CHALET
HOTELS

October 31, 2022

National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex,
Bandra (East),
Mumbai 400 051.
Scrip Code: CHALET

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai 400 001.
Scrip Code: 542399

Dear Sir / Madam,

Subject: Transcript of the Earnings Call in respect of the Unaudited Financial Results for the quarter and six months ended September 30, 2022

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), please find attached herewith the transcript of the Earnings Call held by the Company on October 21, 2022, in respect of the Unaudited Financial Results for the quarter and six months ended September 30, 2022.

Further, pursuant to the provisions of Regulation 46 of the Listing Regulations, the aforesaid transcript will also be disclosed on the website of the Company i.e. www.chalethotels.com.

Request you to take the same on record.

Thanking You.

Yours faithfully,
For Chalet Hotels Limited

CHRISTABELLE BERNADETTE BAPTISTA
Digitally signed by CHRISTABELLE BERNADETTE BAPTISTA
Date: 2022.10.31 19:12:25 +05'30'

Christabelle Baptista
Company Secretary and Compliance Officer

Encl.: As above

"Chalet Hotels Limited Q2 FY23 Earnings Conference Call"

October 21, 2022

MANAGEMENT: MR. SANJAY SETHI – MD & CEO
MR. MILIND WADEKAR – CFO

Moderator: Ladies and gentlemen, good day and welcome to the second quarter and half year ended FY23 Earnings Conference Call of Chalet Hotels Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjay Sethi - MD & CEO, Chalet Hotels Limited. Thank you and over to you, sir.

Sanjay Sethi: Ladies and gentlemen, good evening and Season's Greetings from all of us at Chalet. To begin with, the presentation has been uploaded on our website. You may want to refer to it during the call or afterwards. Sorry, there has been a little short notice between the uploading of the presentation and the call, but we wanted to get the call done before Diwali Holidays.

Quarter 2 has shaped as we expected it to with a decent July followed by a challenged August and an excellent September. August had four mid-week holidays spread over 3 weeks affecting business travel and the month ended with an occupancy of 69% and an average room rate of Rs.7,425. However, September had represented rebound with occupancies coming back to 72% and a very strong average room rate of Rs.9,070, the highest this year and one of the best Septembers for the Company. This accentuates the back-to-normal sentiment for the hospitality business. The portfolio F&B revenues continue to grow at a healthy pace backed by increasing MICE demand and revival of non-residents business in our restaurants. F&B revenue for the quarter was up 18% higher than Q2 of FY20, in fact, the September F&B numbers were 32% higher than September of 2020.

I am glad to share the JW Marriott at Sahar, Westin Hyderabad, Four Points Vashi and Novotel Pune have exceeded the revenues and EBITDA of Q2 of FY20. During the quarter, Westin Powai had 120 rooms and its ballroom under renovation and hence did not meet the FY20 numbers. The revenue and EBITDA for hospitality division for the quarter was Rs. 2.2 billion and Rs. 0.8 billion which is 9% and 8% higher respectively than Q2 of FY20. For the quarter, consolidated revenue was at Rs. 2.5 billion with an EBITDA of Rs. 0.9 billion, a growth of 4% and 1% over FY20 numbers, respectively.

Our H1 numbers indicate good growth over FY20 with EBITDA higher by 14%. Our H1 revenue was higher than the same period of FY20 by approximately Rs.190 million and the corresponding EBITDA was higher by approximately Rs.200 million, indicating a greater than 100% flow through to margins. Our employee to room ratio remained stable throughout the quarter and was 0.9 at the end of September. This includes all employees including contract employees. On the expense front, payroll costs have been maintained at 14% of revenue as compared to 15% for full year of FY20. The Q2 FY20 payroll cost percentage was 16% and our utility expenses have been stable at 7% of revenue.

Some key highlights of our ongoing projects. Westin-2 in Hyderabad with 168 rooms and the Commercial Tower at Powai are on track for completion in Q4 of the current financial year. The new Commercial Tower at Bengaluru has already received part OC. Municipal approvals and RERA amendments are awaited for the residential development in Bengaluru, we expect them soon. Our work is on site as per whatever approval we received till date. The project of additional 88 rooms at Pune and the conversion of mall at Bengaluru are delayed briefly due to supply chain issues. The rooms at Pune are expected to be completed in the current quarter. Conversion of Bengaluru mall to office space will be completed by the end of the financial year.

On the office leasing front, The Orb at Sahar is now 94% leased out. At Bengaluru, we already have an LOI in place for a tenant for 1.5 lakh sqft. This boards well on the leasing traction and the rate as I had mentioned earlier in the call seems to be better in Bengaluru that we had initially expected. The Bengaluru Metro has commenced trial runs on the Whitefield stretch and the metro line is expected to be open to public early next year. Improved connectivity is expected to generate higher demand for commercial office space in Whitefield.

I am happy to share that the license agreement with the Delhi International Airport Limited for the new hotel at Delhi has been executed. Initial design work is on schedule. This marquee hotel asset is expected to be completed by FY26. We continue to make steady progress on our ESG goals and proud to share that we are well ahead of our committed goals with Climate Group. As part of our EV100 initiative, we now have EV charging stations operating at all our hotels. I am also happy to share that the company improved their renewable electricity ratio to approximately 80% of total consumption in our hotels for the first half of the year. We have another feather in our cap to report, Chalet Hotels has been listed amongst India's Top 10 Best Places to Work for Women in 2022 by the Great Places to Work India. We have also been recognized as 'Best Workplaces in Asia in 2022' in the Mid-Size category.

Ladies and gentlemen, overall I am happy with the quarter-on-quarter progress of our performance. We expect further improvement in foreign business traffic soon. That combined with the culmination of some significant CAPEX initiatives will help the company make strong strides on P&L balance sheet front in the coming quarters. Before I hand over to Milind, I take this opportunity to wish you and your dear ones a very Happy Diwali. Milind, over to you.

Milind Wadekar: Thank you Sanjay. Good evening ladies and gentlemen. Let me now take you through the financials in some more details. Reported revenue for the quarter under discussion was at Rs.2.5 billion, which was higher by 4% as compared to Q2 FY20 on the back of strong recovery in areas and healthy F&B revenue. As we all know, Q2 is seasonally the weakest quarter for the hospitality sector and current performance shows the strong recovery for the industry. Consolidated EBITDA was at Rs.0.9 billion, up by 1% for the same quarter of FY20. The EBITDA margin for the quarter was at 35%. Profit after tax was at Rs.157 million, higher by 53% from Q2 FY20.

The hospitality segment contributed to 89% of the total revenue in Q2 FY23. Revenue from the hospitality segment was at Rs. 2.2 billion for the quarter and EBITDA was at Rs. 0.8 billion. The segment reported margins of 36.3%. For two of our major cost heads for hospitality, payroll cost was at 14% of the revenue in Q2 as compared to 15% in FY20 and utility cost as a percentage of revenue was steady at 7%. The Food and Beverage segment reported healthy growth. Revenue grew by 18% in Q2 FY23 to Rs.743 million versus Rs.632 million in Q2 FY20. It increased its contribution to total revenue to 33% from 31% in the pre-pandemic period of Q2 FY20. The Rental and Annuity segment contributed to 10% of total revenue for the company. The revenue and EBITDA from the segment were at Rs.244 and Rs.198 million for the quarter, respectively.

First half of FY23 consolidated revenue was higher by 4% over pre-pandemic levels led by strong performance by the hospitality segment. Effective cost management has resulted in EBITDA growth of 14% in H1 FY23 over H1 FY20. Credit rating agencies, that is India Rating and ICRA during the quarter have revised upward our long-term credit rating outlook from negative to positive and stable, respectively. This indicates confidence and visibility of strong revival of the industry and our Company. Completion of the ongoing projects along with our asset management capabilities are likely to result in higher flow-throughs from the hospitality segment going forward. Net debt of the company from March 22 to September 22 was marginally higher by Rs.0.6 billion to Rs.23 billion. While the company spent Rs. 2.3 billion on the CAPEX during H1 FY23, it was largely funded by internal accruals. Hence, I would like to highlight that interest cost for Chalet as of March 22 was at 8.04% with some external borrowing on books. The interest cost as of September 22 has moved up by 14 bps to 8.18% and the company has repaid all its ECB loans. This is against the backdrop of an upward policy rate revision of 190 bps by RBI during the same period.

The company has CAPEX plan of around Rs.6.5 to Rs.7 billion till FY24 that is for next 18 months for its capital work in progress. This excludes CAPEX on proposed second commercial tower in Powai where we are still seeking approvals. Business is well funded with internal accruals and available lines of credit. Considering all under construction projects, the Company has Rs.10 billion of capital work in progress across hospitality and rental assets as on September 2022. These investments are expected to generate revenue over next 3 to 4 quarters and free up the balance sheet. We have cash and cash equivalents of Rs.0.8 billion as of September 22 and Rs.5.7 billion available lines of credit for general corporate purposes and planned CAPEX. There has been no new subscription from promoters on 0% nonconvertible redeemable preference share during the quarter under review. The total subscription stands at Rs. 2,000 million as of September 22.

Before we open the floor for questions, let me wish everyone Happy and Prosperous Deepavali.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session.

The first question is from the line of Archana Gude from IDBI Capital. Please go ahead.

Archana Gude: Thank You for the opportunity. I have 2-3 questions. Sanjay can you help us with the revenue mix for Chalet in terms of domestic leisure, domestic corporate and international travelers for this quarter?

Sanjay Sethi: You are referring to the quarters, so let me just pick up the sheet for the quarter. So, I am going to give this to you in two ways. One is, how many room nights were occupied by Indians and foreigners for the quarter and then compare that with Q2 of FY20. So, our mix for Q2 FY23 right now is 67:33 favoring domestic. Our domestic guests, recovery to FY20 numbers is 156% so they are 56% higher than FY20. The recovery of foreign guests is at 64% to FY20 numbers, so we are still short of 36% there. The other way to look at the business is the market segmentation and there we more or less return to normal. Pre-pandemic, the transient segment, which is the short stay corporate segment, we used to be 76%, we are at 75% now. The group segment which is basically MICE and others was at 14% pre-pandemic, it's at 17% and the contract which is largely airline crew was 11% pre-pandemic, it is at 8%. In general, the segmentation is back to where it used to be. The gap on the foreign travelers is still there. I was looking at the airline data a little while earlier today and while air traffic passenger load for the first 5 months which is April to August for domestic passenger is up 91% to Pre-pandemic, the recovery is at 91%, the foreign traffic is at 75%. We expect this to improve significantly coming November-December on the back of 2-3 things, the season typically for foreign starts in November into India and second, airline connectivity is improving as we speak. Direct flights to US have now been announced from November, from Bengaluru, Mumbai and Hyderabad, which will help all these three cities in future.

Archana Gude: My second question is, so when I look at the hospitality segment, the growth is primarily driven by the higher ADRs, while there is decline in the occupancy, I do understand last quarter we had this IPL which aided the occupancy, how you should look at this growth in ADR going forward given that Q3 and Q4 we should have further growth in occupancy?

Sanjay Sethi: Yes, Archana, I think one way to look at this is that what is the trend on the ADR, right? If you look at the ADRs month-on-month trend, I am going to read it out right from April onwards because it will give you a sense of how things are going. The April, the ADR or ARR was Rs.7100, May it was Rs.7600, in June it was Rs.7600, July it was Rs.7300, August it was Rs.7400, September it climbed to Rs.9070, which is a massive jump and this is basically indicative of things coming back to normal on corporate travel side and we are seeing similar rates, in fact slightly better rates in September, and in October on month-to-date basis. So, largely we are trending towards Rs.9000 plus ADRs and in H2 this should be clearly going northwards from here onwards, which means that we will probably be well ahead of ADRs of FY20 so looking good on the ADR front.

Archana Gude: Sanjay, you spoke about may be expanding your leisure segment earlier and of course you are happy that now we will be in North as well, but nothing per se came up in leisure segment to expand for Chalet?

Sanjay Sethi: No, we had a few opportunities that we are pursuing. We will announce them at the right time.

Archana Gude: Sure, lastly, one question, let us say if we are spending Rs.250 crores for this Delhi Hotel, what kind of ROIs we are expecting there?

Sanjay Sethi: Let Milind answer that, but basically we look at 2-3 parameters on this, Archana we look IRR on a project basis, IRR on equity basis and then the present value of the project. We also look at ROCE on a year-on-year basis to see whether it meets our investment criteria. On all four fronts, Delhi has a tick. Let Milind give you reference numbers.

Milind Wadekar: So, Archana, on IRR fronts, project at IRR we are looking at close to 17%-18%, equity IRR is north of 20% and ROCE in a stabilized year will be closer to 12% to 13%.

Archana Gude: Milind, since we have close to Rs.700 crores CAPEX lined up, is it fair to assume that our debt figure by FY24 end will be close to Rs.3,000 odd crores?

Milind Wadekar: Not really Archana, I mean we expect our debt will peak out at 2,750 by FY23 and then we will start earning rentals and EBITDA from our commercial assets.

Archana Gude: There will be some debt repayments, you are saying in FY24?

Milind Wadekar: Yes, there will be internal accruals generated which will taper down debt.

Sanjay Sethi: Yes, so look basically we see debt paring down from the next phase, driven by high internal accruals as well as the fact that the projects will come to culmination.

Moderator: Thank you very much. Our next question is from the line of Vikas Ahuja from Antique Stock Broking. Please go ahead.

Vikas Ahuja: So, my first question is on the hospitality margins, we have seen a sharp drop, can you help us with what were the key headwinds led to this fall? And secondly, on seasonality on margin, second half is normally if we look at history, it is 500-600 basis points higher than first half, are we going to see same seasonality this time as well? That is question number one and the second question is on if you can give us any color on pricing and occupancy in coming quarters on the basis of bookings you have received till date? Finally, my third question is on the sharp drop we have seen in occupancies of Mumbai in Q2, partially I know IPL was there and secondly, it could be largely because of rains as well, have you seen specially for the Mumbai market, have you seen the pickup back to Q1 levels in October?

Sanjay Sethi: Very quickly on the margins front, Q2 as Milind mentioned earlier, typically is little more challenged because of the revenue side of it and it is pretty normal for Q2 to be weaker than Q1. That is the natural cycle for the segment that we have operate in. So, therefore that has played out and that is why you see revenues going down and occupancies also automatically go down on account of demand going down during the monsoons in Mumbai. Mumbai did have lot of rain, so did couple of other cities including Bengaluru and that affected it, but it is pretty normal for this time of the year. So, occupancy was lower on account of the regular annual cycle of occupancies. It was lower than Q1 because Q1 was padded up with the IPL business, true. On the margin side driven by revenues for a bit and number two, we did have a couple of cost bunching up during this quarter, this is oneoff cost, they are not regular costs, for example, we did a special sprucing up of our hotels in preparation for the H2 that is coming up and second thing is, there were some bunching up of costs on account of negotiation that we did with the unions in one or two of our hotels and they got bunched up from April to September in one quarter. Nothing to be concerned about as I said they were one-off cost, going forward, we don't give forward looking numbers normally. Let me say that H2 is always better than H1 quite significantly and if things goes away they look right now, we should have a very good H2. Occupancies for most of the good month and typically the good months in H2 are November, first half of December, last three weeks of January, whole of February and most of March, so we have got a fairly long period of good months ahead of us and very confident that we will do well. On pricing and occupancy, going forward, I don't want to give any indicative numbers, but you can benchmark them to previous cycles. Also, keep in mind that I do want to highlight one thing here that in Q2, the Powai Hotel had 120 rooms out on action for renovation and when we calculate occupancies, we still count them in the inventory. These are the renovations that are going on for the balance second half of the hotel. Plus, the banquet or the main ballroom was out of action for 39 days. So, that is all coming back in the near future and that will start playing out in H2.

Vikas Ahuja: Sure, thanks this is helpful. Just, I am not looking for a guidance on margins on second half, just directionally what we have seen in the past, the kind of improvement we see, this time it would be, there is nothing exceptional that first half had lot of pent up, that is why margins were better, so it is a structural improvement?

Sanjay Sethi: Yes, there will be improvement and the only thing I can say is that you can look at the Q1 margin which was 41% in the hospitality division and take the reference point from there, typically H2 is better than that.

Vikas Ahuja: And one last question on this payroll cost which was around 13%-14% in first half, now even your staff to room ratio in the presentation as mentioned it has come to 0.9, but assuming second half occupancies are going to be much higher, do you think this ratio going up and we might see some challenges specially on the payable cost?

Sanjay Sethi: Earlier, we have kept a target of 0.92 at the peak that will go up to, there is always some gaps in hiring, etc., that causes this to be 0.9 or 0.89 at some point of time, but 0.92 is very optimal target that we have kept in our minds, we don't see that going up. Beyond that keep in mind that whilst I said that our payroll cost was 14% in this quarter, it was on a lower revenue base and that is what probably affected from Q1. Secondly, compared to Q2 of FY20, it is still 200 bps lower, please keep that in mind.

Moderator: Thank you. The next question is from the line of Anushuman Maheshwari from Arunova. Please go ahead.

Anushuman Maheshwari: Our question is regarding the commercial leasing business, which is part of Chalet, specifically what would be the visibility around the projects which are coming up in the Commercial Tower in Westin Powai and the Commercial Tower in Whitefield Bengaluru.

Sanjay Sethi: Anshuman thank you for your question. I will give you a brief update on this and then maybe Milind if you have anything to add, he will share that with you. On Bengaluru, as we mentioned we have got part OC for the building, there is some final work that is pending, we should be getting that out of the way may be by third week of November. The clients that we have already signed up for the three floors we will start the fit outs at the point of time, and we have 6-month rent fee period, which is in line with what we had on our plans. Once we have the building completely sealed on the final site, we expect leasing traction to pick up. We have already got two more clients signed up. Just to give you a sense that one client that we signed up consumes about 25% of the new IT building that we have built. Then there is the mall that has been converted to office. Between the mall and the IT building, it is about 0.9 million square feet and we believe that we should be able to lease all these out in the next 3 quarters or so, 3 to 4 quarters maximum. The rates are better than we expected it to be, ranging from 7% to 10% better than what we expected to be. Powai is roughly around 760,000 square feet leasable space. We will complete this project by end of next quarter. The interest is high on that project. Once the building's façade is up and the building is in close, we expect to start signing some deals. Right now, we are making sure that we optimize the rental yield as against rushing into signing at any discount price, but whatever the rental indication that we are getting, it seems to be better than what we had expected earlier.

Milind Wadekar: Anushuman, the only thing I would like to add here is, infrastructure is getting upgraded, Whitefield will get connected with Metro in next 3-4 months. Infrastructure around Powai is getting upgraded, so the rentals could be higher than what we have considered in our financial feasibility.

Anushuman Maheshwari: And for Powai, would you expect to make any announcement regarding any clients that you may sign up.

Sanjay Sethi: I don't see this making those announcements till next quarter.

Anushuman Maheshwari: Would you expect lease certain proportion of the area before the building is completed or you plan to wait till that?

Sanjay Sethi: We expect to lease some part, get couple of anchors in place before the building is completed.

Anushuman Maheshwari: Final question is regarding a point that you mentioned earlier in the call, I think you mentioned at the start of the call that 64% vis-a-vis FY20, you are seeing international travelers coming in?

Sanjay Sethi: Yes.

Anushuman Maheshwari: What is your outlook on foreign travelers for the second half of the year?

Sanjay Sethi: I think we should be back to between 90% and 100%. I was telling what was driving this slowdown, one was the airline capacity and airline capacity was taking the rates up, so between those two people were finding it difficult to come in. Second, we had a bit of visa glitch in UK and couple of other countries in the last few weeks, you may have read about that. That thing is sorted out that the Ministry of External Affairs and we had actually pushed that Ministry of Tourism to push the MEA to get this expedited and it is getting sorted out.

Moderator: Thank you very much. Our next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: So the occupancy for Q2 FY20 was 73% and despite of lower inbound, we have shown at 71% occupancy, so with the recovery of the inbound travel in next 2 to 3 quarters, so can we expect the off season number what Q2 FY23 we have shown in occupancy side, the next year the Q2 FY23 we can surpass the occupancy of 73% with the recovery inbound travel? in Mumbai I am talking about.

Sanjay Sethi: It won't give forward looking numbers, but there is no reason why we won't cross those numbers. I won't put a number to it, but it is pretty natural for second half to have better occupancies and I think the year after that.

Sumant Kumar: No, I am not talking about second half, I am talking about the off-season number because we can't compare the Q1 number with Q2 and Q1 had a higher occupancy because of IPL also, so I am talking about the Q2 FY23 if the inbound would happen our occupancy can surpass outbound because we have higher foreign customer also?

Sanjay Sethi: True, on a same store basis that is probably a reality.

Sumant Kumar: And I think some renovation is also going on Powai, so that has also impacted our ARR side?

Sanjay Sethi: Impacted occupancy and rates both because inventory was unavailable and because pandemic was taken up, one segment couldn’t be occupied to use optimally.

Sumant Kumar: And this is adjusted occupancy, correct, 71%, available room?

Sanjay Sethi: No, it is on full inventory.

Sumant Kumar: So, this is on full inventory, not adjusted inventory occupancy?

Sanjay Sethi: That is right.

Sumant Kumar: In that case, the occupancy would have been higher also?

Sanjay Sethi: That is right.

Sumant Kumar: That is also key reason for that?

Sanjay Sethi: Yes.

Sumant Kumar: And now talking about the Bengaluru side, we have seen significant ARR decline compared to pre-pandemic, still we are lower with the recovery in the occupancy and still when we see the pre-pandemic occupancy for Bengaluru is 80% and we have seen recovery in the Pune may be because of some other reason, but Hyderabad and Bengaluru is still lower than pre-pandemic, so when can we expect the pre-pandemic occupancy, we can achieve in the coming quarter?

Sanjay Sethi: Actually, Hyderabad is higher.

Sumant Kumar: No, I am talking about compared to pre-pandemic.

Sanjay Sethi: Hyderabad is.

Sumant Kumar: No, it is not higher, it is 72% in Q2 FY20 and currently in Q2 FY23 we have 69%?

Sanjay Sethi: You are talking about occupancy or average room rate?

Sumant Kumar: No, I am talking about occupancy?

Sanjay Sethi: So, occupancy in Hyderabad is low, you are right, I was actually referring to the average room rate because you did mention average room rate in some part of the conversation. See, Bengaluru and Hyderabad were slow to pick up compared to the other cities. They have picked up now and I can confirm to you that September and early parts of October have been good.

Sumant Kumar: So, have we surpassed the pre-pandemic number in the current month?

Sanjay Sethi: I don't want to give current month, but I can share with you September. The reason I can't give current month is because it is not public as yet, but September, Westin occupancy was 72% and the rates were Rs.9,729.

Sumant Kumar: It is higher than pre-pandemic or at the level of pre-pandemic?

Sanjay Sethi: It is significantly higher on RevPAR basis.

Moderator: Thank you very much. The next question is from the line of Rajiv from DAM Capital. Please go ahead.

Rajiv: This may be a repetition, but on the employee cost fund, I remember we discussed this in Q1, and we discussed that as compared to let us say Q2 of FY22 we have had salary hike then and the Rs.33 crores run rate is the going rate now, I am just failing to understand from Rs.33 crores to Rs.37 crores there is increase we discussed this earlier, there is something oneoff is here?

Sanjay Sethi: One minute, I will just give you the operational numbers first, so the operational numbers at hotel level, the staff cost in Q2 FY20 was Rs.320 million, in Q2 FY23 it is Rs.306 million and this is inspite of addition of one hotel, Pune hotel. So, there is a reduction of 4% when you look at the P&L on that front and if you now minus Pune, the reduction is even greater and thereby our payroll cost to revenue, percentage in Q2 is 14% versus 16% in FY20, 200 bps lower. What you see in your numbers probably includes the P&L attribution of corporate costs including ESOP costs would have been added this quarter.

Milind Wadekar: Rajiv, Milind here, a few senior management employees have been granted ESOP and a cost pertaining to that which is required as per prevailing accounting standards has been accounted here and on hospitality front, our cost has gone up by around Rs. 1 crore or so.

Rajiv: So, this 37 is a sticky number or this is Q1 versus Q2?

Milind Wadekar: Quarter 1 versus quarter 2 and as compared to FY20 it has gone down.

Rajiv: But Q1 at Rs.306 million Sanjay mentioned, what was the Q1 number there, the equivalent number?

Sanjay Sethi: As Milind said, it is up by about 1, from Rs.29 crores, not Rs.30 crores.

Rajiv: Similarly, on the other expenses side, let us say, Q-on-Q swing what would that attribute to largely?

Milind Wadekar: Rajiv, we have Marriott payables which are restated on account of changes in dollar rate, so there is some hit on that account and others are, there were some brand change cost for Powai which has been accounted.

Sanjay Sethi: And as I mentioned in the earlier there were some sprucing up of the hotels that we did and therefore there were some cost attributed to that on the repair and maintenance side. I have said that in my opening statement.

Rajiv: And the last two of these which is brand change and repair and maintenance, these are one-off or these will be again?

Sanjay Sethi: No, repair and maintenance is sort of one-off because we want to spruce up the properties before the coming season and we sort of had couple of areas shut also in one or two of our hotels, we reopened them, so they was that onetime cost of reopening them. So, basically, if you want to term it, it is like little bit of pent-up repair and maintenance. The numbers are not very large, Rajiv, so we don't need to be worried about it.

Rajiv: And sir, that is for the KPIs thing, so in Hyderabad when we see that on a Q-on-Q basis Rs.6,900 has gone to Rs. 8,900 versus let us say Bengaluru where the occupancies are largely similar as compared to Hyderabad, but the jacking up of rates is not of a similar quantum and while I think the industry is working with the mindset of keeping the rates or getting the rates higher as of now at least?

Sanjay Sethi: I am sorry, I missed to the earlier person to whom I mentioned the rates in September, I mentioned only Hyderabad, I can share with you the Bengaluru rates also September of Rs.8,819. You are seeing the combined quarter rates, but the trend is going upwards very sharply, so Bengaluru clocked Rs.8,800, rates in September.

Rajiv: And sir, on the ALC thing, the ALC, have we got the let us say sign up from the board, approval from the board to convert into rooms?

Sanjay Sethi: Yes, in principle we had signed up. We have gone to working with designers now to design that. We are looking at now adding 141 rooms to the existing 391, so this would make it a 532 rooms property which would be fairly large. The demand seems to be there with the recent peaks that we have seen. This is about a project that will take anywhere between 12 to 15 months.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: My first question is on foreign tourist travelers, so you mentioned for the Q2 we are like sort of short by around 36% normal run rate, how would that stake up for the month of September?

Sanjay Sethi: I don't have the month wise data with me, I am afraid Prateek, but as I said I think H2 we should be around by around the 90% mark recoveries which means 10% short.

Prateek Kumar: So, this is based on for expectations of 90% is based on forward bookings?

Sanjay Sethi: Basically, we have movement up in the recent months, plus the improvements in the available flights that are coming into these 3 cities - Mumbai, Hyderabad and Bengaluru.

Prateek Kumar: Also, from some of your forward looking booking in your hotels?

Sanjay Sethi: Actually, forward looking bookings we get a visibility, as far as individual travelers are concerned, of only around 2 to 3 weeks, but the groups have a longer horizon, but all indicators - the interaction that we have had with bookers and admin heads of companies indicates that the foreign traveler will be back by soon. As I mentioned, there would be 2-3 bottlenecks for the foreign travel to happen, one was flight fees, that is getting resolved. We are getting now direct flights to Hyderabad, Bengaluru and Mumbai from US. In fact, Hyderabad and Bengaluru are from the West Coast which is the primary target market for us and Mumbai is expected to be

New York as well as West Coast. So, that will helped immensely. Flights to UK have also increased. We have the first A380 of Emirates land in Bengaluru last week. That is becoming three times the week flight and 380 brings in lot of people at one short, so all this will help improve business. Bengaluru was also opening its second terminal. Terminal 1 was literally bursting as it seems right till now. By January, we expect the opening of the second terminal Bengaluru which will again encourage more airlines to bring in more flights into the city, so all that will help. Visa was a bit of our bottleneck. We are pretty sure that the Ministry of External Affairs will sort that out pretty soon, E-Visa's included.

Prateek Kumar: Sir, my second question is on your cost line items, so are there any cost line items like during COVID, which generally are not factored in still and are there some other maintenance cost or some other one-off cost which we anticipate over next 6 months for our business?

Sanjay Sethi: I don't think there is any material, as I said we spruced up the properties in the last quarter because we couldn't do that in quarter 1 because occupancies were so high and so we took the opportunity of slightly lower occupancies to spruce up the hotels, that happened. One or two outlets were shut, we opened them, works happening on them right now as we speak. I don't think there is any major cost that will come up, that will be material in nature and I don't see any pent-up cost from COVID times coming at all. All that has been accounted for.

Prateek Kumar: And lastly on ADRs versus occupancies, so anything you feel like during festive season, so some of the pockets in terms of some of the industry segments or consumer discretionary segments have indicated of some kind of slowdown in terms of festive season expectation, is it something which can also have an impact on like sort of demand disruption at higher prices for hotel segment?

Sanjay Sethi: Look, two things happen in our portfolio that we have because the primary business driven travelers that come to our hotels. We do get affected when there are holidays, especially the mid-week and I just gave an example that in August we had 4 mid-week holidays spread over 3 weeks which did disrupt us and that is why the occupancy in August was down to 69%, but it picked up in September where we had no holidays. Similarly in October, we had Dussehra and we have Diwali coming up, we will get affected by those holidays and all of them were mid-week to long weekend sort of holidays, but November looks completely clean, looking very strong, first 20 days of December looking very strong, the 8th, 9th January onwards, for January looking very strong, whole of February looking very strong and most of March looking very strong. That will help occupancies and rates spruce up. I think one thing that I can share with you, I think I did touch upon it last time when I was asked this question on rates that the general goal that we are working with at our hotels is to quote about 40% higher than the last year on the RFP accounts. We may end up closing it about 25-30% higher, but the first quotes have gone out at 40% higher than the last year accounts and those RFP accounts are the big accounts that we have and we believe that will have a material push to the ADRs in the coming year and these are January to December cycle, so Q4 of this year will also get the benefit of that and then 3 quarters next year.

Prateek Kumar: Would that case likely be for the competition in your markets?

Sanjay Sethi: That is the general line of pricing that most hotel companies are following.

Moderator: Thank you. Our next question is from the line of Vikas Ahuja from Antique Stock Broking. Please go ahead.

Vikas Ahuja: I just have a couple of follow-up, firstly, any color on price negotiation with corporates or is it too soon now? And when we talk about the contracts with our global customers, are they largely in USD terms and we keep the currency benefit fully or in the contract there is a clause where we need to pass it back to the enterprise?

Sanjay Sethi: I just spoke about the price negotiation that we are working on right now. We are now at the middle of the RFP negotiation period and the hotels have gone out with 40% increases on the RFP quotes that we have given. We may close lower than 40%, but it should be material increase in the rates that we end up contracting with people, so expect a higher rate from the corporates and on your dual pricing or the dollar pricing part of it, India stopped doing dual pricing I think about a decade back, so we quote in rupees basically and that gets converted to dollars as and when **when the billing happens**. So, there is no benefit or any adverse effect expected out of the dollar pricing.

Vikas Ahuja: Sir, just one last thing, I think Sumant also asked the same question on the Southern market, Bengaluru, Hyderabad it is like a third of your hospitality revenue and when we are talking about comparing the occupancy with pre-COVID level, may be that number was 72-73, may be next year isn't that number going to be materially higher because considering when we talk about old tech system, that is still following work from home and there is a huge pent up demand especially in terms of travel, especially by these tech companies, so is it a fair understanding may be next year we may see a very strong demand specially in the places like Hyderabad and Bengaluru what we are seeing currently in leisure or may be in Mumbai?

Sanjay Sethi: Vikas, I don't want to give you forward looking numbers, but your logic is sound and Southern markets will do well as the IT business picks in again. It has already kicked in as I said pretty sharply. It hasn't kicked in as much from foreign travelers coming into those cities, but that was driven not by their intent of coming, it was driven by the bottleneck of travel on the airline seats. That is getting sorted out. We see that kicking up pretty sharp.

Moderator: Thank you very much. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Over to you, Mr. Sethi.

Sanjay Sethi: Thank you so much. Ladies and gentlemen, thank you for taking time off on pre-Diwali Friday evening to listen to us. Wishing you and your family and your dear ones a very Happy, Prosperous and Safe Diwali. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, with that we conclude this conference call. Thank you for joining us and you may now disconnect your lines.