The Indian Hotels Company Limited

IHCL Earnings Call – Q3 FY 2020/21 Results

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Management :

Mr. Puneet Chhatwal, Managing Director & CEO

Mr. Giridhar Sanjeevi, Executive Vice President & CFO

Moderator: Ladies and gentlemen, thank you for standing by. We welcome you to the Indian Hotels Company Limited Q3 FY 2021 Earnings Call, being hosted by Mr. Puneet Chhatwal – Managing Director and CEO, IHCL; and Mr. Giridhar Sanjeevi – EVP and CFO, IHCL.

At this moment, all participants are in listen-only mode. Later, we will conduct a question and answer session. At that time, click on the Q&A icon and click Submit Request button. If you face technical difficulty, please use our systems icon present at the bottom of your screen.

I now hand over the proceedings to Mr. Puneet Chhatwal. Over to you sir.

Puneet Chhatwal: Good evening, ladies and gentlemen. At the beginning of this call, I thought first we will show you a picture of a very nice small boutique property that we officially launched last weekend, is the Connaught in Connaught Place in New Delhi. Comprising of 104 rooms, very nice outside area with a bar and restaurant, and a picture of the lobby. It redefines what boutique hotel business is in India, and will be part of our SeleQtions platform, which takes the SeleQtions platform to 13 hotels in operation, with another two in development.

So, moving on from the Connaught, let's look at 2020, which was a year of unprecedented challenges for the hospitality industry. The global pandemic, as we are all aware, had 100 million cases, 2 million deaths, a complete shutdown of hospitality, almost 70% of hotels across the globe were shut, there was a decline in revenue of Rs. 900 billion and job losses of almost 40% to 45% of all direct employees in the organized sectors lost their job. Having said that, the pandemic also started reshaping travel behaviors. We saw that the demand, when it started coming back, it came in form of leisure. Some also included some business for making it Bleisure Travel, it was value driven and more experiential, or if you want to call it Immersive. Our short-term rentals and homestays are very popular. A lot of focus in and around wellness tourism, sustainable tourism, and when the MICE started opening up, that is meetings, incentives, conferences and events, it started initially as digital-only and then later on, and as we speak today, moved into a phygital mode.

We have announced our R.E.S.E.T 2020 strategy already after Q1. And just as a reminder, R stands for revenue initiatives, E for excellence, S for spend optimization, effective asset management and thrift and financial prudence. So, all this helped us to get on to capitalize the opportunities, especially as we are seeing at the end of Q3 in the month of December and in January. So this slide is really on the domestic front.

April is the month when we almost reached zero revenues, 7% occupancy and our RevPAR declined to 339. And that has already improved 10x as the percentage of revenue became also 60% in December and closing to almost 50% in November. So actually November, I would say, is really the turning point around Diwali, the 10th, 15th of November when we started seeing more and more pickup in domestic demand and business.

There's a little blip which could be misleading in the month of June that is because of the Vande Bharat business that the hotel industry got. And that's why the RevPAR is lower but the occupancy shows a marginal increase over July or a significant increase from May, but that was really related to Vande Bharat. December is the really first month when we saw business, especially on the leisure front, on weddings, from middle of November till 31st of December six good weeks for the industry.

If we look at the RevPAR versus industry, this is from STR Global. I think the IHCL portfolio the RevPAR performance has been good. We are noticing this trend across the globe that a lot of brands which are being preferred are the ones which have a lot of history, which have a legacy in that country. So, I think we are also benefiting a lot, especially because of the Taj brand. And Taj brand in many markets is seeing a huge premium, although the demand base is low, but our market penetration and RevPAR penetration is very, very high. So, if you look at the last three months in the quarter, we have gone beyond 1.5 in terms of market share, our RevPAR for the month of December finished to 3,424. These figures are including Ginger. So, as you would know that Ginger does a lower rate. So, the figures that you saw on RevPAR is a blend of all brands that we have in our portfolio.

This is an interesting slide which also demonstrates leisure destinations led to the path of recovery, at least in domestic leisure. And if we compare the three quarters, you see, in the third quarter Goa was absolutely the number one in terms of the percentage of revenue of last year. Last year when we say is obviously the comparable trend for the Q3 of the year before. So Goa 80%, then followed by Rajasthan, then followed by Calcutta and then Kerala. And the challenge remains, on the right extreme, which we see is Bangalore, Delhi, NCR and Mumbai, these are three very important cities for domestic corporate, especially for our portfolio, as we have significant number of our hotels in Bangalore, Delhi and Mumbai. And we see that also as an opportunity going forward, because at the moment they're not even back at 50% of the previous year's business in the quarter.

Moving on from here to the signings and the openings. We have tried to maintain our growth momentum, even in 2021. We have been very focused, as you all know, on signing of management contracts, and not owning hotels. So we signed this year also, in the nine-months of this year, 14 hotels; we opened six hotels, we also opened five Ama branded properties. We have signed some more Ama properties, which you will hear about in the next few days, a small portfolio of Ama Homestays. So, so on the signings and openings, given the fact that the markets were shut down and were undergoing a lockdown for six months, still having opened six hotels, and we still plan to open a few more in the next month. So we will get to our 12 hotels opened in the 12 months of the year. So, this has worked well for us and we are very much on target in terms of our growth strategy.

Moving further from growth to focus on our Excellence and well-being. Tajness, a Commitment Restrengthened, we talked about it already at the Q1 results. We have implemented all standards of safety, security for our guests as well as employees who are still staying in our hotels as public transport system is shut for them to be exposed. So, a lot of our associates are still being hosted by us in hotels, so that they are in this clean and safe environment.

We introduced a Zero-Touch service to transform as minimum contact as possible. And something which we did not talk about so much as we introduced through our Taj Public Service Welfare Trust, certain voluntary salary contributions from the staff, which go into a fund for people within who are contractual workers, working for a car contractor or for any other labor contractor who lost job, as there was not enough demand for cars, etc. They were supported through our Taj Public Service Welfare Trust, under the promotion of Taj for Families. And that means each of the employee was contributing one way or the other towards the other less fortunate ones, who may have been in our ecosystem, employed by other employers who own our hotels, but use our franchise or use our brand name, we stood to the occasion and supported them during this pandemic.

Moving on further from excellence to spend optimization. So here it is presented in terms of sustained optimization of fixed cost. We had a 27% decline in fixed cost per month, we are more or less at 120. And I think that's the figure which is a good guidance going forward versus 164, which used to be in the year 2019-20.

From sustained optimization of fixed costs when we move further in terms of how did we achieve this, we have achieved this through redeployment of staff in new properties that are opening, redeployment of some of the corporate employees in other Tata Group companies, multi-skilling, we have scaled our people in different areas so they are able to work in different departments within an eight hour shift, and that's the new way of working. And that brought our staff to room ratio in April from 1.53 down to 1.14 in December. Of course, this number will increase as the occupancies increase, as the business volume increase, especially as more and more weddings and MICE events start coming, that number will have a certain increase. But there is also a certain permanent reset that we have achieved in terms of the staff-to-room ratio.

In terms of effective asset management, which helps the bottom-line in the quarter. The contribution through lease cost savings plus sale of residential apartments for the nine-months is Rs. 64 crores, for this quarter it was marginally less. But we have achieved Rs. 64 crores through asset management initiatives which were launched with the launch of R.E.S.E.T.

Going on further to continuous reduction in corporate overheads. We have a savings of Rs. 67 crores in the first nine-months of the year, which is a 28% reduction. This number is expected to rise as some of the reductions did not commence immediately in the months of April and May, but there is a strict prudence in all corporate expenditure, and we continue to use organizational optimization for redeployment, restructuring and better utilization of the skill sets and the talents that we have in our system.

With that, the nine-months, if we look at it on the nine-month front, the revenue initiatives on a lot like for like initiative got us Rs. 205 crores in incremental revenue. Our spend optimization achieved was Rs. 280 crores, Rs. 64 crores in asset management, as I just explained, and under thrift and financial prudence, we got another Rs. 67 crores contribution.

When we move on further, I think we thought this time we will also say that although we had R.E.S.E.T, but two of our other joint ventures, which are pretty important for us, adopted and embraced a strategy we call R.E.A.P, that is building revenue, containing expenses, managing assets and adapting processes.

When we look into Ginger on the next slide, you will see Ginger performed quite well and achieved in the nine-months 57% of last year revenue. I think that's coming from where we are coming from, from almost 7%, 10% in April, and 12% in May and then going on to 17%, 18% in June. I think Ginger getting to 57% of last year is a very good number. The nine-month RevPAR index of Ginger was at 1.23x, and they clocked 60% occupancy in December, and we see the same trend in January and February, Ginger has been EBITDA positive for the nine-months. It has achieved 31% cost reduction over a nine-month period and the manning in Ginger has gone down from 0.55 to 0.41. In terms of assets, now Ginger is a 75-hotel portfolio, of which 54 are in operation. And from the total lease obligation they got 20% lease rent reduction and Ginger is still clocking a TripAdvisor score average across the system of 4.74. And is equally focused on multi-skilling.

When we move further, a similar trend we also see on TajSATS and we will narrate more on that in the next quarterly meeting. As also air traffic is beginning to come back, we all read that the air traffic on the domestic front is almost same as previous year. I think at the end of the full year, this will become interesting to talk about our flight kitchen business.

Our improvement in the revenue, coming from a small base of 175 Crores from Q1 to Q2, we saw a jump of 85%, from Q2 to Q3 of 90%, which is just a consequence of Unlock-1, Unlock-2 and Unlock-3. And as slowly the pools and spas and the banqueting facilities start to open up, we hope to get more and more revenues also on the food and beverage side. So obviously, Q1 being the worst quarter coming from a Rs. (-234) crores, we were able to finish Q3 in a positive territory, albeit at a very small amount of Rs. 38 crores. So the negative and the drop was significant from Q1 to Q2. And from Q2 to Q3 we had Rs. 121 crores improvement to get to a positive EBITDA.

Moving further, trend and comparison with the previous year. As we can see, it's still a long way to go in Q3, because Q3 of last year, we had a system wide revenue of Rs. 1,400 crores. But very important here is that, unfortunately for our portfolio, London, New York, San Francisco, these contributions have come to almost zero, as these cities went into a lockdown in the months of December, the U.S. it kept getting worse. And unfortunately, London also went into lockdown. So the revenue drop is that's why very high. And also, on the EBITDA front, from a Rs. 462 crores EBITDA we were able to do only Rs. 38 crores, otherwise Q3 and Q4 get significant contribution amount from our international operation. We were able to narrow the gap on our PAT or loss after tax, of course, coming from Rs. 280 crores in Q1, Rs. 230 crores in Q2, we ended up close to Rs. 120 crores, to be precise Rs. 119 crores in this quarter.

Going further, after this slide, I think it is very important and interesting that the significant portfolio EBITDA was positive in December. So 86% of our domestic hotels turned EBITDA positive in the month of December. We think that is the kind of base going forward. Of course, there is Christmas and a newer impact. But also as business begins to open up, we are looking forward to having that as a kind of a moving average going forward in the short term.

Moving on to the next slide. I think I will hand over to my colleague, Mr. Giridhar Sanjeevi, who is our EVP & Chief Financial Officer. Over to you, Giri.

Giridhar Sanjeevi: Thank you. Picking up from where the Managing Director summarized, I think I will go into a little more of detail. As you can see, in Q3, the total revenue at Rs. 615 crores was (-56%). And as compared to the nine-months where we were Rs. 1,113 crores, which was about (-68%). So clearly Q3 saw a recovery led by leisure.

On the cost reduction side, we were able to save (-39%) as compared to (-47%) in the nine-months. And fundamentally, with the resumptions it did come back in terms of the admin expenses and others. The manpower cost definitely continued to be at the same (-38%) as compared to the nine-months number.

In terms of the finance cost, the finance cost reflected the incremental borrowings and was in line with that. Exceptionals, we had Rs. 28 cores of exceptionals in Q3, and Rs. 135 crores over the nine-months. And I will come to the details of it in the next slide, leaving us with an overall loss after tax of Rs. 119 crores for Q3 and Rs. 629 crores for the period of nine-months.

Moving to the next slide, I think in terms of exceptionals we had derivative contract changes, because of a favorable rupee of about Rs. 6 crores in the quarter and Rs. 23 crores in the nine-months. We had an exchange gain loss in relation to the bank loans in South Africa of 30 crores for nine-months. And in terms of operating and non-operating revenue, we have gain in sale of flats of about Rs. 9 crores during the quarter and about Rs. 15 crores for the nine-months. Lease rental concessions and their accounting standards comes into the revenue line, that's about Rs. 5 crores and Rs. 34 crores for the nine-months.

We were able to get, and this is a good development, in Vivanta Gawahati, which is the hotel that we opened in 2015, we have received two kinds of concessions, one is a capital subsidy of Rs. 42 crores which was received in March 2020. On top of it, there is an indirect tax subsidy where indirect taxes minus input credits are reimbursed. So, for the five years, we were able to get a confirmation recently that we will get a refund of Rs. 13 crores, which has not yet come but we should get it shortly. And this benefit will continue for five more years.

We also had a foreign currency gain on restatement of some loans given to one of the subsidiaries of Rs. 24 crores and that's all about exceptional items and operating and non-operating revenue inclusions actually.

Moving on to the standalone reported P&L. We had a top line of Rs. 434 crores, the overall pattern mirrors the consolidated. It was (-51%) in terms of the revenue as compared to the last year, and (-64%) for the nine-months at a total revenue of Rs. 766 crores. In terms of cost reduction, we had a (-33%) in Q3, and a (-41%) for the nine-months. So we continue to focus on the cost savings during the quarter.

In terms of finance cost, once again it reflected the incremental borrowing. On exceptional gain-loss items, we did have a loss of Rs. 56 crores during the quarter and Rs. 110 crores for the nine-months. And I will come to it in a minute, leaving with a loss after tax of Rs. 95 crores for Q3 and Rs. 475 crores for nine-months in exceptional items. I think the change in fair value of derivatives we saw in the consolidated, that is Rs. 6 crores. As you know that whenever there is a Pierre loss, since we fund from India, we kind of provide for that in the standalone, so that was Rs. 62 crores during the quarter.

In terms of operating and non-operating revenue inclusions, we have the gain and sale of flats that we saw. Lease rental concessions of Rs. 4 crores and the Vivanta Guwahati subsidy of Rs. 13 crores. So, these were the fundamental exceptional and operating and non-operating inclusions.

Now some metrics in terms of IHCL standalone. I think what is good to see on the right-hand side is that the occupancy jumped from 32.3% to 47.4%. And the ARR jump was Rs. 5,400 to Rs. 8,300, which is a very significant jump, as was described in the earlier section, we had a significant premium in the RevPAR as well, which was Rs. 3,936 as compared to Rs. 1,751 in the second quarter, almost 100% more naturally. And the breakup of revenues where room revenue was about Rs. 160 crores, F&B revenue Rs. 161 crores and other revenue Rs. 113 crores, constituting the Rs. 434 crores of Q3 revenue as compared to Q2.

Moving to the domestic network revenue metrics. It reflected the same underlying trend where the occupancy went up from 28% to 45% with ARR going up to Rs. 5,643 and RevPAR more than doubling to Rs. 2,573, and room revenue at Rs. 815 crores between room revenue, F&B and other revenue.

The final slide we have is really the debt position. In terms of the debt position, the consolidated net debt was Rs. 3,079 crores and I think the standalone net debt position was Rs. 2,175 crores. And I think one of the things to note is that the substantial increase in the debt position actually happened between March to September when the net position was something like Rs. 1,900 crores or so. I think in September, the consolidated net debt was Rs. 2,900 crores. So, while the bulk of the increase happened up to September. From September to December, the increase was marginal. So, you can see that both in terms of standalone and consolidated that clearly demonstrates that the -- with the resurgence of business in Q3, the need to take incremental debt has kind of dropped.

The interest cost, we continue to be competitive in terms of what we are borrowing. The net debt to equity still is at 0.71 for the consolidated, and 0.52 for standalone. And of course, net debt to EBITDA, 12-months trailing will essentially be reflecting the underlying losses.

So that's broadly it in terms of the debt position. So I don't think we have any other slides and we open up for questions.

Moderator: Thank you very much, sir. We will now begin the question and answer session. The first question is from line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: My first question is that the recovery I see from Q2, Q3 is commendable. But even now, if I look at the long-term estimates that some of the consultants and credit rating agencies give out, no one's expecting the RevPAR to come back before FY 2023, what we achieved in FY 2020. And we don't know how the vaccine will progress and how it will normalize for other segments is unknown. So what I wanted your comment on is that, according to you is this writing on the wall? Or could there be something that could change the trajectory of RevPAR coming back to pre-COVID level?

Puneet Chhatwal: I think we are living in a very uncertain period. It's been 11 months now on the domestic front and on the international it's been over a year. I personally feel that things should improve within eight to nine-months as we suddenly saw improvement in December. One thing which no one knows is whether there will be a second or a third or fourth wave, I don't know if we have already had a second wave, like Giri says they had a second wave. So if that does not happen, I think given that 85% of our portfolio is EBITDA positive, we should be in a better position by end of FY 2021. However, having said that, I don't feel it is easy to predict what is definitely going to happen in the near future. We showed you that month-on-month and quarter-over-quarter there is improvement in business no matter it comes through domestic leisure or it comes through other avenues.

Nihal Jham: I am so sorry, Puneet, I am not able to hear you.

Puneet Chhatwal: So, the main thing is, I don't think anybody is in a position to give any prediction today in terms of visibility of the virus. The news definitely is that in India, the flattening of the curve has happened with a clear downward trend from 95,000 cases we are coming to know averaging around 10,000, 11,000, 12,000, and it even went to 8,600. So if there is no new wave coming this way, the recovery on the domestic front could be faster. And I think the rollout of the vaccine in the international markets would be a key for the RevPAR growth also out there.

What we can say is what we have witnessed. What we have witnessed is that there has been a 10x increase between April and December for us in terms of RevPAR. Now coming from a low base, that 10x was maybe much easier to achieve than to do 10x from where we stand today, right? But the jump month-on-month and quarter-on-quarter is there, I definitely see no reason, as we speak today, why February should not be as good as December. We all know that January there is a slight dip, but even January the occupancies on the domestic front have been positive. So I think the major part where the industry was missing is RevPAR for our portfolio is only 52% to 55% of pre-COVID total revenue, the room revenue was 50%, and 45% is non-rooms. I think what we have been missing is the non-rooms revenue. And now with restaurants opening up, with the wedding segment opening up, with the conference segment slowly opening up, that is an equally important segment. So we should not ignore that. So I think the instead of RevPAR I would call it the TrevPAR revenue what we should look at. And I think domestic business improves then the recovery could be faster. If that somehow, for some reason it today changes, then the RevPAR to pre-COVID could go on till FY 2023, as you mentioned in your question.

Nihal Jham: Thanks, Puneet. Just one last question from my side, specifically for Giri. Giri, if I saw the presentation right, I think we have reduced our cost by around Rs. 40 crores on a quarterly basis, and I think that trend has continued. Now with eight, nine-months, and you mentioned about the staff-to-room ratio, what is the amount you think will continue forward in 2022 and that will be the R.E.S.E.T. please, going forward?

Giridhar Sanjeevi: So I think on cost, as we saw in the slide, the fixed costs are approximately about Rs. 120 crores a month. And that is the kind of number that we are kind of saying that we would like to maintain, because if you see the fixed cost savings in every quarter, I think Q1 the fixed cost savings was about Rs. 38 crores per month, Q2 was about 55 Crore and Q3 was 38 crores a month and overall we have been maintaining about Rs. 44 crores a month. And now the whole attempt in terms of redeployment of manpower in terms of corporate overhead reductions, in terms of other initiatives, I think we are trying to make sure that we kind of stay around the Rs. 120 crores a month in terms of fixed cost. So that's what we are attempting actually.

Moderator: Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal Financial Services. Please go ahead.

Sumant Kumar: So, my question is about the corporate rate and negotiation, how is the scenario currently? If we are going to negotiate with the corporate, they are asking more discount from the pre- COVID level, can you elaborate more about that?

Giridhar Sanjeevi: So, what is happening, Sumant, at this point of time is that the corporate renewals, more or less, most corporates are now essentially asking us to renew the existing contracts on the same basis as the previous year as business now is yet to pick up. So, we have not gone into any serious discussions in terms of discounting or price negotiations, it is just getting renewed as per the previous year. And as the business travel picks up, then I think we will get a better sense actually. Because if you see, the mix of business, we are still dependent on the transient business at this point of time. So, I would simply say that renewals are happening based on previous year rates.

Sumant Kumar: Okay. And when talking about the overall Q3, we have seen a decent recovery, and talking about the current quarter January you have seen some dip, and February has some wedding season and F&B segment is going to recover. Assuming all this scenario and what is your view on the Q4 scenario compared to Q3?

Puneet Chhatwal: At this point of time, based on the business on the books, plus our daily pick up that we are seeing on a daily basis, Q4 will definitely be stronger than Q3. As I have said always, if there is no new sudden wave of virus coming or there is no lockdown, if the business goes on as it is like for the last two, three months, then definitely Q4 will be better. There is no reason that we know today, as I said before, why February should not do as well as December or March should not do as well as February. So it's an important one, January is always a slow start, but January has done well and has been in line with our expectations on the domestic front. The only place where we are missing in January is, as I said before, London, New York, San Francisco & Cape Town. Giri, you want to add?

Giridhar Sanjeevi: No, I think that's right. I think very clearly we expect, if you look at the Q3 numbers where the top-line was Rs. 615 crores, I think all we are talking about is about Rs. 200 crores a month, and there is no reason why we should not do it. And the other thing is that London also, the current news is that the lockdown should end by March first week actually, so which means we are likely to see hopefully some resumption of business. And that's the turnover that we have been missing. So, I think we continue to be optimistic as far as Q4 is concerned.

Sumant Kumar: Sir, any new trend post this Q3 you are expecting? Like Q3 we have seen the good wedding season and overall F&B segment has recovered. So, any new trend for the Q4 and maybe coming quarter, how F&B will be recovering.

Giridhar Sanjeevi: If I answer that, I think one of the things which is worth noting, I suppose, is that, if you have noticed the news in Delhi, Sumant, I think weddings are now allowed for 200 people inside, and unlimited in the outside. So, that is definitely helping us for sure. So, that is a trend which will definitely help. So, the wedding business, there is still some wedding business which is happening. Then the other things are basically we are seeing some sports segments also opening up at this point of time with the BCCI India-England series, so that should also potentially help. And wellness retreats also we are seeing happening, especially with resort destinations. I think in addition to weddings, some of these other trends are slowly kind of opening up is what I would say.

Sumant Kumar: Okay. And lastly the business destination, we have seen a very strong recovery in the leisure destination, any new trend have you see in the business destination and how the key destination recovery is going to be like Mumbai, New Delhi and Bangalore and Hyderabad in the coming couple of quarter?

Puneet Chhatwal: So let me answer that. The RevPAR growth globally and historically has a direct correlation with the GDP growth. If the GDP keeps growing the way it is expected to grow, the RevPAR should grow especially in the business destinations, the leisure markets RevPAR growth has been very good. People wanting to move and take a holiday so, the business destination I am hoping with the kind of optimism we're seeing on the markets should also help drive demand in the hospitality sector and also in the aviation sector anything to do with the hotel sector, restaurant sector. And that is positive and we are reasonably optimistic that we will continue to see improvement, now how strong that growth will be. Over two quarters to describe is very difficult, but definitely this quarter. The total revenue with all possible mathematics looks better than the previous quarter.

Moderator: Thank you. The next is from Achal Kumar from HSBC. Please go ahead. As there is no response, we take the next question from the line of Vikas Ahuja from Antique Stockbroking. Please go ahead.

Vikas Ahuja: So my first question is all these tech consulting bank companies are talking about travel cost partially coming back in next fiscal year. Just want to know, what your view is around that, what your large corporate customers are telling you around the timelines and all, because they have also started unlocking a bit. That’s my first question and the second question is to Giri sir, the kind of margin savings we have seen in this pandemic, can you please highlight what cost savings will come back when growth is back and what are actually the structural that will stay stray even whenever we will reach to pre COVID levels. And also, if you can give some color on where you see the margins of FY22-23 going. I know, it’s hard to estimate but whatever you are working with internally, I stop here.

Puneet Chhatwal: So, on the first question, can you just repeat that?

Vikas Ahuja: So, the first question is around, all these tech consulting bank companies are talking about the travel cost coming back in next year gradually, obviously, for example if you take an example of TCS also 3% of their revenue is travel costs, which includes hotel, travel, everything, and they are saying that around 2.5%, 2% might come back in FY22-23. So, what are we hearing our large customers, any timelines they are?

Puneet Chhatwal: Not anything really is to that extent, we’re seeing, there were two kinds of people in the last few months, those who were travelling and those are getting good bargain because everybody offices goes for the occupancy if you look at 30, 40 years of STR charts you will see that the first occupancy drop when the crisis comes and then the rate follows and then the occupancy comes back and then there is a lag of three to six months before the rate starts coming back. But, that’s one of the things, but definitely what we have seen is on the bottom of the pyramid, the junior corporate executives, the travel has commenced and this has benefitted Ginger brand but what we are really missing is, to be very precise on your question is, events where the meeting for 100 people, these are very rare, we have had a few in Goa, a few in

Mumbai with 50 people because only 50 were allowed, god knows if 200 were allowed will an event happen for 200 people. So, the one thing is for sure if the numbers keep going down and on the new COVID cases and if the vaccination keeps rolling, the way it is expected to roll, then people will start travelling and travel costs will as you rightly said in all such companies start going up again because travel is not just in a domestic leisure a human need, certain businesses you can do digitally, but not forever and the reason is because what we have done in the last 10, 12 months we have been digging into our relationship capital of the past and using that to do business digitally to build the capital for future. And I personally feel that within our own group that travel is expected to pick up as people have the need to meet physically, everything cannot be done on a screen. If you don't know each other, and you have to build new businesses, you have to build new contacts, you have to build new client base, you have to build new products. So, that way the travel is expected to come back as things are opening up also. And as we can see, airports, I came back on Sunday, from Delhi after the formal opening of the Connaught. I never saw Mumbai airport as full as I saw it on Sunday evening. So that means people are travelling, how many of those were leisure and how many of those were corporate or part of bleisure, as we said combining business and leisure, that's we will get to know in a few months the statistics, but travel has started.

Giridhar Sanjeevi: And we might take on the second question Vikas you were asking about sustainable cost savings, obviously what we said is that clearly, we have had a lot of success so far. And the attempt now is to make sure that we continue to maintain and sustain the cost savings. Essentially, there are a number of steps that we are taking, which we have highlighted before as well. The most important cost line for us clearly is manpower, in addition to what was highlighted in terms of relooking at the mining ratios, where significant work has happened. Redeployment is a very important part of our strategy, as our growth continues. We are kind of working in terms of redeploying people to different hotels. Secondly, we also highlighted rescaling, there's a project A1 which has been introduced and is being gradually rolled across all the different jobs actually, that's a very big part of it. We continue our work on shared services that is continuing. Digitization is one area where we will spend to make sure that we can increasingly digitize and we are already able to see some changes, not just to the front end, but also in the back end both ways we are kind of working on digitization. So, there is all-round effect happening in terms of making sure that we can sustain the cost savings, we will be able to probably provide more clarity, as the quarters go forward. And as our plans in terms of changing some of the fundamental structure of our operating model kind of happens actually. So, we will talk about it, but you are able to see Q1, Q2, Q3, were the kind of sustained cost reductions that we have kind of implemented.

Vikas Ahuja: Sure. Also, we have not seen maybe it was expecting November, December, there would be some deals around it, smaller hotels which are struggling there would be some consolidation around it, do you think we have cusp of the acceleration here or somehow the cash flow versus the other valuation doesn't match your consolidation is very, very hard in this market. And secondly, if you can just give some more color on Ginger, because your strategy of having Ginger with larger rooms and all, what kind of potential we are seeing in terms of the revenues or the margins, maybe in the medium term. That's about it sir, thank you.

Puneet Chhatwal: I was just saying you're very right, you already answered the question yourself, because your question included the answer. In this, the expectation of a seller and the price that a buyer is willing to pay the delta is pretty big and it's very difficult to narrow the gap that's why you're not seeing a lot of consolidation efforts, and also from the banks given money, people have still got benefited from the moratorium, they are in discussions. So, you'll see some of that activity coming back maybe in six months it will not take longer than six months. It will start coming back in six months' time and some consolidation will definitely happen. That's one thing which I see. And as you rightly said, even the current scenario, if one analyst asks, do you think we'll get to pre COVID level FY23, somebody thinks it's FY24, somewhere some seller might say, well listen, I am in leisure destination you're already back at the normal level and COVID is as good as over. So that's, when the gap is there. So, I expect that to change in the next maximum six months' time.

Vikas Ahuja: On Ginger?

Puneet Chhatwal: On Ginger, Ginger is a very good brand, it's a leader in its segment which we call the Lean Luxe or the value driven proposition that we have. Ginger's repositioning has worked very well for us, Ginger is actually doing very well especially as I said in the last few months and one of the things which we want to change for Ginger, large properties as we do have some land bank and one which we had announced in one of our capital market and where we have got the intimation of disapproval is on the land in Santacruz and old flight kitchen where we had the old flight kitchen of TajSATS and we own the land as IHCL. So there we have got permission to build a 371 room similarly, other such markets where you are like one or two kilometers at the most from the airport, if not directly at the airport. And very close to business areas, those large boxes could be big brand builders for Ginger and that was needed. So, the idea was always great and a boon came in the way of Ginger when it was launched, the boom of 2004, 05, 06, 07 and then history. So, all the efforts which Ginger are delivering very, very positive results. And our MD and CEO there is doing a great job with the entire team. And we are looking at rapid expansion of Ginger. And as we have done, we have expanded it very fast. We have 54 in operation. And for a long time this number was at a very low level and our pipeline is more than 20 hotels. So that's 40% of the hotels in operation are in pipeline and when we do the big box openings there will be a great addition to the number of rooms. So therefore, successful repositioning of this brand will only happen through big box Gingers in key markets and that will drive really the margins because the Ginger a lot of as gross margin in any key destination.

Moderator: Thank you. The next question is from the line of Jignesh Kamani from GMO. Please go ahead.

Jignesh Kamani: I just want to know about our overseas operation, particularly for the peers, there our cost structure was very high because we have another part of the community in which we operate, has COVID given any opportunity to rationalize manpower and bring down the cost structure?

Giridhar Sanjeevi: Yes, Jignesh. Very clearly, we have done a number of efforts in the peer in terms of the overall cost rationalization, there are three parts to it. One part is related to the lease rental renegotiation that we were able to effect in peer. That's number one, number two was that in terms of manpower, there are two kinds of manpower one is the union manpower and the second is the nonunion manpower. On the union manpower under the local New York union regulations, we were able to have a temporary furlough of employees for a period of six months. And after October, we have gradually opened the hotel and taken back some of the people basis need so therefore that's clearly helped actually.

Jignesh Kamani: So, our breakeven in G&A is reduced to what level right now, versus pre COVID?

Giridhar Sanjeevi: The breakeven, you said breakeven?

Jignesh Kamani: Yes, so what revenue we will breakeven?

Giridhar Sanjeevi: No, if you look at the revenue that we've always had, it has been approximately about $80 to $85 million, actually, on an annualized basis. Obviously at this point of time, with the pandemic has been significantly impacted. Our belief is that with, I'm not able to talk in terms of what is the breakeven level of top line, but definitely with the least reductions achieved, and with the resumption of banquets, hopefully post the pandemic, we should be able to get back very quickly, the first target is to get back very quickly to the level of performance, then drive it down even further. So, we need to see how this year, the new year progresses in terms of recovery, because this year as you've seen even in the standalone, we have kind of taken provision for cash losses in peer. So now we need to see how the next year improves, next year we definitely see an improvement, but you will probably see a much better impact in the year 20 to 23 is what I would say.

Jignesh Kamani: Okay. Next question on the trend, you mentioned that January was weaker than the December but if you take about Y-o-Y basis, December was 60% of last year, so still January is better than 60%?

Puneet Chhatwal: We haven't closed the month, unless you have that figured, we don't have the exact percentage but should be around that number.

Jignesh Kamani: So, there is no softness in that, fair to assume. Because the momentum which we saw in December has continued to January also right. Apart, leaving aside the seasonality?

Puneet Chhatwal: Yes, you can say that if you compare January with January of the previous year, but we can't compare January with December.

Moderator: Thank you. The next question is from the line of Himanshu Upadhyay from PTIL. Please go ahead. As there is no response, we take the next question from the line of G Mehta an Individual Investor. Please go ahead.

G Mehta: I have two questions. One is you spoke about digital, how successful has Qmin been, related to F&B sales. Is it possible for you to share a flavor, is it because you F&B sales are good? Is it Qmin related, or is it actually in the hotel dinning that's doing well?

Puneet Chhatwal: No, of course Qmin is a kind of a startup. It helped us do sales in the period of lockdown and still helping us create sales, but the revenue that a Ming Yang, Lands End or the ones in Delhi or a Golden Dragon in Mumbai, or the Vasavi Drives that is very important, and that we are seeing coming back. Although we had some restrictions and also in terms of seating because the seating is reduced due to social distancing. But that F&B activity is coming back you can go today to different places and you see them. What I'm saying is that we are beginning to see F&B activity back in most of the preferred restaurants and hotels. So, if it's a Chinese Ming Yang, Taj Lands End or The Golden Dragon in Taj Mahal Mumbai then it is kind of full, the only thing is the seating has been reduced due to social distancing. Otherwise, the restaurants are doing pretty well and once all will be able to start returning to the hotel restaurants.

G Mehta: Great, thanks. Second part of the question is the increase in occupancies and let's say RevPAR is it led by city hotels or is it leisure destinations?

Puneet Chhatwal: It's all led by leisure; Goa third quarter went to almost 80% of the previous year. In terms of destinations done better than pre COVID one example is Srinagar, another example is Shimla, has done better than the previous year. So there are many hotels which are doing better than previous year. Our homestays which we have just launched and then COVID came, homestays are doing better. So these are all mainly ledger driven businesses and NPC no reason why that should change in the next months.

Moderator: Thank you. The next question is from the line of Anuj Sharma from M3 Investments. Please go ahead.

Anuj Sharma: My first question is, our staff to room ratio has come down from 1.5 to 1.14. Now, as we go back, do you think this number can inch back or now this is a sustainable reduction?

Puneet Chhatwal: So the staff to room ratio is something we are working on terms of a number of initiatives. So, the way to look at staff to room ratio is, Tag Hotels will have a slightly better, slightly higher manpower to room ratios. Whereas Ginger obviously, will be much lower on the ratios. So, therefore, as the activity comes back, let's say banqueting coming back, you will see that some of them as we have always highlighted is a redeployment of manpower is a very important. Second is as we talked about the digitization efforts, which is leading to contactless check ins and also helping us in both what you say, and of course shared services initiatives that are taking. And fourth is a multi-skilling initiatives that we spoke about. So, as a result of these multiple initiatives very clearly this is a track on, there will obviously be some changes and increases depending upon the level of business, but you will see some sustainable reductions in in manpower ratios going forward.

Anuj Sharma: The second question is, we have a wide assortment of hotels have we ever considered using the loyalty program and having some sort of membership not exactly a membership holiday but some hybrid structure, have you thought about it, any views on that?

Puneet Chhatwal: So we do have our epicure membership, we do have an oriented towards the loyalty. Like for instance, in the last month we did a program specifically for loyalty members, reasonably good business. So, we continue to kind of work with our loyalty members carefully. We also work with select partnerships like for instance with American Express, which kind of targets the high spending customers. So in terms of working with different customer segments the high spending customers, our loyalty programs and doing selective programs with even OTAs. We continue to kind of and that is one of the reasons why if you see the RevPAR premiums that we've got, and also as compared to the industry, we continue to be able to sustain because of our focused approach in terms with various customer segments.

Anuj Sharma: It will be nice if you could share some data on the loyalty and how you have maybe, used the data and enriched our RevPAR. And my third point is, what is the breakup between the OTA our own platform and agent or the agency network, and how do you see that evolving over the next three, five years. Thank you.

Giridhar Sajeevi: The OTA percentages, for us has been approximately about 22% or so, that is the OTAs percentages that is there in the network. And if I look at our own Taj website, and our call centers that's been another, taken together will be another 22% or so. But between the two, it has been fairly steady actually and obviously during this pandemic period, because the Reliance has been on the transient business, we have used OTAs to drive some traffic actually. But yes, 22% each between OTAs and TRW is a good number actually.

Anuj Sharma: It was broken, but alright. I could, and do you see that evolving over the next three, five years?

Giridhar Sajeevi: So obviously, this is an area that we are clearly working and one of the big areas that we are clearly working on is on as you have rightly mentioned, loyalty program plus the websites, the significant investment happening in both actually. And on over the last three years, we have seen significant improvement in terms of the website and the call centers to drive it up to the 22% that we have achieved today. So that's an area which will continue to grow for a very assure actually. And in terms of our partnership with OTAs is that, will be strategic elements there and there will be tactical elements that, we will continue to use both of these in terms of driving it up. But our key focus obviously is to drive the loyalty and the website and our call centre business actually.

Anuj Sharma: All right, thank you. If I could just put pushing one more. You see the leisure segment has been doing well. So when you look out, of course it's a guess, but over the next three, five years, the incremental could be build up, would you want it more towards the leisure side or you would actually want to be counter intuitive and build up the business hotel segment, just your thoughts on it. Thanks.

Giridhar Sajeevi: We do continue to dominate the leisure segment than the industry. So if you see we dominate the different leisure destinations of Kerala, Goa, Rajasthan and now we have seen Shimla, Rishikesh, and other destination. So we are the leaders in the leisure segment and we will continue that, work that is happening, we of course see demand in terms of new hotels, in other destinations. So, I suppose that in the pandemic with leisure kind of driving the recovery, we are fortunate to have dominated. So, I don't think we can kind of comment that one will be more than, as far as we're concerned, we will continue to have a balanced portfolio across both business and leisure and across all the key destinations actually. And the other point to note is that, if you look at the key cities of Delhi, Jaipur, Goa, Bombay, Delhi, Bangalore, we continue to have a significant number of hotels and therefore continue to dominate market share, actually. So, we also look at market share dominance as well, which will allow us to get a more than proportionate share of the business in all these places.

Giridhar Sajeevi: Moderator, we will probably take the last five minutes in terms of questions. And if you're not able to take any more questions, then don't worry, I'm available and we can always schedule calls to get into a lot more detail. So maybe we should just use the last five minutes for a couple of questions, please.

Moderator: Sure sir. The next question is a text question from the line of Deepika Mundra. Deepika Mundra is from JP Morgan. The question is, given that 3Q is a seasonally strong, could the momentum slip in 4Q, what is the outlook on debt increase from here. What is the outlook for business travel and hence Mumbai, Delhi properties?

Giridhar Sajeevi: We did answer that, Deepika. What we said is that, if you look at the fourth quarter considering, if you look at hopefully, we continue to see strong momentum in Q4, that is something that will continue. As far as the debt levels are concerned, as I pointed out, there has been a significant drop in the incremental debt post September with the recovery of business. And that is something that we are closely tracking, to make sure, in fact with EBITDA turning positive. In many of the hotels, our operating cash requirement has dropped dramatically in standalone actually. So therefore, it's near breakeven, in terms of operating cash requirements, of course we will still have to look at funding some of the international properties does continue. So, I do think that debt levels will kind of start to get much better in terms of the incremental debt requirements. So that does continues to be an area of focus and as the quarter passes by, as we will clarify better. And also, if you see the cost of debt, that also is being managed quite efficiently at this point of time. Can we take the last question now, please.

Moderator: Sure sir. We take the question from the line of Achal Kumar from HSBC. You may go ahead please.

Achal Kumar: I just had one question, basically we have space for one. Is that in terms of cash burn rate, how that has moved quarter-to-quarter and now where we are, and how do you expect it going forward. And if I can squeeze in a last question, in terms of your cost, how the costs have been evolved and how do you see the cost evolving over the next Quarters, what I mean to say is that, assuming that you were operating at pre COVID levels, and then now because of your cost restructuring, how much of your costs, you think you can permanently throw out of the business, so if you could please help me on these two?

Giridhar Sajeevi: The second question we did answer some time back, what we said is that the sustainable fixed expenses at this point of time has been about 120 crores a month. And we have seen savings of between 40 to 45 crores a month on fixed expenses that we are seeing. And so the attempt now as we go forward is to make sure that we kind of sustainability and maybe Anchal on this, maybe we can have a separate discussion. On the first discussion, as I just clarified, with the resurgence in business we are seeing operating cash requirements has come to nearly a breakeven actually and really what is happening is that, 100 crores actually in terms of cash burn, and in December it was just about 12 crore or so, positive actually. So therefore there has been a massive shift in terms of the cash burn between April and now. And so, as I said we keep a very close watch on this and we saw that in the movement of debt levels, as I told you, from that presentation, up to September if you see the increase in debt levels were significant, but post September to now, it has been kind of contained significantly actually. So this, again, is something that we can take up separately Achal actually not a problem.

Moderator: Thank you. Ladies and gentlemen, there are a few more questions. However due to paucity of time we will not be able to answer all of them. I now hand over the floor to Mr. Giridhar Sajeevi for closing comments.

Giridhar Sajeevi: As is said, we are available, clearly while this call was for about an hour, a little more than an hour or so. We are available for other conversations post today and do be in touch with us and we will be happy to discuss this in greater detail actually. All I can say is that, since September, October we are seeing an improved performance driven by leisure and with all the vaccination efforts that is going around subject to no second or third wave coming in terms of viruses, we continue to be cautiously optimistic in terms of the business recovery, in terms of the overall recovery, currently driven clearly by leisure, but business travel as was clarified also should hopefully come back. And you have also seen, airline traffic kind of coming back and GDP growth is also expected to come back strongly. Puneet, do you want to say any last comments before we can just close?

Puneet Chhatwal: No, I'm actually a bit on to apologize to all the people I just got a message that there has been a fiber cut at Mahalakshmi and that has created a lag in the network. So, some of our discussions, conversations and presentations had a certain lag. So, our apologies, but it's not in our hands and that's another thing, maybe to end on this note that everything that's why it doesn't work digitally. Sometimes you have to meet in person too. So hopefully our next quarter call will be a physical one. So those who want to be digitally present, they'll be digitally present and the rest, like we have always done in person. Thank you.

Giridhar Sajeevi: Thank you so much, thank you all.

Moderator: Thank you very much sir. Ladies and gentlemen, on behalf of IHCL, thank you for joining us. That concludes the session. You may now disconnect.