**BUY** (Maintained)

CMP: **INR 875** Target Price: **INR 1,058 (INR 1,017)** ▲ 21%

ICICI Securities

ICICI Securities Limited is the author and distributor of this report

14 May 2025

India | Equity Research | Results Update

# Chalet Hotels

Hotels

## Strong quarter; new asset pipeline to drive medium-term growth

Chalet Hotels' (Chalet) Q4FY25 revenue and EBITDA grew 20% and 22% YoY, respectively, led by 23% same-store RevPAR growth. For FY25 overall, hotel revenue grew 18% YoY to INR 15.2bn while EBITDA was up 19% to INR 6.8bn. With company's operational hotel portfolio growing by 1,371 keys to 4,564 keys over FY25-28E, we estimate its hotel revenue to grow at 17% CAGR to INR 20.8bn in FY27E and hotel EBITDA to grow at 17% CAGR to INR 9.0bn over the same period. Retain **BUY** with SoTP-based revised TP of INR 1,058 (earlier INR 1,017) based on Mar'27E, valuing the company at 23x EV/EBITDA, 8% cap rate for rental assets and residual value of Vivarea, Bengaluru residential project. Key risks: Slowdown in hotel demand and office leasing.

### Demand momentum sustains, asset expansion on track

Chalet reported Q4FY25 hotel revenue of INR 4.6bn (up 20% YoY, I-Sec estimate of INR 4.5bn) as same-store RevPAR increased 23% YoY as Mumbai market clocked 15% YoY growth and other markets achieved 35% YoY growth. As a result, adjusted hotel EBITDA of INR 2.2bn was up 22% YoY with hotel EBITDA margin of 48.5% (up 70bps YoY). For FY25 overall, hotel revenue grew 18% YoY to INR 15.2bn while EBITDA has grown 19% to INR 6.8bn. On an aggregate basis, the company maintains its guidance for an upward trajectory in ARRs for FY26/27 (FY25 ARR growth at 13%) notwithstanding a temporary slowdown in MICE activity owing to geopolitical risks. The company's expansion plans remain on track with the Dukes Retreat, Lonavala (150 keys overall) likely to complete by H1FY26, the Bengaluru Mariott Hotel (121 keys) opening in May'25, while the Taj, Delhi Airport hotel (390 keys) could commence operations in H1FY27 and the Cignus Powai Tower II of 0.9msf could commence operations in Q4FY27.

### New assets becoming operational to flow into earnings growth

Company's operational hotel portfolio may grow by 1,371 keys to 4,564 keys over FY25-28E which will entail an annual capex of INR 7-8bn vs annual OCF generation (post interest) of INR 7-8bn over the same period. We estimate the company's hotel revenue to grow at 17% CAGR over FY25-27E (assuming 6% LTL ARR growth) to INR 20.8bn in FY27E, hotel EBITDA may also grow at 17% CAGR to INR 9.0bn over the same period. Further, the company's annuity asset portfolio may generate over INR 3.0bn of annual EBITDA upon full stabilisation in FY28E. At an entity level, this translates to 17% revenue CAGR and 24% EBITDA CAGR over FY25-27E.

### Financial Summary

| Y/E March (INR mn) | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Net Revenue | 14,173 | 17,178 | 20,511 | 23,600 |
| EBITDA | 5,846 | 7,359 | 9,491 | 11,291 |
| EBITDA Margin (%) | 41.2 | 42.8 | 46.3 | 47.8 |
| Net Profit | 2,782 | 1,425 | 4,921 | 5,952 |
| EPS (INR) | 13.5 | 6.5 | 22.5 | 27.2 |
| P/B (x) | 10.6 | 6.6 | 5.6 | 4.8 |
| P/E (x) | 63.5 | 131.8 | 38.2 | 31.6 |
| EV/EBITDA (x) | 34.6 | 28.4 | 22.0 | 18.4 |
| RoCE (%) | 10.2 | 11.6 | 13.3 | 14.4 |
| RoE (%) | 17.3 | 6.3 | 15.9 | 16.4 |

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| Market Data | |
|---|---|
| Market Cap (INR) | 191bn |
| Market Cap (USD) | 2,240mn |
| Bloomberg Code | CHALET IN Equity |
| Reuters Code | CHAL. NS |
| 52-week Range (INR) | 1,052 /634 |
| Free Float (%) | 32.0 |
| ADTV-3M (mn) (USD) | 2.8 |

| Price Performance (%) | 3m | 6m | 12m |
|---|---|---|---|
| Absolute | 29.7 | 6.9 | 7.7 |
| Relative to Sensex | 23.1 | 2.4 | (3.8) |

| ESG Score | 2023 | 2024 | Change |
|---|---|---|---|
| ESG score | 74.1 | NA | NA |
| Environment | 60.9 | NA | NA |
| Social | 77.1 | NA | NA |
| Governance | 78.5 | NA | NA |

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

| Earnings Revisions (%) | FY26E | FY27E |
|---|---|---|
| Revenue | 3.1 | 3.1 |
| EBITDA | 0.2 | 6.3 |
| EPS | 11.8 | 14.5 |

**Previous Reports**

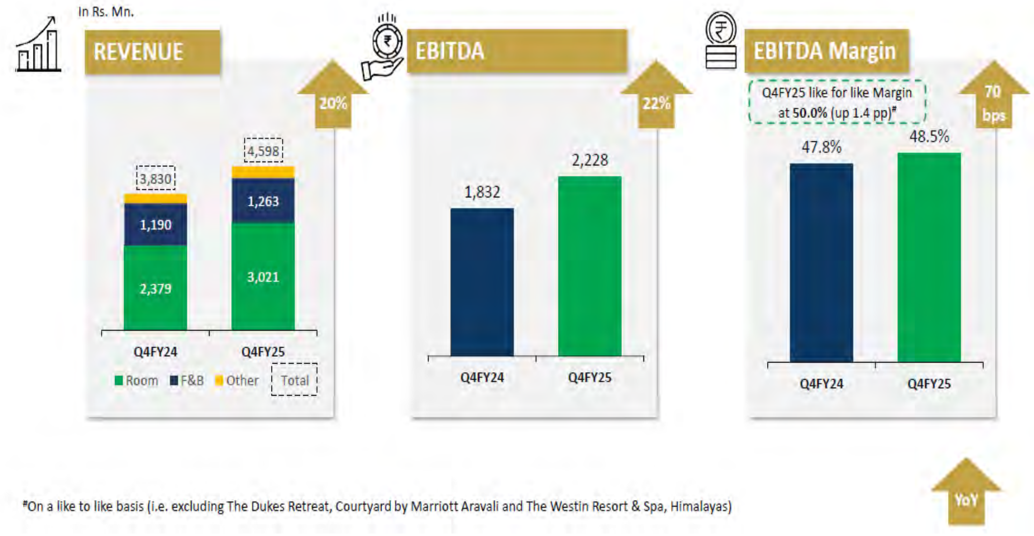
20-02-2025: Company Update
31-01-2025: Q3FY25 results review

## Exhibit 1: Q4FY25 consolidated result snapshot

| Year ending March (INR mn) | Q4FY25 | Q4FY24 | Q3FY25 | YoY (%) | QoQ (%) |
|---|---|---|---|---|---|
| **Total Operating income** | **5,220** | **4,183** | **4,578** | ***24.8*** | ***14.0*** |
| | | | | | |
| Operating Expenses | 468 | 413 | 438 | *13.2* | *6.8* |
| Personnel Cost | 677 | 516 | 578 | *31.1* | *17.1* |
| Other Expenses | 1,661 | 1,425 | 1,515 | *16.6* | *9.6* |
| **Total Expenses** | **2,805** | **2,354** | **2,531** | ***19.2*** | ***10.8*** |
| | | | | | |
| **EBITDA** | **2,414** | **1,829** | **2,047** | ***32.0*** | ***18.0*** |
| *EBITDA margin (%)* | 46.3 | 43.7 | 44.7 | *253.7* | *154.4* |
| | | | | | |
| Interest (Net) | 482 | 529 | 453 | *(8.7)* | *6.5* |
| Depreciation | 498 | 371 | 477 | *34.1* | *4.3* |
| Other Income | 154 | 61 | 67 | *150.7* | *131.1* |
| Exceptional items | - | - | - | | |
| **Profit Before Tax** | **1,588** | **990** | **1,184** | ***60.4*** | ***34.2*** |
| Taxation | 350 | 166 | 218 | *110.9* | *60.3* |
| **Profit After Tax before MI/Associate** | **1,238** | **824** | **965** | ***50.2*** | ***28.3*** |
| MI/Associate share | - | - | - | | |
| **Reported PAT** | **1,238** | **824** | **965** | ***50.2*** | ***28.3*** |
| *Net margin (%)* | 23.7 | 19.7 | 21.1 | *401.4* | *264.0* |

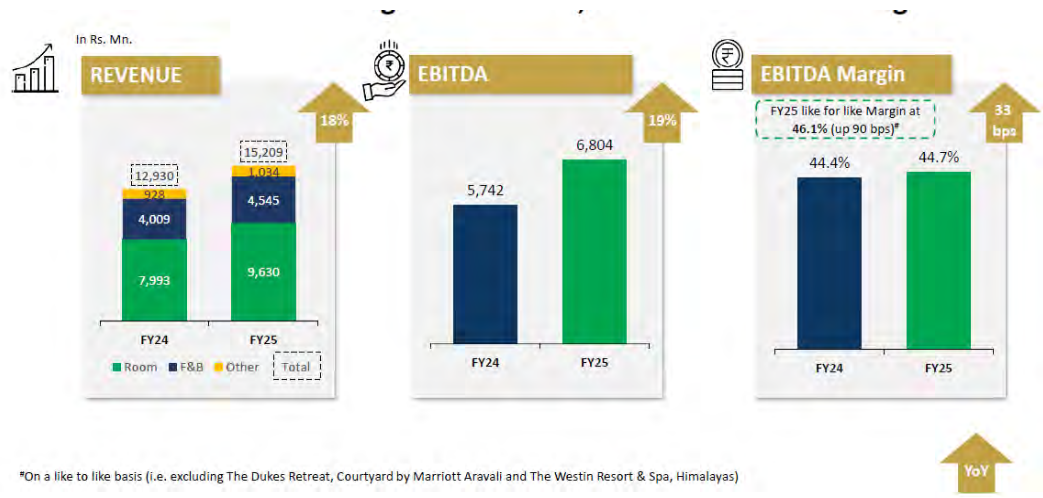
Source: Company data, I-Sec research

## Exhibit 2: Company's Q4FY25 hospitality business revenue and EBITDA profile (in INR mn)*




Source: I-Sec research, Company data,

### Exhibit 3: Company's FY25 hospitality business revenue and EBITDA profile (in INR mn)*




Source: I-Sec research, Company data

### Exhibit 4: Company's project pipeline across hotels and rental assets

| Under construction | New Rooms/ Leasable area | Location | Completion update |
|---|---|---|---|
| The Dukes Retreat Renovation & Expansion<br>Original inventory – 80 | 67 | Khandala | Phase 1 opened in August'24<br>Phase 2 – H1 FY26 |
| Taj at Delhi International Airport | 385-390 rooms | New Delhi | H1 FY27 |
| New Hotel at Varca, Goa | ~190 rooms | Goa | FY28 |
| CIGNUS Powai® Tower II | 0.9 msf | Mumbai | Q4 FY27 |
| **Total** | ~640 rooms \| 0.9 msf | | |

| Under approval process | New Rooms | Location | Completion update |
|---|---|---|---|
| Hyatt Regency at Airoli, Navi Mumbai | ~280 rooms | Mumbai | 36 months post approval* |
| Land Parcel, North Goa# | ~170 rooms | Goa | 36 months post approval |
| New Hotel at Trivandrum, Kerala | ~150 rooms | Trivandrum | - |
| **Grand Total** | **~1,250 rooms \| 0.9 msf** | | |

Source: I-Sec research, Company data

### Exhibit 5: Company's leverage position (in INR mn)

| in Rs. Mn | Mar-25 | Mar-24 | Mar-23 | Mar-19 | Mar-18 |
|---|---|---|---|---|---|
| Allocable to operating assets | 13,139 | 11,486 | 11,768 | 13,572 | 23,323 |
| Allocable to under-construction/to be operationalized assets | 6,771 | ~13,600 | ~12,600 | ~900 | ~3,700 |
| **Net Debt** | **19,909** | **25,086** | **24,368** | **14,472** | **27,023** |
| **Strategic Investments*** | 11,409 | 6,596 | 5,985 | 656 | 1,100 |
| **EBITDA** | 6,804 | 5,742 | 5,023 | 3,668 | 3,005 |
| **Interest Rate (%)** | 8.4% | 8.9% | 8.8% | 9.4% | 8.4% |

1. ~Rs. 10bn raised from QIP in April 2024, of which Rs. 9 bn was utilised to reduce debt.
2. ~Rs 751 mn raised from allotment of listed non-convertible debentures in Mar 2025

Source: I-Sec research, Company data, *Includes Capital expenditure and strategic acquisitions, Note: Net debt does not include preference shares and intercorporate deposits

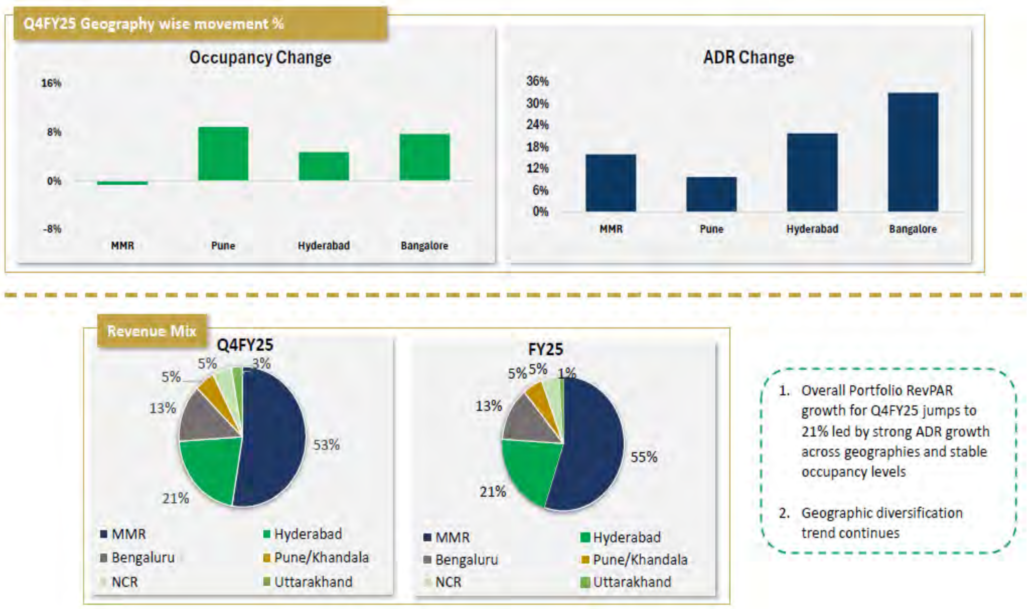
## Exhibit 6: Company's hospitality ARR KPIs

| Portfolio level | Q4FY25 | Q4FY24 | YoY% | Same store* YoY% | FY25 | FY24 | YoY% |
|---|---|---|---|---|---|---|---|
| **ADR (Rs.)** | | | | | | | |
| MMR | 14,122 | 12,173 | 16% | 16% | 12,032 | 11,121 | 8% |
| Others | 14,570 | 11,474 | 27% | 24% | 12,163 | 10,188 | 19% |
| **Combined** | **14,345** | **11,862** | **21%** | **19%** | **12,094** | **10,718** | **13%** |
| **Occupancy (%)** | | | | | | | |
| MMR | 80% | 81% | -1 pp | -1 pp | 77% | 77% | 0 pp |
| Others | 73% | 70% | 2 pp | 6 pp | 68% | 68% | 1 pp |
| **Combined** | **76%** | **76%** | **0%** | **3 pp** | **73%** | **73%** | **0 pp** |
| **RevPAR (Rs.)** | | | | | | | |
| MMR | 11,265 | 9,815 | 15% | 15% | 9,239 | 8,513 | 9% |
| Others | 10,581 | 8,079 | 31% | 35% | 8,329 | 6,915 | 20% |
| **Combined** | **10,909** | **8,984** | **21%** | **23%** | **8,781** | **7,776** | **13%** |

Note:
MMR: Mumbai Metropolitan Region; NCR: National Capital Region.
Others include Hyderabad, Pune, Bengaluru, NCR, Uttarakhand
*Excludes Courtyard by Marriott, Aravali, The Dukes Retreat, The Westin Resort & Spa, Himalayas
Certain inventory of rooms out of action in portfolio hence removed from inventory – Dukes:73 keys operational; Four Points by Sheraton Navi Mumbai: 104 keys operational, due to renovation in the current year

Source: I-Sec research, Company data

## Exhibit 7: Company's hospitality occupancy KPIs




Source: I-Sec research, Company data

## Exhibit 8: Key operating and revenue/EBITDA assumptions for Chalet* (in INR mn)

| Details | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|---|---|---|---|---|---|---|---|---|
| **Total Hotel Revenue** | **8,755** | **2,018** | **4,100** | **10,281** | **12,930** | **15,209** | **18,002** | **20,749** |
| | | | | | | | | |
| **Total Hotel EBITDA** | **3,375** | **-213** | **739** | **4,318** | **5,279** | **6,804** | **7,929** | **8,963** |
| | | | | | | | | |
| **Hotel EBITDA Margin (%)** | **38.5** | **-10.6** | **18.0** | **42.0** | **44.4** | **44.7** | **44.0** | **43.7** |
| | | | | | | | | |
| **Rental Revenue (INR mn):** | | | | | | | | |
| **Total Rental Revenue** | **1,003** | **931** | **1,050** | **1,000** | **1,241** | **1,970** | **2,509** | **2,851** |
| | | | | | | | | |
| **Total Rental EBITDA** | **617** | **724** | **789** | **839** | **988** | **1,540** | **2,061** | **2,328** |
| ***EBITDA Margin (%)*** | ***61.5*** | ***77.8*** | ***75.1*** | ***83.9*** | ***80.0*** | ***78.2*** | ***82.1*** | ***81.7*** |

Source: I-Sec research, Company data, * assumed Delhi Airport hotel to be fully operational in FY27E

## Valuation

**We retain BUY with SoTP-based revised target price of INR 1,058/share (earlier INR 1,017) based on Mar'27E, valuing the company at 23x EV/EBITDA, 8% cap rate for rental assets and residual value of Vivarea, Bengaluru residential project.**

We are enthused by the company's efforts to leverage its existing land parcels to grow its rental portfolio, expand existing hotels and also focus on new projects such as Delhi Airport/Airoli without spending on land.

## Exhibit 9: SoTP valuation of Chalet Hotels (Chalet)

| | |
|---|---|
| **Mar'27E Hotel EBITDA (INR mn)** | **8,963** |
| **Hotels Enterprise Value (EV) in INR mn (23x EV/EBITDA)** | **206,146** |
| Add: Rental EV at 8% Cap Rate (INR mn) | 39,950 |
| Add: Residual DCF value of Vivarea, Bengaluru (INR mn) | 2,534 |
| Add: Goa Hotel investment till Mar'27 | 2,500 |
| **Chalet SoTP EV (INR mn)** | **251,130** |
| Less; Net Debt as of Mar'27E (INR mn) | 20,094 |
| **Chalet Total SOTP Equity Value (INR mn)** | **231,036** |
| **Equity Value per Share (INR)** | **1,058** |

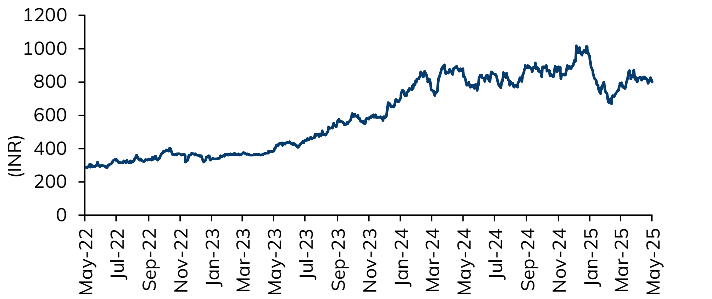
Source: Company data, I-Sec research

## Exhibit 10: Shareholding pattern

| % | Sep'24 | Dec'24 | Mar'25 |
|---|---|---|---|
| Promoters | 67.5 | 67.4 | 67.4 |
| Institutional investors | 28.5 | 28.7 | 29.2 |
| MFs and other | 19.4 | 19.0 | 21.1 |
| FIs and Banks | 0.2 | 0.1 | 0.4 |
| Insurance Cos. | 1.9 | 2.1 | 2.5 |
| FIIs | 7.0 | 7.5 | 5.2 |
| Others | 4.0 | 3.9 | 3.4 |

Source: Bloomberg, I-Sec research

## Exhibit 11: Price chart




Source: Bloomberg, I-Sec research

# Financial Summary

## Exhibit 12: Profit & Loss

(INR mn, year ending March)

| | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| **Net Sales** | **14,173** | **17,178** | **20,511** | **23,600** |
| Operating Expenses | 8,327 | 9,819 | 11,020 | 12,309 |
| **EBITDA** | **5,846** | **7,359** | **9,491** | **11,291** |
| EBITDA Margin (%) | 41.2 | 42.8 | 46.3 | 47.8 |
| Depreciation & Amortization | 1,384 | 1,788 | 2,144 | 2,557 |
| Interest expenditure | 1,967 | 1,591 | 1,578 | 1,405 |
| Other Non-operating Income | 198 | 363 | 381 | 400 |
| Extraordinary items | - | - | - | - |
| **PBT** | **2,694** | **4,343** | **6,151** | **7,730** |
| Less: Taxes | (88) | 2,918 | 1,230 | 1,778 |
| PAT | 2,782 | 1,425 | 4,921 | 5,952 |
| Less: Minority Interest | - | - | - | - |
| **Net Income (Reported)** | **2,782** | **1,425** | **4,921** | **5,952** |
| **Net Income (Adjusted)** | **2,782** | **1,425** | **4,921** | **5,952** |

Source Company data, I-Sec research

## Exhibit 13: Balance sheet

(INR mn, year ending March)

| | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| Total Current Assets | 10,725 | 14,014 | 16,320 | 17,739 |
| of which cash & cash eqv. | 1,323 | 1,862 | 2,850 | 2,949 |
| Total Current Liabilities & Provisions | 10,189 | 13,679 | 15,402 | 16,942 |
| **Net Current Assets** | **536** | **334** | **918** | **797** |
| Investments | 780 | 915 | 920 | 925 |
| Net Fixed Assets | 43,976 | 51,892 | 50,748 | 61,191 |
| Capital Work-in-Progress | 369 | 1,832 | 8,057 | 2,932 |
| **Total Assets** | **45,661** | **54,972** | **60,643** | **65,845** |
| **Liabilities** | | | | |
| **Borrowings** | **29,503** | **25,543** | **26,293** | **25,543** |
| **Deferred Tax Liability** | **(1,623)** | **(143)** | **(143)** | **(143)** |
| other Liabilities | 1,117 | 1,076 | 1,076 | 1,076 |
| Equity Share Capital | 205 | 218 | 218 | 218 |
| Reserves & Surplus | 16,459 | 28,278 | 33,198 | 39,150 |
| **Total Net Worth** | **16,664** | **28,496** | **33,417** | **39,369** |
| Minority Interest | - | - | - | |
| **Total Liabilities** | **45,661** | **54,972** | **60,643** | **65,845** |

Source Company data, I-Sec research

## Exhibit 14: Cashflow statement

(INR mn, year ending March)

| | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| **Operating Cashflow** | **6,082** | **7,541** | **9,872** | **11,691** |
| Working Capital Changes | 1,366 | 2,830 | 404 | 221 |
| Capital Commitments | (6,511) | (13,459) | (7,225) | (7,875) |
| **Free Cashflow** | **383** | **(3,955)** | **1,820** | **2,259** |
| **Other investing cashflow** | **163** | **(395)** | **(5)** | **(5)** |
| Cashflow from Investing Activities | (6,349) | (13,854) | (7,230) | (7,880) |
| Issue of Share Capital | 135 | 9,903 | - | - |
| Interest Cost | (1,746) | (1,387) | (1,578) | (1,405) |
| Inc (Dec) in Borrowings | 533 | (3,561) | 750 | (750) |
| Dividend paid | - | - | - | - |
| Others | - | - | - | - |
| Cash flow from Financing Activities | (1,078) | 4,956 | (828) | (2,155) |
| **Chg. in Cash & Bank balance** | **(532)** | **606** | **988** | **99** |
| Closing cash & balance | 1,323 | 1,862 | 2,850 | 2,949 |

Source Company data, I-Sec research

## Exhibit 15: Key ratios

(Year ending March)

| | FY24A | FY25A | FY26E | FY27E |
|---|---|---|---|---|
| **Per Share Data (INR)** | | | | |
| Adjusted EPS (Diluted) | 13.5 | 6.5 | 22.5 | 27.2 |
| Cash EPS | 20.3 | 14.7 | 32.3 | 38.9 |
| Dividend per share (DPS) | 0.0 | 0.0 | 0.0 | 0.0 |
| Book Value per share (BV) | 81.1 | 130.4 | 153.0 | 180.2 |
| **Growth (%)** | | | | |
| Net Sales | 25.6 | 21.2 | 19.4 | 15.1 |
| EBITDA | 29.1 | 25.9 | 29.0 | 19.0 |
| EPS (INR) | 49.7 | (48.8) | 245.3 | 21.0 |
| **Valuation Ratios (x)** | | | | |
| P/E | 63.5 | 131.8 | 38.2 | 31.6 |
| P/BV | 10.6 | 6.6 | 5.6 | 4.8 |
| EV / EBITDA | 34.6 | 28.4 | 22.0 | 18.4 |
| EV / Sales | 14.3 | 12.2 | 10.2 | 8.8 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 |
| **Operating Ratios** | | | | |
| EBITDA Margins (%) | 41.2 | 42.8 | 46.3 | 47.8 |
| Net Profit Margins (%) | 19.6 | 8.3 | 24.0 | 25.2 |
| Net Debt / Equity (x) | 1.5 | 0.7 | 0.6 | 0.5 |
| Debt/EBITDA (x) | 5.0 | 3.5 | 2.8 | 2.3 |
| **Profitability Ratios** | | | | |
| RoCE (%) | 10.2 | 11.6 | 13.3 | 14.4 |
| RoE (%) | 17.3 | 6.3 | 15.9 | 16.4 |

Source Company data, I-Sec research

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