The Indian Hotels Company Limited

IHCL Earnings Call – Q1 FY 2020/21 Results

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Management :

Mr. Puneet Chhatwal, Managing Director & CEO

Mr. Giridhar Sanjeevi, Executive Vice President & CFO

Operator: Good day, and welcome to the Indian Hotels Company Limited Q1 FY21 Earnings Call being hosted by Mr Puneet Chhatwal, Managing Director and CEO, IHCL; and Mr Giridhar Sanjeevi, EVP and CFO, IHCL. As a reminder, all participants' lines will be in a listen–only mode. And there will be an opportunity to you for asking questions after the presentation concludes.

Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to turn the conference over to Mr Puneet Chhatwal. Over to you, sir.

Puneet Chhatwal: Thank you. Good evening, everyone. Thank you for joining us on this presentation of the quarter one results of this financial year. Let me begin with a piece of good news as we don't as much in the industry in general globally and also not on the Indian subcontinent. The piece of good news is the Taj Mahal Palace and Tower in Mumbai was rated the number one hotel in the world by TrustYou by the third year consecutively. I think being the flagship and the most important revenue generator for the company, including the EBITDA generator on the absolute amount, this is a piece of good news and definitely in line with what we have started to communicate of us being the most iconic and the most profitable company. And there's nothing more iconic than the Taj in Mumbai.

Moving on to the difficult part of the news that this is an unprecedented downturn for the global hospitality sector, but also for the Indian hospitality sector. The estimated revenue in 2019 for the sector was around 1,60,000 crores. And the loss in revenue in this year is expected to be around 90,000 crores. More than 50% of last year's revenue is going to get eroded.

With an occupancy loss of almost 32 percentage points, a RevPar decline of 58%, and this is based on the information that we received from the HVS. This includes the Revenue loss of 40,000 cr is in the organized sector and semi-organized and unorganized for 8,000 cr and 41,000 cr respectively.

Moving on further what we are facing as an industry and to sharpen the saw. And we said, we will reannounce our Aspiration 2022 with the new goals as we had achieved almost 70% of those outlined in less than 50% of the time. This was not the time to focus on 2022, but more to reset what we have on our hands in 2020.

And for us the RESET stands for Revenue growth, E for excellence in whatever we do in guest experience and operations, the S for spend optimization, the next E stands for effective asset management, and finally being Thrift and financially prudent. So these became the five very important parts of our strategy in terms of whatever we are going to communicate in this quarter and the following two quarters.

Some results were already yielded, and we will take you through those initiatives. The revenue growth accounted for 55 crores of revenue which is coming from not like–for–like initiatives last year. The spend optimization resulted in savings of 52 crores. The effective asset management resulted in 22 crores, and being thrift and financially prudent another 90 crores. So the RESET initiatives added 77 crores to the top line, and 104 crores to the bottom line in the first quarter of this year.

Moving onto the highlights of RESET, if I may start first with the hotel occupancies. What we saw from 20th March till 20th May is unprecedented. And that's very evident also when you see here on the slides, it's only after the 20th May that things started turning. But till 20th or till 13th May, starting in 20th March the two months very, very critical on operational inventory or on total inventory. If you look at available total inventory because more than half of it was shut down, we were for the most part of the month of April and the early part of May we were in a single–digit occupancy percentage. And if you took an average from 20th March till 20th May, that would still come to single digits. And this started changing around the 20th May, and then it went into [inaudible] followed by June, the numbers crossed more than 20% for us touching 25%. And on the operational inventory, we started getting close to even 40% occupancy. Albeit at very low rates because some of these rates of the source of the business were regulated by the government.

But this is an interesting thing which is shown in the next slide if you see, the Ginger brand has had a far stronger rebound and has already crossed 40% towards the last ten days from June, and also in the early part of July, which is not a part of this presentation, but in terms of giving a trend in occupancy. And whereas the rest of the portfolio of IHCL, the Taj, SeleQtions and Vivanta are in the category of not of 20% occupancy.

In terms of RESET growth initiatives which contributed 31% in the first quarter, that's your 55 crores. 44% of it came through the quarantine Vande Bharat repatriation flights. And another 25% from the BMC, Bombay Medical – or Bombay Municipal Corporation and medical fraternity on average more than 500 room nights per day in different properties of ourselves.

And then some incorporated, some very new initiatives which we are very excited about. So some of our new initiatives launched even towards the end of June like Qmin app. In July, the home delivery business started. And also the hospitality at home in terms of sending hampers, that yielded almost 11% in this total. So that was very encouraging because it helped us create incremental revenue of 55 crores when you are coming from a zero revenue base.

Some of the other things after the revenue initiatives is on the excellence. We've communicated in all media and by way of videos, by way of videos in–house, by way of videos and social media in terms of Tajness, a commitment re–strengthened as our company is known for the outstanding Tajness that it exudes. We thought the best was to communicate under the Tajness name as a commitment which we have re–strengthened and come up with the new norms which comply with the Ministry of Health, with the WHO regulations. But also us taking some of those commitments to safety and security standards to a new level. And that has been ruled out in all our hotels that are operational. And you would always see that if you enter any one of those in any of the facilities that are open to the guests.

Very important, a few days ago we also launched our communicated the IHCL zero touch digital transformation. So the first pilot was done at the Vivanta in Whitefield in Bangalore. And this is the digital journey of the transformation that is needed in such times. Also otherwise I think digital plays more and more important role in terms of contactless check–in checkout processes, invoicing where you don't touch the invoice, in terms of menus, QR codes, and intelligent conversation platform. So I think this is a very exciting transformation that the industry goes through, and we are very happy and proud to be at the forefront of this.

Moving on further, I think is the spend optimization. When it comes to spend optimization over 50% reduction was witnessed in Q1 in total expenditure. So I think I will take you through this and the details where the fixed cost was reduced by 90 crores and variable by the 365 crores. And our reduction in total expenditure comes to 89% from raw material costs, which is obvious. If your occupancy levels drop, if your restaurants are shut, then the raw material costs goes down. But I think that the signs of business we had, we had a very strict control in renegotiation on all our vendor prices to come to this kind of figure of 89%, lower raw material costs. Admin costs went down by 64%; heat, light, and power down by 58%. Fixed lease costs which was renegotiated and we received some – we were able to seek some lease waivers giving us another 51% reduction and manpower reduction of 35%. So that combined gave us an operating expense reduction of 51% in Q1.

The waivers that we secured in terms of leases, across all our brands and different companies which starting with IHCL at 22 crores, subsidiaries at 6 crores, group companies at 24 crores, total 52 crores. And the benefit received in Q1 for IHCL and subsidiaries accounted net for 19 crores.

Moving on further to some of the challenges. I think we have been discussing some of the issues for a very long time. This quarter, we had a couple of significant developments where we were able to resolve or take the first step of resolving the legacy issues of Sea Rock. Now we control a 100% of the shareholding with Sea Rock. And we will have a phased payout on the remaining 15% that we acquired. But we also acquired 50% of the shareholding of Tata Africa, and now we own 100% of the Taj Cape Town property. And then we went into the second phase in getting the permissions and for building the Sea Rock property and Taj Cape Town in restructuring that investment.

Moving on to the next slide. Corporate overheads is a very important one. We saw a decline of 26% in Q1 because strict prudence was kept in all corporate expenditure. There was an obvious reduction in sales and marketing activities because of the lockdown. And we have entered into serious redeployments and renegotiations on all fronts. So redeployments in terms of talent redeployment as some of the call centers which were taking calls for 80% or 75% occupancy, the people were not needed in that kind of strength as an example were redeployed in other businesses, in other group companies. And renegotiations definitely with the unions which you don't see all in corporate, but you'll start seeing very soon in the P&L in the following quarters in terms of wages, wage settlements, postponement, and coming towards a zero base increase of wages.

In terms of liquidity, IHCL has taken multiple steps to enhance liquidity. We have secured debt lines, raised 500 crores of long–term debt in Q1. Additional lines have also been secured should there be any further requirement. We are very keenly exploring all monetization opportunities like in the previous two years. The only thing that will happen is a bit of acceleration on that front or that the price has to be right. There are no bargains that are available. As we possess some iconic assets and properties, so we are not in a rush like we were not there before. But monetization of non–core assets for sure, and monetization of certain assets, and getting into more asset–light model remains the focus of the management even going forward. And any kind of non–essential Capex and renovations have been deferred to preserve liquidity to the extent possible.

Moving on to the next slide, I would say that here we have the Q1 numbers, the actual numbers versus Q1 last year. So on the quarter one, the revenue decline has been

83%. So there was the decline of – a massive decline of 83% on the revenue front. Operating expenses declined by 52%. Depreciation level stays the same, finance costs stays more or less the same. And the PBT which was a negative PBT of 422 crores versus the 25 crores positive last year. However, we had an exceptional gain in a couple of things. One is in some shareholding we have where the shares went up, so we had a gain there plus again in acquisition of Cape Town which my colleague CFO will walk through in his presentation also. That resulted in a negative profit after tax of 280 crores versus the 6 crores profit last year.

With that, I hand over to my colleague, Giridhar Sanjeevi who is the EVP and Chief Financial Officer.

Giridhar Sanjeevi: Thank you. Moving on to the financial numbers. These are the detailed numbers as has been just explained by the managing director. We had a revenue drop of 83%. But through prudence on cost control, we were able to reduce the different costs significantly helping us with the total expenditure reduction of 52%.

On finance costs, we were broadly in line. Exceptional items fundamentally represented an exceptional gain of 80 odd crores from the Cape Town acquisition because we had earlier written off at it's Fair Value, under accounting standards we had a gain. And we ended the year – the quarter with 280 crores of profit after tax – of a loss after tax.

Exceptional items as just described is the change in fair value of derivative contracts which is 4 crores, and the acquisition of Cape Town 82 crores. We did sell one flat apartment during the quarter which gave us about 3 crores of profit.

On a standalone basis, we had a revenue of 117 crores as compared to 608 crores in the previous year. This represented an 81% drop in the topline. Like the consolidated numbers, we did see the reduction in costs which was as much as 44%. And therefore, which resulted in an EBITDA of 140 crores negative. Finance costs were steady at 63 crores, and exceptional gain and loss was about 38 crores of loss. And I will come to that in a second leading to a loss after tax of 239 crores.

As far as the exceptional items are concerned, as you know, whatever funding we do for Pierre, we do not allow it to flow to Investment block and we always provide for it in the standalone. So it is 42 crores in Q1 resulting in a net exceptional loss of 48 crores. The gain on sale of flats was about 3 crores.

In terms of standalone revenue metrics for April, May, and June, as you can see that the occupancy steadily went up from April to June 33% and for the quarter at 20.5%. ARR was 7600 in the month of April, and in June it was about 4000, largely driven by the kind of business we have which is Vande Bharat and the quarantine flights. The RevPAR obviously was impacted as a result. Room revenue was 40 crores in this, and F&B revenue is 20 crores.

In terms of the debt position, we continue to manage debt on a prudent basis. The consolidated net debt as of 30th June was 2328 crores as compared to 1915 crores at the end of the year – at the end of the previous year. And the net debt for standalone was at 1690 crores as compared to 1400 crores. The weighted average cost of debt remains competitive at 7.9% and 6.9% for consolidated. Net debt to equity is still at 0.38%. Net debt to EBITDA of course has gone up given the drop in EBITDA. And similarly in consolidated, the net debt to equity was 0.48% and net debt to EBITDA was 3.54 compared to the previous year because of the drops in EBITDA.

So that is really the summary of the presentation. Open for questions.

Operator: Sure, sir. Thank you. Participants if you would like to ask a question, please signal by pressing star one on your telephone keypads. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again press star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions. I would also request everyone to say their name and company they belong to before asking a question. So we will now take our first question. Participant, your line is open. Please go ahead.

Nihal: Hi, sir. Good evening. This is Nihal here from Edelweiss. I have three questions. The first one obviously hoping you could crystal gazing and just wanted your sense on the recovery part specifically. In your interaction over the last couple of months after we interacted in Q4, I just wanted your sense, do you believe that for things to get back to pre-COVID or normal levels, is it totally contingent on a vaccine coming in or how is the way you're seeing it based on your interactions that you've had?

Puneet Chhatwal: And your second question?

Nihal: Sir, the second question was on Ginger. As I see that we have been purchasing our remaining stakes in a lot of entities. So in the case of Ginger, we have a 36% stake which is owned by PE owned by Tata. So what would be the arrangement for that?

Puneet Chhatwal: Okay, and the last one, Nihal?

Nihal: The last one, sir was on Sea Rock. And now that we have completed the acquisition of the hundred percent entity, I just wanted your sense that do we have any firm plans at this point in time about the different possibilities of that parcel of land?

Puneet Chhatwal: Okay. So let me try, and Giri, please feel free to add as and when you want. There are three terms that are being used by the hospitality industry and all the associations which is called the survival phase, the revival, and eventually thrival. The thrival is the one which is linked to the post–vaccine. And that may take anything between 18 to 24 months or 30 months, is anybody's guess because it's not just when the vaccine comes rather, when the people have also been vaccinated right.

The question is on the survival. As I said the toughest phase that the industry went through is now we could debate if it is from 20th March or 22nd March which was Janta whatever lockdown or Janta curfew. And then you had this lockdown on the 24th March, is it from that. But let's just keep – to keep it simple, let's say it's the two months, 20th March till 20th May. And I think that was a very dramatic phase, we cannot count it as a survival. So since 20th May till I think 20th August is the survival phase, and the revival already started somewhere towards the third or fourth week of July. And there is an overlap, it's not like a switch on switch off button that now it is survival, now it is thrival or now it is revival. So the revival started albeit at a very low level, but it is better than zero, because some of the hotels that are still shut are at zero level revenue for the industry. It does not matter where and in which part of the world, but a lot of industries have been shut down. So opening up already helps.

So I think at the moment we are in a combination of survival revival phase. We as management feel optimistic that the towards mid end September or latest mid end October, we will start seeing a pickup in the activity. I was yesterday at an event in Taj in Gurgaon, and there was a lot of activity in the hotel. And that's what we are also seeing in Mumbai in our properties, but it was good to go out of Mumbai and see it in other places too. So that answers on the recovery.

On the Ginger as you must have noticed Nihal that since last two years, we worked very actively on Ginger, its repositioning, its redesigning. And Ginger is a commitment been made to ourselves as a brand which we think has a great future over long term on the Indian subcontinent. And that is already been seen in the results. At this point of time, such discussions about having a hundred percent control on Ginger is not there as we will need some capital if we had to buy somebody, whether it's a Ginger or another company or another joint venture, and we don't want to do it if we are not doing it out of free cash flow. So that question does not arise, but we own the Ginger brand a 100%. It's only the company in which it sits as the management company which is Roots corporation, that you have another shareholder – another couple of shareholders in it. So we are very excited about the future of Ginger.

When it comes to Sea Rock, yes, it is our firm belief that together with Lands End and Sea Rock, this is building the next icon for Mumbai just like 100 years ago Taj Mahal Palace and Tower was built. This will happen. The only question which we might debate or which we would definitely would not be our choice at this point of time is to use our own capital. So our strategy will stay to use some partner to help us build it, and we would manage it, and that's what we have been doing. As you know that the majority of our pipeline or hotels contracted in the last two years are based on that model that we said we will be 50-50 balanced portfolio in terms of owned and leased versus fee–based business. And that remains a clear priority for us. But we are very excited about this development. And we will now set the design and all the planning, wheels rolling, so that hopefully in the foreseeable future which is not foreseeable, I don't mean two, three, four years, rather 12 to 18 months' time that we get the permission, so we can break ground and start doing.

Nihal: That's very helpful, sir. I will come back in the queue for further questions. Wish you all the best. Thank you.

Operator: We will now take our next question. Participant, your line is open. Please.

Speaker: Hello.

Puneet Chhatwal: Yes.

Naseer: Sir, this is Naseer Hello.

Puneet Chhatwal: Yes, Mr Naseer.

Naseer: Sir, I have two questions, sir. Number one is like you mentioned that the model of the hospitality industry, it was always based on centered around the price of the property. So do you think this will shift towards brand-centric and service-centric? That is my first question, sir.

And my next question is a follow-up of this is that whether a hospitality company like Indian Hotels, would it not be better that it is – it runs as a debt-free company? And do you have any plan to make this debt free in the next three to five years, sir? Thank you.

Puneet Chhatwal: So I will answer the first part of the question, and give an introduction to the second part, and let my colleague answer the second part. I think your first question is a very interesting question. And I am glad you asked it. The industry has already evolved into being brand centric and service centric. But the change that we are witnessing now and witness – and we will witness much more strongly going forward is that the customers will go to the brand they trust. And especially our backbone is the Taj. And the Taj stands for trust, awareness, and joy. So we have a very strong belief, not just in India but globally it will not be – in the short term, it will not be the third-party websites. It will not be other people intermediaries booking as much as they used to do before because people are hesitant to travel, but they are happy to take the risk and travel if they know which airlines they are flying, if they know what destination they are going to, what are the facilities are available there, and which property or which brand they are going to spend their time with.

So I think there we feel we are very well positioned. And definitely that shift is also going to last for longer because brands in such time are more important than ever before. And as you have seen that Taj was voted India's strongest brand across all sectors. I think we stand very well positioned with our other brands too, whether it's Ginger or Vivanta or SeleQtions, but especially with the Taj, I think we are very well positioned to take advantage of that.

In terms of being debt-free company, yes in an ideal world one would be debt free. But the bit of debt always is good in structuring. But without getting too much there into the detail, why don't I request my colleague to answer that part of the question?

Giridhar Sanjeevi: Thank you. If I look at the pre-COVID world, I think we were always kind of managing debt. As you know between 2017 to 2020 through various efforts, we were able to bring down the net debt to equity as the net debt to EBITDA. And in a pre-COVID world ideally we would have liked to bring it down to about a 1000 crores or so.

And in any case, our asset–light strategy was helping. Our target was to go to 50% on an asset-light basis. And on that, that would have required much lesser capital on the balance sheet side. On the P&L side, very clearly we were driving through EBITDA margin growth. Now, I think what is likely to happen is that the profitability targets in terms of driving through performance improvement continues. In fact, all our cost efforts are going to lead to a very different operating model and the cost structures once the business recovers, and our asset-light strategy continues. So our sense is that we will be very focused on this. Plus, as you know, we are also monetizing assets, and that has always been a part of our strategy. So a combination I guess of asset–light growth, monetization, improved profitability, and flow-throughs, all of these will help us in to keep the objective of keeping debt at optimal levels intact. Not sure, as Puneet said, zero debt is the right solution, but a level of debt which is kind of small and meaningful is really what our objective remains.

Naseer: Thank you. Just an add-on question. Sir, I mean in some parts of the world the way we see hotel rooms are priced, in India we have not seen that happen as yet. For example, let us take the example of Sea Rock. I mean if the cost of the room on an average is 15,000 and if you don't have occupancy, would your thinking lead you to give it at 7000 so that you have an optimum kind of occupancy? Would that thinking come into the pricing of rooms? Thank you, sir.

Puneet Chhatwal: So, Naseer saab, I don't know what makes you say that. This is not accurate because globally revenue management has become a core part of any company's business. And the revenue management on the room side of the business on the food and beverage definitely is a combination of the right occupancy, the base occupancy, and the right pricing strategy.

We always try to get to a certain level of base occupancy before we start moving rates. And if you are operating at 85-90% occupancy, you don't try to fill the last 10% to 15% because that is counter-productive in the long run. And I think the industry actually has suffered in its ability to charge the right rates. So it is very important to maintain a certain integrity with the rates.

And then it is better not to build very fancy hotels and spaces that are not used by all guests which is also called the renaissance in hotel business because that has happened. And the non–room space is being built less and less, not in the five-star category but definitely in what you call the upscale, the upper upscale, the midscale or in the economy segment. That will continue to happen, but revenue management has been a key focus for any serious hotel company having a world–class brand. So and we have been practicing that very diligently.

Naseer: Thank you, sir. And on the issue of standalone hotels, sir do you think in the post-COVID world, could a standalone hotel survive and thrive or it has to be necessarily a part of a brand and a service network?

Puneet Chhatwal: Naseer, when you say standalone you mean unbranded?

Naseer: Unbranded, single owner, single running kind of a place?

Puneet Chhatwal: I think it depends on their capitalization of their asset. So that's not our business. IHCL is in the business of running our own branded hotels. Yes, there would be an opportunity for us to go for conversions because we do believe in six, eight, nine months from now [inaudible].

Operator: Hello.

Giridhar Sanjeevi: I think, Puneet, we're not able to hear you.

Puneet Chhatwal: Right, right. No, I think [inaudible] properties that will come onto the market. And it's also good conversion opportunities for us, but it's not [inaudible]. But the depth of the slice has to be so strong, that there won't be an easy way.

Speaker: Thank you, sir. Thank you.

Operator: We will now take our next question. Participant, your line is open. Please go ahead.

Vikas: Hi, good evening. This is Vikas because from Antique. Thank you for taking my question. And the color you have given around RESET initiative and cost management is truly great. My first question is, I just want your view. Once we are done with the pandemic, do you think the most property owners will prefer to partner with Indian Hotels than many of the other players as the COVID would have by now made them realize the importance of being – having a good partner? So what I'm trying to make a sense of, I mean the management contracts, I mean it would be more in favor of Indian Hotels once we are done with this pandemic?

Puneet Chhatwal: So even pre-covid if you look at what we were able to add to pipeline. I do feel that the group will also [inaudible] what especially we have done in terms of serving the community has created a goodwill for the brand.

And definitely the empathy and sympathy factor for our company is very high because that is the core value of the foundation of this group. So because when Jamshedji Tata founded the company, he said the community is not just another stakeholder, rather than the very purpose of existence of any business. So I think in the [inaudible].

Vikas: Yeah, I think I lost some part of it because your voice was going off in between.

Giridhar Sanjeevi: If I can build on what Mr Chhatwal was saying, I think as you know we were – if you see the history in the last three years, we have been getting more than a 50% share of the management contracts. And the feedback from all of our owners has been excellent in terms of the time and attention that we give, and the access that is provided to the senior management. Unlike some of the other brands where they end up talking to a multinational manager who comes and goes, I think we have been very agile and responsive to the owners as well. So my sense is that that this will continue in the current environment as well. So we will continue to maintain a disproportionate share of all the new management contracts.

Vikas: Sure, thank you. Giri, and also – so regarding the buy costs, I mean I can see the standalone is down 11% and consolidated is down 37%. So where is that disconnect there, because first of all I understand Tatas were pretty accommodative to employees and vendors. But where is the difference between that standalone and consolidated, why consolidated is higher?

Giridhar Sanjeevi: Now essentially, what's happened is that our ability to manage the costs in the London and US especially has been very significant. As you know in London, the government came up with a subsidy plan where employees earn up to £2500 where 80% of the costs were subsidized by the government and that scheme is still going on. Albeit, it will taper down over the next couple of months, but that has been a big implication.

Secondly, in the US market what has happened in the New York Union, the New York Union rules have allowed hotels in New York to furlough the union employees for a period of six months paying only the healthcare insurance thing. So we have been able to take advantage of that. So significant cost savings on the labor front have been achieved in these two markets.

Even in India, I think we have been very careful. I think there are three classes of employees. And as the chairman also advised in the AGM, I think as far as the contractual employees are concerned where we deal with agencies to appoint them, we have been working with agencies in terms of managing the headcount.

As far as the fixed–term contractors are concerned, we have honored all the contracts. At the time of the renewal of contracts, we have been taking a case–by–case call. And as far as the full–time employees are concerned, people have taken pay cuts up to a certain level in the organization. And that's been the approach in terms of managing the employee costs.

And you will see, and we are also working on redeployment, working on different operating models. All of these will come to bear fruit in the next few months as we go forward actually.

Vikas: Sure, that's helpful. I just have one last question. What is the overall debt level you are comfortable with in case the occupancy remains subdued for a period of time? Is there an expected – I mean so at what point you will maybe accelerate the sale of non-core assets and will you look at divestments? And also if you can just give me the Capex levels you are targeting for the current year? And that's about it.

Giridhar Sanjeevi: No, no, fair enough. Fair enough. I think as far as the debt levels are concerned, very clearly this is a very big focus area. And I think it's a combination of the monthly spends and the Capex's and all. So at this point in time, as far as the debt level is concerned, what we believe is that monetization will be a very key objective. And we are discussions on monetization of some properties. And our idea is that whatever we monetize, we would use it to reduce debt actually. So that is something that we would do.

As far as the debt level itself is concerned, I think I would simply say that you have seen the 30th June numbers. I think our debt to equity is still at a manageable level. So I suppose there will be some increase in debt, but with monetization hopefully by the end of the year, we should come back to meaningful levels actually. So that is as far as debt management is concerned.

The second question sorry, I missed the second question you had.

Vikas: What is the Capex levels you're targeting for this year?

Giridhar Sanjeevi: Yeah, the Capex level is a combination of two things. One is Capex which is in the current year, which is really Mansingh and Connaught, etc. And the second is the payments from the previous year. Combined together, we think that the expenditure may be approximately about 250 crores this year.

Vikas: Okay, that's it as of now. Thank you.

Operator: We will now take over next question. Participant, your line is open. Please go ahead.

Sumant: Hello.

Operator: Yes, your line is open. Go ahead.

Sumant: Yeah hi. Sumant here from Motilal Oswal. So sir, can you discuss more on US and UK hotels, the hotels open, what is the occupancy and all?

Giridhar Sanjeevi: The UK hotels have just opened. I think it just opened on the 4th July. At this point of time, the business is slowly coming back at this point of time. So in Q1 for instance we had an occupancy of really nothing, because it's only the July business. So in Q1, there is no business in St. James Court.

Similarly, in the Pier and Campton Place also it was minimum business. So therefore, I think the real opening up of UK will happen – as happened from July. And as far as Pier and Campton is concerned, we think that by the end of September, Pier should open, Campton by October. So I would say that you will start seeing the business happening in the second and third quarter – from the end of second quarter is what I would say.

Sumant: So US, you said opening in July?

Giridhar Sanjeevi: No, it will open by – Pierre will open by end of September. That's the current thinking, and Campton Place sometime in October.

Sumant: October, okay. And UK hotels already started?

Giridhar Sanjeevi: Yes, 4th July, yeah.

Sumant: Okay. So when talking about overall, the total room, how many rooms are operational currently? I'm talking about the IHCL and its subsidiaries, not group level?

Giridhar Sanjeevi: How many rooms are operational I think.

Puneet Chhatwal: It's around 14,000, Giri, around 14,000 as we speak now. If we include all brands, so there is around 5000 to 6000 that is still not operational.

Sumant: Okay. And what about the management contract rooms is under operation, how many rooms are in operation? You said 1400 is own hotels, right?

Puneet Chhatwal: No, I said 14,000 total, but we can send you that information. If you want, how many in management and how many in lease by brand, by country we don't have that.

Sumant: Okay.

Puneet Chhatwal: We have that information, but not on this call.

Sumant: Okay. And can you discuss more about the – how is the actual customer updates currently, and how is the actual demand coming up in a particular geography like Goa and Bangalore and any other market? And overall level, what is the mix of the actual demand or actual customer you can say ex–quarantine?

Puneet Chhatwal: Right, so some of the initiatives that were launched based on the opening and closing of the markets they were able to show results. So when we launched the 4D experience as an example, which was you dream, you drive, you discover, and you delight yourself. When we started it went very fast, and there was a lot of pent-up demand on the revenge travelers people call it, but then a few days later came the lockdown from – this was from Bangalore going to Coorg. So we launched it first in Karnataka. So it was very strong, and suddenly the lockdown was imposed again, so it dropped. But at the same time, when we launched this in Rajasthan, Udaipur is one of the biggest beneficiaries followed by Coorg as I mentioned. The third one is Jaipur. So there is a lot of demand which is not seen historically, people driving to a destination. So there is tourism or leisure is the one which is leading.

Business travel still remains very subdued unless you're talking about a Ginger branded category of hotels. And that is also right because your business travel has to come in cities like Delhi. Business travel will be taken charge by cities like Mumbai, the national capital and the commercial capital of the country, right. And if both are not fully open, then the business travel remains subdued. Goa has some difficult quarantine challenges. So Goa at the moment is subdued. It's still at number three for us or number four for us. But we do feel it can go up much faster and much higher depending on when the quarantine rules are relaxed or they become a bit in line with other different states of the country.

Sumant: Okay, thank you.

Operator: We will now take our next question. Participant, your line is open. Please go ahead.

Deepika: Good evening, sir. This is Deepika from JP Morgan. And thanks for taking my questions. Sir, just regarding the point on the customer mix, barring FY21 do you foresee business travel to remain subdued for longer? And as a result of which, do you see other lower margin customer mix basically gaining share, and hence impacting RevPAR even 12 months out?

Puneet Chhatwal: Not really. I think the day we get the communication right in all the media in terms of travel is safe, and the industry is working collectively on it – I think one of the industry colleagues from MakeMyTrip did a very good video on that. We are going to push those efforts very strongly collectively as an industry from all branches of tourism, not just hotel business.

For some reason, hotels have been not treated the same way as airlines or shopping malls or standalone restaurants. But I do believe that this should come shortly. This opening up should happen within the next few weeks. It's quite imminent. And once that happens, the business travel will start coming back.

People have to feel – see, it's a psychological thing. People have to feel comfortable that it's okay to travel. People have to feel comfortable that the number of cases in the capital of India are limited to 1000 and are going down consistently. People have to feel that the curve is flattening in Mumbai and it's a sustainable thing. So once people get used to that, I think they will also start travelling, and people will travel with precautions. At least that has definitely started happening in Europe. People are travelling, but they are taking all the necessary precautions. And I think it should soon come here too. And it's also happening in parts of Southeast Asia. It's not that it's not happening there.

Deepika: Got it. Sir, if you could give us some color on – I know it's early days, but towards the end of July and August what are the occupancy levels like both for Ginger and for the luxury brands?

And just to follow up on that, on your Aspiration 2022, maybe it's a little early, but are you looking to still maintain all those targets of our 800 bps margin improvement and 23,000 rooms?

Puneet Chhatwal: So let me start with the last one. That 800-basis point margin improvement we already achieved at the end of 31st March. If you look at that, it was 25%. And 23,000 rooms as a total portfolio was also more or less achieved. So that's why we thought it's not the time to keep counting rooms. It's the time to focus on the current thing, and that's why we came with the RESET. So if you go back and look at the last financial reporting you will have all those numbers in there. And that's why I said that we had achieved already, 70-75% of all our goals of Aspiration 2022 already at the end of the financial year '19-'20. So we do think, we will provide guidance, a fresh guidance at the end of next quarter.

Deepika: Got it. Sir, any update through August on occupancy?

Puneet Chhatwal: The occupancy you wanted, right?

Deepika: Yes.

Puneet Chhatwal: Let's see, the occupancy levels as I said in the presentation, Ginger is kind of around 40% or higher, and the rest of the portfolio is north of 20%. Now that is in all available inventory. If we were to look at hotels that are allowed to open, then there are hotels even operating today as we speak at 70-80% occupancy but at lower rates. So there are a lot of hotels which in – and that's the maximum they can have. For example in a city like Mumbai because of the lockdown we're not and for safety reasons, we are not allowing the staff to go home. Either they are staying in nearby locations or they are staying within the – on the hotel premises. So we can't have more occupancy because the rooms occupied by own staff also as is the safety and security of our associates is of paramount importance. And if they are safe and secure, our guests are safe and secure.

Deepika: Got it, sir. Thank you so much.

Puneet Chhatwal: Thank you.

Operator: We will now take our next question. Participant, your line is open. Please go ahead.

Speaker: Hi. Good evening, everyone. Thanks for the opportunity. So I had a couple of questions. So first of all what I wanted to understand is that of course the cash is the king. And everybody is dying to preserve cash. But in the same context, don't you think this is a good time for the conversions because you get the cheaper properties? I mean a lot of consolidations are happening and a lot of people are dying without cash. So what is your view in this same, in this regard? Do you think it is a good time to convert? Are you planning to do more conversions? So what is – how does the situation looks like?

Puneet Chhatwal: Giri, you want to try first? I will add later.

Giridhar Sanjeevi: Yeah, sure. No, I think as I understand there are two parts to the question. I think the part number one is the whole conversions in terms of management contracts; it is absolutely true that in times like this the conversion opportunities are greater in terms of our hotels which are operating and owners switching. So that is definitely one part of it which we are pursuing.

The second part of it if you're talking about acquisitions, clearly there are stressed assets are going up and there will be opportunities to acquire. However, such acquisition has to be done with the right kind of money. It cannot be done with debt. And to the extent that we can also leverage our platform of GIC to do so. So we are not losing sight of those, but we'll have to do it at the right time.

Speaker: Right, okay. The other thing what I wanted to understand more about the customer mix following on the recent question. As you know, so the corporate travel is not happening at the moment. And as you rightly said, that the occupancy is more in the Ginger brand. So does it indicate that the high-paying customers like the corporates, like the international travel, I mean international travel happening in India, those are the guys who pay higher rates and as compared to – with the otherwise a general customer, so do you think the RevPAR would remain under pressure even going into the FY21 – sorry FY22?

Puneet Chhatwal: Yeah, I don't believe that would be the case. I think on the contrary, it depends what the balancing act on the demand and supply would be. Based on some of the surveys done especially by HVS which was shared with us, the CAGR on demand is expected to be at 3.3% between 2020 and 2024. And the supply is a little less than 2.8%. And this is something different than the previous financial crisis where there was a lot of supply coming on the market in 2009, 2010, and 2011. So that is one.

The second is at this point of time, it is as I said it is uncertain how much of the supply may continue to function as a hotel or might be used for alternative uses. So that will depend. The likelihood that it comes back stronger is higher than the likelihood that the RevPAR stays subdued for a very long time. As I said before, all the figures that we are reporting are on hotels as if all of them were open. If we started giving a report on hotels that are actually operational, the occupancy levels are quite high.

Speaker: Yeah. But then, I mean I agree on your point. And you are trying to look at the demand and supply, and of course I agree with your point. But then the demand which you are talking about, isn't it the lower paying customers who are actually staying in the hotel, I mean of course because of the quarantine and all? But otherwise also, don't you think that kind of demand is there, I mean not the high-paying passengers which are more of international people, and in more of the corporate people and all, so don't you think that is the case?

Puneet Chhatwal: So that of course will – that's what I'm saying. Today this is what is there which is not bad in the survival phase of the industry. But it will start to revive once the lockdown starts getting lifted. Now either we believe lockdowns will be now for the next six months, then that demand is not going to come back. I personally believe that the phased out lifting of lockdowns has already started happening. A few days ago, Guwahati was announced to have opened. Mumbai already has seen a phased opening. We are already talking Unlock 3.0. So I do believe in the next few weeks unless something happens that we all don't know today with the opening up of the markets, the normal level of demand will start coming back. Albeit slowly for the first six, eight weeks, but then it will gain momentum.

Speaker: Right, okay. The other thing which I wanted to understand and if you could please help me. So basically, we look around the world and you go to Europe and then you go to US and you go to even China, people are actually avoiding air travel, and then they are looking more for staycation kind of thing. And they are driving down to the nearby places. How is that trend happening in India, have you noticed that kind of trend, that kind of the [inaudible] coming in?

Puneet Chhatwal: Yes, it's the same. It's the same here. See, you can't – man is a social animal. You can't lock down human beings for five to six months. And if they want to go out, they will go out, right. We have seen it in a very negative fashion when shops were opened in Delhi and how people are lined up without maintaining any social distancing.

But now to come to concrete staycation, drivecation, people driving, taking driving holidays, this has started happening in the last few weeks. It wasn't there as strong let's say in April, May and even parts of June where the real demand was coming only from the Vande Bharat and the quarantine guests, and the medical staff. But of late, we are seeing these green shoots. And also we did in some of our places in June, we did do some weddings, again up to 50 persons only as allowed by the government. But you will see it starts changing, and we are seeing some trend. Yesterday while talking to my heads of operations in our company, my colleagues, we got confirmation that we are seeing some very good signs of large weddings again happening. Large what I mean in terms of the volume of payment, the kind of service and the kind of attributes they want. Again in Rajasthan as an example in destination wedding, but we are like three to four, six months out when the wedding seasons come and when those dates are available.

Speaker: Right, right.

Puneet Chhatwal: And staycations of people who are in the same city would check in into a hotel. We saw that happening very much in Bangalore. We have had first few queries of that in Mumbai at the Lands End especially. So there are things like this that are definitely happening. It's a common trend globally. It's not just a trend in China or in the US or Europe.

Speaker: Fair enough, fair enough. I also wanted to understand about your mix between F&B and room with the new initiatives which you have taken the home delivery and all. Or otherwise also, so if I'm in Mumbai and I don't want to stay at the hotel, but of course having food, I mean probably it's safe and it's a bit of an outing. So in all those scenarios, do you think the mix between F&B and room revenue you could change, or do you think – I mean that's not going to happen?

Puneet Chhatwal: I don't think over the long term, the change will be that dramatic. But I'm glad you mentioned about the home delivery that is we have built our own app. We are not using a third–party so as to have – drive higher margins. And we have already opened in five cities, five more will follow over the next five weeks.

And the app which has now been launched in Mumbai will be launched in four more cities. So eventually in all first ten cities. So at the moment we are operational in Kolkata, Chennai, Bangalore, Delhi, and Mumbai, and then five more will follow. So very positive, very excited about this part of the business.

It's not, in the pre-COVID world maybe it had a potential of less than 7-10% of our total revenue. But on the bottom line it is far higher because everything is incremental. You are not building new kitchens, you are not adding new staff, you are using what you have, and it's being delivered to people's residences. So I think it's a high margin business and very exciting because at least people are getting something brought to their residence. Giri, you want to add something?

Giridhar Sanjeevi: No, I think what is a very good is that when we started hospitality at home and also the Qmin, I think the hospitality at home the pricing was 5000, 10,000. Even Qmin, the average ticket size is maybe around 4000 or so. So these are all high margin businesses. So I think it's good to see that.

Speaker: Right, I have two more questions. I'm really sorry for the long questions. I have two more questions actually. So one is about cost, if you could please talk more about costs. So as you rightly said, in the first quarter you cut down the cost by 52% and other expenses were down 60%. Employee costs was down 35% and all the sort of things. So how should we expect these costs to evolve over the next quarter? I mean so do we, of course as the business comes back, as you start opening more hotels as you – so your cost will have started rising, so how do you see the costs evolving over the next few quarters?

And the second question I also wanted to understand, Puneet just talked about the demand and supply. And so sorry – I forgot to point out at that point of time. So do you expect this year's demand and supply both to grow year on year, so how the demand fluctuation looks like? I'm sorry if I missed something on that. Thank you.

Puneet Chhatwal: See, Giri you can take the second half. The first half is this is – there is always something good that comes out in every downturn or in every crisis. In this crisis, I would say for the industry in general and for us also in particular, we have been able to reset the cost base. So a lot of these costs, if you think they are only variable costs that have gone down and the occupancy that comes back and the costs will go up, that is not going to be the case. We will be working out of a different cost base going forward. And I think even if we get to 80% of the revenues that we have achieved before, it will come to the same margin level as we had before because of the readjustment of the cost base.

Speaker: Yeah.

Puneet Chhatwal: Okay, just think about it from the new standards of hygiene, social distancing etc., in the spaces that we have, now you don't have the same number of seats in a restaurant like we used to have before. So you don't need the same kind of staffing, cleaning, heating, air conditioning. It automatically starts going down even if the restaurant was full.

Speaker: Right, right. No, but I was..

Puneet Chhatwal: Right, it's the same thing on different fronts in terms of security, in terms of heating, lighting, power. You get smarter after every crisis.

Speaker: Sure. And about the supply demand, if you could please give me a little bit of idea

Giridhar Sanjeevi: I think as we spoke earlier on supply demand, I think very clearly based on the HVS report we are definitely seeing supply being lower than demand. And also in terms of newer supply which is coming up, we do see that because of funding constraints and all that, we definitely see a slowdown in supply happening in the – at least for the next one year or so until there is better clarity on funding availability and things like that.

And as far as demand is concerned, right now of course the demand that we are seeing in the main cities of Bombay and Delhi have all been more of the quarantine and business kind of demand. But as the leisure travel picks up with the 4Ds and all the other initiatives which we have launched, I would say that the demand pickup will happen more driven I suppose by leisure.

And with air traffic, air travel becoming more and more – people start getting more comfortable with air travel, I think the business travel with also pick up actually. The main season is still ahead of us, yeah.

Speaker: Yeah, perfect. Thank you so much and good luck.

Operator: So we will now take our next question. Participant, your line is open. Please go ahead.

Kaustubh: Yeah, good evening sir. Thanks for giving me the opportunity. I'm Kaustubh Pawaskar from Sharekhan. I have two questions. Sir, post-pandemic as we see that once demand starts recovering and everything is in normalcy, should we expect even the room rental to go up? Should we expect – is there an opportunity for large hotels to increase the prices considering the fact that as you said, travelers would be more keen to go into the prestige brands. So will it give an opportunity to a player like Indian Hotels or large players to increase the room rentals?

Puneet Chhatwal: It should give the opportunity in the medium to long term, but not in the next few quarters, right. I think at the moment, if we get that kind of customers coming in who are willing to pay higher, we are very happy. And that happens when the business travel picks up or high–end leisure.

High-end leisure, we've seen some green shoots, but we have to have some form of business travel because of the needs as the business travelers end up paying more. And also meetings and events, they have to start. So eventually it will. The ability to charge for any trusted brand as we said before is going to be higher than for anyone else. So I do believe that in a period of nine months, ten months' time we would have a higher ability to charge. This is assuming things open up in the next two, three months' time. Six months thereafter, it will start showing what you asked in your question.

Kaustubh: Right, sir. No, the same thing I was asking like you were expecting a recovery in September. So maybe post the vaccine or when demand actually seeing a proper grip, there should be an opportunity for the increase in the room rates. So my second question is, the recovery in the room demand should we also expect, the F&B should also recover or it will take some more time for F&B business to come back on track?

Puneet Chhatwal: No, actually first I've to correct. What I said was I expect opening up end of this month or September, and then it will take always around six weeks for any business to pick up. So if the lockdowns are over, it will still take four, six, eight weeks for the business to restart. And once that happens, and then you get into the wedding season it will be fine.

F&B is a very important source of revenue on the Indian subcontinent, and I think it will continue to be. We don't see much difference in F&B going forward. And as I said before, people will go to the place they trust. They will not just go to any other restaurant. Whether it is a standalone or it's in the hotel or it's a part of some chain of restaurants, if they trust a place, if they trust the people who are serving them, if they trust generally the atmosphere, they will go there.

Kaustubh: Thank you. That's all.

Operator: We will now take our next question. Participant, your line is open. Please go ahead.

Shaleen: Hi, everyone. This is Shaleen from UBS. Actually most of my questions are already answered. Maybe just one confirmation on, what's our monthly cash loss right now including the finance costs, and how much is the cash balance now?

Giridhar Sanjeevi: Sorry, sorry. What are the monthly cash? I mean, I think the monthly cash is approximately about I would say as previous spending may be about a hundred crores also including Capex, including all of it. It's not just in the operating sense. So that's the cash run rate actually. And we have adequate cash I think, and we have lines of credit. I think between cash and lines of credit on hand it will be about 1000 crores plus. So I think, so we are fine in terms of liquidity.

Shaleen: Perfect, all right. And Puneet[?], on the operations front right, so as Puneet said, it takes six to eight months for any business to stabilize kind of thing even after opening. Since we have cut down our costs significantly, what are the breakeven occupancy level at the hotels? And ballpark, what percentage of hotels are at breakeven levels, I mean if you can share this. I don't know whether it's handy with you or not. Any sense for us to make assumptions, whatever you can share?

Puneet Chhatwal: Yeah Shaleen, it's a very difficult question to answer because the breakeven point for a Taj or a Vivanta or a Ginger or SeleQtions is not the same. So if you put everything in one basket, maybe it's around 42% to 43% occupancy at a system-wide rate of around INR 5000. So that would be a RevPAR of around INR 2500 is needed at that level. But this is only the rooms part. Then you need again some activity on the F&B side also. So I think if we only looked at – I think if we looked at a total revenue per available room, then we have to look at around INR 4500 to have a breakeven on Taj, SeleQtions and Vivanta brand. And on a Ginger, we could easily do it at INR 2000 to INR 2200 level. So I think it's important to look at total revenue per available room and not just the room rates and the occupancy part of it.

Shaleen: Fair point. I completely agree with you. Another question, any –

Puneet Chhatwal: Sorry, Shaleen. And if you are – like Giri said, if you are in the UK or in the US and you get all the subsidies from the government and payment for the employees, then that number can change significantly, right. And the waiver in property taxes like they've done in the UK so sometimes it becomes a big cost. So it depends. It's by geography. It's by brand, and also by contract type. If it's a management contract, there is only a question of how much lower or higher your fees was as you don't have all these costs. So your breakeven point is more on the fee income derived versus the service provided, right.

Shaleen: Yeah, fair point. I agree with you. One more question and something related, and if you can share it's up to you. As per your internal assessments, what are the operating metrics in the revenue side or the occupancy or RevPAR, etc., whatever? You need to come at EBITDA breakeven levels. Because I don't know how you're operating – if you open new hotels, it may – you have to be decisive whether you want to operate all the properties or you want to be selective about it. So what are you looking at it?

Puneet Chhatwal: So Shaleen, I'll answer the second part. And the first one because it's Giri's favorite, and he's just done a presentation today on that, so I'll let him do that.

The second one is as I said before with the exception of Connaught in Delhi, and a couple of Ginger properties everything is on a management contract basis. So the cost to us out of pocket for opening, launching, setting up is not there. So that is – and Connaught is relatively a small property. It's hundred rooms only. So we don't have – so we're actually looking forward to the growth because all that growth should be EBITDA additive. So it will add on to the EBITDA. It's not going to create losses. So there is – as we said, there is a rationale behind why we went for this kind of growth in our pipeline. And Giri, maybe you want to give a level at which we are both EBITDA and PAT positive or neutral.

Giridhar Sanjeevi: Yeah, I think that's right. And I think obviously EBITDA neutrality and at the sort of consolidated level or maybe PAT neutrality at a standalone level is obviously the standard that we are all kind of seeing what will it take. And I guess it's the combination of recovery in the third and fourth quarters and also the kind of monetizations that we can do. I think both are going to be very important. My sense is that around the 50% occupancy level, we should aim to get closer to the EBITDA neutrality at the consolidated level is what it looks like.

Shaleen: RevPAR levels?

Giridhar Sanjeevi: RevPAR, RevPAR will be what it is. I think it's more driven by – I guess what will be the performance vis-à-vis the previous year. So I think in terms of what I would say is that that at a 50% level compared to the previous year, we should definitely reach, I'm not saying we are there. But we can get to EBITDA breakeven for the consolidated revenue.

As far as standalone is concerned, I think it is more appropriate to look at PAT neutrality. But that depends on operational and nonoperational incomes. Operational of course based on business travels and nonoperational based on monetization. So we'll see, I think both of these factors are important I think clearly in Q3, Q4 and monetizations. And those are what we are kind of aiming for in any case. So we'll see how far we get there, yeah.

Shaleen: All right, all right. Great. Just last one, just last one. Obviously we have renegotiated leases etc and rentals. Have our partners have also tried to renegotiate management contract in this? Are there any cases like that?

Puneet Chhatwal: Of course, Shaleen. There are always cases like that. It's also an opportunity because maybe they – nobody renegotiates and says, I'm not going to pay, that's not the thing. What people try to say is to protect liquidity or cash. So what can be done. Then maybe if we can give them that and get something else in return is good. There's nothing like one–sided way of negotiations. That doesn't work. Because we don't have – we don't own the assets. There is no upside to us, right. And the fees that we charge our very much in line with the market. It's not that we are charging like 50% higher fees, so we start reducing it. So I think the ethical way of doing business is appreciated by owners and partners. And especially with, as I said before, with our group that level of integrity helps us also in a crisis. And there is not one kind of formula that you can apply. So if we have a 40-plus year partnership with the royal family in the Rajasthan on a management contract basis, it is of a very different value than having a management contract in South of India or in Northeast in a secondary market for a 100-150 room property. One could be an iconic asset well-known globally, and the other one, it is not really that much brand enhancing, and something which needs your branding charge or create the halo around the brand. So and also not such a long relationship. So to last, for relationships to last 40 years, 50 years, it's a very long time. And those people need to be treated differently than where you have just started. So it's a one set, one kind of contract at a time, and there is no one size fits all.

Shaleen: Got you, got you. Fine. All right, thank you so much Puneet, Giri. That's it from my side, and best of luck for the coming quarters. Thank you.

Operator: We will now take our last question. Participant, your line is open. Please go ahead.

Vinod: Hello. Hi, this is Vinod here from Templeton. Am I audible?

Puneet Chhatwal: Yes, please.

Vinod: Hi. I just wanted more clarity on your cost cuts that you have planned on the kind of the standalone business. You have 44% drop in costs, 45% on per room basis. But it is a mix of both your own cost cuts initiatives, and also inventory not operating. Probably let us say if all inventory was back, what would that number look like? The other way to put it is once let's say after the second quarter, where would the cost per room be vis-à-vis what they were in last year?

Puneet Chhatwal: Yeah, I would let Giri answer that question. But I would just say one thing. When we started with the lockdown, nobody expected this to go on till August, right. So the first date that was announced was till 13th April, which was then extended to end of April, and it kept getting extended. So maybe the agility in Q1 on cutting costs was missing to some extent.

By that what I want to say is that in Q2, you will see a much more improvement in also the costs initiatives that we have taken, or the spend optimization initiatives that we have planned. As the first phase, it was like a wait, watch and see, and maybe after 13th April everything will open or after April, everything will open. Then there was communication from the government which was first communicated and then was – there was a different ruling by the Supreme Court that you have to pay salaries [inaudible] whether – I think you all recall that. So that definitely has a certain impact on the Q1 cost structure which is going to be – maybe a little bit reversed in the Q2. With that, I hand over to Giri if you want to elaborate on that, Giri or add on to it?

Giridhar Sanjeevi: No, that's fine. I think building on what Puneet said, I think very clearly what is happening in the cost is that we are getting into a much more sustainable kind of model where people are learning how to operate at a lower level. So are supposed to purely practical steps in terms of cost controls, I think it is now becoming strategic actually.

For example if I give you – if I talk of shared service centers, now shared service centers restarted. But now those will get accelerated, digitization sorry is getting accelerated. So some of those initiatives are getting accelerated – as you sort of do online when you say check–in and checkout under the IZEST which is contactless. It will have an implication on the manpower which is being used. So I would say that the cost efforts are moving from tactical to much more strategic. And that is definitely going to have an impact.

The second thing is that as the hotels come back into operation, and as business picks up, you will also see some of the other revenue lines also pick up. For example, Chambers is an example, they represent some of the safest places to meet. And so we believe that some of the Chambers' revenues also will start picking up. So I think it's very difficult to just look at one part of it. So my sense is, some of those initiatives also will start picking up actually. And also as we open hotels, we've now learnt how to operate hotels and the ability to switch on and switch of in terms of loads and also a clustered approach where certain hotels will be more occupied than the others, I think those are being done in a very significant fashion.

In terms of supervision and moving on to the fundamental thing what I spoke about, in terms of supervision I think the supervisory frameworks are getting modified, where I think you will find much growth and much more cluster operations.

Training of people is changing, where people are doing multi–skilled training, where we can not only do housekeeping, but also do front operations, banquets, etc. So some of those, we call them the A team. So those are also being implemented. So my sense is that the quality of the cost control is definitely changing. And you will see that come through as we go forward as well I would say.

Vinod: Sure. So from what I understand is that, A, the cost controls were implemented during the course of the quarter, and therefore only reflecting for a part of the quarter. And that will see the full quarter impact in 2Q. Second, is it fair to say whatever controls you had to apply, whatever cost cuts you had to do you have achieved all of that? So the number that we see in 2Q would be the full quarter sustainable cost control that you will see? You don't have to put in more initiatives now?

Puneet Chhatwal: No, No, this will be ongoing. This is not – there are certain things you can't do immediately. So a lot of initiatives are there that have taken place. But it will be built upon and also it has to be seen in line with a certain level of occupancy. So I think the real metric starts coming once we start hitting 50% occupancy level which we hope to do easily system-wide in Q3.

As I said in certain orders, we're already operating north of 70% and in some even north of 80% occupancy, the hotels that are operational. So we will have those impacts and negotiations are still ongoing with several partners, landlords, etc. It's you know – also sometimes, you have to look at till what extent this lockdown is going to be. So you get the right outcome. So some of the – so what you see is maybe already 70%. 30% has to be done, and it's not that easy. Certain things are negotiations with the unions, etc. So things take time. And you will see more important test is Q3 and Q4. So Q2 should be an improved number on Q1. And Q3, Q4 will be a further improvement.

Vinod: Right. If I were to just follow up on the same thing. Let us say in fiscal 2020, you had an Opex all put together F&B, employee, other Opex above EBITDA line, about INR 4.5 million per room for the year. On a percentage basis in Q3 when you expect to reach 50% occupancy, what percentage reduction can we look at in the Opex per room?

Puneet Chhatwal: See Giri, I think we have reported 52% decrease.

Giridhar Sanjeevi: Correct.

Puneet Chhatwal: And that is because of a low occupancy level. We had a revenue decline of 83%, right.

Giridhar Sanjeevi: Correct, correct.

Puneet Chhatwal: So once it starts going to – you have to look at – I mean we can give a guidance, but let's put it this way that, a lot of work is still left to be done. It's not because the efforts have not been made, but the efforts have been made, but certain things will happen with time, especially what accelerated in Q2. And there will be certain impact coming in Q3 and Q4, but it's very difficult to make that forward-looking statement. What all we can say is, whatever you see now you've seen mostly on variable costs. But you will see certain changes coming in fixed costs also.

And I think Giri had mentioned something as an example I give you redeployment. So if your hotels are operating at 50% occupancy and things open up, and we start opening again a couple of hotels a month, then we can redeploy some of our staff, right. Today if they are all shut, what can you redeploy? Then that's the opportunity we have because of a very strong pipeline.

Vinod: Right, that explains it. Thank you for your time.

Puneet Chhatwal: Thank you.

Operator: It appears there are no further questions at this time. Mr. Giridhar, I would like to turn the conference back to you for any additional or closing remarks.

Giridhar Sanjeevi: No, I think I would just thank the participants. It's been 90 minutes. We are of course available to answer other questions. Do write to us. And we will also do the usual investor meetings in any case during this – or after this. So thank you. Thank you.

Puneet Chhatwal: Thank you everyone. Thank you.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect your lines. Thank you.