Chalet Hotels HOLD

Good show on operational parameters

Summary

Chalet Hotels Ltd.'s (Chalet) Q3FY26 result was ahead of our estimates on key parameters. The management guided that the Indian hospitality demand remains structurally strong, driven by rising disposable incomes, experiential travel preferences, weddings, MICE activity, and improving infrastructure. ADR growth continues at healthy double-digit levels across most markets. Bangalore, Hyderabad, Pune, and MMR delivered strong performance, with MMR achieving high single-digit RevPAR growth despite operational headwinds at Powai and Vashi, outperforming the broader Mumbai market. New resort brand Athiva Khandala delivered encouraging early traction, achieving multiple sold-out days within 45 days of launch, strong guest feedback, and robust traction across weddings, and MICE segments. We roll over to FY28E and maintain HOLD with TP of Rs1,007 (earlier Rs1,025), assigning 21x EV/EBITDA on FY28E.

Key Highlights and Investment Rationale

- **Healthy RevPAR growth aided earnings:** Consolidated revenue grew by 27% YoY to Rs5,817Mn, while EBITDA increased 29% YoY to Rs2,651Mn, with margins expanding 86 bps to 45.6%, including residential income contribution during the quarter. Hospitality segment revenue rose 23% YoY to Rs4,913Mn, driven by strong RevPAR growth and ADR expansion of ~16%, despite occupancy pressures from newly added inventory and renovation-related disruptions.

- **Optimistic guidance on RevPAR growth, HOLD with a TP of Rs1,007:** Chalet has been our preferred pick amongst the domestic hospitality space. The industry is poised for consistent growth, underpinned by strong domestic demand, recovering international travel, disciplined capital allocation, and sustained supply constraints across key hotel markets. We anticipate Chalet will outperform the industry growth rate on RevPAR and will have healthy operating margin improvement in near term. HOLD with a TP of Rs1,007.

TP	Rs1,007
CMP	**Rs896**
Potential upside/downside	12%
Previous Rating	HOLD

Price Performance (%)

	-1m	-3m	-12m
Absolute	(0.6)	(6.5)	12.0
Rel to Sensex	1.8	(6.2)	3.5

V/s Consensus

EPS (Rs)	FY26E	FY27E	FY28E
IDBI Capital	29.0	28.3	30.7
Consensus	25.2	30.6	36.2
% difference	*15.1*	*(7.4)*	*(15.2)*

Key Stock Data

Bloomberg / Reuters	CHALET IN / CHAL.BO
Sector	Hotels
Shares o/s (mn)	219
Market cap. (Rs mn)	1,96,347
3-m daily avg Trd value (Rs mn)	3.5
52-week high / low	Rs1,080 / 644
Sensex / Nifty	83,739 / 25,728

Shareholding Pattern (%)

Promoters	67.3
FII	5.1
DII	24.0
Public	3.6

Financial snapshot (Rs mn)

Year	FY24	FY25	FY26E	FY27E	FY28E
Revenue	14,173	17,178	27,764	26,654	28,550
Change (yoy, %)	25.6	21.2	61.6	(4.0)	7.1
EBITDA	5,846	7,359	12,260	12,137	13,163
Change (yoy, %)	29.1	25.9	66.6	(1.0)	8.5
EBITDA Margin (%)	41.2	42.8	44.2	45.5	46.1
Adj.PAT	2,782	1,424	6,418	6,187	6,702
EPS (Rs)	14.0	7.0	29.0	28.3	30.7
Change (yoy, %)	30.5	*(51.9)*	*350.7*	*(3.6)*	*8.3*
PE(x)	66.2	*137.5*	*30.5*	*31.6*	*29.2*
Dividend Yield (%)	-	-	*0.1*	*0.2*	*0.2*
EV/EBITDA (x)	34.4	*28.5*	*16.9*	*16.9*	*15.3*
RoE (%)	16.4	5.8	19.1	15.7	14.7
RoCE (%)	9.5	10.3	16.2	14.2	14.1

Source: IDBI Capital Research

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Concall Highlights:

Industry Scenario

- Indian hospitality demand remains structurally strong, driven by rising disposable incomes, experiential travel preferences, weddings, MICE activity, and improving infrastructure, with travel increasingly viewed as a lifestyle necessity rather than discretionary spending.
- ADR growth continues at healthy double-digit levels across most markets, supported by sustained demand-supply imbalance, limited new hotel supply in key micro-markets, and strong pricing power, especially in premium business and leisure destinations.
- Infrastructure investments in airports, highways, and regional connectivity are unlocking new tourism corridors beyond metros, while event-led travel including concerts, festivals, and spiritual tourism is generating incremental demand spikes.
- International travel recovery is gaining momentum, aided by improving global sentiment and trade engagements, with foreign guest mix now exceeding pre-COVID levels, reinforcing confidence in medium-term demand sustainability.

Operating Performance:

- Consolidated revenue grew 27% YoY to Rs5,817Mn, while EBITDA increased 29% YoY to Rs2,651Mn, with margins expanding 86 bps to 45.6%, including residential income contribution during the quarter.
- Hospitality segment revenue rose 23% YoY to Rs4,913Mn, driven by strong RevPAR growth and ADR expansion of ~16%, despite occupancy pressures from newly added inventory and renovation-related disruptions.
- Like-for-like hospitality revenue growth stood at 15% YoY, excluding the Western Resort & Spa Himalayas, highlighting underlying strength in core operating assets across business-heavy micro-markets.
- RevPAR grew ~12% overall; excluding the Himalayas asset, RevPAR growth was ~10%, with occupancy decline of 230 bps largely attributable to Bangalore key additions, Khandala ramp-up, Powai construction disruption, and Vashi renovation.

- Bangalore, Hyderabad, Pune, and MMR delivered strong performance, with MMR achieving high single-digit RevPAR growth despite operational headwinds at Powai and Vashi, outperforming the broader Mumbai market.
- New resort brand Athiva Khandala delivered encouraging early traction, achieving multiple sold-out days within 45 days of launch, strong guest feedback, and robust traction across weddings, and MICE segments.

Debt Scenario

- Net debt stood at ~Rs20Bn, with average cost of borrowing declining 14 bps QoQ to 7.48%, reflecting improving credit profile and disciplined balance sheet management.
- Company raised Rs1Bn via commercial paper at a fixed coupon of 6.3%, rated A1+, underlining strong lender confidence and providing low-cost liquidity support for ongoing operations.

Capex

- Capital work-in-progress and assets pending business commencement stood at ~Rs7.2Bn, largely relating to Powai Tower 2, Delhi Airport hotel, and other ongoing development projects.
- Planned capex of Rs25Bn over FY27–FY29 spans hospitality and commercial real estate projects, with funding primarily through internal accruals, maintaining conservative leverage and financial flexibility.
- Key projects include Powai Tower 2 targeted for FY27 launch, staggered opening at Delhi Airport hotel, and commencement of Hyatt Regency Airoli following environmental clearances.

Guidance

- Management expects occupancy normalization over the next 2–3 quarters in Bangalore and gradual stabilization at Athiva Khandala, with RevPAR growth remaining in double digits as ADR strength persists.
- Commercial real estate occupancy expected to rise toward 90% at Powai in the near term, supporting steady cash flow growth and enhanced return visibility.
- Medium-term outlook remains positive, underpinned by strong domestic demand, recovering international travel, disciplined capital allocation, and sustained supply constraints across key hotel markets.

Exhibit 1: Financial snapshot

Particulars (Rs mn)	Q3FY26	Q2FY26	*QoQ%*	Q3FY25	*YoY%*
Total Revenue	**5,817**	**7,353**	***-20.9***	**4,578**	***27.1***
Total Expenditure	3,166	4,361	*-27.4*	2,531	*25.1*
EBITDA	**2,651**	**2,992**	***-11.4***	**2,047**	***29.5***
EBITDA Margin (%)	***45.6***	***40.7***	***488bps***	***44.7***	***86bps***
Depreciation	585	574	*1.8*	477	*22.5*
Interest cost	459	454	*1.2*	453	*1.4*
Other income	75	85	*-11.5*	67	*13.1*
PBT	**1,683**	**2,049**	***-17.9***	**1,184**	***42.2***
Tax	432	501	*-13.9*	218	*97.8*
Adj. Net profit	**1,251**	**1,548**	***-19.2***	**965**	***29.6***
Reported Net Profit	**1,241**	**1,548**	***-19.9***	**965**	***28.5***
EPS (INR)	6.09	7.53	*-19.9*	4.70	*28.5*

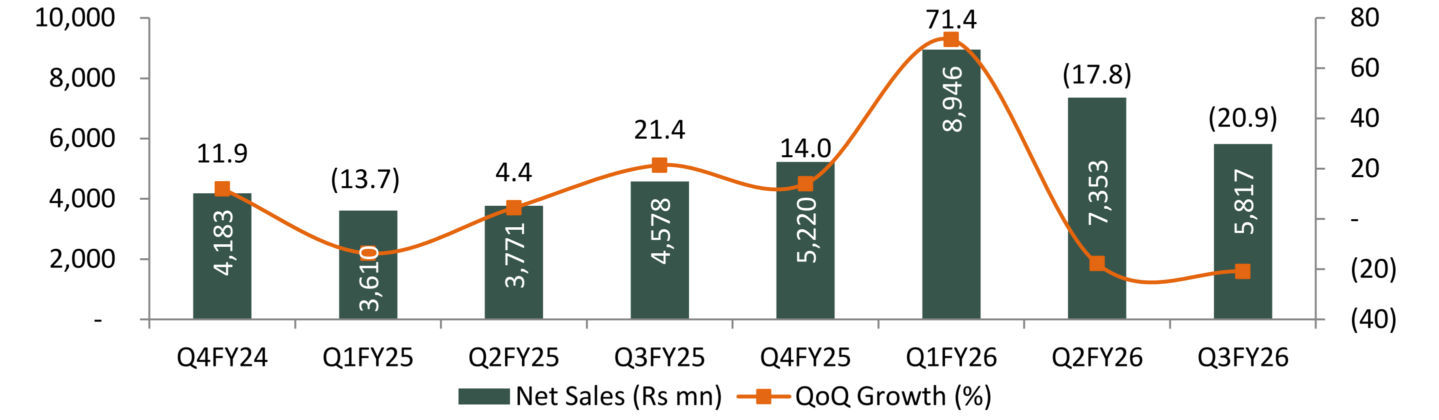
Source: Company; IDBI Capital Research

Exhibit 2: Actual vs Estimates

Particulars (Rs mn)	Q3FY26A	Q3FY26E	*Variance (%)*
Net Sales	**5,817**	**5,253**	***11%***
EBITDA	2,651	2,382	*11%*
EBITDA Margin (%)	*45.6*	*45.4*	*22bps*
Net Profit	**1,241**	**1,080**	***15%***
EPS (Rs)	6.1	5.3	*15%*

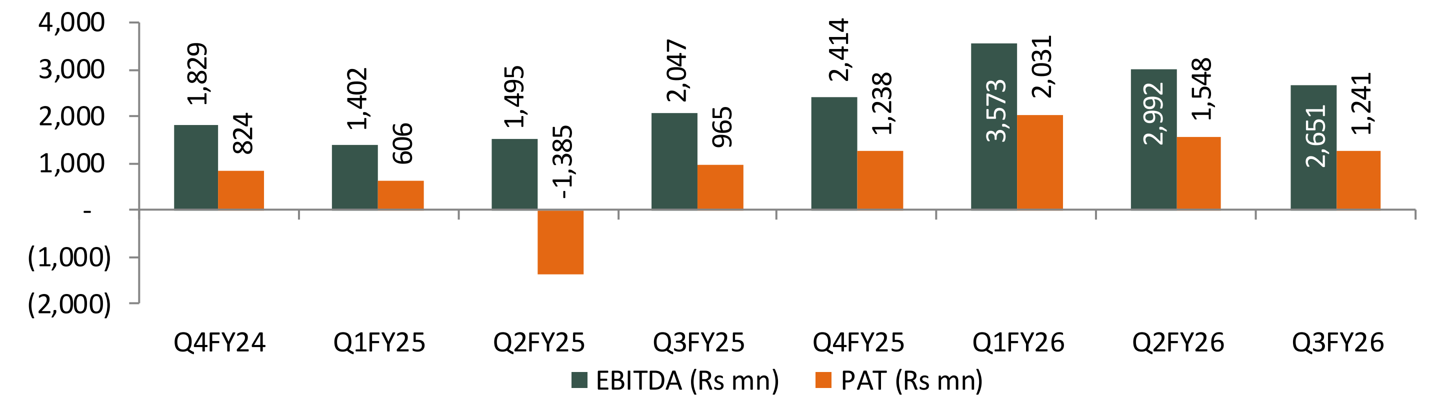
Source: Company; IDBI Capital Research

Exhibit 3: Consolidated revenue analysis



Source: Company; IDBI Capital Research

Exhibit 4:EBITDA/PAT analysis



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	**11,285**	**14,173**	**17,178**	**27,764**	**26,654**	**28,550**
Change (yoy, %)	*122.2*	*26*	*21*	*62*	*(4)*	*7*
Operating expenses	(6,757)	(8,327)	(9,819)	(15,503)	(14,518)	(15,388)
EBITDA	**4,528**	**5,846**	**7,359**	**12,260**	**12,137**	**13,163**
Change (yoy, %)	*359.8*	*29*	*26*	*67*	*(1)*	*8*
Margin (%)	*40.1*	*41.2*	*42.8*	*44.2*	*45.5*	*46.1*
Depreciation	(1,173)	(1,384)	(1,788)	(2,367)	(2,637)	(2,907)
EBIT	**3,355**	**4,462**	**5,571**	**9,893**	**9,500**	**10,256**
Interest paid	(1,545)	(1,967)	(1,591)	(1,831)	(1,816)	(1,921)
Other income	495	198	362	514	565	622
Pre-tax profit	**2,728**	**2,694**	**4,342**	**8,576**	**8,249**	**8,956**
Tax	(179)	88	(2,918)	(2,159)	(2,062)	(2,254)
Effective tax rate (%)	*6.5*	*(3.3)*	*67.2*	*25.2*	*25.0*	*25.2*
Minority Interest	-	-	-	-	-	-
Net profit	**2,550**	**2,782**	**1,424**	**6,418**	**6,187**	**6,702**
Exceptional items	423	-	-	-	-	-
Adjusted net profit	**2,127**	**2,782**	**1,424**	**6,418**	**6,187**	**6,702**
Change (yoy, %)	*(431.3)*	*31*	*(49)*	*351*	*(4)*	*8*
EPS	10.4	13.5	6.5	29.4	28.3	30.7
Dividend per sh	-	-	-	1.0	1.5	2.0
Dividend Payout (%)	-	-	-	*4*	*6*	*8*

Balance Sheet (Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' funds	**15,419**	**18,513**	**30,462**	**36,618**	**42,411**	**48,589**
Share capital	2,050	2,055	2,185	2,185	2,185	2,185
Reserves & surplus	13,369	16,459	28,278	34,433	40,227	46,405
Total Debt	**22,077**	**18,546**	**15,530**	**13,200**	**11,880**	**10,692**
Other liabilities	28,895	30,699	27,994	27,130	27,204	27,297
Curr Liab & prov	**5,190**	**552**	**782**	**1,017**	**915**	**823**
Current liabilities	4,998	8,288	12,183	13,561	13,959	14,680
Provisions	191	197	245	255	266	279
Total liabilities	**33,893**	**38,987**	**40,178**	**40,692**	**41,163**	**41,977**
Total equity & liabilities	**49,309**	**57,495**	**70,635**	**77,304**	**83,569**	**90,560**
Net fixed assets	39,513	44,425	53,935	58,624	63,094	67,387
Investments	656	981	1,790	1,611	1,482	1,571
Other non-curr assets	2,094	3,269	3,258	3,423	3,597	3,796
Current assets	**7,045**	**8,821**	**11,651**	**13,647**	**15,396**	**17,807**
Inventories	4,129	5,420	6,325	8,223	8,551	8,894
Sundry Debtors	590	552	782	1,017	915	823
Cash and Bank	1,220	1,323	1,862	1,633	3,057	5,109
Loans and advances	-	8	988	1,047	1,110	1,165
Total assets	**49,309**	**57,495**	**70,635**	**77,304**	**83,569**	**90,560**

Cash Flow Statement

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Pre-tax profit	2,728	2,694	4,342	8,576	8,249	8,956
Depreciation	1,173	1,384	1,788	2,367	2,637	2,907
Tax paid	717	(90)	(583)	(1,951)	(1,867)	(2,040)
Chg in working capital	71	2,028	1,780	(813)	107	415
Other operating activities	-	-	-	-	-	-
Cash flow from operations (a)	**4,690**	**6,015**	**7,327**	**8,179**	**9,126**	**10,238**
Capital expenditure	(6,230)	(6,296)	(11,298)	(7,056)	(7,107)	(7,200)
Chg in investments	(206)	(324)	(809)	179	129	(89)
Other investing activities	-	-	-	-	-	-
Cash flow from investing (b)	**(6,436)**	**(6,620)**	**(12,107)**	**(6,877)**	**(6,978)**	**(7,288)**
Equity raised/(repaid)	0	4	130	0	0	0
Debt raised/(repaid)	649	(3,531)	(3,016)	(2,329)	(1,320)	(1,188)
Dividend (incl. tax)	-	-	-	(262)	(393)	(524)
Chg in monorities	(1)	(1)	(1)	-	-	-
Other financing activities	1,320	4,235	8,207	1,060	989	815
Cash flow from financing (c)	**1,968**	**708**	**5,320**	**(1,532)**	**(724)**	**(897)**
Net chg in cash (a+b+c)	**221**	**103**	**539**	**(229)**	**1,424**	**2,052**

Financial Ratios

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Book Value (Rs)	75	90	139	168	194	222
Adj EPS (Rs)	*10.4*	*13.5*	*6.5*	*29.4*	*28.3*	*30.7*
Adj EPS growth (%)	*-431.3*	*30.5*	*-51.9*	*350.7*	*-3.6*	*8.3*
EBITDA margin (%)	*40.1*	*41.2*	*42.8*	*44.2*	*45.5*	*46.1*
Pre-tax margin (%)	*24.2*	*19.0*	*25.3*	*30.9*	*30.9*	*31.4*
Net Debt/Equity (x)	*1.4*	*0.9*	*0.4*	*0.3*	*0.2*	*0.1*
ROCE (%)	*8.0*	*9.5*	*10.3*	*16.2*	*14.2*	*14.1*
ROE (%)	*14.8*	*16.4*	*5.8*	*19.1*	*15.7*	*14.7*
DuPont Analysis						
Asset turnover (x)	0.2	0.3	0.3	0.4	0.3	0.3
Leverage factor (x)	3.3	3.1	2.6	2.2	2.0	1.9
Net margin (%)	*18.8*	*19.6*	*8.3*	*23.1*	*23.2*	*23.5*
Working Capital & Liquidity ratio						
Inventory days	134	140	134	108	117	114
Receivable days	19	14	17	13	13	11
Payable days	81	91	64	61	58	58

Valuations

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
PER (x)	86.4	66.2	137.5	30.5	31.6	29.2
Price/Book value (x)	11.9	9.9	6.4	5.3	4.6	4.0
EV/Net sales (x)	18.1	14.2	12.2	7.5	7.7	7.1
EV/EBITDA (x)	45.2	34.4	28.5	16.9	16.9	15.3
Dividend Yield (%)	*0.0*	*0.0*	*0.0*	*0.1*	*0.2*	*0.2*

Source: Company; IDBI Capital Research

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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Most Important Terms and Conditions

1. These terms and conditions, and consent thereon are for the research services provided by the Research Analyst (RA) and RA cannot execute/carry out any trade (purchase/sell transaction) on behalf of, the client. Thus, the clients are advised not to permit RA to execute any trade on their behalf.
2. The fee charged by RA to the client will be subject to the maximum of amount prescribed by SEBI/ Research Analyst Administration and Supervisory Body (RAASB) from time to time (applicable only for Individual and HUF Clients).

   Note:

   2.1. The current fee limit is Rs 1,51,000/- per annum per family of client for all research services of the RA.

   2.2. The fee limit does not include statutory charges.

   2.3. The fee limits do not apply to a non-individual client / accredited investor.
3. RA may charge fees in advance if agreed by the client. Such advance shall not exceed the period stipulated by SEBI; presently it is one quarter. In case of pre-mature termination of the RA services by either the client or the RA, the client shall be entitled to seek refund of proportionate fees only for unexpired period.
4. Fees to RA may be paid by the client through any of the specified modes like cheque, online bank transfer, UPI, etc. Cash payment is not allowed. Optionally the client can make payments through Centralized Fee Collection Mechanism (CeFCoM) managed by BSE Limited (i.e. currently recognized RAASB).
5. The RA is required to abide by the applicable regulations/ circulars/ directions specified by SEBI and RAASB from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. The RA will endeavor to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.
6. Any assured/guaranteed/fixed returns schemes or any other schemes of similar nature are prohibited by law. No scheme of this nature shall be offered to the client by the RA.
7. The RA cannot guarantee returns, profits, accuracy, or risk-free investments from the use of the RA's research services. All opinions, projections, estimates of the RA are based on the analysis of available data under certain assumptions as of the date of preparation/publication of research report.
8. Any investment made based on recommendations in research reports are subject to market risks, and recommendations do not provide any assurance of returns. There is no recourse to claim any losses incurred on the investments made based on the recommendations in the research report. Any reliance placed on the research report provided by the RA shall be as per the client's own judgement and assessment of the conclusions contained in the research report.
9. The SEBI registration, Enlistment with RAASB, and NISM certification do not guarantee the performance of the RA or assure any returns to the client.
10. For any grievances,

    Step 1: the client should first contact the RA using the details on its website or following contact details:

    (RA to provide details as per 'Grievance Redressal / Escalation Matrix')

    Step 2: If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at www.scores.sebi.gov.in

    Step 3: The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at https://smartodr.in
11. Clients are required to keep contact details, including email id and mobile number/s updated with the RA at all times.
12. The RA shall never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. Never share such information with anyone including RA.