Chalet Hotels Limited

ISIN :INE427F01016 | NSE :CHALET

Price: 770
Recommendation: Buy
Industry: Hotels & Resorts
Sector: Consumer Discretionary
Report Date: 17-Mar-2025

Chalet Hotels Limited has shown remarkable growth, with a 22% increase in revenue to INR 4.6 billion and a 23% rise in EBITDA, marking its best quarter. The company is expanding its hospitality footprint with new projects and enhancing F&B; offerings. With a capital expenditure plan of INR 20 billion, Chalet aims to leverage infrastructure support and explore opportunities in Tier 2 and 3 cities, despite facing competition and areas for improvement in F&B; margins.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1553 Cr	Operating Profit(Year)	650 Cr	Operating Profit Margin	41.9 %
Previous Year	1128 Cr	Operating Profit(Quarter)	198 Cr	EBITDA Margin	38.51 %
Current Quarter	434 Cr	PAT (Year)	278 Cr	Net Profit Margin	20.0 %
Previous Quarter	361 Cr	PAT (Quarter)	102 Cr	EPS	5.73
Revenue (QYoY)	371 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	140	Sales Growth	17.8 %	Sales Growth	20.22 %
PEG Ratio	1.23	PAT Growth	72.67 %	Sales Growth QYoY	16.98 %
EV/EBITDA	26.8	EPS Growth	-57.56 %	PAT Growth	-178.46 %
P/B	6.00	Dividend Yield	0.00	PAT Growth QYoY	39.34 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	16.3 %	Promoter	67.4 %	Debt/Equity	0.66
RoA	5.29 %	FII	7.52 %	Debt	1872 Cr
RoCE	10.2 %	DII	21.2 %	Market Cap	16821 Cr
RoIC	11.0 %	Public	3.86 %	Enterprise value	18636 Cr
		No of Shares	21.8 Cr	Cash Equivalents	56.5 Cr

source : Company filings

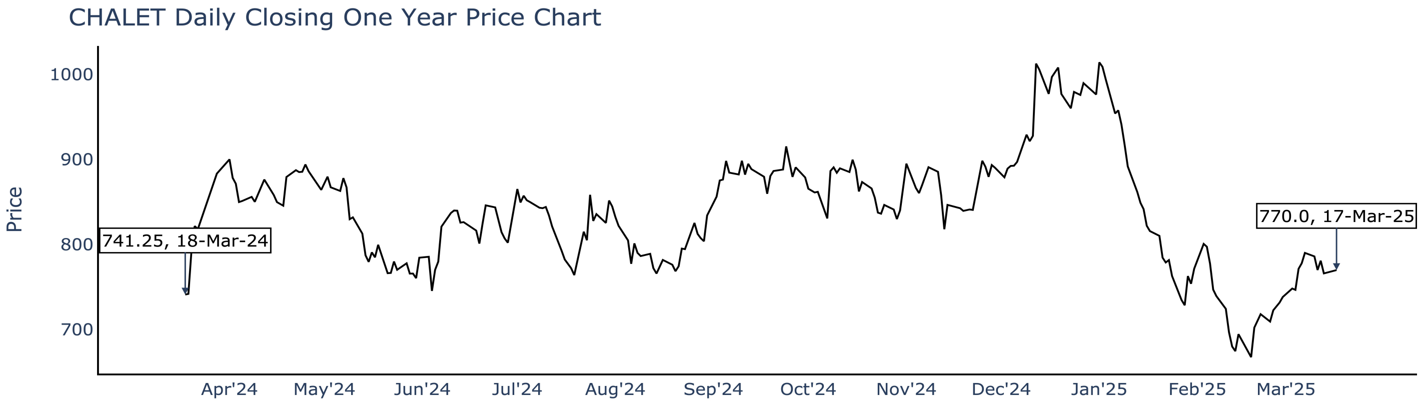
Company's Overview Based on Recent Concall and Performance:

Chalet Hotels Limited has demonstrated robust growth and strategic foresight in its recent earnings call. The company reported a 22% year-on-year increase in consolidated revenue, reaching INR 4.6 billion, and a 23% rise in EBITDA to INR 2.1 billion, with a strong margin of 45.5%. This performance marks the best-ever quarter in Chalet's history, driven by a 17% growth in RevPAR across its portfolio, particularly in Pune, Bengaluru, and the Mumbai metropolitan region. The hospitality segment saw an 18% increase in average room rates, maintaining a steady occupancy of 70%. The annuity portfolio also showed significant growth, with revenue surging 92% year-on-year to INR 577 million, alongside a leasing momentum that confirmed an additional 400,000 square feet in the quarter.

The company is actively pursuing new initiatives and business strategies to sustain its growth trajectory. Chalet is expanding its hospitality footprint with new projects, including the phased opening of The Dukes Retreat and renovations at Four Points By Sheraton Navi Mumbai. The Taj at Terminal 3 Delhi International Airport is expected to open in Q2 of FY '27. Additionally, new hotel projects in Airoli, Mumbai, Varca, Goa, and the commercial development Cignus 2 in Powai are advancing as planned. The company is also enhancing its F&B; offerings at key locations, aiming to create high-energy experiences that complement its hospitality services. These initiatives are supported by a strategic focus on cost control and maintaining industry-leading margins.

Looking ahead, Chalet Hotels is poised for future growth and scaling, with a capital expenditure plan of around INR 20 billion over the next three years, primarily funded through internal accruals. The company is confident in its ability to leverage infrastructure support, robust corporate travel, and a growing MICE segment to drive growth. The opening of new airports in Mumbai and Delhi is expected to unlock significant opportunities for passenger-carrying capacity, further bolstering Chalet's market position. The company is also exploring opportunities in Tier 2 and Tier 3 cities, where construction costs are lower, to expand its portfolio strategically.

While the company's performance and strategic initiatives are commendable, there are areas for improvement. The F&B; segment, although growing, has not reached its full potential, and there is room for enhancing margins through better utilization of existing assets. Additionally, the company faces competition from new hotel openings, such as the Fairmont hotel in Mumbai, which could impact market dynamics. However, Chalet's partnership with Marriott and its strong distribution and loyalty programs are expected to mitigate these challenges. Overall, Chalet Hotels Limited is well-positioned to capitalize on emerging opportunities and continue its growth momentum in the hospitality sector.



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Mahindra Holiday	5946.38	44.19	24.03%	1.14%	6.87%	203.48%	230.86%
ITC Hotels	34953.27					39.62%	
EIH	22728.91	32.31	17.62%	35.85%	7.95%	102.47%	12.43%
Ventive Hospital	16916.60	102.50	65.74%	20.73%	23.14%	59.29%	-23.65%
Chalet Hotels	16821.04	140.23	16.33%	20.18%	16.99%	178.12%	39.25%

Aspect	Commentary
Revenue	The company experienced a significant revenue increase, reflecting strong market demand and effective sales strategies. This growth is indicative of the company's ability to capture market share and expand its customer base, positioning it well for future financial stability and expansion opportunities.
Profit & Loss	The profit and loss statement reveals a robust operating profit, underscoring efficient cost management and revenue generation. The positive net profit margin indicates healthy profitability, suggesting the company is effectively converting sales into actual profit, enhancing shareholder value.
Profitability Matrix	The profitability matrix shows strong operating and net profit margins, highlighting the company's efficiency in managing expenses relative to revenue. The high EPS suggests good earnings performance, which is attractive to investors seeking growth and income potential.
Valuation Matrix	The valuation metrics indicate a high P/E ratio, suggesting the market expects future growth. The PEG ratio supports this, showing growth is priced in. The EV/EBITDA ratio reflects the company's enterprise value relative to earnings, indicating market confidence in its operational efficiency.
Growth (YoY)	Year-over-year growth metrics demonstrate significant sales and PAT growth, reflecting successful strategic initiatives and market expansion. However, the negative EPS growth suggests challenges in maintaining earnings per share, which may require strategic adjustments.
Growth (QoQ)	Quarter-over-quarter growth shows strong sales growth, indicating effective short-term strategies. However, the negative PAT growth suggests potential operational challenges or increased costs, which may need addressing to sustain profitability.
Capital Allocation	The capital allocation metrics reveal a solid RoE and RoCE, indicating efficient use of equity and capital employed. This suggests the company is generating good returns on investments, which is crucial for long-term growth and investor confidence.
Holdings	The holdings structure shows a strong promoter holding, indicating confidence in the company's prospects. The presence of institutional investors suggests market trust, while the public holding provides liquidity. This balanced structure supports stability and growth.
Leverage	The leverage metrics indicate a moderate debt-to-equity ratio, suggesting a balanced approach to financing. The manageable debt level relative to market cap and enterprise value indicates financial stability, allowing for potential growth investments without excessive risk.

Analyst viewpoint: Chalet Hotels Limited is demonstrating significant growth potential with a robust 22% revenue increase, reaching an impressive INR 4.6 billion, alongside a 23% rise in EBITDA. These figures are underscored by strategic expansions, marked by new projects and enhanced F&B; offerings. The company's focus on leveraging infrastructure support in Tier 2 and 3 cities aligns with its commitment to maintain momentum across its hospitality footprint. The promising QoQ growth in sales by 20% and strategic planning for a capital expenditure of INR 20 billion serve as strong indicators of Chalet's ambition to scale. Coupled with a strategic partnership with Marriott, these elements forge an aura of resilience and adaptability, positioning Chalet effectively against competitive forces within the hospitality sector.

Moreover, Chalet's sound capital allocation reflected in its RoE of 16.3% and a manageable debt-to-equity ratio of 0.66, conveys confidence in its financial stewardship. The company's valuation metrics, although high, resonate with the market's expectation of imminent growth, particularly noted in the P/E ratio of 140. Nevertheless, while dynamic in approach, Chalet must address margin improvements in its F&B; segment, which despite progress, could benefit from enhanced asset utilization. Overall, Chalet Hotels Limited stands poised to navigate competitive pressures while fostering substantial short to mid-term growth opportunities in its operational realms.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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