



3R MATRIX

| | + | = | - |
|---------------------------------------|---|---|---|
| Right Sector (RS) | ✓ | ✗ | ✗ |
| Right Quality (RQ) | ✓ | ✗ | ✗ |
| Right Valuation (RV) | ✓ | ✗ | ✗ |
| + Positive = Neutral - Negative | | | |

What has changed in 3R MATRIX

| | Old | | New |
|----|-----|---|-----|
| RS | ✗ | ↔ | ✓ |
| RQ | ✗ | ↔ | ✓ |
| RV | ✗ | ↔ | ✓ |

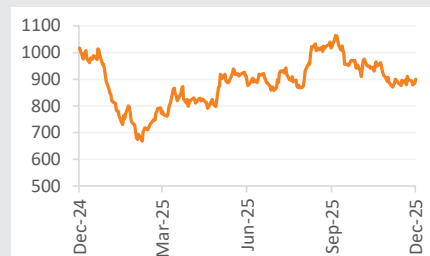
Company details

| | |
|-------------------------------|---------------|
| Market cap: | Rs. 19,659 cr |
| 52-week high/low: | Rs. 1080/644 |
| NSE volume: (No of shares) | 3.0 lakh |
| BSE code: | 542399 |
| NSE code: | CHALET |
| Free float: (No of shares) | 7.1 cr |

Shareholding (%)

| | |
|-----------|------|
| Promoters | 67.3 |
| FII | 5.8 |
| DII | 23.4 |
| Others | 3.4 |

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

| (%) | 1m | 3m | 6m | 12m |
|--------------------|------|-------|------|-------|
| Absolute | -0.8 | -11.9 | 1.4 | -11.5 |
| Relative to Sensex | -1.7 | -16.0 | -3.0 | -16.4 |

Source: Mirae Asset Sharekhan Research, Bloomberg

Chalet Hotels Ltd

On steady growth path

| Consumer Discretionary | Sharekhan code: CHALET | | |
|------------------------|------------------------|--------------|-------------------------|
| Reco/View: Positive | ↔ | CMP: Rs. 889 | Upside potential: 30% ↔ |

Summary

- Chalet Hotels (Chalet) has de-risked its portfolio by diversifying in terms of asset class (hospitality + commercial) and asset category (business + leisure). Its integrated hotel-commercial assets approach helps lower cyclicality and strengthen demand resilience.
- Launch of Athiva Hotels & Resorts (Chalet's proprietary brand) in October, marks Chalet's expansion into premium lifestyle segment. With over 900 keys at debt, Chalet plans to double capacity in three years.
- Revenue/PAT to clock 25%/35% CAGR, respectively, over FY25-28E, on a strong portfolio, healthy pipeline, scale-up of Athiva, operational efficiencies and industry tailwinds.
- We stay Positive and expect an upside of 30%; stock trades at 15x/14x/12x its FY26E/FY27E/FY28E EV/EBITDA, respectively.

Chalet is poised to grow strongly over FY25-FY28E, eyeing a 25% revenue CAGR and a 35% PAT CAGR on 1) Strong room portfolio (3,389 rooms) and commercial real estate (2.4 msf), 2) portfolio expansion (plans to add ~1,200 rooms and 0.9 msf area), 3) Scale-up of premium lifestyle segment, 4) better efficiency and 5) A favourable market environment, driving higher occupancy and ARRs. With expected asset sweating, cash flows will improve and take care of capex requirements (plans to incur capex of Rs. 2,000 crore) and pay off some debt (at Q2FY26-end net debt stood at Rs. 2,092 crore). Consequently, the return profile is expected to improve, with RoE/RoCE both rising to 17% (up from 15%/11% respectively in FY25).

- Athiva marks premium foray:** Chalet launched Athiva Hotels & Resorts (Chalet's proprietary brand) in October 2025, marking a significant expansion into the premium lifestyle segment. Athiva positions the company to capture the growing demand for premium experiential travel and offers a scalable platform for future developments under a unified brand. The brand's debt was marked through the transformation of The Dukes Retreat in Khandala to Athiva Respts & Spa, Khandala. Chalet has identified five additional properties (including those pipeline) to be transitioned to Athiva in the coming months. With over 900 keys at debt, the company plans to double capacity within three years. Chalet follows a dual approach of partnering with leading international hotel brands while scaling its in-house platform (Athiva) to drive control, efficiency and returns.
- Healthy expansion pipeline:** A clearly defined and well-progressed expansion pipeline leading gives strong medium-term visibility on inventory growth. Key projects under development include marquee hotels such as the Taj at the Delhi International Airport (385-390 keys), Hyatt Regency at Airoli (~280 keys), and the premium Athiva resort portfolio across Goa (Athiva Resort & Spa at Varca, South Goa - ~190 rooms and Athiva Resort & Spa at Bambolim, North Goa - ~170 rooms) and Trivandrum (Athiva Resort & Convention Centre, Thiruvananthapuram - ~150 rooms). Alongwith capacity expansion, the company is focusing expanding into new geographies, with presence expected to scale to 10 major cities from 7 currently. This outlook provides high certainty regarding incremental room additions, the scalability of revenue, and the predictability of cash flows in the coming years.
- Eyeing strong revenue and PAT growth:** We expect Chalet's hospitality revenue to clock a ~17% CAGR during FY25-28E aided by ARR growth and better occupancy in existing portfolio and inventory additions. Consolidated revenue and PAT are expected to clock CAGR of 25% and 35%, respectively, over FY25-28E on a strong operational portfolio of hospitality (3,389 rooms) and commercial real estate business (2.4 msf area), focus on scaling up premium lifestyle segment, portfolio expansion (adding ~1,200 rooms and a 0.9 msf as planned), improving operational efficiencies, and strong industry tailwinds leading to higher occupancy and ARRs. The management has maintained focus on maintaining debt at a net debt to EBITDA of less than 3.5x.

Our Call

View - Stay Positive; expect an upside of 30%: Chalet is confident of delivering consistent growth in the coming years on account of expected uptick in room demand in key markets, higher room rentals, portfolio expansion and improved operational efficiency. Entry into the premium lifestyle segment with the launch of Athiva brand will help the company to capture the growing demand for premium experiential travel. Further, it has maintained focus on maintaining debt levels within a range of net debt to EBITDA of less than 3.5x. Chalet's consolidated revenue/PAT are expected to report a CAGR of 25%/35%, respectively, over FY25-FY28E. With an expected strong operating performance and better cash flows, we expect the return profile to improve in the coming years. The stock currently trades at 15x/14x/12x its FY26E/FY27E/FY28E EV/EBITDA, respectively. We stay Positive and expect an upside of 30% in 12 months.

Key Risks

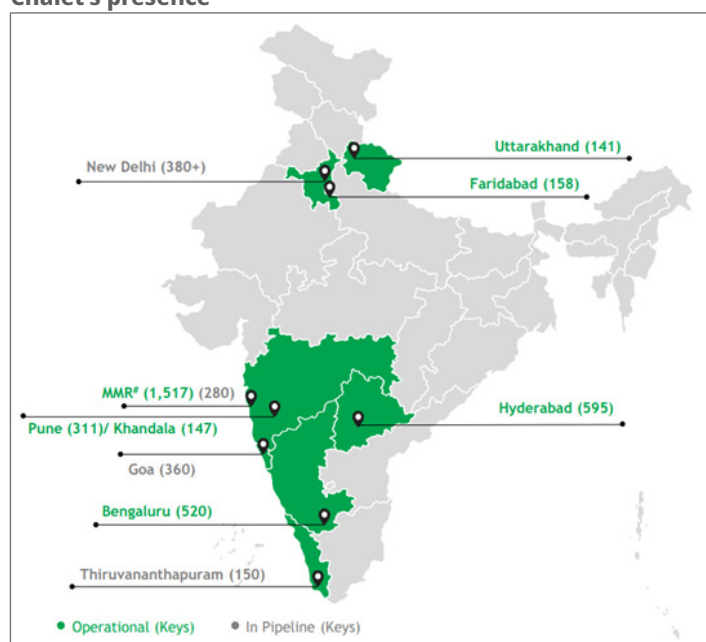
A delay in execution of commercial/residential projects will affect expected cash flows, while a decline in room demand would act as a key risk to our earnings growth visibility in the coming years.

Valuation (Consolidated)

| | Rs cr | | | | |
|--------------------|-------|-------|-------|-------|-------|
| Particulars | FY24 | FY25 | FY26E | FY27E | FY28E |
| Revenue | 1,417 | 1,718 | 2,772 | 2,969 | 3,364 |
| EBITDA margin (%) | 43.0 | 42.8 | 45.1 | 45.3 | 45.5 |
| Adjusted PAT | 238 | 360 | 604 | 659 | 790 |
| Adjusted EPS (Rs.) | 10.9 | 16.5 | 27.7 | 30.2 | 36.1 |
| P/E (x) | 82.5 | 54.5 | 32.5 | 29.8 | 24.9 |
| P/B (x) | 10.0 | 6.4 | 5.4 | 4.6 | 3.9 |
| EV/EBITDA (x) | 30.8 | 25.1 | 15.1 | 13.9 | 11.9 |
| RoNW (%) | 14.0 | 14.7 | 18.0 | 16.6 | 16.8 |
| RoCE (%) | 10.5 | 11.0 | 16.5 | 15.8 | 16.7 |

Source: Company; Mirae Asset Sharekhan estimates

Chalet's presence



Source: Company; Mirae Asset Sharekhan Research

Strong current portfolio and healthy growth pipeline

| Sr. No. | Property | Location | Rooms / Area (msf) | Key share (%) / Progress update |
|--|---|-------------|--------------------|---------------------------------|
| Hospitality business | | | | |
| 1 | JW Marriott Mumbai Sahar | Mumbai | 588 | 17% |
| 2 | The Westin Mumbai Powai Lake | Mumbai | 604 | 18% |
| 3 | Lakeside Chalet, Mumbai - Marriott Executive Apartments | Mumbai | 173 | 5% |
| 4 | Four Points by Sheraton Navi Mumbai, Vashi | Mumbai | 152 | 4% |
| 5 | The Westin Hyderabad Mindspace | Hyderabad | 427 | 13% |
| 6 | The Westin Hyderabad HITEC City | Hyderabad | 168 | 5% |
| 7 | Novotel Pune Nagar Road | Pune | 311 | 9% |
| 8 | Courtyard by Marriott Aravali Resort | NCR | 158 | 5% |
| 9 | Bengaluru Marriott Hotel Whitefield | Bengaluru | 520 | 15% |
| 10 | The Westin Resort & Spa, Himalayas | Uttarakhand | 141 | 4% |
| 11 | The Dukes Retreat, Khandala | Khandala | 147 | 4% |
| | Total operational rooms | | 3,389 | |
| 12 | Taj at Delhi International Airport | New Delhi | ~390 | H1FY27 |
| 13 | Athiva Resort & Spa at Varca, South Goa | Goa | ~190 | FY28 |
| 14 | Athiva Resort & Spa at Bambolim, North Goa | Goa | ~170 | 36 months post approval |
| 15 | Hyatt Regency at Airoli, Navi Mumbai | Mumbai | ~280 | 36 months post approval |
| 16 | Athiva Resort & Convention Centre, Thiruvananthapuram | Kerala | ~150 | - |
| | Total rooms under construction/ in planning | | ~1,200 | |
| 16 | Total operational + pipeline | | ~4,600 | |
| Commercial Real Estate business | | | | |
| 1 | The Orb, Retail & Office Tower | Mumbai | 0.5 | |
| 2 | CIGNUS Powai® Tower I | Mumbai | 0.9 | |
| 3 | CIGNUS Whitefield Bengaluru® Complex | Bengaluru | 1.0 | |
| | Total operational | | 2.4 | |
| 4 | Under construction - CIGNUS Powai® Tower II | Mumbai | 0.9 | Q4FY27 |
| | Total operational + pipeline | | 3.3 | |

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Hotel industry to benefit from demand-supply gap

Higher demand from domestic leisure travellers, recovery in foreign tourist arrivals (FTAs), and a revival in corporate travels will keep room demand high for hotel companies (also help in achieving higher room rentals) in the short to medium term. Recent industry data shows that demand is expected to continue to grow in double digits (~12%). However, supply is expected to grow by ~9% over the next 4-5 years. This augurs well for the industry because hotel performance in India is highly sensitive to supply and demand dynamics. Margins of hotel companies are likely to expand, aided by better operating leverage coupled with various cost-saving initiatives undertaken by companies.

■ Company Outlook – All businesses on strong growth path

Recovery in FTAs, good business from the MICE segment, and a strong wedding season will help in achieving strong hospitality performance in FY26. Further, increased contribution from the commercial business and revenue from the residential business will be additional growth drivers. With robust industry tailwinds, room demand is expected to grow by 12% versus a 9% rise in supply and occupancies/ADRs are likely to remain high in the coming years. With expected asset sweating, cash flows will improve and take care of capex requirements and pay off some debt, which will lead to a consistent improvement in the return profile in the coming years.

■ Valuation – Retain Positive view; expect upside of 30%

Chalet is confident of delivering consistent growth in the coming years on account of expected uptick in room demand in key markets, higher room rentals, portfolio expansion and improved operational efficiency. Entry into the premium lifestyle segment with the launch of Athiva brand will help the company to capture the growing demand for premium experiential travel. Further, it has maintained focus on maintaining debt levels within a range of net debt to EBITDA of less than 3.5x. Chalet's consolidated revenue/PAT are expected to report a CAGR of 25%/35%, respectively, over FY25-FY28E. With an expected strong operating performance and better cash flows, we expect the return profile to improve in the coming years. The stock currently trades at 15x/14x/12x its FY26E/FY27E/FY28E EV/EBIDTA, respectively. We stay Positive and expect an upside of 30% in 12 months.

Peer Comparison

| Particulars | P/E (x) | | | EV/EBIDTA (x) | | | RoCE (%) | | |
|-------------------|---------|-------|-------|---------------|-------|-------|----------|-------|-------|
| | FY25 | FY26E | FY27E | FY25 | FY26E | FY27E | FY25 | FY26E | FY27E |
| Indian Hotels | 58.2 | 48.4 | 40.2 | 32.0 | 26.8 | 22.9 | 16.7 | 17.4 | 19.1 |
| Lemon Tree Hotels | 52.6 | 39.1 | 29.0 | 20.4 | 17.0 | 14.3 | 12.7 | 15.4 | 17.9 |
| Samhi Hotels | 34.6 | 19.9 | 12.5 | 9.5 | 8.2 | 6.8 | 9.2 | 10.5 | 12.4 |
| Chalet Hotels | 54.5 | 32.5 | 29.8 | 25.1 | 15.1 | 13.9 | 11.0 | 16.5 | 15.8 |

Source: Company; Mirae Asset Sharekhan Research

About company

Chalet is the owner, developer, and asset manager of high-end hotels in key metro cities in India. The company's portfolio comprises 11 hotels representing 3,389 keys, across mainstream and luxury segments, and commercial spaces, representing 2.4 msf in close proximity to the hospitality assets. Additionally, the company has ~1,200 rooms and 0.9 msf leasable area under development. The company is part of K. Raheja Corp Group, which is a leading business group in India. The company's hotels are currently branded with global brands such as JW Marriott, Westin, Marriott, Marriott Executive Apartments, Renaissance, and Four Points by Sheraton, which are held by Marriott Hotels India Private Limited and its affiliates.

Investment theme

Chalet, with its strong portfolio of 11 high-end branded hotels and commercial properties (which are strategically located in high-density business districts), is well poised to deliver strong growth in the coming years, driven by industry tailwinds and a robust development pipeline. Strong domestic demand and expected full recovery in foreign tourist arrival will drive revenue of the hotel business in the coming years. With expected asset sweating, cash flows will improve and take care of capex requirements and pay off some debt, which will lead to consistent improvement in the return profile (RoCE to improve to 17% in FY28E versus 11% in FY25).

Key Risks

- Any drop in room demand due to the emergence of any black swan event/sustained high inflationary environment or a significant increase in room supply in the coming years would be a key risk to our earnings estimates.
- Any delay in the launch of new hotels/commercial properties will impact our earnings estimates.

Additional Data

Key management personnel

| Name | Designation |
|------------------------|---|
| Hetal Madhukant Gandhi | Chairman |
| Sanjay Sethi | Chief Executive Officer and Managing Director |
| Nitin Khanna | Chief Financial Officer |
| Christabelle Baptista | Company Secretary and Compliance Officer |

Source: Company Website

Top 10 shareholders

| Sr. No. | Holder Name | Holding (%) |
|---------|--|-------------|
| 1 | HDFC AMC Ltd. | 6.63 |
| 2 | SBI Funds Management Ltd. | 4.47 |
| 3 | Nippon Life AMC | 3.86 |
| 4 | ICICI Prudential AMC Ltd. | 3.56 |
| 5 | Sundaram AMC Co. Ltd. | 1.65 |
| 6 | Vanguard Group Inc. | 1.32 |
| 7 | Axis AMC Ltd. | 1.14 |
| 8 | Aditya Birla Sun Life AMC Ltd. | 1.02 |
| 9 | ICICI Prudential Life Insurance Co. Ltd. | 0.92 |
| 10 | Blackrock Inc. | 0.63 |

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

| Right Sector | |
|-----------------|--|
| Positive | Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies |
| Neutral | Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies |
| Negative | Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability. |
| Right Quality | |
| Positive | Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance. |
| Neutral | Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable |
| Negative | Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet |
| Right Valuation | |
| Positive | Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment. |
| Neutral | Trading at par to historical valuations and having limited scope of expansion in valuation multiples. |
| Negative | Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple. |

Source: Mirae Asset Sharekhan Research

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