

# Chalet Hotels

## BUY

RevPAR weighed by Omicron concern

### Summary

Chalet Hotels Ltd.'s (Chalet) Q4FY22 result was below our estimates on key parameters as occupancy dipped amid Omicron wave in Q4FY22. However, on a positive note, sharp recovery was seen from April, 22 which will aid healthy net sales revival. Further, the management's commentary on strong traction in domestic corporate travel is encouraging. Net sales increased by 56% YoY to Rs1,480mn, while EBITDA came in at Rs314mn, a sharp increase of 1,461% YoY. The company's net losses declined from Rs259mn in Q4FY21 to Rs115mn in Q4FY22. Given strong demand outlook, Chalet has resumed its inventory addition plans. The company is also looking at acquisition/development of new properties under leisure segment in other key geographies. We have marginally increased our margin estimates upward for FY24. Maintain BUY with a revised TP of Rs338, assigning 20x EV/EBITDA to hotel business.

### Key Highlights and Investment Rationale

- Marginal QoQ dip in RevPAR:** Chalet's hospitality segment revenue declined by 11% QoQ to Rs1,264mn. Though the company's ADR improved by 7% QoQ to Rs5,429, occupancy was down by 500bps QoQ to 55%. The company's corporate travel segment rebounded sharply as demand surged. Chalet's business mix was 60% corporate travel in February, which improved to 70% in March, 22. The management guided that cost rationalization initiatives will continue and will support further margin improvement in future.
- Robust growth outlook, BUY with TP of Rs338:** We like Chalet given its active asset management of the hotels, inventory addition in hotel and commercial segment, inorganic growth opportunities in leisure segment and value unlocking opportunities in Koramangla project. BUY with a TP of Rs338.

<b>TP</b>	<b>Rs338</b>
<b>CMP</b>	<b>Rs283</b>
Potential upside/downside	+19%
Previous Rating	BUY

Price Performance (%)			
	-1m	-3m	-12m
Absolute	(8.7)	11.1	93.2
Rel to Sensex	0.3	19.3	84.0

V/s Consensus		
EPS (Rs)	FY23E	FY24E
IDBI Capital	2.1	12.7
Consensus	2.7	10.3
% difference	(22.0)	23.3

Key Stock Data	
Bloomberg / Reuters	CHALET IN/CHAL.BO
Sector	Hotels
Shares o/s (mn)	205
Market cap. (Rs mn)	58,022
3-m daily avg Trd value (Rs mn)	21.3
52-week high / low	Rs332 / 143
Sensex / Nifty	54,088 / 16,167

Shareholding Pattern (%)	
Promoters	71.7
FII	2.1
DII	19.6
Public	6.6

### Financial snapshot

Year	FY20	FY21	FY22	FY23E	FY24E
Revenue	9,808	2,856	5,078	9,197	13,518
Change (yoy, %)	(1)	(71)	78	81	47
EBITDA	3,429	71	985	3,423	6,078
Change (yoy, %)	7	(98)	1,295	248	78
EBITDA Margin (%)	35.0	2.5	19.4	37.2	45.0
Adj.PAT	1,194	(1,276)	(642)	439	2,614
EPS (Rs)	5.8	-	-	2.1	12.7
Change (yoy, %)	(3,481.5)	(206.8)	(49.7)	(168.4)	495.4
PE(x)	49.1	-	-	133.5	22.4
Dividend Yield (%)	-	-	-	-	-
EV/EBITDA (x)	21.6	1,072.6	80.3	23.5	12.7
RoE (%)	8.0	(8.6)	(4.7)	3.2	17.2
RoCE (%)	7.5	(3.2)	(0.5)	5.2	11.3

Source: IDBI Capital Research

**Concall Highlights:**

- The company has seen steady ramp up in Revpar and occupancy in Q4FY22, Revpar stood at Rs2,973 and Occupancy at 55%. April-22 has witnessed strong pickup with Revpar of Rs5,757 and Occupancy of 81%, contributed by positivity in all cities. Occupancy at Four point, Vashi – 98% , Marriott, Bengaluru -56%, Westin, Hyderabad – 77%, Pune – 90%, Revpar at these properties are above April-19 levels
- Revenue Mix: in Q4FY22 Hospitality - 82%, Rental/Annuity - 14% & others - 4%. In hospitality, Room revenue- Rs683mn, F&B- Rs488mn and Others – Rs88mn.
- Geographic Performance QoQ: ADR: MMR up by 8% at Rs5797, Bengaluru up by 38% at Rs5572, Hyderabad declined by 11% at Rs4974 & Pune up by 1% Rs3,914. RevPAR: MMR up 2% at Rs3,466, Bengaluru lower by 13% at Rs1,402, Hyderabad lower by 6% at Rs2,768, Pune lower by 12% at Rs3,151. Occupancy: MMR at 60%, Bengaluru at 25%, Hyderabad at 56%, Pune at 71%
- Company's business mix is 60% in Business travel and in Feb, March-22 it has increased to ~70% with strong resurgence in business travel
- Project Update: 1) Commercial Tower, Westin Powai is expected to complete by Q4FY23 2) Commercial Tower in Marriott complex, Bangalore had slight delay on supply chain challenges and should be completed by Q2FY23 3) Westin Powai 1st phase has been completed the rebranding is done and is expected to start phase 2 soon after IPL, it is expected to complete by end of FY23 4) Novotel expected to complete by Q2FY23 5) In Hyderabad company is restarting work at Mindspace and is expected to be completed by Q4FY23 6) Airoli hotel is on hold
- Company stated it intends to add 2-3 new leisure hotels to its portfolio
- Net debt in March-22 is Rs22,338mn which is expected to be ~Rs26,000mn in FY23 and is expected to taper down post FY23
- CAPEX for next 2 years CAPEX is ~Rs7,400mn with ~Rs5,400mn to be incurred in FY23 of which ~Rs4,000mn will be towards commercial
- Company plans to add 1,000-1,500 rooms over next 4-5 years to current portfolio

**Exhibit 1: Financial snapshot**

Particulars (Rs mn)	Q4FY22	Q3FY22	QoQ (%)	Q4FY21	YoY (%)
<b>Total revenues</b>	<b>1,480.1</b>	<b>1,641.8</b>	<b>-9.8</b>	<b>949.0</b>	<b>56.0</b>
Total expenditure	1,165.9	1,237.5	-5.8	928.9	25.5
<b>EBIDTA</b>	<b>314.3</b>	<b>404.3</b>	<b>-22.3</b>	<b>20.1</b>	<b>1461.2</b>
<i>EBIDTA margin (%)</i>	<i>21.2</i>	<i>24.6</i>	<i>(340)bps</i>	<i>2.1</i>	<i>1910bps</i>
Depreciation	302.7	284.7		286.7	
Interest cost	356.0	336.6		351.9	
Other income	55.1	15.2		40.5	
PBT	(289.3)	(201.8)	-	(578.1)	-
Tax	(184.8)	(119.8)		(337.8)	
<b>Adj. net profit</b>	<b>(104.5)</b>	<b>(82.0)</b>	<b>-</b>	<b>(240.3)</b>	<b>-</b>
Minority int. & exceptional items	(11.2)	(11.7)		(9.9)	
Discontinued operations	-	(52.9)		(9.4)	
<b>consolidated profit</b>	<b>(115.6)</b>	<b>(146.5)</b>	<b>-</b>	<b>(259.6)</b>	<b>-</b>
EPS (INR)	-0.5	-0.4	-	-1.2	-

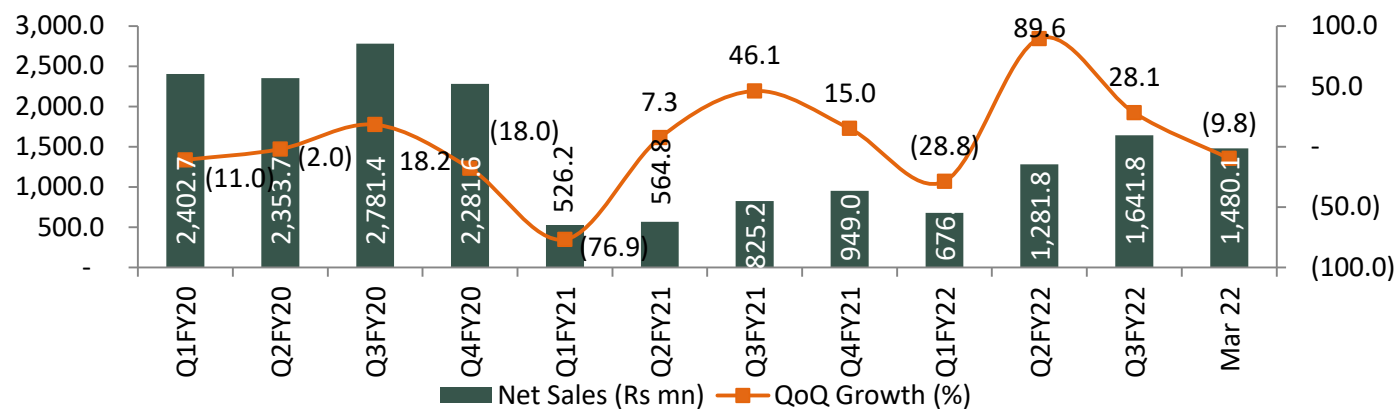
Source: Company; IDBI Capital Research

**Exhibit 2: Actual vs Estimates**

Particulars (Rs mn)	Q4FY22A	Q4FY22E	Variance (%)
<b>Net Sales</b>	<b>1,480.1</b>	<b>2,019.0</b>	<b>-27%</b>
<b>EBITDA</b>	<b>314.3</b>	<b>522.0</b>	<b>-40%</b>
<i>EBITDA Margin (%)</i>	<i>21.2</i>	<i>25.9</i>	<i>(470)bps</i>
<b>Net Profit</b>	<b>(115.6)</b>	<b>(64.0)</b>	<b>-</b>
EPS, Rs	(0.5)	(0.3)	-

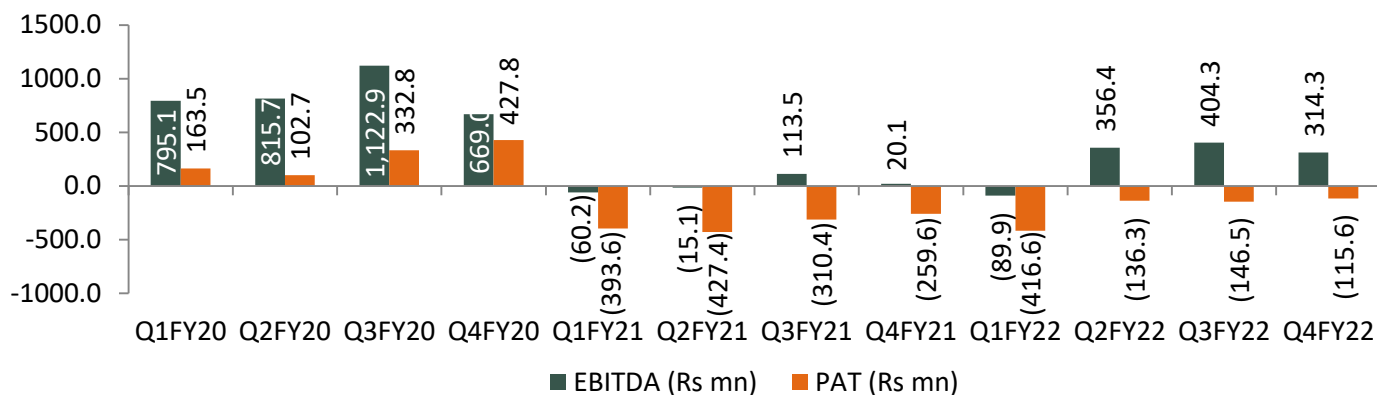
Source: Company; IDBI Capital Research

**Exhibit 3: Consolidated revenue**



Source: Company; IDBI Capital Research

**Exhibit 4: EBITDA/PAT**



Source: Company; IDBI Capital Research

## Financial Summary

### Profit & Loss Account

(Rs mn)

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Net sales</b>	<b>9,872</b>	<b>9,808</b>	<b>2,856</b>	<b>5,078</b>	<b>9,197</b>	<b>13,518</b>
<i>Change (yoy, %)</i>	24.1	(0.6)	(70.9)	77.8	81.1	47.0
Operating expenses	(6,679)	(6,380)	(2,785)	(4,093)	(5,775)	(7,440)
<b>EBITDA</b>	<b>3,192</b>	<b>3,429</b>	<b>71</b>	<b>985</b>	<b>3,423</b>	<b>6,078</b>
<i>Change (yoy, %)</i>	30.4	7.4	(97.9)	1,294.9	247.6	77.6
<i>Margin (%)</i>	32.3	35.0	2.5	19.4	37.2	45.0
Depreciation	(1,154)	(1,133)	(1,175)	(1,184)	(1,278)	(1,348)
<b>EBIT</b>	<b>2,038</b>	<b>2,295</b>	<b>(1,104)</b>	<b>(199)</b>	<b>2,145</b>	<b>4,730</b>
Interest paid	(2,657)	(1,462)	(1,520)	(1,444)	(1,799)	(1,503)
Other income	476	279	219	219	241	265
<b>Pre-tax profit</b>	<b>(183)</b>	<b>1,071</b>	<b>(2,446)</b>	<b>(1,469)</b>	<b>587</b>	<b>3,493</b>
Tax	107	(12)	1,092	720	(148)	(879)
<i>Effective tax rate (%)</i>	58.4	1.1	44.6	49.0	25.2	25.2
Minority Interest	-	30.5	0.5	(2.6)	-	-
<b>Net profit</b>	<b>(76)</b>	<b>1,089</b>	<b>(1,354)</b>	<b>(752)</b>	<b>439</b>	<b>2,614</b>
Exceptional items	(41)	(105)	(78)	(110)	-	-
<b>Adjusted net profit</b>	<b>(35)</b>	<b>1,194</b>	<b>(1,276)</b>	<b>(642)</b>	<b>439</b>	<b>2,614</b>
<i>Change (yoy, %)</i>	(112.2)	(3,481.5)	(206.8)	(49.7)	(168.4)	495.4
EPS	-	5.8	-	-	2.1	12.7
Dividend per sh	-	-	-	-	-	-
<i>Dividend Payout %</i>	-	-	-	-	-	-

**Balance Sheet**

(Rs mn)

<b>Year-end: March</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
<b>Shareholders' funds</b>	<b>14,227</b>	<b>15,546</b>	<b>14,161</b>	<b>13,413</b>	<b>13,852</b>	<b>16,465</b>
Share capital	2,050	2,050	2,050	2,050	2,050	2,050
Reserves & surplus	12,176	13,495	12,110	11,362	11,801	14,415
<b>Total Debt</b>	<b>13,392</b>	<b>16,842</b>	<b>17,567</b>	<b>21,428</b>	<b>23,571</b>	<b>20,035</b>
Other liabilities	629	954	3,649	5,009	5,245	4,326
<b>Curr Liab &amp; prov</b>	<b>6,590</b>	<b>6,788</b>	<b>4,514</b>	<b>4,579</b>	<b>4,882</b>	<b>5,167</b>
Current liabilities	5,566	5,823	3,529	3,647	3,904	4,159
Provisions	1,024	966	985	933	978	1,008
<b>Total liabilities</b>	<b>20,612</b>	<b>24,585</b>	<b>25,731</b>	<b>31,017</b>	<b>33,699</b>	<b>29,528</b>
<b>Total equity &amp; liabilities</b>	<b>34,866</b>	<b>40,128</b>	<b>39,888</b>	<b>44,427</b>	<b>47,548</b>	<b>45,991</b>
Net fixed assets	21,067	31,065	31,155	34,457	37,604	36,957
Investments	6,857	45	45	450	427	321
Other non-curr assets	285	2,255	2,797	3,099	2,533	2,728
<b>Current assets</b>	<b>6,658</b>	<b>6,762</b>	<b>5,891</b>	<b>6,422</b>	<b>6,984</b>	<b>5,986</b>
Inventories	3,955	3,924	3,912	3,935	3,856	3,471
Sundry Debtors	477	417	216	436	501	526
Cash and Bank	827	1,279	458	998	1,679	1,184
Loans and advances	762	367	439	-	-	-
<b>Total assets</b>	<b>34,866</b>	<b>40,128</b>	<b>39,888</b>	<b>44,427</b>	<b>47,548</b>	<b>45,991</b>

**Cash Flow Statement**

(Rs mn)

<b>Year-end: March</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
Pre-tax profit	(183)	1,071	(2,446)	(1,469)	587	3,493
Depreciation	745	1,035	739	1,184	1,278	1,348
Tax paid	(23)	(201)	63	38	455	(968)
Chg in working capital	436	684	(2,134)	262	316	645
Other operating activities	-	-	-	-	-	-
<b>Cash flow from operations (a)</b>	<b>975</b>	<b>2,588</b>	<b>(3,779)</b>	<b>15</b>	<b>2,636</b>	<b>4,519</b>
Capital expenditure	(139)	(11,033)	(829)	(4,486)	(4,426)	(701)
Chg in investments	(77)	6,812	0	(405)	22	107
Other investing activities	-	-	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(216)</b>	<b>(4,221)</b>	<b>(829)</b>	<b>(4,890)</b>	<b>(4,403)</b>	<b>(594)</b>
Equity raised/(repaid)	9,190	-	-	-	-	-
Debt raised/(repaid)	(8,759)	3,450	725	3,861	2,143	(3,536)
Dividend (incl. tax)	-	-	-	-	-	-
Chg in minorities	28	-	-	(2)	-	-
Other financing activities	(708)	(1,365)	3,061	1,557	305	(884)
<b>Cash flow from financing (c)</b>	<b>(249)</b>	<b>2,085</b>	<b>3,786</b>	<b>5,416</b>	<b>2,448</b>	<b>(4,420)</b>
<b>Net chg in cash (a+b+c)</b>	<b>510</b>	<b>452</b>	<b>(821)</b>	<b>541</b>	<b>681</b>	<b>(495)</b>

### Financial Ratios

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
Book Value (Rs)	69.4	75.8	69.1	65.4	67.6	80.3
Adj EPS (Rs)	-	5.8	-	-	2.1	12.7
Adj EPS growth (%)	-	-	-	-	-	495.4
EBITDA margin (%)	32.3	35.0	2.5	19.4	37.2	45.0
Pre-tax margin (%)	-1.9	10.9	-85.7	-28.9	6.4	25.8
Net Debt/Equity (x)	0.9	1.0	1.2	1.5	1.6	1.1
ROCE (%)	7.2	7.5	-3.2	-0.5	5.2	11.3
ROE (%)	-0.4	8.0	-8.6	-4.7	3.2	17.2

### DuPont Analysis

Asset turnover (x)	0.3	0.3	0.1	0.1	0.2	0.3
Leverage factor (x)	3.7	2.5	2.7	3.1	3.4	3.1
Net margin (%)	-0.4	12.2	-44.7	-12.6	4.8	19.3

### Working Capital & Liquidity ratio

Inventory days	146.2	146.0	500.0	282.8	153.0	93.7
Receivable days	17.6	15.5	27.7	31.3	19.9	14.2
Payable days	66.5	60.8	108.6	77.3	57.0	46.4

### Valuations

Year-end: March	FY19	FY20	FY21	FY22	FY23E	FY24E
PER (x)	-	49.1	-	-	133.5	22.4
Price/Book value (x)	4.1	3.8	4.1	4.4	4.2	3.6
EV/Net sales (x)	7.2	7.6	26.5	15.6	8.8	5.7
EV/EBITDA (x)	22.3	21.6	1,072.6	80.3	23.5	12.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company; IDBI Capital Research





# Notes

Dealing

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**Key to Ratings Stocks:****BUY:** 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.**IDBI Capital Markets & Securities Ltd.****Equity Research Desk**

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