AXIS DIRECT

Result Update
04th February, 2026

Chalet Hotels Ltd
Hotels

BUY
Target Price
1,120

ARR-Led Growth & Annuity Momentum

Est. Vs. Actual for Q3FY26: Revenue – INLINE; EBITDA – INLINE; PAT – BEAT

Changes in Estimates post Q3FY26:

FY26E/FY27E: Revenue: 0.6%/-3.8%; **EBITDA Abs:** 1.2%/-3.8%; **PAT:** -2.6%/-8.6%

Recommendation Rationale:

- **Stronger ARR:** The hospitality business reported 23% YoY revenue growth, with ARR increasing to Rs 14,970 (+15.7% YoY), driven by 25% growth in non-MMR assets. Occupancy stood at 68%, down 230 bps YoY. While MMR and NCR reported muted ADR growth YoY, Hyderabad, Pune, and Bengaluru delivered strong ADR growth. The occupancy softness was primarily due to key additions in Bengaluru and Khandala, leading non-MMR assets to witness a sharper 490 bps decline.
- **Surges on Annuity:** The rental annuity segment saw strong growth of 29% YoY, driven by 83% occupancy of leased area, with a monthly run rate of ~Rs 24 Cr, expected to increase to Rs 28–30 Cr by FY27E. Consolidated margins (ex-residential) stood at 46%, flat YoY, driven by the annuity business supporting profitability and strict operating cost discipline. The company's reported PAT was Rs 124 Cr.
- **Aggressive Growth Pipeline & Strategic Development:** Chalet has planned Rs 2,500 Cr of capex over FY27–FY29 to expand both its hospitality and commercial portfolios. Strategic projects such as the Taj at Delhi International Airport and Hyatt Regency, Airoli, are progressing, with the Delhi airport project targeting a partial launch by Q4FY27 from earlier H1FY27. The successful rebranding of the Aravali Resort and the upcoming rebranding of the Vashi property under the Athiva brand are expected to drive further ADR uplifts.

Sector Outlook: Positive

Company Outlook & Guidance: The company maintains a highly optimistic outlook, driven by a strategic focus on the upper upscale and luxury segments, aiming for a portfolio mix of approximately 20% leisure and 80% business hotels. Management expects strong revenue and RevPAR growth to continue, supported by the stabilisation of new inventory in Bangalore and Khandala over the next few quarters. This positive outlook is underpinned by the sustained success of the core "double engine strategy" (hospitality and commercial real estate, which provides the solid financial foundation, including an annual CRE cash flow of Rs 3-4 Bn, necessary to pursue growth, brand expansion with ATHIVA, and selective acquisitions like the bid for JW Marriott Bangalore.

Current Valuation: EV/EBITDA 19x for FY28E Earnings.

Current TP: Rs 1,120/share (Earlier TP: Rs 1,120/share)

Recommendation: BUY

Financial Performance

Chalet Hotels reported revenue of Rs 582 Cr, up 27% YoY, while ex-residential revenue grew 23% YoY, in line with our estimates. Hospitality revenue increased 23% YoY, supported by ~12% RevPAR growth and 9% inventory addition. The annuity segment continued to outperform, reporting revenue of Rs 74 Cr, up 29% YoY (in line with estimates).

Reported EBITDA stood at Rs 265 Cr, implying a margin of 45.6%, up 29.5% YoY. EBITDA (ex-real estate) grew a robust 24% YoY, with margins expanding marginally by 16 bps YoY to ~45%. Segmentally, hospitality EBITDA rose 20% YoY with margins at 45.3%, while annuity EBITDA surged 37% YoY, with margins expanding by 461 bps YoY to 83.5%. PAT grew 29% YoY to Rs 124 Cr, reflecting strong operating leverage and flow-through.

Q3FY26 also marked several key operational milestones for Chalet. The quarter represented the first full period post the launch of Athiva Resorts & Spa, Khandala, which became fully operational in Nov'25 with the addition of the remaining 30 keys, taking total inventory to 147 rooms. During the quarter, Courtyard by Marriott Aravali Resort was successfully rebranded as Aravali Marriott Resort & Spa, Delhi NCR, strengthening the portfolio's positioning. Additionally, Hyatt Regency, Airoli (MMR) received environmental clearance from the relevant authorities, improving visibility on execution timelines for this strategic asset.

Key Financials (Consolidated)

(Rs Cr)	Q3FY26	YoY (%)	QoQ (%)	Axis Est.	Variance %
Net Sales	582	27%	28%	551	5.6
EBITDA	265	30%	38%	251	5.7
EBITDA Margin(bps)	45.6%	86	333	45.5%	-
Net Profit	124	29%	68%	112	10.9
EPS (Rs)	5.7	29%	68%	5.1	10.9

Source: Company, Axis Securities Research, *Adjusted

(CMP as of 03rd February, 2026)

CMP (Rs)	896
Upside /Downside (%)	25%
High/Low (Rs)	1082/634
Market cap (Cr)	19,557
Avg. daily vol. (6m)Shrs.	3,05,080
No. of shares (Cr)	21.81

Shareholding (%)

	Jun-25	Sep-25	Dec-25
Promoter	67.4	67.3	67.3
FIIs	5.3	5.7	5.1
MFs / UTI	21.3	21.8	22.4
Others	6.0	5.1	5.2

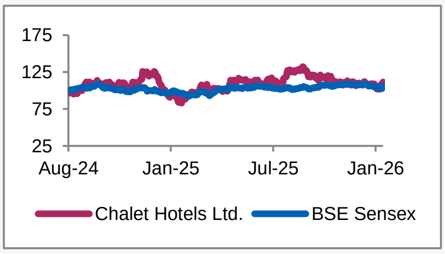
Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	1,718	2,884	3,271
EBITDA	736	1,278	1,426
Net Profit	143	633	736
EPS (Rs.)	6.5	29.0	33.8
PER (x)	137.1	30.9	26.5
EV/EBITDA (x)	29.9	16.9	15.1
P/BV (x)	6.4	5.3	4.5
ROE (%)	4.7	17.3	16.8

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
Sales	0.6%	-3.8%
EBITDA	1.2%	-3.8%
PAT	-2.6%	-8.6%

Relative Performance



Source: ACE Equity

Result Gallery

[Q2FY26](#)
[Q1FY26](#)
[Q4FY25](#)
[Q3FY25](#)

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Outlook

The hospitality industry's upcycle is anticipated to be long and sustainable. According to Horwath HTL, demand is expected to grow at over 10% annually over the next 3–4 years, with supply continuing to lag. Foreign Tourist Arrivals (FTA) reached 92 Lc in CY24, while corporate travel expenses under MICE remain below pre-COVID levels. Upcoming events, such as the World Cup, could further boost occupancies in the coming quarters. The leisure segment is already a significant driver in the hotel industry, and these factors are expected to benefit the sector in the quarters ahead.

Valuation & Recommendation

We remain confident in Chalet's strong execution capabilities. Its diversified portfolio across corporate and leisure hotels, annuity assets, and a robust development pipeline—particularly in high-demand metro locations—positions it well to deliver revenue growth above industry averages. We value the stock at an EV/EBITDA of 19x on FY28E earnings, arriving at a target price of Rs 1,120/share, implying an upside potential of 25% from the CMP. We maintain our **BUY** recommendation on the stock.

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	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Sales	2,884	3,271	2,868	3,399	0.6%	-3.8%
EBITDA	1,278	1,426	1,262	1,482	1.2%	-3.8%
PAT	633	736	650	806	-2.6%	-8.6%

Source: Company, *Axis Securities Research*

Results Review

Particulars (Rs Cr)	Q3FY25	Q4FY25	Q1FY26	Q1FY26**	Q2FY26	Q2FY26**	Q3FY26	YoY(%)	QoQ (%)
Net Sales	**458**	**522**	**895**	**455**	**735**	**453**	**582**	***27.1%***	***28.4%***
Growth (YoY%)	**22.5%**	**24.8%**	**147.8%**	**26.2%**	**95.0%**	**20.2%**	**27.1%**		
Total Expenditure	253	281	537	262	436	262	317	***25.1%***	***21.0%***
Raw Material Consumed	31	32	296	30	195	30	37		
Gross Profits	**427**	**490**	**599**	**425**	**541**	**423**	**545**		
% of sales	**6.8%**	**6.1%**	**33.1%**	**6.7%**	**26.5%**	**6.7%**	**6.4%**		
Gross margins (%)	**93.2%**	**93.9%**	**66.9%**	**93.3%**	**73.5%**	**93.3%**	**93.6%**	42	34
Employee Expenses	58	68	69	69	70	70	73		
% of sales	12.6%	13.0%	7.8%	15.3%	9.5%	15.4%	12.5%		
Other Expenses	164	181	172	162	172	162	207		
% of sales	35.9%	34.6%	19.2%	35.6%	23.4%	35.7%	35.5%		
EBITDA	**205**	**241**	**357**	**194**	**299**	**191**	**265**	***29.5%***	***38.5%***
EBITDAM (%)	**44.7%**	**46.3%**	**39.9%**	**42.5%**	**40.7%**	**42.2%**	**45.6%**	86	333
Interest	45	48	49	49	45	45	58		
Depreciation	48	50	54	54	57	57	46		
Other Income	7	15	14	14	9	9	8		
Exceptional Items	0	0	0	0	0	0	1		
PBT	**118**	**159**	**269**	**105**	**205**	**97**	**167**	***41.3%***	***72.1%***
Tax	22	35	65	24	50	23	43		
Tax (%)	18.4%	22.0%	24.4%	22.9%	24.5%	24.0%	24.0%		
Reported PAT	97	124	203	81	155	74	124		
Adjusted PAT	**97**	**124**	**203**	**81**	**155**	**74**	**124**	***28.5%***	***68.0%***

Source: Company, Axis Securities Research

Segment Breakup

Particulars (Rs Cr)	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Occupancy %	**70.0**	**76.0**	**66.00**	**66.70**	**68.00**
ARR (Rs)	**12,944**	**14,345**	**12,200**	**12,170**	**14,970**
RevPAR (Rs)	**9,090**	**10,902**	**8,052**	**8,117**	**10,162**
Room Revenue	249	302	236	246	309
F & B Revenue	123	126	118	109	149
Other Revenue	29	31	32	25	34
Hospitality Revenue	401	460	386	380	491
Annuity Rental	58	62	73	74	74

Source: Company, Axis Securities Research

Financials (consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Net Sales	**1,718**	**2,884**	**3,271**	**3,088**
Growth (%)	**21.2%**	**67.9%**	**13.4%**	**-5.6%**
Total Expenditure	982	1,606	1,845	1,698
Raw Material Consumed	117	337	373	278
Gross margins (%)	**91.0%**	**88.3%**	**88.6%**	**91.0%**
Employee Expenses	234	317	393	371
% of sales	13.5%	11.0%	12.0%	12.0%
Other Expenses	631	952	1,080	1,050
% of sales	37.0%	33.0%	33.0%	34.0%
EBITDA	**736**	**1,278**	**1,426**	**1,390**
EBITDAM (%)	**42.8%**	**44.3%**	**43.6%**	**45.0%**
Depreciation	179	227	265	292
% of GB	3.6%	4.0%	4.0%	4.0%
EBIT	557	1,050	1,161	1,097
EBITM (%)	32.4%	36.4%	35.5%	35.5%
Interest	159	223	196	169
Other Income	36	40	44	48
Share of P/L of Associates	0	0	0	0
PBT	434	867	1,009	977
Tax Rate (%)	**67.2%**	**27.0%**	**27.0%**	**27.0%**
Tax	292	234	272	264
Reported PAT	**143**	**633**	**736**	**713**

Source: Company, Axis Securities Research

Balance Sheet

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
Share Capital	218	219	219	219
Reserves & Surplus	2,827	3,450	4,167	4,860
Net Worth	3,046	3,669	4,385	5,078
Total Loan funds	2,679	2,479	2,179	1,879
Deferred Tax Liability	85	170	170	170
Long Term Provisions	16	16	16	16
Other Long-Term Liability	41	79	90	85
Capital Employed	**7,063**	**7,481**	**7,748**	**8,017**
Gross Block	4,684	5,684	6,634	7,304
Less: Depreciation	1,472	1,699	1,964	2,257
Net Block	3,212	3,985	4,669	5,047
Investments	99	28	28	28
Sundry Debtors	78	103	117	110
Cash & Bank Bal	186	410	180	111
Loans & Advances	23	23	23	23
Inventory	633	310	100	60
Other Current Assets	147	147	147	147
Total Current Assets	2,204	1,876	1,615	1,397
Curr Liab &Prov	1,165	1,020	594	479
Net Current Assets	-1,039	-856	-1,021	-918
Total Assets	**7,063**	**7,481**	**7,748**	**8,017**

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY25	FY26E	FY27E	FY28E
PBT	434	867	1,009	977
Add: Depreciation	179	227	265	292
Add: Interest	159	223	196	169
Cash flow from operations	772	1,318	1,470	1,438
Change in working capital	54	-364	-39	84
Taxes	292	234	272	264
Net cash from operations	427	1,447	1,237	1,090
Capital expenditure	-1,130	-939	-950	-670
Net cash from investing	-1,228	-869	-950	-670
Increase/Decrease in debt	-271	-200	-300	-300
Dividends	0	-10	-20	-20
Proceedings from equity	13	0	0	0
Interest	-159	-223	-196	-169
Others	1,272	78	0	0
Net cash from financing	855	-354	-516	-489
Net Inc./(Dec.) in Cash	53	223	-229	-69
Opening cash balance	132	186	410	180
Closing cash balance	186	410	180	111

Source: Company, Axis Securities Research

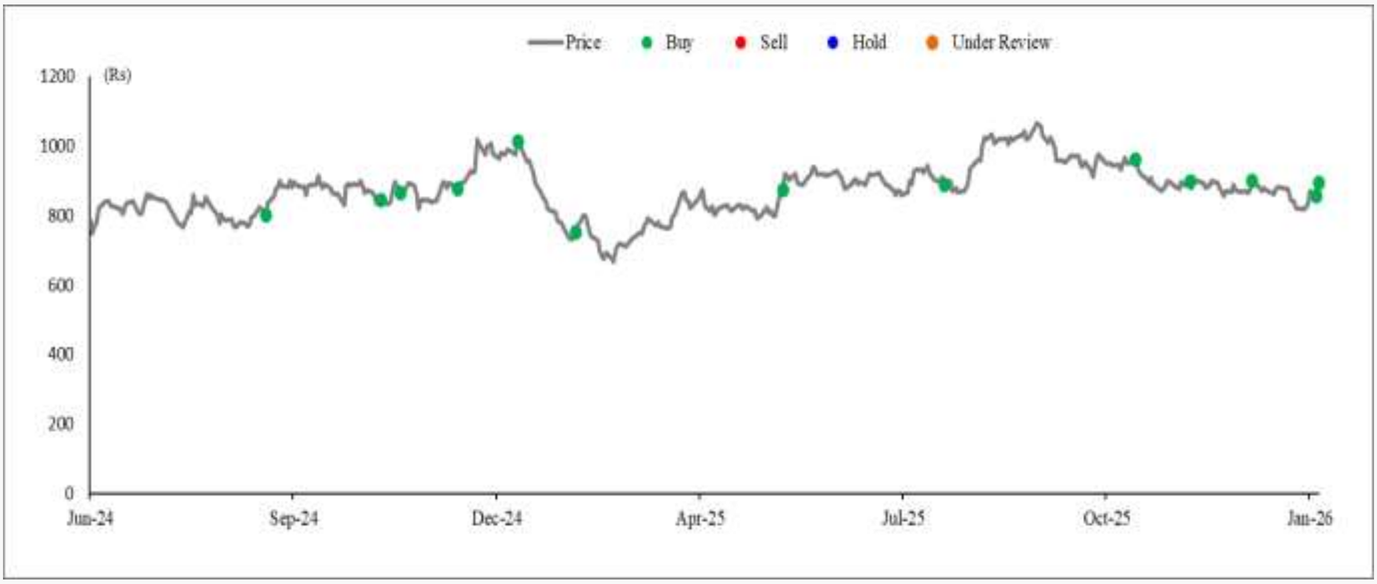
Ratio Analysis

(%)

Y/E March	FY25	FY26E	FY27E	FY28E
Sales growth	**21.2**	**67.9**	**13.4**	**(5.6)**
OPM	**42.8**	**44.3**	**43.6**	**45.0**
Oper. profit growth	25.9	73.6	11.6	(2.6)
COGS / Net sales	9.0	11.7	11.4	9.0
Overheads/Net sales	50.4	44.0	45.0	46.0
Depreciation / G. block	**3.6**	**4.0**	**4.0**	**4.0**
Effective interest rate	67.2	27.0	27.0	27.0
Net wkg.cap / Net sales	0.1	(0.1)	(0.1)	(0.1)
Net sales / Gr block (x)	0.4	0.5	0.5	0.4
RoCE	**9.4**	**16.9**	**17.4**	**15.6**
Debt/equity (x)	0.9	0.7	0.5	0.4
Effective tax rate	67.2	27.0	27.0	27.0
RoE	**4.7**	**17.3**	**16.8**	**14.0**
Payout ratio (Div/NP)	0.0	0.0	0.0	0.0
EPS (Rs)	**6.5**	**29.0**	**33.8**	**32.7**
EPS Growth	(48.7)	344.0	16.3	(3.2)
CEPS (Rs)	14.7	39.4	45.9	46.1
DPS (Rs)	0.0	1.0	2.0	2.0

Source: Company, Axis Securities Research

Chalet Hotels Price Chart and Recommendation History



Date	Reco	TP	Research
30-Aug-24	BUY	975	Initiating Coverage
28-Oct-24	BUY	975	Result Update
04-Nov-24	BUY	1,035	Top Picks
02-Dec-24	BUY	1,035	Top Picks
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

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.