Chalet Hotels Ltd

Hotels

BUY
Target Price
1,000

Slow Quarter due to Renovations; Leisure Shines

Est. Vs. Actual for Q2FY27: Revenue – INLINE; EBITDA – MISS; PAT – BEAT

Changes in Estimates post Q2FY27:

FY27E/FY28E: Revenue: 0%/0%; **EBITDA :** 0%/0%; **PAT:** 0%/0%

Recommendation Rationale:

- **Growing Revenue with Higher Margins:** Chalet remains well-positioned to benefit from India's structural hospitality upcycle, with core business revenue increasing 11% YoY to Rs. 511 Cr. EBITDA margin expanded by 110 bps to 45%, supported by operational efficiencies, higher annuity income and strong performance in the leisure segment. Despite geopolitical disruptions in West Asia, flight rationalisations and ongoing construction at Powai, the company delivered resilient operational performance, with hospitality revenue reaching Rs. 412 Cr in Q2FY27, up 8.2% YoY.
- **Performance across key metros remained mixed:** MMR growth was subdued due to construction activity and heavy July rainfall, while Pune recorded healthy growth driven by corporate and retail demand. Hyderabad witnessed strong RevPAR growth, supported by GCC demand, whereas Bangalore reported moderate growth. The leisure resort portfolio was a standout performer, delivering 33.8% RevPAR growth.
- **Healthy Expansion Pipeline:** Chalet plans to undertake capital expenditure of Rs. 3,400–3,600 Cr over FY27–FY29, largely funded through internal accruals, leveraging its strong cash flows and balance sheet. Construction of the 0.9 million sq. ft. Cygnus Tower II at Powai is progressing well and remains on track for substantial completion by the end of FY27. The company is also advancing its 380-key Taj hotel project at Delhi International Airport, with a partial launch of 70 keys targeted in Q4FY27 and full completion expected in early FY28. In addition, Chalet is scaling up its Athiva brand through a robust development pipeline and evaluating the expansion potential of a premium 144-key resort in Udaipur.
- **Commercial Real Estate Growth:** The commercial real estate business delivered a strong performance in Q2FY27, with revenue increasing 22% YoY to Rs. 90 Cr. The existing commercial office portfolio recorded an occupancy rate of 91%, generating a monthly rental exit run rate of Rs. 30 Cr in September 2026. The upcoming completion of Cygnus Tower II is expected to add another 0.9 million sq. ft. of leasable area, further strengthening the company's annuity income base.

Sector Outlook: Positive

Company Outlook & Guidance: Management remains optimistic about the medium-term hospitality outlook despite geopolitical volatility affecting international travel. Domestic demand continues to remain strong, while leisure assets are witnessing a healthy ramp-up, with the resorts portfolio delivering 33.8% YoY RevPAR growth. Although the company acknowledged near-term disruptions to international travel due to the West Asia crisis and US elections, it maintained a positive outlook for Q3 and H2FY27, supported by strong business already on the books and a favourable upcoming wedding and MICE season.

Current Valuation: EV/EBITDA 16.5x for FY28E Earnings.

Current TP: Rs 1,000/share (Earlier TP: Rs 1,000/share)

Recommendation: We maintain our BUY rating on the stock with a target price of Rs 1,000/share, implying an upside of 22% from CMP.

Financial Performance

Chalet Hotels reported core revenue (excluding residential) of Rs 511 Cr, up 11% YoY. Hospitality revenue stood at Rs 412 Cr, up 8% YoY, supported by ARR growth of 11% YoY to Rs 13,546, despite occupancy declining 244 bps YoY to 64%. The commercial segment continued to perform well, reporting revenue of Rs 90 Cr, up 22% YoY. Reported core EBITDA stood at Rs 227 Cr, implying a margin of 45%, up 110 bps YoY. Segment-wise, hospitality EBITDA margin stood at 41%, while the commercial segment reported robust margins of 83%. PAT grew 40% YoY to Rs 216 Cr, significantly aided by a one-time deferred tax credit of Rs 113 Cr following the company's transition to a concessional tax regime.

Key Financials (Consolidated)

(Rs Cr)	Q2FY27	YoY (%)	QoQ (%)	Axis Est.	Variance %
Net Sales	502	-32%	-2%	506	-0.7
EBITDA	217	-27%	-7%	230	-5.3
EBITDA Margin(bps)	43.3%	263	-235	45.4%	-
Net Profit	216	40%	151%	101	113.4
EPS (Rs)	9.9	40%	151%	4.6	113.4

Source: Company, Axis Securities Research, *Adjusted

(CMP as of 5th November, 2026)

CMP (Rs)	823
Upside /Downside (%)	22%
High/Low (Rs)	961/690
Market cap (Cr)	18,023
Avg. daily vol. (1m)Shrs.	1,03,531
No. of shares (Cr)	21.9

Shareholding (%)

	Mar-26	June-26	Sep-26
Promoter	67.3	67.3	67.3
FIIs	4.7	4.3	4.2
MFs / UTI	22.7	23.1	24.5
Others	5.3	5.3	4.0

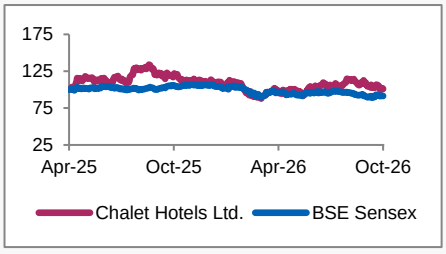
Financial & Valuations

Y/E Mar (Rs Cr)	FY26	FY27E	FY28E
Net Sales	2,770	3,271	3,191
EBITDA	1,187	1,426	1,436
Net Profit	645	756	767
EPS (Rs.)	29.6	34.7	35.2
PER (x)	27.8	23.7	23.4
EV/EBITDA (x)	16.9	13.8	13.6
P/BV (x)	4.9	4.0	3.5
ROE (%)	17.4	17.1	14.8

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	0%	0%
EBITDA	0%	0%
PAT	0%	0%

Relative Performance



Source: ACE Equity

Result Gallery

Q1FY27
Q4FY26
Q3FY26
Q2FY26

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Key Concall Highlights

- **Resilient Q2 Performance Despite Near-Term Headwinds:** Q2FY27 performance remained resilient despite geopolitical disruptions in West Asia, flight rationalizations, and construction-related impact at Powai. Strong domestic demand offset weakness in international travel, driving hospitality revenue up 8.2% YoY to Rs 411.5 Cr, while hospitality EBITDA margins expanded by 110 bps to 41.1%.
- **Leisure Portfolio Continues to Drive Growth:** The leisure resort portfolio significantly outperformed, delivering a robust 33.8% RevPAR growth. This was led by a strong 50-55% rebound at The Westin Resort & Spa in the Himalayas and steady stabilization at Athiva Resort & Spa in Khandala. Meanwhile, business hotels in MMR, Hyderabad, and Bengaluru witnessed mixed occupancy trends, though blended ARR growth remained healthy at 11.3% YoY.
- **International Demand Recovery Expected Post-Geopolitical Stability:** Management expects the recent weakness in international corporate and GCC travel to stabilize following the resolution of the US elections and easing of West Asian tensions. Domestic MICE (Meetings, Incentives, Conferences, and Exhibitions) and wedding segments continue to remain robust, driving a highly positive outlook and strong business on the books for Q3 and the second half of the year.
- **Powai Construction Impact Nearing Completion:** The MMR portfolio's volume was temporarily suppressed by construction work for Cygnus Tower II at Powai, but these disruptions are concluding. The porch at Powai is back in service, instantly enabling the return of large MICE events and daily airline crew contracts, paving the way for recovery from Q3 onwards. Additionally, the Navi Mumbai property has successfully concluded its upgrade and relaunched as Athiva Pulse.
- **Commercial Portfolio Delivers Steady Cash Flows:** The commercial real estate business performed strongly, reporting Rs 90.1 Cr in revenue (up 22.0% YoY) and robust margins of 83.2%. The currently operational portfolio achieved an occupancy of 91%, generating a monthly rental exit run rate of Rs 30 Cr in September 2026. Another 0.9 million sq. ft. of office space (Cygnus Tower II) is scheduled for substantial completion by the end of FY27.
- **Expansion Pipeline Progressing as Planned:** The expansion pipeline remains heavily on track, targeting a portfolio of over 5,500 keys in the next five years. Key near-term milestones include Cygnus Tower II completing by FY27 end, and the 380-key Taj Delhi Airport project targeting a partial launch in Q4FY27 or early FY28. Work is also progressing smoothly at Ritz-Carlton Hyderabad and Hyatt Regency Airoli, while expansion plans are actively being evaluated for a 144-key premium resort in Udaipur.

Key Risks to Our Estimates and TP

- The economic slowdown in India may impact demand for the travel Industry.
- An increase in supply could impact the realisations of the company.
- Negative operating leverage is a big hurdle to sustaining EBITDA margins.
- Delay in commissioning the projects.

Change in Estimates

(Rs Cr)

	New		Old		Change %	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Sales	3,271	3,191	3,271	3,191	0.0%	0.0%
EBITDA	1,426	1,436	1,426	1,436	0.0%	0.0%
PAT	756	767	756	767	0.0%	0.0%

Source: Company, *Axis Securities Research*

Results Review

	Q1FY26	Q4FY26	Axis Est	Q1FY27	YoY %	QoQ%
Net Sales	455	558	497	512	12%	-8%
Growth (YoY%)	26%	7%	9%	12%		
Total Expenditure	262	292	282	278	6%	-5%
Raw Material Consumed	30	32	35	32		
Gross Profits	425	527	462	481		
% of sales	7%	6%	7%	6%		
Gross margins (%)	93%	94%	93%	94%	51	-49
Employee Expenses	69	76	73	74		
% of sales	15%	14%	15%	14%		
Other Expenses	162	185	174	173		
% of sales	0	0	0	0		
EBITDA	194	266	215	234	21%	-12%
EBITDAM (%)	43%	48%	43%	46%	317	-193
Interest	49	41	50	39		
Depreciation	54	60	54	61		
Other Income	14	13	11	9		
Exceptional Items	-	-	1	10		
PBT	105	178	122	133	26%	-25%
Tax	24	15	30	46		
Tax (%)	23%	8%	25%	35%		
Reported PAT	81	163	91	86		

Source: Company, Axis Securities Research

Segment Breakup

Particulars (Rs Cr)	Q2FY26	Q3FY26	Q4FY26	Q1FY27	Q2FY27
Occupancy %	**67**	**68**	**68**	**65**	**64**
ARR (Rs)	**12,170**	**14,970**	**15,456**	**13,247**	**13,546**
RevPAR (Rs)	**8,117**	**10,162**	**10,544**	**8,582**	**8,702**
Room Revenue	246	309	314	260	269
F & B Revenue	109	149	129	128	116
Other Revenue	25	34	31	30	26
Commercial Revenue	74	74	85	87	90
EBITDA	61	62	71	74	75

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26	FY27E	FY28E
Net Sales	**1,718**	**2,770**	**3,271**	**3,191**
Growth (%)	**21.2%**	**61.2%**	**18.1%**	**-2.4%**
Total Expenditure	982	1,582	1,845	1,755
Raw Material Consumed	117	130	373	287
Gross margins (%)	**93.2%**	**95.3%**	**88.6%**	**91.0%**
Employee Expenses	234	288	393	383
% of sales	13.5%	13.5%	12.0%	12.0%
Other Expenses	631	1,165	1,080	1,085
% of sales	36.7%	42.1%	33.0%	34.0%
EBITDA	**736**	**1,187**	**1,426**	**1,436**
EBITDAM (%)	**42.8%**	**42.9%**	**43.6%**	**45.0%**
Depreciation	179	230	243	270
% of GB	3.8%	4.5%	4.0%	4.0%
EBIT	557	957	1,183	1,166
EBITM (%)	32.4%	34.6%	36.2%	36.5%
Interest	159	180	195	168
Other Income	36	43	47	52
Share of P/L of Associates	0	0	0	0
PBT	434	818	1,035	1,050
Tax Rate (%)	**67.2%**	**21.2%**	**27.0%**	**27.0%**
Tax	292	174	280	284
Reported PAT	**143**	**645**	**756**	**767**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26	FY27E	FY28E
Share Capital	218	219	219	219
Reserves & Surplus	2,827	3,479	4,215	4,961
Net Worth	3,046	3,698	4,433	5,180
Total Loan funds	2,679	2,461	2,161	1,861
Deferred Tax Liability	85	220	170	170
Long Term Provisions	16	19	16	16
Other Long-Term Liability	41	72	90	87
Capital Employed	**7,063**	**7,309**	**7,676**	**8,012**
Gross Block	4,684	5,131	6,081	6,751
Less: Depreciation	1,472	1,702	1,945	2,215
Net Block	3,212	3,429	4,136	4,536
Investments	99	15	15	15
Sundry Debtors	78	69	117	114
Cash & Bank Bal	186	309	365	337
Loans & Advances	23	80	80	80
Inventory	633	269	100	60
Other Current Assets	147	162	162	162
Total Current Assets	2,204	1,287	1,153	945
Curr Liab &Prov	1,165	903	838	768
Net Current Assets	-1,039	-384	-315	-177
Total Assets	**7,063**	**7,309**	**7,676**	**8,012**

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY25	FY26	FY27E	FY28E
PBT	434	818	1,035	1,050
Add: Depreciation	179	230	243	270
Add: Interest	159	180	195	168
Cash flow from operations	772	1,229	1,473	1,488
Change in working capital	54	86	-96	74
Taxes	292	174	280	284
Net cash from operations	427	970	1,290	1,130
Capital expenditure	-1,130	-662	-674	-670
Net cash from investing	-1,228	-583	-670	-670
Increase/Decrease in debt	-271	-217	-300	-300
Dividends	0	-10	-20	-20
Proceedings from equity	13	1	-0	0
Interest	-159	-180	-195	-168
Others	1,272	144	-48	0
Net cash from financing	855	-263	-563	-488
Net Inc./(Dec.) in Cash	53	123	57	-28
Opening cash balance	132	186	309	365
Closing cash balance	186	309	365	337

Source: Company, Axis Securities Research

Ratio Analysis

(%)

Y/E March	FY25	FY26	FY27E	FY28E
Sales growth	**21.2**	**61.2**	**18.1**	**(2.4)**
OPM	**42.8**	**42.9**	**43.6**	**45.0**
Oper. profit growth	25.9	61.3	20.1	0.7
COGS / Net sales	6.8	4.7	11.4	9.0
Overheads/Net sales	50.4	52.4	45.0	46.0
Depreciation / G. block	**3.8**	**4.5**	**4.0**	**4.0**
Effective interest rate	67.2	21.2	27.0	27.0
Net wkg.cap / Net sales	0.1	0.1	0.0	0.1
Net sales / Gr block (x)	0.4	0.5	0.5	0.5
RoCE	**9.4**	**16.0**	**19.3**	**17.9**
Debt/equity (x)	0.9	0.7	0.5	0.4
Effective tax rate	67.2	21.2	27.0	27.0
RoE	**4.7**	**17.4**	**17.1**	**14.8**
Payout ratio (Div/NP)	0.0	0.0	0.0	0.0
EPS (Rs)	**6.5**	**29.6**	**34.7**	**35.2**
EPS Growth	0.0	0.0	0.0	0.0
CEPS (Rs)	14.7	40.1	45.8	47.5

Source: Company, Axis Securities Research

Chalet Hotels Price Chart and Recommendation History



Date	Reco	TP	Research
01-Jan-25	BUY	1,075	Top Picks
31-Jan-25	BUY	975	Result Update
14-May-25	BUY	975	Result Update
04-Aug-25	BUY	1,030	Result Update
06-Nov-25	BUY	1,120	Result Update
01-Dec-25	BUY	1,120	Top Picks
01-Jan-26	BUY	1,120	Top Picks
02-Feb-26	BUY	1,120	Top Picks
04-Feb-26	BUY	1,120	Result Update
02-Mar-26	BUY	1,120	Top Picks
01-Apr-26	BUY	1,120	Top Picks
04-May-26	BUY	1,120	Top Picks
15-May-26	BUY	1,000	Result Update
01-Jun-26	BUY	1,000	Top Picks
01-Jul-26	BUY	1,000	Top Picks
30-Jul-26	BUY	1,000	Result Update
03-Aug-26	BUY	1,000	Top Picks
01-Sep-26	BUY	1,000	Top Picks
01-Oct-26	BUY	1,000	Top Picks
06-Nov-26	BUY	1,000	Result Update

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