CHALET
HOTELS

October 30, 2024

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

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

Dear Sir / Madam,

**Subject: Transcript of the Earnings Call in respect of the Unaudited Financial Results for the quarter and six months ended September 30, 2024**

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), please find enclosed herewith the transcript of the Earnings Call held by the Company on October 25, 2024, in respect of the Unaudited Financial Results for the quarter and six months ended September 30, 2024.

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

Request you to take the same on record.

Thanking You.

Yours faithfully,
**For Chalet Hotels Limited**

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Date: 2024.10.30 18:42:55 +05'30'

**Christabelle Baptista**
**Company Secretary and Compliance Officer**

Enclosed: As above

"Chalet Hotels Limited

Q2 FY '25 Earnings Conference Call"

October 25, 2024

**MANAGEMENT: MR. SANJAY SETHI – MD & CEO**
**MR. NITIN KHANNA– CFO**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Chalet Hotels Limited Q2 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjay Sethi, MD and CEO, Chalet Hotels Limited. Thank you, and over to you, sir.

**Sanjay Sethi:** Thank you for joining us today for the earnings call on the performance for Chalet Hotels Limited Q2 FY '25 results. To begin with the Indian hospitality sector seems to be doing well and bounced back this quarter to demonstrate strong performances. It has been driven by overall positive environment supporting travel.

From a macroeconomic perspective, India is navigating a mixed environment. The IMF predicts steady growth and inflation remains relatively under control. Though challenges like global geopolitical uncertainty continue to persist.

During Q2 FY '25, we've been able to demonstrate continued growth across key metrics when compared to the same period last year. Consolidated revenue of the company increased by a healthy 20%. EBITDA also saw 20% rise from Q2 of FY '24.

Within the Hospitality segment, our revenue grew by 18% accompanied by a similar increase in the segment EBITDA. Our portfolio occupancy stood at 73.6%, up 40 bps, with the average room rate showing a 10% improvement over Q2 FY '24, contributing to a year-on-year growth in RevPAR of 10.3%.

On a like-to-like basis, the portfolio RevPAR is up by 12%. Within the portfolio, Hyderabad led the occupancy improvement, Bangalore followed by Hyderabad led the pack on the room rate growth. For the rental and annuity portfolio, we clocked a revenue of INR419 million, a growth of 39% on the same period last year, and 18% improvement on the previous quarter.

The residential real estate segment continued robust sales with strong rates per square foot. We have sold 32 apartments flats in this quarter, and I'm happy to share that we started clocking a new high rate of over INR21,000 per square foot. Nitin will later on share some more details on this.

On the leasing front, we have picked up pace in the quarter with over 2 lakh square ft of LOI being executed. We are confident of our target of achieving a majority of the leasing by end of this financial year. We continue to grow our portfolio, and I'm extremely happy to share that we have hit a strategic milestone with the acquisition of an 11-acre beachfront land parcel in Varca, Goa. The resort is expected to open in approximately 3 years from now and will feature around

170 keys. The resort will position at the higher end of the pyramid and likely to be an upper upscale resort.

Some updates on the ongoing projects. I'm afraid there's been a little bit of a delay on the opening of the or rather the full opening of the renovated and upgraded, The Dukes Retreat by a quarter. We expect to launch it in its new avatar by end of the financial year. However, our graded opening of hotel rooms is already happening every month. And currently, we have 37 rooms, a restaurant, a bar and a swimming pool in operation.

The Taj at the T3 Terminal in Delhi international airport, which was scheduled to open by end of FY '26 is now delayed and expected to open potentially by June of 2026.

On the other projects, the work on the new hotel at Airoli, CIGNUS 2 in Powai and the additional rooms in Bangalore, are all on track. In Q2 FY '25, we have commenced the renovation of Four Points by Sheraton, Navi Mumbai and 35 rooms have been taken out for the upgrade that we are doing, and therefore, they are out of action for this quarter. Completion of this upgradation is set for July 2025.

I'm delighted to share that Chalet Hotels won the KPMG ESG Excellence Award 2024 in the midscale, small cap companies and has also retained the spot as the Best in Workplaces for Women program in 2024 in our category of companies in India.

Overall, ladies and gentlemen, we're expecting a robust H2 driven by domestic and international corporate travel, MICE and the wedding segment. We also expect the leasing, sale of residential units and gradual increase in inventory at The Dukes Retreat and a Bengaluru Marriott Whitefield to assist the subsequent quarters.

I will now hand over to Nitin Khanna, our CFO, to take you through the financial updates with some final details. Thank you.

**Nitin Khanna:** Thank you, Sanjay. Good morning, ladies and gentlemen. Welcome to another quarter's call as we continue the streak of historically best performances. This is one of the historically best performances for quarter 2. On the financial updates, in the Hospitality segment, ADRs have had a double-digit growth at 10% with stable occupancy at 74%. The result in RevPAR was at INR7,756, with a growth of 10%. Excluding the newly acquired hotel at Aravali and The Dukes Retreat, which is under full renovation. On a same-store basis, the occupancy expanded by 200 bps and RevPAR grew by 12%.

It will be pertinent to note that the total room nights sold were higher by 7% during the same period. Hospitality revenue for the quarter was INR3.4 billion a growth of 18%, led by a combination of rate growth, inventory additions and a healthy F&B growth.

EBITDA for the segment came at INR1.4 billion with a growth of 18%. And we maintained margins at 41.4% within the quarter, led by prudent cost management. It would be pertinent to note that on a same-store basis, margins improved to 43.4%, which is an expansion of 200 bps.

As we continue to add more hotels and diversify the positioning and segments, our margins for various quarters may see a marginal shift accommodating the seasonalities of the respective micro markets and segments.

On the rental and annuity front, our revenue for the quarter was at INR419 million with an EBITDA of INR323 million. And plus, we are already seeing flow-throughs improving.

On the update on the residential project, we have sold 32 new units during the quarter, commanding an average rate of INR21,835 per square feet -- this is again higher by about INR300 from the previous quarter. In all the 253 units have been sold out of 321 units, that is 80% sales have been achieved. Overall collections during H1 was INR2.4 billion, and we have outstanding receivables of INR3.4 billion as of September 30.

From a consol perspective, the consolidated revenue for the quarter was INR3.8 billion, a growth of 20% year-on-year. Consolidated EBITDA was at INR1.6 billion with a growth of 20% and a margin of 40.6% for the quarter. Consolidated PBT for the quarter was at INR0.8 billion versus INR0.4 billion in the same quarter last year.

Just to touch an update on the DTA. The recent Finance Act withdrew the indexation benefit on long-term capital gains tax. And as a result, the company reversed its deferred tax assets to the tune of INR2 billion within the quarter under discussion, which had onetime noncash impact. This has resulted in a negative PAT of INR1.4 billion for the quarter. Without this impact, the PAT has grown 75% on a year-on-year basis.

On the debt part, during the year to date, the company has spent about INR4.1 billion on CapEx and land acquisitions, which was majorly met out internal accruals. The net debt as on 30th September '24 was at INR16.6 billion, which has been pretty much stable. We closed the quarter with an average cost of finance standing at 8.52%, a reduction of 35 bps from March '24.

I'm happy to further add that within the quarter, Chalet has received ratings upgrade from India Ratings, which moved from A- to AA and from ICRA, which moved from A to A+. We have also received a new rating from CRISIL of AA-. The company has been actively investing in its growth and has a capex plan of around INR15 billion for the next 6 quarters for the announced projects. These will be largely funded through internal accruals. We will continue on our growth trajectory and our balance sheet is in a very comfortable position to support further strategic growth opportunities.

With this, let me open the floor for Q&A.

**Moderator:** The first question is from the line of Vikas from Antique Stock Broking.

**Vikas:** Sir, my first question is, in the opening remarks, you said that H2 is going to be robust. So is it fair to assume that in terms of ADR Y-o-Y growth, do you mean better than Q2 or at least double digits for second half?

**Sanjay Sethi:** Hi Vikas, thank you for your question. As you know, we don't give forward-looking numbers, but you'll also know that the H2 typically in our industry is significantly better than H1, we expect that sort of trend to continue. But it looks like we are good for decent Q3 and Q4.

**Vikas:** Sir, I was just checking on Y-o-Y terms? So okay, that's fair. Secondly, if I refer to the industry reports, which have come in the past couple of months, Mumbai has seen a strong double-digit growth. But I'm surprised to see we have reported 7% growth in Mumbai in terms of ADR, especially when we started very strong in July. Can you please help us understand that?

**Sanjay Sethi:** Sure. So look, I haven't seen the reports that you are referring to, but I think Mumbai for us reported a 7% growth in ADR, which is a healthy growth given that we were trying to stabilize the Powai hotel. We've also had new supply that's come into the Navi Mumbai market. So to some extent, there is slightly stronger competitive environment in the Navi Mumbai. Of course, the Navi Mumbai hotel of ours is not a very large hotel, 150 rooms. So the impact will be in the overall scheme will be that much lower.

But I think a 7% growth in a quarter where we had extreme weather conditions, including flooding, where we saw softening up of September. In fact, the September first 20 days were pretty weak. And while September numbers are not really out from the consultants, I think we see that we saw a bit of a disappointing September that went by.

However, the last 10 day of September picked up very, very aggressively, and we were able to sort of close the month reasonably well. In terms of the numbers of growth. I think we've had a balanced growth between JW Sahar and Westin Powai in terms of rate.

Powai has also improved occupancies Marriott Executive Apartment hasn't had a growth on ADR, but have grown on the occupancy side. And the Four Points by Sheraton has had an ADR growth of 5% and given the competitive environment that it is in, with occupancy, 83% and ADR growth of 5%, I think the hotel has held out very well in those competitive landscape and maintained its leadership position with a strong margin.

**Vikas:** Okay. Sir, my last question is how is the overall corporate rate hike cycle looking like. And in terms of, if I look at the Hospitality ADR growth for Mumbai versus the other regions. The other region growth is almost 3x. So do you think this trend will continue in the near to medium term as well? That's my last question, sir.

**Sanjay Sethi:** So Vikas, on the occupancy side, Mumbai is reporting slightly higher occupancies than Hyderabad and Bengaluru. And we believe with that stabilizing, we see that Mumbai will continue its rate growth path in the number that we've sort of delivered in Q2. Hyderabad and Bengaluru, will continue to grow strongly. And I think there's an opportunity of growing occupancies there in addition to the rates. So that's what we are likely to do in the quarter 3 and quarter 4.

In Delhi, at the Aravali, we expect both occupancies and room rates to grow very aggressively in H2 because that's a seasonal hotel with winters being the best part of the year for them, and the wedding season is kicking in. We also expect the wedding season to support JW Sahar and the Powai hotel very strongly. Novotel Pune has done extremely well, and it has actually absorbed the 88 new rooms we opened and being able to deliver with the addition of 88 rooms, 78% occupancies and with an ADR growth of 10%. So I think it's a strong growth there.

Hyderabad Mindspace, we've seen rates at the Mindspace be slightly lower in terms of growth, but the occupancy has jumped 15% point, which is a very strong jump in Hyderabad. And Westin HITEC, which is the hotel that we have a single client in place has had a rate growth of almost 30% and occupancies, of course, in that hotel is 100%. So overall, same-store growth on ADR of 9%, same-store growth in occupancy over 2 and a half percent, 3% and overall growth on RevPAR basis, we are 12%. It's the same-store growth that we have as a story, which is, I think, a very healthy one.

**Vikas:** Sir, just one thing that we missed was corporate rate, rate hikes. Are you able to...

**Sanjay Sethi:** Apologies for that. Our corporate rate hike cycle will start going forward. I will let the team sort of work that out before we come back with any commentary on the same.

**Moderator:** The next question is from the line of Karan Khanna from AMBIT Capital.

**Karan Khanna:** So just a couple of questions from my side. Firstly, I think in a recent interview, you spoke about increasing the indexation towards leisure to about 20% of the portfolio, while office assets should contribute to about 25% of the total P&L. Can you talk a bit about what kind of markets will you be targeting beyond Goa? And secondly, where we are in terms of the cycle, the Hospitality cycle. Do you think allocating capital towards the leisure portfolio at this point seems an attractive proposition?

**Sanjay Sethi:** Yes, we believe that getting about 20% of the portfolio in the leisure space is a good strategy. It will continue to support overall growth for the portfolio. Currently, we've got The Dukes at Lonavala. We've got Aravali outside Delhi. We operate a small resort in Madh-Marve for the Group. And Goa is something that we've announced.

Look, it's all going as per stated strategy over the last few years. There's no sort of major deviation to that. We have stated we'd like to be in the big markets of Goa and Rajasthan. We said we'd like to be in the driving distances of Delhi, Mumbai and other big cities in the country. We did say that we'd like to be in the Himalayas somewhere. Those are all opportunities that we are looking at.

As and when something comes by, we will come back to all of you and share whatever we're doing on the pipeline growth side. Goa, we believe, can be deeper than just one hotel, and we'll continue to look for opportunities more than just the Varca opportunity that we have currently.

**Karan Khanna:** Secondly, on Bangalore, where you have about 120, 130 keys getting added at the Whitefield property. Now we've seen another listed hotelier also acquiring an asset in the Whitefield micro market, and they are looking to add another 200 keys to the existing portfolio. So can you talk a bit about the Bangalore, in particular, the Whitefield micro market? And with the kind of supply that's coming, how should we think about the overall occupancy and rate growth potential in that micro market?

**Sanjay Sethi:** So Karan, you referred to another hotel company adding inventory and announcing more growth. So have we -- it just should give you more confidence in the market given that two listed hotel investment companies are looking at growing in the Whitefield market. So it's clearly a positive market, and we'll continue to explore that. We are only a few months away from opening these rooms. And we believe by end of this current quarter, we'll have those rooms ready and maybe by January, with licenses in place, we could start commercial operations for those additional rooms.

**Karan Khanna:** And lastly, on Koramangala Bangalore project, where you managed to sell about 32 units this quarter, which is also at a 16% higher ASP versus FY '24 average. So could you talk a bit about what kind of time line are you looking at for monetizing the balance 68 units in this project?

**Sanjay Sethi:** So I think it's another 2 to 3 quarters at most. I think 3 quarters is a safe assumption to make. We also have that 140,000 square foot of the office tower, which is as of now, we're looking at selling, but closer to completion. We believe that there's still some upside on the rates for the balance 68 units and we'll continue to pursue that. That's the timeline.

**Moderator:** The next question is from the line of Raghav Malik from Jefferies Group.

**Raghav Malik:** So I just wanted to ask a bit more about the RevPAR essentially. I know you don't give guidance, but how is the RevPAR tracked across the 3 months for the quarter, if you could tell us? And is there any further sort of normalization like similar to how we've seen in the industry where in July, August has been much stronger than in September, slightly on the lower side with the mid-to high kind of single-digit number?

**Sanjay Sethi:** Yes. So Raghav, thank you for the question. July was a strong month. We saw August do reasonably well. And whilst you are concerned, as I said earlier, on the first 20 days of September, we saw a very strong uptick once the holidays and the heavy rains were over. And we caught up the gaps and close with the positive story or variance to the previous year's quarter 2, which was reassuring. We do not give guidance on going forward. But on a same-store basis, last quarter, we grew by 12% on a RevPAR basis. And I see no reason why we will not have similar range of growth going forward.

**Raghav Malik:** Okay. Okay. And my other question is on the capex that has been slightly pushed in terms of Taj Delhi and Hyatt Regency. So could you just provide some more detail on that, please?

**Sanjay Sethi:** So Taj Delhi as many people on the call will know, is a shell that's been developed by our landlord there, which is Delhi International Airport Limited. They've had some challenges with the monsoon and flooding of the site, it is a 3 basement site. The pace has picked up extremely well in the last 1 month or so, I'm very happy with the pace of development there. But it still resulted in some delays and we thought it's best to at least guide all of you on the delay that's there, so you are aware of it. And therefore, we expect it to be completed now maybe in the month of June of 2026.

We expect our team to move into the site in January. That's when the site will be ready for our team to start work on the MEP and the fit-out side with the low floors and basement. And then progressively, they'll continue to give us a floor at a time. It's not a very high building, it's just ground plus 6 stories or ground plus 7, I don't recall it exactly, but in that range, and we are hoping that with the 1.5 years from January, we should have completed the fit-outs and the hotel will be ready for commercial opening.

On Airoli, we had said that we will get the approvals around this quarter. And we will come back to you as soon as we'll get back on that. I must though use… share that they could potentially be delays in approval only because of the Maharashtra election that are announced, and there will be some time to stabilize post elections.

And I think that will also -- just so that I can cover the earlier questions that were asked in terms of outlook for this quarter, we expect that there could be some impact during those 1 or 2 days of elections in Mumbai and Pune on the business. But that's going to be a 1- or 2-day impact. Bangalore, Hyderabad won't have that problem.

**Raghav Malik:** Okay. Sure, sir. And sorry, I just missed the capex number. You had mentioned something for the next 6 quarters. What would that be, the number? capex guidance.

**Nitin Khanna:** The capex is INR15 billion for the next 6 quarters.

**Sanjay Sethi:** INR1,500 crores is the capex for the projects that we've shared with you. But that's for the next 6 quarters.

**Moderator:** The next question is from the line of Adhidev Chattopadhyay from ICICI Securities.

**Adhidev Chattopadhyay:** The first question is on our leasing guidance. Obviously, you reiterated that by March, you're looking to lease the majority of the space. Could you give us some more color on the Bangalore and Powai market separately, how they would trend in terms of the leasing traction? And from, let's say, Q3 of this year, are we expecting some Q-o-Q pickup in the rental income because of the leasing we have done in the previous quarters. That is the first question.

**Sanjay Sethi:** Thanks, Adhidev. I will let Nitin come back with details. But just as a quick overview, between leased and LOI signed were roughly 36% at Powai, but we've got another 33% to be signed in the next few days. And when I say few days, it's little before Diwali hopefully, that we'll be able to sign that. So we'll get to about 70% as far as Powai is concerned.

In Bangalore, in the new tower that we built, I'll let Nitin come back with details, but we are getting good traction in Bangalore. Slower than we expected, the challenge was there were 2 large business tech parts that had also built in the vicinity, they have now got absorbed, and we believe our traction will pick up. But Nitin, if you have any further color to share.

**Nitin Khanna:** So on a total Bangalore front, we have around close to a million square feet as a GLA. Out of which 55% is already leased. 4% is more, which is in the process of LOI signs. So it's more from a committed perspective, we are already 60% committed over there. In terms of pipeline, we have around 2,31,000 which by end of December, we are looking at getting a final negotiation. There is certain evaluation of relocation happening for 1 of the big clients, which probably we will get better news by end of December.

In the second Whitefield, we are looking at education sectors, some of the big corporates coming in, which is around 56% vacant. We will get the first site visit completed by December end on that. On the Powai part, as Sanjay has already told, we are almost on the verge of closing discussions with a biggish corporate. We do see that by end of this year, March year, you will see almost 90% of getting leased out.

**Sanjay Sethi:** So just to sort of add to that, the leasing rates continue to be strong and robust. They are as per the earlier indication that we've given and with inflationary growth on the base rates also.

**Adhidev Chattopadhyay:** Okay. So sir, just to understand correctly, you're saying across Bangalore and Powai, you are expecting to get to a leasing plus LOI of 90% by March '24, right, across all the assets?

**Sanjay Sethi:** Right.

**Adhidev Chattopadhyay:** Okay. Okay. Sir, the second question I had is on the international arrivals. Obviously, there has been a lot of talk about going back to pre-COVID levels. So could you give us some sense now that we are into the second half of the year? How do you see that trending? And even, let's say, even what is the sort of dependence, is the domestic business making up for any shortfall if any, in the international inbound travel? Yes. That's the second question.

**Sanjay Sethi:** Yes. So look, clearly, the domestic business continues to be extremely strong and has supported us in the previous quarters, almost what, 6, 7 quarters now to make up for the gap in the foreign tourist arrivals. Foreign tourist arrivals as per the air passenger data is almost back to pre-COVID.

In our case, currently in the quarter 2, 33% of the room nights came from foreigners, as against 29% last year same quarter. But in terms of absolute room nights, we've grown from 52,886 foreign room nights to 65,565 foreign room nights, which is a 20% -- 24% growth from last year same period.

So clearly, we're seeing strong traction. And this quarter 2 is not really the best quarter for foreign travelers to come into India. We look forward to this growing a little more aggressively in the subsequent quarters.

**Adhidev Chattopadhyay:** Okay. Sir, but what is the visibility? I'm just saying in terms of forward bookings and broadly, is it better than last year? Or how would it trend or...

**Sanjay Sethi:** It is definitely better than last year. That is all I can share. We don't give forward-looking numbers.

**Moderator:** The next question is from the line of Prashant Biyani from Elara Securities.

**Prashant Biyani:** Sir, what led to this sharp increase in other expenses?

**Sanjay Sethi:** I'll let Nitin come in on the other expenses side. Nitin?

**Nitin Khanna:** So other expenses, basically, there are a few one-offs and also revenue-linked expenses, which have got increased. One is in terms of advertisement, very much for the residential sector, which is around close to INR4 crores, which we have seen for Koramangala.

Also in legal and professional expenses, which is again related to expansion, which we are doingstrongly. That's also has an upside, which has come in. So these are the ones which are causing a major entries. Also CRISIL rating, some of the expenses around Dukes demolition, that also has contributed to a onetime increase in other expenses.

**Sanjay Sethi:** So just to recap it, it's the rating expenses, legal expenses for growth opportunities and the residential advertising.

**Prashant Biyani:** Sir, out of this, sir, only this ad spend of INR4 crores looks to be one-off or you would not concur with that view? And if you can mention the total one-off, how much it could be?

**Sanjay Sethi:** So whilst you're seeing only advertisement is one-off, and I agree that, that is one-off. But legal expenses are connected with acquisition opportunities. We acquired a land parcel in Goa this quarter and the legal expenses for that have been captured in the other expenses. And then the CRISIL also was a onetime first rating that we had the expenses on. The continuous expenses that come from it will be of lower nature.

**Prashant Biyani:** And secondly, for Hitec Hyderabad, how do you decide on the rate? Is it fixed quarterly, yearly, monthly, given that we have one occupant for all the rooms.

**Sanjay Sethi:** So we have a quarter -- we have a contract for 3 years and all the rates are captured in that. In fact, in the current financial year, the rate increases have come twice. And the overall rate increase is about 30% for this quarter.

In fact, my colleague just remind me the first increase was in March, so it was not actually in this financial year, but there was an increase in August, which impacted this quarter's numbers. But overall, between March and August increases on a year-on-year for quarter 2, we've had a 30% rate growth. This is something we've shared earlier in the past also.

**Prashant Biyani:** Yes. But -- I mean due for revision it's mostly twice a year or...

**Sanjay Sethi:** It's going to happen once a year going forward. This was a onetime twice in a 12-month cycle that we had that is captured in our agreement because we started off on a lower rate, given that their own occupancies will build up over time. So we've got the benefit of that. On a RevPAR basis, Westin Hitec is higher than every other hotel of ours.

**Prashant Biyani:** Okay. And lastly, Mr. Sethi, for Dukes by 15th of December, how many rooms can be open for guests?

**Sanjay Sethi:** So we have 37 operating now. Now gradually, we're going to add another 36 rooms, so 73 by early December. We will move into about 100 rooms by January and all the 146 rooms by end of the financial year.

**Moderator:** The next question is from the line of Jinesh Joshi from PL Capital.

**Jinesh Joshi:** Sir, I have a question on our Goa hotel. I think in the last call, we were a bit hesitant in giving out the capex number. So is it possible to give some color on that now?

**Sanjay Sethi:** So Jinesh, we expect roughly a spend of INR2 crores per key, including land, maybe a little over that, plus IDC, et cetera, out of which about INR1.3 crores to INR1.5 crores will be spent on construction costs. The balance is the land cost and whatever the transaction cost that we had. This -- I must, since we're speaking about this particular opportunity, I must say that this is quite a stunning location. We've got white sea frontage. It's a flattish land. So the views are going to be clear. There's no sand dunes covering the view from the main construction site where we build the hotel. And it's very conveniently located from an access perspective.

**Jinesh Joshi:** Sure. Sir, one follow-up on this part, the INR1,500 crores of guidance in terms of capex that we have given for the next 6 quarters. Does it include anything for our Goa hotel, if not, when are we expected to kind of start incurring the capex towards that?

**Sanjay Sethi:** So yes, it includes Goa, but Goa will, of course, build up over the next few quarters. We expect to spend at least another 6 months to get the approval. And therefore, there'll be that much of limited spend on Goa for the next 2 quarters.

**Jinesh Joshi:** Understood. Sir, one last question from my side. I mean, if I look at our net debt, it has gone up from about INR1,530 crores in the last quarter to about INR1,665 crores. Now given that we recently raised money to repay the debt and we have an FCF generation of about INR385 crores in 1H. And I think also in the opening remarks, the CFO mentioned that majority of the capex that we did in 1H was funded by internal accruals itself. Then any specific reason why the debt levels have gone up when I compare it with the previous quarter?

**Sanjay Sethi:** So look, we had raised INR1,000 crores from a QIP to enable our balance sheet to be able to handle growth opportunities. And that's what's getting executed now. There will be variations on the net debt side as we grow the portfolio. And expect us to peak at no more than INR1,850 crores, INR1,900 crores.

**Moderator:** The next question is from the line of Aman Goyal from Axis Securities.

**Aman Goyal:** Sir, my question is regarding, for example, the economy is facing sluggish growth, like FMCG reflecting muted growth. So how do you see that impact economy-wise on hospitality sector?

**Sanjay Sethi:** So Aman, thank you for the question. So look, I think the dynamics are a little different on the hospitality side in the country, driven by the arbitrage that we have between demand and supply. That demand and supply arbitrage hasn't changed since we last spoke. We believe that the demand will continue to grow in double digits. Supply side is expected to grow at about 7%. So we've got between 300 to 400 bps gap between new supply and the demand growth and therefore, the dynamics of the industry will be different than dynamics of FMCG.

**Aman Goyal:** Okay. Okay. So my second question is regarding the residential development in Bengaluru. So correct me if I'm wrong, so I can see as of now, whatever you sold in the residential, you have not incorporated in your top line, it is all the revenue related to real estate is deferred. So when we can expect that to be added into your top line?

**Sanjay Sethi:** So Aman, revenue recognition is governed by certain laws of the country. Whilst our sales are very strong, the rates per square foot are very strong and the cash flows are very strong, revenue recognition can happen after a couple of triggers are activated. One of them is access of usable electricity, right now we are at project stage electricity on the site. Number two, a certain amount of completion of access points and development of public areas within the property. And of course, OCs. OC, we have already cleared.

Electricity connection we should get maybe by December or so and the completion of access also around December. We do expect a significant reporting in last quarter of this year on the residential side, which will have revenue recognition and of course, all the cost recognition that we had to continue to keep in the capex side for now until we are able to bring it to the P&L. So expect quarter 4 to have a recognition of revenue and cost for the residential project.

**Moderator:** The next question is from the line of Pradyumna Choudhary from JM Financial.

**Pradyumna Choudhary:** Sir, I just wanted to get your sense on if we are seeing different demand trends across industry, like not for Chalet, more from an industry point of view? Are we seeing some different demand trends, for example, metros versus non-metros and so on? That's the first one.

And second, I know Q3, Q4, we are expecting these to be strong quarters. But what's your sense like from here on as well, is there a further scope for ADRs to increase further in FY '26? That's the second one. And third would be what was during the last hotel upcycle, what was the peak occupancy versus what it is now currently?

**Sanjay Sethi:** So Pradyumna, I'll try and answer these questions in the same sequence. In terms of market-wise or city-wise performances across India, we've seen Hyderabad clearly do extremely well. Recent weeks, we've seen Bangalore picking up and doing extremely well. We've seen our Pune hotels record very good occupancies despite having the largest inventory in the city of 311 rooms. And Mumbai, we see a steady growth on a RevPAR basis. Resistance, if any, -- and this is purely my personal understanding -- we have seen in the very expensive rate brackets of north of INR25,000 where we've seen some resistance to the price point. at the INR15,000 to INR20,000 price point, we have seen 0 to negligible resistance even on leisure...

**Pradyumna Choudhary:** All right. Understood. And -- so remaining...

**Sanjay Sethi:** You said peak occupancies, right? On ADRs, right?

**Pradyumna Choudhary:** Yes.

**Sanjay Sethi:** So ADR is to your question on Q3, Q4. Yes, Q3, Q4 will see increase in ADRs for sure. For 2026, I'm not at liberty to share what the forward-looking numbers are. But on the back of the positive arbitrage and demand supply, I see no reason why country should not see continued growth both on ADRs and occupancies.

On your question about peak occupancies, I think they're very different in each city. For example, cities like Bangalore and Hyderabad, where they have a sharp dip on Friday evening and continue till about Monday morning, that will continue. So they will have a different peak occupancy trend, which should be in the mid-70s to high 70s at a max. Mumbai, however, tends to record 80-plus occupancies at peak. And therefore, I expect Mumbai to be able to do that. Delhi also sees typically 75% to 80% occupancies in the range at peak levels, and we expect Delhi to be in that range.

Hyderabad, city center Hyderabad has had some challenges, but the new district where both the hotels are present, we've seen do extremely well. The other element that I must mention here is that H1 saw almost negligible weddings in the country due to auspicious dates not being there. H2 is likely to, on an all-India basis, have a material kick up on account of the weddings. We expect that to have as a benefit to us in Aravali in Delhi, JW Marriott Sahar and Powai.

**Pradyumna Choudhary:** Sir, my question on peak occupancy was more from a cycle perspective rather than the current time.

**Sanjay Sethi:** It's very difficult to average our peak occupancy on a country as large as India and very diverse in terms of a demand trend. So I've given you what the peak occupancies should be city-wide, for the main cities. So Mumbai at peak occupancy, as I said, should be in the 80s, low-80s, Delhi between 75% and 80%. Hyderabad and Bangalore around 75% to 80%.

**Pradyumna Choudhary:** Okay. This is for each city on -- for the cycle you are seeing, right, like during the hotel peak cycle or something of that sort?

**Sanjay Sethi:** That's right.

**Moderator:** As there are no further questions, we have reached the end of our Q&A session. I would now like to hand the conference over to Mr. Sanjay Sethi for the closing comments.

**Sanjay Sethi:** Thank you so much. Thank you, everyone, for your time, and we look forward to engaging with you in the near future.

**Moderator:** On behalf of Chalet Hotels Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.