

CHALET HOTELS LTD

IPO Note : Hospitality Sector from K Raheja Group. Average sales growth. Debt Burden High : Ranking**



Issue details

Price band (Rs)	Rs.275-280
IPO Opening Date	29/01/19
IPO Closing Date	31/01/19
Issue Size	Rs. 1600 Cr.

Recommendation

- Hospitality Sector from K Raheja Group
 - Brands of CHL includes JW Marriott, Renaissance, Westin
 - Average Sales Growth of 18% for 4 years.
 - Profit is negative for 3 out of past 5 years, and in 6 months ending Sep 2018 - company has also incurred loss
 - High Debt Burden
- It's an average issue and can be ignored

Highlights

- Chalet Hotels is an owner, developer and asset manager of high-end hotels in key metro cities in India. Its hotel platform comprises five operating hotels
- Its hotels are branded with globally recognized hospitality brands and are in the luxury-upper upscale and upscale hotel segments
- The company's hotel platform emphasizes strategic locations, efficient design and development, appropriate positioning in hotel segments together with branding and operational tie-ups with leading hospitality companies.

Company Introduction

The company generally develops its hotels in strategic, high density locations on large land parcels, allowing it to situate a greater number of rooms, as well as provide a wide range of amenities, such as, fine dining and specialty restaurants, large banquet and outdoor spaces.

CHL's hotel platform emphasizes strategic locations, efficient design and development, appropriate positioning in hotel segments together with branding and operational tie-ups with leading hospitality companies. The company uses experience to actively manage the hotel assets to drive performance.

Its hotels are currently branded with global brands such as JW Marriott, Westin, Marriott, Marriott Executive Apartments, Renaissance and Four Points by Sheraton which are held by Marriott Hotels India Private Limited and its affiliates (collectively "Marriott").

Company Promoters:

1. Ravi C Raheja;
2. Neel Raheja and K Raheja corp Pvt Ltd.

The object of the issue



www.chalethotels.com

Financial Summary (Rs. In Crore)

Particulars	FY2018	FY2017	FY 2016	FY2015
Total Income	383	373.79	355.29	344.01
Net Profit	3.11	12.74	-11.24	-12.63

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

The Offer comprises a Fresh Issue by the Company and an Offer for Sale by the Selling Shareholders.

The Offer for Sale

The Selling Shareholders will receive the proceeds of the Offer for Sale. Company will not receive any proceeds from this.

The Fresh Issue

The Net Proceeds from the Fresh Issue are proposed to be utilised towards the following objects:

1. The objects of the fresh Issue are-. Repayment/pre-payment of certain indebtedness
2. General corporate purposes.

IPO Issue Proceed

To part finance repayment/prepayment of certain debts, working capital needs CHL is coming out with a maiden IPO via book building route to mobilize around Rs. 1641 cr. CHL IPO comprises fresh equity issue worth Rs. 950 cr. and offer for sale - approx value Rs. 691 cr., Based on upper price band.

Issue opens for subscription on 29th Jan '19 and will close on 31st Jan '19 . Minimum application is to be made for 53 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE/NSE.

Company will pay off debt worth Rs. 720 crore from the proceeds of this issue. Having issued initial equity at par, it raised further equity in the price range of Rs. 20 to Rs. 50 between January 1999 and March 2006. It has also issued bonus shares in the ratio of 3 for 1 on 11.07.1998. Under amalgamation and arrangement schemes it issued shares in November 2006 and shares in December 2017 as per consideration other than cash. Average cost of acquisition of shares by the promoters is Rs. 0.00, 1.29, 3.17, 6.61, 6.81, 13.00, 26.99, 32.85, 65.57 and Rs. 100 per share. Post issue CHL current paid up equity capital of Rs. 171.10 cr. will stand enhanced to Rs. 205.03 cr. (approx)

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