Reliving the evolution journey of Chalet Hotels

Once touted as an asset heavy business with debt on the BS, Chalet IN has evolved meaningfully over the last 3-4 years. In this edition of "Manthan" we take you through the evolution journey of Chalet IN. How has the business transformed and which evolution factors are we talking about? Also, where does the company stand in its evolution journey? Read on to find out more.

We have broken down the evolution journey in three sections where we think the business has actually transformed. The three sections are a) entry into leisure segment, b) decision to launch own brand, and c) taking the inorganic route to expand.

Entry into leisure segment: When we had initiated on Chalet IN in Dec-22, the company had 7 hotels with 2,554 rooms located in business districts like MMR, Bengaluru, Hyderabad, and Pune. However, over time, Chalet IN has expanded into the leisure category by acquiring hotels in Khandala, NCR, and Uttarakhand. It is also under active negotiations to acquire one hotel in Udaipur. Further, Chalet IN also has plans to open greenfield hotels in leisure destinations like Goa and Thiruvananthapuram. A brief snapshot of leisure portfolio is provided in the table below.

Exhibit 1: Snapshot of the leisure portfolio of Chalet Hotels

Hotel	Keys	Location	Operational
Athiva Resort & Spa	147	Khandala, Maharashtra	Yes
Aravali, Marriott Resort & Spa	158	Aravali, NCR	Yes
The Westin Resort & Spa, Himalayas	141	Rishikesh, Uttarakhand	Yes
Athiva Resort & Spa	190	Varca, South Goa	No
Athiva Resort & Spa	170	Bambolim, North Goa	No
Athiva Resort & Convention Centre	150	Thiruvananthapuram, Kerala	No
Resort Property in Udaipur (Under due diligence)	150	Udaipur, Rajasthan	No

Source: Company, PL ***Note:*** *Udaipur Property is not acquired as yet, and is undergoing due diligence*

As can be seen above, from having a negligible presence 3-4 years ago, Chalet IN will eventually have ~1,106 keys in leisure segment after the under-construction portfolio becomes operational. We believe the decision to enter into leisure segment not only hedges business risk, but the geographical concentration risk also gets diversified to a large extent as MMR still forms ~50% of Chalet IN's revenues as of 9MFY26.

Launch of own brand, ATHIVA: In 2QFY26, Chalet IN launched its own brand, ATHIVA**.** Until this launch, Chalet IN did not have its own brand and had tie-ups with global hospitality companies like Marriott, Accor, Hyatt (upcoming hotel) and Indian Hotels (upcoming hotel). Over time, 6 hotels with 900 keys will be launched under the new brand. A brief snapshot of the hotels to be launched under brand ATHIVA is provided in the table below.

Exhibit 2: Snapshot of the ATHIVA portfolio of Chalet Hotels

Keys	Location	Operational	Comments
147	Khandala, Maharashtra	Yes	Dukes, Khandala has been rebranded as ATHIVA
152	Navi Mumbai	Yes	Four Points by Sheraton will be rebranded as ATHIVA
94	Aksa beach, Mumbai	Yes	Promoter owned property (Not on Chalet's books)
190	Varca, South Goa	No	Under planning stage
170	Bambolim, North Goa	No	Under planning stage
150	Thiruvananthapuram, Kerala	No	Under planning stage

Source: Company, PL

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With the launch of own brand, Chalet IN has transitioned into being a brand owner thereby reducing dependency on third party operators. The move will not only help save on loyalty fees but also opens a new business opportunity to expand via management contract route. ATHIVA's positioning will be at a premium/upper-upscale end. In terms of hierarchy, positioning is expected to be similar to Marriott, Taj, Hyatt Regency and Hilton. Thus, the new brand is unlikely to be ARR dilutive. We believe Chalet IN is one of the very few companies that has a bucket of 3rd party brands with an own brand. From a long-term standpoint, having an own brand can be seen as a big positive as it opens up a new revenue stream.

Taking the inorganic route to expand: As it takes about 3-5 years to build a hotel, acquiring assets is the best way to expand as it cut downs on the capex to revenue cycle timeline and enables one to milk the upcycle to fullest. Chalet IN has acquired 3-4 hotels in the last few years to expand the portfolio. A brief snapshot of hotels acquired in the past is provided in the table below.

Exhibit 3: List of properties acquired by Chalet Hotels in the last 2-3 years

Hotel	Keys	Location	Date	Acquisition cost	EV per room
Athiva Resort & Spa (Erstwhile Dukes Retreat)	147	Khandala, Maharashtra	Mar-23	Rs1,330mn	Rs16.6mn
Aravali, Marriott Resort & Spa	158	Aravali, NCR	Mar-24	Rs3,150mn	Rs19.9mn
The Westin Resort & Spa, Himalayas	141	Rishikesh, Uttarakhand	Feb-25	Rs5,300mn	Rs37.6mn
Resort Property in Udaipur	150	Udaipur, Rajasthan	Dec-25	Rs1,710mn	Rs11.4mn

Source: Company, PL ***Notes: 1)*** *Udaipur Property is not acquired as yet, and is undergoing due diligence* ***2)*** *When Dukes Retreat was acquired, it had 80 operational rooms. EV per room is calculated on price paid for 80 rooms.*

While most hotel companies have taken the inorganic route to expand in this upcycle, we believe the differentiating factor for Chalet IN has been the ability to identify right assets (leisure where the focus was missing) at the right price.

Nonetheless, we believe, there are certain pockets where Chalet IN still lacks presence in its evolution journey. Here are a few areas that we can think of :-

- **International presence**: Chalet IN lacks international presence. While only a handful of companies have international exposure like Indian Hotels, EIH Ltd, Lemon Tree, Leela Palace & Resorts Ltd and Ventive Hospitality, it would be interesting to see whether Chalet IN would ever make a plunge outside of India.
- **Establishing strong presence in mid-scale segment**: As of 9MFY26, Chalet IN's average ARR was Rs13,116 reflecting a luxury/upper-upscale positioning. Establishing presence in mid-market segment akin to Ginger can help capitalize on the vast opportunity that lies at the bottom of the pyramid in India's hospitality industry.
- **Absence in spiritual circuits**: Spiritual tourism is booming in India and having an hotel in some of the destinations like Varanasi, Ayodhya, Tirupati etc can help Chalet IN to capitalize on this emerging trend.

Overall, we believe the transition journey of Chalet IN is noteworthy especially relating to leisure and ATHIVA. Beyond this, Chalet IN also has a unique advantage of being a part of K Raheja Group which has wide experience in developing large scale real estate and commercial projects in India. But the real bliss is exposure to annuity assets (achieved leasing run-rate of Rs250mn per month in Dec-25) that has hedged the hospitality risk for life! We maintain BUY on the stock with a TP of Rs1,089.

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apeejay Surrendra Park Hotels	BUY	206	126
2	Chalet Hotels	BUY	1,089	896
3	Delhivery	BUY	516	423
4	DOMS Industries	BUY	3,084	2,356
5	Imagicaaworld Entertainment	BUY	70	48
6	Indian Railway Catering and Tourism Corporation	BUY	850	618
7	InterGlobe Aviation	Hold	5,186	4,909
8	Lemon Tree Hotels	BUY	165	133
9	Mahindra Logistics	BUY	407	340
10	Navneet Education	Reduce	119	156
11	Nazara Technologies	Hold	276	279
12	PVR Inox	BUY	1,274	987
13	S Chand and Company	BUY	291	185
14	Safari Industries (India)	Hold	2,191	2,144
15	Samhi Hotels	BUY	290	169
16	TCI Express	BUY	694	537
17	V.I.P. Industries	Reduce	352	390
18	Zee Entertainment Enterprises	BUY	133	85

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Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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