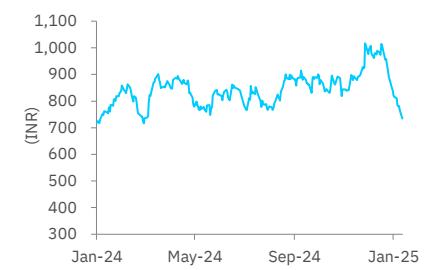
As on 30 January 2025

Key data

Bloomberg	CHALET IN
Reuters Code	CHALNS
Shares outstanding (mn)	218
Market cap (INR bn/USD mn)	168/1934
Enterprise Value (INR bn/USD mn)	187/2162
Avg daily volume 3M (INR mn/USD mn)	413/5
52 week high/low	1052/652
Free float (%)	33

Note: as on 30 January 2025; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q4	Q1	Q2	Q3
	FY24	FY25	FY25	FY25
Promoter	71.7	67.5	67.5	67.4
% Pledged	31.9	31.9	31.9	31.9
FII	4.2	6.8	7.0	7.5
DII	19.7	21.5	21.5	21.1
Others	4.4	4.2	4.0	4.0

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(4.5)	(6.5)	8.0
Chalet Hotels	(8.7)	(10.0)	1.8
NSE Mid-cap	(6.4)	(10.1)	10.3
NSE Small-cap	(10.0)	(13.8)	5.7

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Financials (YE March)

Income Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	11,285	14,173	17,260	20,179	23,418
EBITDA	4,528	5,846	7,296	8,694	10,376
Less :- Depreciation & Amortization	1,173	1,384	1,769	1,822	1,906
EBIT	3,355	4,462	5,527	6,872	8,470
Less:- Interest Expenses	1,545	1,967	1,593	990	810
Add:- Non operating Income	495	198	218	239	259
PBT	2,305	2,694	4,152	6,121	7,918
Less :- Taxes	906	(88)	3,425	1,836	2,375
Adjusted PAT	1,400	2,782	727	4,285	5,543
Add/Less: - Extra-ordinaries	423	-	-	-	-
Reported PAT	1,823	2,782	727	4,285	5,543
Balance Sheet (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	2,050	2,055	2,181	2,181	2,181
Reserves	13,369	16,459	29,080	35,273	43,871
Minority Interest	(4)	(5)	(4)	(4)	(4)
Borrowings	27,939	29,503	19,503	13,503	13,503
Deferred Tax (Net)	(1,445)	(1,623)	1,075	1,840	1,840
Trade Payable	1,502	2,071	2,412	2,820	3,272
Other Liabilities	4,452	7,412	7,366	8,519	9,799
Total Liabilities	47,863	55,872	61,613	64,132	74,462
Gross Block	32,784	37,042	39,042	39,342	42,642
Less:- Accumulated Depreciation	11,815	12,624	14,393	16,215	18,121
Net Block	20,969	24,418	24,649	23,126	24,520
CWIP	978	369	4,500	11,300	2,800
Other Non Current Assets	18,873	22,272	22,101	23,072	29,905
Cash & bank balances	1,220	1,323	4,506	2,550	13,139
Inventory	4,129	5,420	3,310	1,106	642
Trade Receivable	590	552	804	940	1,091
Other Net Assets	1,105	1,518	1,743	2,038	2,365
Total Assets	47,863	55,872	61,613	64,132	74,462
Cash Flow Statement (INR mn)	FY23	FY24	FY25E	FY26E	FY27E
Cash profit adjusted for non cash items	4,773	6,082	7,296	8,694	10,376
Add/Less : Working Capital Changes	(35)	1,366	1,758	2,312	1,333
Taxes Paid	31	(553)	(363)	(536)	(693)
Operating Cash Flow	4,769	6,894	8,691	10,470	11,016
Less:- Capex	(5,874)	(6,596)	(6,131)	(7,100)	(1,300)
Free Cash Flow	(1,105)	298	2,560	3,370	9,716
Financing Cash Flow	1,260	(1,078)	(1,593)	(6,990)	(810)
Investing Cash Flow	(5,924)	(6,349)	(3,063)	(5,435)	384
Net change in Cash	105	(532)	4,036	(1,956)	10,589
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Income Statement Ratios(%)					
Revenue Growth	122.2	25.6	21.8	16.9	16.1
EBITDA Growth	359.8	29.1	24.8	19.2	19.3
PAT Growth	(298.6)	98.8	4.5	47.4	29.4
EBITDA Margin	40.1	41.2	42.3	43.1	44.3
Net Margin	12.4	19.6	16.8	21.2	23.7
Return & Liquidity Ratios (%)					
Net Debt/Equity (x)	1.7	1.5	0.5	0.3	0.0
ROE (%)	9.1	15.0	9.3	11.4	12.0
ROCE (%)	5.2	9.6	1.9	9.4	10.0
Per Share data & Valuation Ratios					
Diluted EPS (Rs/Share)	6.8	13.5	13.3	19.6	25.4
EPS Growth (%)	(298.6)	98.3	(1.6)	47.4	29.4
P/E Ratio (x)	53.3	65.2	56.6	38.4	29.7
EV/EBITDA (x)	23.8	35.9	24.6	20.2	15.9
EV/Sales (x)	9.0	14.8	10.4	8.7	7.0
BVPS (INR)	75	90	143	172	211
Price/Book (x)	4.8	9.8	5.3	4.4	3.6

Note: Pricing as on 30 January 2025; Source: Company, Elara Securities Estimate

Hospitality revenue CAGR of 16% in FY24-27E; commercial lease rental business CAGR at 21% in the same period

Planned capex of INR 15bn in the next 3-4 years

Healthy cash generation from FY25

Margin to improve incrementally

Segment-wise performance in line with estimates; depreciation and interest costs affect PAT

ARR up 18% YoY; occupancy down by 100bp

Quarterly financials

Consolidated financials (INR mn)	Q3 FY25	Q3 FY24	YoY (%)	Q2 FY25	QoQ (%)	Q3 FY25E	Variance (%)	9M FY25	9M FY24	YoY (%)
Cons net sales	4,578	3,737	22.5	3,771	21.4	4,636	(1.2)	11,959	9,990	19.7
Food & beverages consumed	312	283	10.1	270	15.4	323	(3.6)	847	767	10.4
Power and fuel	192	172	11.7	208	(7.4)	223	(13.7)	625	550	13.8
Employee cost	578	488	18.4	542	6.6	556	3.9	1,668	1,430	16.7
Other Expenses	1,449	1,134	27.9	1,256	15.4	1,319	9.9	3,873	3,226	20.1
Total Expenditure	2,531	2,077	21.9	2,275	11.2	2,542	(0.4)	7,014	5,973	17.4
EBITDA	2,047	1,660	23.3	1,495	36.9	2,093	(2.2)	4,944	4,017	23.1
Margin (%)	44.7%	44.4%	bp	39.7%	5bp	45.2%	bp	41.3%	40.2%	2.8
Depreciation	477	353	35.1	424	12.6	441	8.1	1,290	1,013	27.4
EBIT	1,570	1,307	20.1	1,071	46.5	1,652	(5.0)	3,654	3,005	21.6
Interest	453	482	(6.1)	339	33.8	300	51.0	1,108	1,438	(22.9)
Other Income	67	62	7.2	61	8.7	68	(2.6)	209	136	53.2
PBT	1,184	887	33.5	794	49.0	1,420	(16.7)	2,755	1,703	61.7
Tax	218	180	21.2	2,179	(90.0)	358	(39.0)	2,568	(254)	(1,110.6)
Tax Rate (%)	18.4	20.3	(2)bp	274.4	(256)bp	25.2	(7)bp	93.2	(14.9)	(724.8)
RPAT	965	706	36.6	(1,385)	(169.7)	1,062	(9.1)	187	1,957	(90.5)
APAT	965	706	36.6	794	21.5	1,062	(9.1)	2,366	1,957	20.9
Adj EPS	4.4	3.4	28.6	3.6	21.6	4.9	(9.1)	11.0	9.5	15.5

Source: Company, Elara Securities Estimate

Rental annuity business grew 33% in leasable area: The Rental and Annuity segment saw incremental leasing of 0.4MSF (mn sqft) in Q3, driving a 33% YoY expansion in leasable area to 1.6MSF (from 1.2MSF in Q2FY25). Revenue surged 91% YoY, and EBITDA 82% YoY, supported by robust leasing momentum and higher average price realizations per sqft.

Residential business to clock-in revenues at consolidated level from Q4FY25: In Q3FY25, 18 residential units were sold versus 32 units in Q2FY25, leaving 50 units unsold at the quarter-end. Revenue recognition from the residential segment will commence in Q4FY25, with INR 2.9bn already collected and INR 4bn in receivables as of Q3FY25. Additionally, the CIGNUS POWAI, Tower II in Mumbai (0.9MSF) remains on track for completion in Q4FY27, further enhancing the company's annuity-focused portfolio. CIGNUS Powai Tower II has a total capex of INR 8bn, of which INR 2bn has been spent, with the remaining INR 6bn may be deployed in the next three quarters.

Robust expansion pipeline (~1,175 keys) to further drive RevPAR growth: CHALET continues to strengthen its hospitality portfolio with a well-diversified pipeline across key markets. In Goa, a 175-180 key leisure hotel is expected to receive approvals in the next 3-4 months, with a 30-month construction timeline. The capex is likely to be INR 14mn per key. CHALET plans to build a ~150 room upscale property with a large convention center at its spare land in Trivandrum, Kerala. At a later stage it might further expand up to ~300-400 rooms, including adding a few villas with a lakefront view.

Exhibit 1: Hospitality revenue grew 16% driving overall revenue growth

Hospitality	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue	3,999	3,437	16.3	3,352	19.3	10,605	9,103	16.5
Room Revenue	2,489	2,054	21.2	2,122	17.3	6,615	5,614	17.8
F&B	1,229	1,134	8.4	1,014	21.2	3,282	2,822	16.3
Others	281	249	12.8	216	30.0	708	666	6.4
EBITDA	1,847	1,589	16.2	1,387	33.2	4,575	3,966	15.4
Margin (%)	46.2	46.2	(4)bp	41.4	481bp	43.1	43.6	(43)bp
Occupancy (%)	70.0	71.0	(100)bp	74.0	(400)bp	72.0	71.0	100bp
ARR (INR)	12,944	10,974	18.0	10,532	22.9	11,307	10,300	9.8
RevPAR (INR)	9,061	7,792	16.3	7,794	16.3	8,073	7,343	9.9

Rental & Annuity

Revenue	576	302	90.9	419	37.7	1,351	887	52.2
EBITDA	455	251	81.3	323	40.9	1,042	715	45.7
Margin (%)	78.9	83.1	(419)bp	77.1	179bp	77.1	80.6	(345)bp

Source: Company, Elara Securities Research

Exhibit 2: Robust pipeline to increase inventory by ~28% to ~4,227 keys

Hotels	New rooms	Location	Completion update
The Dukes Retreat Renovation & Expansion	65 New	Khandala	Phase 1 opened in August'24 Phase 2 – Q1 FY26
Bengaluru Marriott Hotel Whitefield Expansion	125-130 rooms	Bengaluru	Q4 FY25
Taj at Delhi International Airport	385-390 rooms	New Delhi	Q1 FY27
Hyatt Regency at Airoli, Navi Mumbai	~280 rooms	Mumbai	H2 FY27
New Hotel at Varca, Goa	~170 rooms	Goa	FY28
New Hotel at Trivandrum, Kerala	~150 rooms	Trivandrum	-

Source: Company Elara Securities Research

Exhibit 3: SoTP valuation

SoTP valuation	Hotel Segment	Commercial Real Estate	Entity
FY27E EBITDA (INR mn)	8,404	2,909	11,313
EV/EBITDA multiple (x)	22	13	
Total segment EV (INR mn)	184,883	36,359	221,242
Residential Real Estate NAV			5,701
Total EV			226,943
Net debt (INR mn)			364
Target M. Cap (INR mn)			226,579
O/S shares (mn)			218
Target price (INR)			1,039
Upside (%)			35.4
Implied P/E (x)			40.9
Implied EV/EBITDA (x)			21.3

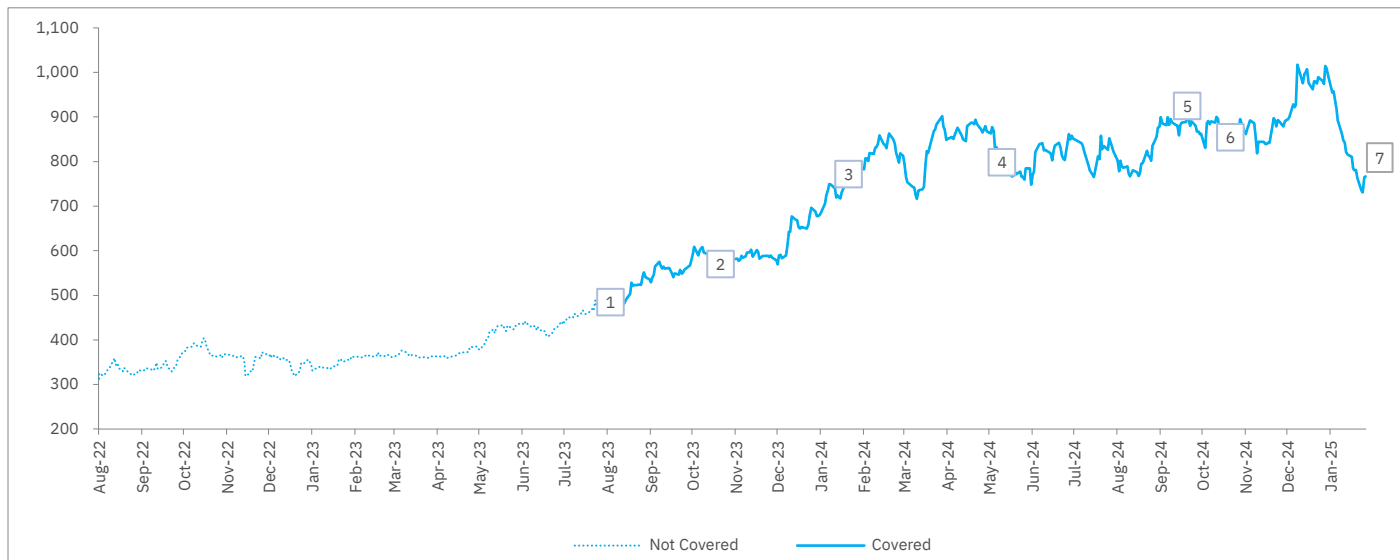
Note: pricing as on 30 January 2025; Source: Elara Securities Estimate

Exhibit 4: Change in estimates

(INR mn)	Earlier			Revised			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net sales	17,833	20,251	23,377	17,260	20,179	23,418	(3.2)	(0.4)	0.2
EBITDA	7,917	9,161	10,816	7,296	8,694	10,376	(7.8)	(5.1)	(4.1)
EBITDA margin (%)	44.4	45.2	46.3	42.3	43.1	44.3	(212)bp	(215)bp	(196)bp
PAT	3,567	4,844	6,094	2,906	4,285	5,543	(18.5)	(11.6)	(9.1)
EPS (INR)	16.4	22.2	27.9	13.3	19.6	25.4	(18.5)	(11.6)	(9.1)
Target price (INR)			1,089			1,039			(4.6)

Source: Elara Securities Estimate

Coverage History



	Date	Rating	Target Price	Closing Price
1	8-Aug-2023	Buy	INR 617	INR 479
2	25-Oct-2023	Accumulate	INR 662	INR 560
3	25-Jan-2024	Accumulate	INR 825	INR 762
4	14-May-2024	Accumulate	INR 873	INR 789
5	23-Sep-2024	Buy	INR 1,123	INR 891
6	25-Oct-2024	Buy	INR 1,089	INR 845
7	30-Jan-2025	Buy	INR 1,039	INR 767

Guide to Research Rating

BUY	Absolute Return >+20%
ACCUMULATE	Absolute Return +5% to +20%
REDUCE	Absolute Return -5% to +5%
SELL	Absolute Return < -5%

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Elara Capital Inc.'s affiliate does not expect to receive compensation from Chalet Hotels Limited in the next 3 months.

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