



Hotels

Hotels on a strong growth trajectory

Sector:	Consumer Discretionary
Sector View:	Positive

Coverage universe

Company	Reco	CMP (Rs)	PT (Rs)
Lemon Tree Hotels	Positive	153	208
Chalet Hotels	Positive	897	1,172
Samhi Hotels	Positive	183	247
Indian Hotels Company	Buy	734	891

Source: Company, Mirae Asset Sharekhan Research estimates

Summary

- Hotel companies' Q2FY26 was affected by heavy rainfall, a high base, room renovations, domestic air travel slowdown and geopolitical tensions, leading to modest RevPar growth for most companies.
- Chalet Hotels' core hospitality and commercial businesses posted resilient double-digit growth, despite weather-led disruptions and new inventory ramp-up. Consolidated (ex-residential project) revenues grew 24% y-o-y and EBITDA margin expanded 238 bps y-o-y.
- Lemon Tree Hotels (LTHL's) revenue grew 8% y-o-y, led by ARR growth of 6% y-o-y and 140 bps y-o-y rise in occupancy. However, EBITDA margins fell by 330 bps y-o-y due to higher renovation and technology expenses and one-time ex-gratia payments to employees.
- Outlook for H2 is strong supported by festive and wedding season, global events/conventions, increase in foreign tourist arrivals and supply-demand mismatch.

Hotel companies posted muted ADR growth in Q2FY26 as several short-term factors hit demand. Higher than usual rainfall and landslides disrupted travel, higher auspicious wedding dates in Q2FY25 led to high base, the Air India crash hit air traffic, geo-political disruptions impacted FTAs, fewer auspicious wedding dates reduced events and new supply or renovation activity affected some luxury markets. Consequently, most companies reported modest RevPar growth. Companies in our coverage registered 7-11% y-o-y RevPar growth, 8-20% y-o-y revenue growth and 50-150 bps y-o-y EBITDA margin expansion (excluding Lemon Tree, which reported decline in EBITDA margin). Despite a soft quarter, hotel companies remain positive on demand and pricing, expecting strong double-digit ARR growth in H2, supported by a favourable wedding calendar, festive season, rising foreign tourist arrivals, global events/conventions and supply-demand mismatch.

- Chalet Hotels:** Q2FY26 numbers beat estimates on all fronts with strong 95% y-o-y revenue growth and 104 bps y-o-y margin expansion leading to robust 95% y-o-y adjusted PAT growth. Chalet announced the launch of ATHIVA Hotels & Resorts, a premium hospitality lifestyle brand positioning the company to capture the growing demand for premium experiential travel. It aims to add 900+ keys under this brand in the near term. Balance sheet quality and funding cost materially improved with interest rate reducing to 7.6% versus 8.4% in FY25. The management has indicated that commercial real estate (CRE) cash flows now cover total debt servicing, freeing hospitality cash generation for growth. It has a strong pipeline of ~1,200 rooms and 0.9 msf leasable area.
- Lemon Tree Hotels Ltd (LTHL):** LTHL's operating performance was a miss on estimates with 8% y-o-y revenue growth and 330 bps y-o-y decline in EBITDA margins. Adjusted PAT grew by 20% y-o-y aided by higher other income and lower interest costs. Gross ARR stood at Rs. 6,247 (up 6% y-o-y), with occupancy at 69.8% (up 140 bps y-o-y) and RevPAR at Rs. 4,358 (up 8% y-o-y). LTHL is in the last leg of renovation (1,600 keys), which is expected to be completed in the next 15-18 months. Net debt reduced by Rs. 212 crore y-o-y to Rs. 1,610 crore. Rating upgrade to A+ reduced borrowing costs to 7.72% from 8.68% in Q2FY25. Management expects to clock 15% y-o-y RevPAR growth in Aurika, Mumbai in Q3. At Q2FY26-end LTHL has a pipeline of 9,118 rooms across 121 hotels, with focus on asset-light expansion.
- Industry outlook:** While seasonal softness may temper short-term growth, hotel companies' fundamentals remain strong, with rising domestic travel (both leisure and corporate), disciplined pricing, recovery in foreign tourist arrivals, strategic room additions coupled with favourable macros (growing middle class, changing travel habits, infrastructure development) providing confidence in the industry's long-term resilience. The industry is also seeing a structural shift in supply, with aggressive room additions in non-metro destinations such as Navi Mumbai, Noida, Dehradun, Lucknow, and Udaipur, indicating the next phase of expansion for India's hospitality industry.

Key risks: Any slowdown in corporate travel, a slower recovery in inbound/outbound tourism industry or delay in room addition would be a key risk to our earnings estimates.

Valuations

Companies	Reco	CMP (Rs.)	Price Target (Rs.)	Upside (%)	EV/EBIDTA (x)				ROCE (%)			
					FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Lemon Tree Hotels	Positive	153	208	36	19.3	16.1	13.5	11.9	12.7	15.4	17.9	18.6
Chalet Hotels	Positive	897	1,172	31	25.0	15.1	13.9	11.9	11.0	16.5	15.8	16.7
Samhi Hotels	Positive	183	247	35	9.8	8.4	7.0	6.1	9.2	10.5	12.4	13.6
Indian Hotels Company	Buy	734	891	22	32.0	26.8	23.0	20.0	16.7	17.4	19.1	20.0

Source: Company; Mirae Asset Sharekhan Research

Multiple tailwinds to support growth in H2



PRESTIGIOUS EXHIBITIONS



Asia's largest event on Civil Aviation (Commercial, General, Business Aviation & Advanced Air Mobility)

Hyderabad | January-26



GLOBAL SUMMITS



भारत 2026 INDIA

सर्वजन हिताय | सर्वजन सुखाय
WELFARE FOR ALL | HAPPINESS OF ALL

Bharat Mandapam, Pragati Maidan, New Delhi | February 2026



GLOBAL SPORTS EVENTS



ICC MEN'S T20 WORLD CUP INDIA & SRI LANKA 2026

T20 World cup Feb / Mar-26

International Music Concerts

Key Medical Conferences

High Profile Heads of State visits


Source: Company presentation; Mirae Asset Sharekhan Research

Aggressive room addition on cards across players


Company	No of rooms			Hotels		
	Operational	Pipeline	Expected	Operational	Pipeline	Expected
Lemon Tree Hotels	10,956	9,118	20,074	121	121	242
Chalet Hotels	3,359	1,210	4,569	11	5	16
Samhi Hotels	4,862	1,500	6,362	31	4	35
Indian Hotels Company	28,273	22,000	50,273	268	167	435

Source: Company; Mirae Asset Sharekhan Research


Robust long-term prospects



Domestic travel spending is expected to rise by **7.8% p.a.** to ₹33,945bn from 2024 to 2034¹. Indians are wanting to travel to **lesser-known and more boutique destinations**, along with exploratory and purposeful trips²



Improved road and air connectivity across India is making travel much easier. National Highway network has increased from ~91,000 km in 2014 to **~146,000 km** in 2024, whereas number of airports has increased from 74 to **157** during the same period, with a target of **350** airports in 2047.



Luxury travel spending is on the rise with share of MakeMyTrip hotel bookings above ₹10,000 rising from 20% in 2023 to **23%** in 2024. Indian travelers are increasingly prioritizing quality over quantity, seeking out **luxury accommodations** and **culturally enriching destinations**³.

Source: Company presentation; Mirae Asset Sharekhan Research

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