kotak Securities

Dated: 6th Nov 2025

Chalet Hotels (CHALET) - ADD

Q2FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.962	**Rs.1025**

Rationale:

- Q2FY26: Stronger earnings owing to residential revenue recognition.
- Residential revenue recognition led to the large jump in the consolidated earnings, revenue (ex-residential business) grew 20% yoy.
- Healthy growth in hospitality and annuity earnings in Q2FY26.
- Chalet's operational hotel portfolio now stands at 3,359 keys with another 1,200 keys in the pipeline.
- Strong 23% EBITDA CAGR over FY25-30E; this would be aided by healthy same-store growth and new asset additions.
- We expect earnings per share (EPS) growth of 340.1% in FY26E and 19.5% in FY27E.
- We maintain ADD with a revised FV of Rs1,025 (Rs965 earlier).

Positives:

- Annuity business reported strong revenue of Rs73.8 cr (+76% yoy, +1% qoq) and EBITDA of Rs60.7 cr (+88% yoy, flat qoq), yielding a margin of 82%.
- The portfolio ARR improved to Rs12,170/day (+16% yoy) in Q2FY26.

Negatives:

- Chalet's portfolio saw soft occupancy of 67%, compared with 74% occupancy in Q2FY25 and 66% occupancy in Q1FY26.
- Net debt increased marginally to Rs2091 cr, as of September 2025.

(EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization; ARR: Average Room Rate)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
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NR	–	**Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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NA	–	**Not Available or Not Applicable.** The information is not available for display or is not applicable
NM	–	**Not Meaningful.** The information is not meaningful and is therefore excluded.
NOTE	–	Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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