CHALET
HOTELS

May 26, 2021

**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 Audited Financial Results for the quarter and year ended March 31, 2021**

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), please find attached herewith the transcript of the Earnings Call held by the Company in respect of the Audited Financial Results for the quarter and year ended March 31, 2021.

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

Request you to take the same on record.

Thanking You.

Yours faithfully,
**For Chalet Hotels Limited**

CHRISTABELLE BAPTISTA

Digitally signed by CHRISTABELLE BAPTISTA
DN: c=IN, o=Personal,
2.5.4.20=af045dbb382af52a89365d24fbc5f856ffa9d651ac10ebcfcfd473f3a25542cb, postalCode=400064, st=MAHARASHTRA,
serialNumber=878dc518f343317eb76d77b1bdd8e37894de02759dde01140ebbf9a3532471bb, cn=CHRISTABELLE BAPTISTA
Date: 2021.05.26 19:59:18 +05'30'

**Christabelle Baptista**
**Company Secretary & Compliance Officer**

Encl.: A/a

**Chalet Hotels Limited** (Formerly Chalet Hotels Pvt. Ltd.)
Regd. Off. : Raheja Tower, Plot No.C-30, Block 'G', Next to Bank of Baroda, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.
Phone : +91-22-2656 4000 Fax : +91-22-2656 5451 Website : www.chalethotels.com
CIN : L55101MH1986PLC038538

# "Chalet Hotels Limited Q4 FY2021 Earnings Conference Call"

May 19, 2021

**MANAGEMENT:** **MR. SANJAY SETHI – MD & CEO**
**MR. MILIND WADEKAR – INTERIM CFO**
**MS. RUCHI RUDRA - INVESTOR RELATIONS**

**Moderator**: Ladies and gentlemen good day and welcome to the Chalet Hotels Limited Q4 FY2021 Earnings Conference Call. As a reminder all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchstone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Ruchi Rudra. Thank you and over to you Madam!

**Ruchi Rudra:** Good Morning, ladies and gentlemen. Welcome to the Q4 FY2021 performance call for Chalet Hotels Limited. We have with us Mr. Sanjay Sethi, Managing Director and CEO and Mr. Milind Wadekar, our interim CFO to take you through the performance and respond to your queries. Let me make the usual disclaimer on forward-looking statements. Kindly refer to our presentation, which has been made available on the Stock Exchanges and on our website for the details of the same. I hand over the line to Mr Sethi to share his opening remarks.

**Sanjay Sethi**: Thank you Ruchi. Good morning ladies and gentlemen and thank you for joining us for our call for Q4 2021. We do sincerely hope that you and your dear ones are well in these trying times. Since our last interaction the second wave of the pandemic has hit the country harder than anticipated, impacting lives and livelihood and forcing various state governments to take semi to full lockdowns. While the country battles the virus again, the vaccination drive in India has been making slow but steady progress. All age groups over 18 are now allowed to take the vaccines. However, limited supply of vaccines is keeping the progress painfully slow.

India has fully vaccinated around 3% of its population and another 11% of the population has received the first dose. To put things in perspective the global vaccination status reports that 5% of the global population is now fully vaccinated.

UK and U.S both key markets for Chalet are reporting 30% and 37% fully vaccinated citizens respectively. UK is also targeting to remove all restrictions by June 21. Before the second wave hit India domestic air traffic for the month of January to March had reached 60% of pre-COVID levels indicating a strong bounce back.

According to a recent report by Hotelivate average occupancy in India reached 49% in Q4 FY2021 as compared to 65% in pre-COVID levels, largely led by pent-up demand in the leisure space and showcasing very importantly, the willingness to travel. The report has forecasted occupancies in India in FY2022 to be 52.7% and in FY2023 64.9% driven by demand recovery as well as muted growth of supply.

For Chalet Hotels the quarter started on a positive note. Q3 had witnessed a surge in social functions in pace of bookings and that sort of continued on a sharp upward trend for Q4 also. F&B revenue started to pick up and business travelers started trickling in. We saw an uptick in non-residential footfalls in restaurants and bars as well.

Room business across hotels was a mix of quarantine, BCP, airline crew, staycations, project related business travel and large group businesses like film shoots and IPL teams. In January and February corporate travel, small meetings and conferences picked up early momentum. It was heartening to see demand pickup across sectors like manufacturing, IT, Fintech, consulting, pharma and entertainment.

The second wave of COVID which hit us hard as I mentioned earlier in the latter half of March brought most cities to a standstill especially Mumbai and Pune. Domestic travel plunged and lockdown type restrictions were reimposed impacting both room and food & beverage business. The situation in Mumbai and Pune seems to be improving now and the peak of the second wave is behind us. The restrictions in Mumbai and Pune have been extended to the June 1. Current restrictions for Bengaluru are till May 24 and for Hyderabad until May 22.

On the financial front for Chalet our Q4 revenues grew sequentially by 11% to approximately Rs.1.02 billion. On an operational basis our EBITDA grew by 11% to Rs.187 million; however, we had to account for loss of discontinued business at mall which is Rs.13 million and reversal of SEIS income of Rs.123 million, which dropped our EBITDA to 51 million for the quarter.

I must highlight here this SEIS income is still something that can work out sometime in future but for accounting purposes we have excluded it from our financial statements for the financial year.

Ladies and gentlemen Chalet has been able to report EBITDA positive numbers for all four quarters of the last fiscal.

Our hospitality business revenues grew by 16% sequentially on the back of improved occupancies at 39% in Q4 compared to 33% in Q3. January and February actually recorded occupancies of 37% and 42% respectively. In March however with the rising number of cases and as the economy closed down in Maharashtra our occupancies dipped back to 37%. Trends in April continue to be subdued for the portfolio, as most states imposed partial lockdowns. The portfolio had occupancy of 36.5% for April.

The RevPAR for Q4 grew by 22% sequentially to Rs.1610. Food and Beverage Division's share continued to be a healthy 38% of the reporting period. Our focus continues to be to work with the operators to create a compelling F&B offering at all our outlets as well as through food deliveries via channels like Marriott on Wheels, Swiggy and Zomato.

Our cost control measures taken throughout the year have kept fixed costs at around 50% of previous year's level for the hospitality division. Our operating teams managed to reduce fixed costs by moving certain fixed costs to variable buckets. A few strategic initiatives like centralizing a finance hub, outsourcing non-core activities like laundry service of our large two large hotels in Mumbai resulted not only in improving efficiency but also helped lower cost on an ongoing basis.

Through our continued emphasis on staff productivity the staff to room ratio continues to hold at 0.74 employees per room for the second quarter in a row. This ratio was 1.18 employees to a room in December 2019. You will recall that we had reacted swiftly in Q4 of FY2020 to work on this fixed cost and had already brought the ratios down to 1.08 employees per room as early as March 2020.

Utility the other big cost head where we achieved significant savings our hotel portfolio managed 46% annual reduction in electricity units consumed per room in FY2021. These efficiencies have also been driven over the last few years by a mission to go green as a company. We have recently signed up for their EV100 initiative which focuses on accelerating transition to electric vehicles under the aegis of the Climate Group. We are further exploring our eligibility to participate in EP 100 which is on energy productivity and RE-100 which is on renewable energy. I am very happy to share on renewable energy front, our energy consumption has now moved to 51% of our energy coming through green sources as against 45% percent in Q3. Variable costs were also in line with revenue levels and were down by 70% for FY2021.

On the non-hotel assets, rentals from our commercial tenants continue to be unaffected and provide steady cash flow. We have however given some relief on CAM and parking area charges which is basically passing on the savings that we have had on the CAM charges.

On the retail front, footfalls did improve at the Inorbit Mall in Bengaluru for Q4. Subsequently the business has been impacted by the reimposition of lockdown measures in the state. The mall at Sahar has largely been inactive throughout the pandemic and we are currently in the process of repurposing that space, majority of the area is being converted to commercial offices, select F&B outlets will continue to operate providing necessary F&B product to the office occupants.

A short update on the project pipeline, except for the slowdown in the last few weeks two commercial development projects are progressing well. The lobby renovation at Renaissance has been completed and the new lobby has been operational since January 2021. I had mentioned this in our earlier call too. We have had excellent feedback on the renovated lobby. The balance renovation of the hotel will be undertaken over the next few months.

The new lockdown measures have made us defer our plans for Hyderabad's second hotel for now. The pending work onsite as I shared earlier will take approximately five months for completion from the restart date. We will right time the project to align with demand dynamics. Similarly, the need for commissioning additional 88 rooms in Novotel will be reviewed on an ongoing basis and executed at an opportune time.

Our employees have been a pillar of our strength. By and large they have been safe and positivity rate is below the national positivity rate in spite of them being on the frontline. We unfortunately lost two employees in May and June of the last year. Our operators and we at our Corporate Office have worked diligently to ensure COVID safety protocols and extent all help needed by our associates when needed.

We are grateful to the team at Chalet across all its properties and the Corporate Office who have worked tirelessly in these difficult times to continue to serve our guests with a smile. In line with that I am happy to share Chalet Hotels has for the second consecutive time been certified as a great place to work by the Great Place To Work Institute.

Ladies and gentlemen over the last one year one thing that we have learnt is that there is no crystal ball. Businesses are faced with multiple concurrent forces that need to be handled with unrelenting navigation of new challenges. There is clearly no straight path forward. We at Chalet are committed to being nimble on our feet and have an undeterred resolve to come out of these challenging times and deliver industry leading returns in not too distant a future. I now hand over to Milind to take you through some of the key numbers.

**Milind Wadekar:** Thank you Sanjay. Good morning ladies and gentlemen. As discussed by Sanjay the fourth quarter started on a strong note and we could see business performance improving month-on-month. With the second wave hitting in March and lockdowns imposed by various states across the country, we saw public sentiments weakening. As I elaborate on this let me give you some insights into our financial performance.

Q4 FY2021 total income grew by 11% sequentially to Rs.1021 million. Q4 FY21 EBITDA from continuing operations is Rs.64 million as against Rs.169 million for previous quarter.

The drop was on account of reversal of SEIS income of Rs.123 million for the previous year. Adjusting for this entry the EBITDA for Q4 is at 187 million a growth of 11% sequentially. For the quarter ended March 2021 we have accounted for a loss of 13 million from discontinued operations at Sahar Retail. The loss was largely on account of rebates given to existing retailers as we decided to repurpose the space and close existing contracts.

PBT from continuing operations post charges on depreciation and interest for the company was a negative of 585 million as against Rs.500 million in Q3 of this year after taking credit for deferred tax asset of Rs.338 million. PAT loss from continuing operations was at Rs.247 million.

The hospitality segment contributed to 71% to the total income of the company in Q4 FY2021 as operations continued to scale up through the quarter. The revenue grew by 16% on a sequential basis to 724 million with positive EBITDA of Rs.19 million, a second quarter of positive hospitality at EBITDA in FY2021.

Occupancy for the quarter averaged at 39% up by approximately 600 points and RevPAR was at Rs.1610 as against Rs.1318 in Q3 a growth of 22%. Food and Beverages division's performance has picked up with contribution of 38%. Late March onwards there was direct impact of second wave on the dine-in services of the hotels.

On the cost trend as mentioned by Sanjay the company has achieved fixed cost reduction of 50% as compared to previous year. The fixed costs for the year have been at an average of 11 Crores to 12 Crores a month. Variable costs have been down by 70% for the period. The variable costs are expected to rationalize as operations scale up whereas our strategic initiatives on cost will keep the variable cost contributions lower than traditional levels.

The company has signed power purchase arrangement for hotels in Maharashtra to source renewable power from third parties. The arrangement is for a period of 10 years which will have a fixed rate for first six years. These rates are currently at a discount to applicable industry rates in Maharashtra. This will result in reduction in HLP cost of hospitality segment in the years to come.

Total expenses for the quarter were lower by 46% as compared to the previous year and were higher by 17% as compared to Q3 FY2021 as operations scaled up. Steady income from commercial assets have kept the revenue and EBITDA from retail and commercial segment at Rs.258 million and Rs.215 million for quarter Q4FY21 respectively. With the conversion of large part of the ORB at Sahar Mumbai to commercial office space we will be hedging the portfolio further. The new setup is likely to be EBITDA and return ratio accretive.

For the financial year FY2021 total income was at Rs.3167 million, total expenses for the period were at Rs.2873 million a drop of 55% from the previous year and the EBITDA was at Rs.249 million from continuing operation. Adjusting SEIS income reversal off Rs.123 million the EBITDA for the year is at Rs.417 million.

Net debts on book as on March 2021 was at Rs.18711 million as against Rs.16570 million that is it has gone up to Rs.1870 Crores from Rs.1657 Crores, a total increase of around Rs.213 Crores for the period. The capex spend during FY2021 was at Rs.115 Crores.

Our cash burn that is EBITDA minus Interest cost for Q4 FY2021 has been at Rs.301 million while for the full year it has been at Rs.1267 million that is Rs.126 Crores led by prudent cash flow and working capital management. The average cost of rupee loan is now at 8.04% as against 9.20% at the beginning of the year. 54% of our loans are at sub 8% interest rate for the company.

We have cash and cash equivalent of Rs.67 Crores as at March 2021 and Rs.725 Crores sanction lines of credit for general corporate and planned capex.

There has been no new subscription from promoters on 0% Non Convertible Redeemable Preference Shares for funding the outflow relating to residential project at Koramangala during the period under discussion. With this we now open the floor to questions.

**Moderator:** Thank you. We will now begin with the question and answer session. The first question is from the line of Aditya Bagul from Axis Capital. Please go ahead.

**Aditya Bagul:** Good morning, Sanjay, Milind Sir and the rest of the team. I hope all of you are doing safe and well. So my first question is in terms of our occupancy. We have seen 39% occupancies this quarter just wanted to understand some texture to this what was the numbers if you can give us a glide path as to what this was in January, February and March that would be helpful? In the same context some of the industry bodies as you mentioned are talking about a 55% for the occupancy level for FY2022. Just wanted to get your sense on how this will be spread out during the year? Does this mean a closer to 65% occupancy at FY2022 exit and if you can just throw some color on how you look at MMR versus the rest of the cities? Thank you.

**Sanjay Sethi:** Thank you Aditya. Yes we are doing well. I hope you are too. To answer this whilst I did share the overall occupancies, for a month wise let me give you a flavor of how the occupancy stand out for the quarter between the cities. So the Mumbai region which includes the Renaissance Hotel, the Marriott Executive Apartments, the Four Point, Sheraton and the JW Marriott at Sahar had Q4 occupancy of 39%. Bengaluru which is a Marriott Whitefield had occupancy of 35%. Hyderabad was poor at 27% and Pune did occupancy of 63%. So this, sort of combined gives us an overall occupancy of 39%. As I mentioned the occupancies have picked up sharply in January and then very well in February where we hit 42% but then came back to 37% on count of the second half of March being lost. Just to give you a flavor what was happening was over January and February the pace of bookings and I did sort of allude to it in my opening conversation also was looking very healthy in January and February. In fact, we saw domestic business travel starting to come back, we saw social functions especially weddings very, very healthy. We had two large groups booked at our hotels one in Sahar and one in Renaissance, one was the Mumbai Indians IPL team which was to stay with us for almost about 65 to 70 days during the IPL when it was all supposed to be in Mumbai. They were to start from mid-March, but then the IPL got shifted to seven different cities and that one city sort of scenario went out and therefore they had to move out and then subsequently we got a very large group of almost 370 rooms starting end of March at JW Marriott Sahar from the people who are doing the television coverage of IPL and that was supposed to be there for two months too. Therefore, if you look at our April occupancies actually Sahar ended up doing 72% occupancies. This group was supposed to continue to end of May but with the calling off of the IPL they left sometime in you know for the first week of May and therefore we have had some challenges there. April has already gone by as I mentioned 36.5%. May will be you know subdued depending on how the lockdowns move. I think June and subsequent months will look better. Will we come out at 62% at the end of FY2022? Given the Q1 performance of the hotels it is unlikely that we will be at 62% but like we do believe that the H2 will be strong. We see a strong recovery because there seems to be a lot of pent-up demand both on business travel and on the MICE business especially on weddings. Just to give you a flavor we had 13 weddings alone in Renaissance in April itself. They all had to be called off and clearly they were smaller ones but when they do open up and they will come back, they will probably likely to be much bigger weddings. The other thing that has happened is that Bengaluru and Hyderabad which had a second wave that hit it much later and their restrictions came into play much later, have clearly going to take slightly longer to recover. Mumbai seems to from a COVID cases perspective seems to have done extremely well. We are very hopeful that there will be some easing off of restrictions post the first June situation right as far as Mumbai and Pune are concerned. Our business had largely come out of groups that we were able to capture and these were very competitive groups available in the market. Our teams have done an excellent job of picking them up. The Renaissance was helped on account of that in March and JW Marriott Sahar on account of that in April. Did I miss something out?

**Aditya Bagul:** I think you were fairly elaborate in your answer. Just one point if you can also talk about how do you see the ADR trajectory going along with the occupancies and that would be very helpful.

**Sanjay Sethi:** The ADR trajectory has been different across cities. Mumbai is clearly reporting the highest ADRs in Q4, roughly around Rs.4600 or so followed by Hyderabad, Bengaluru. Pune has been low. Pune ADRs have been sub Rs.3000 just under Rs.3000 actually but it has done occupancy of 62% and at one point this hotel was doing 70% - 75% percent of the occupancies in the last few months. There was clear pickup happening there. I think occupancies will not pickup at least for the next quarter. It is going to be competitive landscape outside. The quarter after that we may see some pickup in ADRs and I think Q4 will come up strong in ADR and by then hopefully when the foreign travelers start coming in we will see much higher traction on the ADRs also. As I said I must also point out, one of the reasons I needed to say was the other companies are reporting higher occupancy numbers. There are two factors that play one is we have all our hotels in the business segment. We of course have the benefit of hedging the risk in having investments in the commercial office spaces, which becomes a counter to leisure for now and it is giving us steady yields. The second element is all our hotels are very large. So that has really helped on economies of scale from a cost perspective earlier but when the markets are tight your occupancy percentage tends to be lower because the available room nights may be will be finite in every city and every brand or hotel is fighting for those finite room nights so as I said Mumbai did about 40% occupancies, it is on a base of a very large room inventory and therefore the number of room nights that we were able to garner as a company or from buyer operators was significantly higher than many of the other operators in the city.

**Aditya Bagul:** Understood. That was that was very elaborate. Thank you. Thank you so much and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.

**Giriraj Daga:** There are two questions first on our fundraising side. So we had talked about fundraise of 500-600 crs of long-term fund. I am sure looking at our balance sheet and strength we must be looking to consolidate our position. If you can throw some light that what is the purpose of this fundraise and how we are looking to utilize this? Are you looking for some consolidation, some M&A happening?

**Sanjay Sethi:** Apologies for this but I could not hear the first question clearly or none of us could. Could you just repeat that please? Thank you.

**Giriraj Daga:** My first question is like we had talked about the fundraising of 500-600 crs of long term fund so I just wanted to understand what the purpose of this is fundraise? We are must be surely looking for a consolidation in our business given that this that is available outside in our industry so if you can throw some like there?

**Milind Wadekar:** We have taken enabling resolution for raising Rs.100 Crore preferential shares. Now this is for our one of the litigated Koramangala residential project where any expenditure on this project is funded by promoters. So as and when we require these funds we will raise this money and it will be funded by promoters and other fundraise of Rs.600 Crores will be in the form of debt and that is for the planned capex.

**Giriraj Daga:** I mean consolidation or is it just not too much.

**Sanjay Sethi:** So early days yet. We do believe there will be opportunities and when the time is right and the opportunities are there we will make plans for that but there is no specific something that we are calling right now.

**Giriraj Daga:** My second question is on you mentioned about the cost cutting exercise or cost reduction initiative. So I just want to understand in a simple language let us say so we had a CY2019 which is from January 2019 to December 2019, when we had a normalized operation. We had about 930 Crores of revenue and 376 Crores of EBITDA in the hotel segment. Now assuming when we reach this runway of 930 Crores hotel revenue what will be the EBITDA at that point, cost initiative we had taken in the last year?

**Sanjay Sethi:** Good question. As we mentioned earlier I think the key to this question is that we managed to bring some of our fixed costs down and convert some costs that were fixed in nature into variable cost, which allows us a lot more flexibility as things go forward. So the fixed cost will continue to be fixed and therefore we will continue to benefit from that in the mid to long term and to answer your question specifically if you were to hit say 950 Crores of topline revenue will we be able to deliver higher EBITDA percentages? Yes we are very confident of that but these are forward-looking statements so I do not want to dwell too much on the details of what the numbers will look like.

**Giriraj Daga:** Thanks a lot. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Amandeep Singh from Ambit Capital. Please go ahead.

**Amandeep Singh:** Thanks for the opportunity. Firstly in the Mindspace presentation they mentioned about rent commencement from leasing Hyderabad hotel to chalet 3Q FY2022 onwards but you are still evaluating the demand dynamics to recommence the balance work so in that context can you help us understand on what would be the exact arrangement here?

**Sanjay Sethi:** Thank you for the question. Yes there is a rent commencement date that was agreed between these two companies quite some time back and at some point of time the rent will start. The assessment that we are doing is what is the best case scenario do we open the hotel, pay the rent and incur losses or do we continue just paying the rent and not incur larger losses, so from that perspective we would like to pace it out take the right decision based on what is the best way forward for us. So the total rent for a year is roughly around 9 Crores and if we delay this you know by a quarter or so. The impact of four months the impact could be about 3 Crores. So that is something that we will take a call on. We may have to take a little bit of hit on that but these are signed off agreements between the two entities and we do not really have a way out.

**Amandeep Singh:** That is very helpful. Slide three of your investor presentation indicates that Chalet lacks the recovery in Mumbai and Hyderabad micromarket versus the industry. So could you help us understand what could be the possible reasons in terms of lower than regional occupancies and ADRs?

**Sanjay Sethi:** I think as I mentioned earlier and to an answer earlier question, the occupancy percentages depends on two numbers how many rooms are occupied and what is your room inventory. Now the room inventory in all our hotels and that has been something that we have talked about as strength in the past has been that Chalet has had larger room inventories per hotel. Our average room inventories in excess of 400 rooms per hotel which is significantly larger than other hotel companies and because there is finite business in every city and even if you get more than a fair share per hotel of the finite business you end up with lower occupancies and that is what has happened with us and because we are fighting for larger groups because you have large hotels sometimes the rates are more subdued and therefore those rates also look slightly lower. If you were to look at the overall FY2021 we had for almost about two and a half to three months doctors stay with us with room rates that was you know sub Rs.2500 for us, some other hotel companies may have got higher rates or subsidies, we are not aware of that but these are certain factors that have affected it. We are making sure that our goal should be occupancy. We are going to follow an occupancy led strategy for the next one year at least as against the rate one and we have had Mumbai has shown RevPARs being lower than the competition, as I said largely driven by occupancy drops. Bangalore has shown RevPARs higher than the market. Hyderabad is slightly lower than the market but then it is driven by the fact that we did not take any COVID positive business in our hotel. As a policy, we have taken a call that we will not take COVID positive guests in our hotels across any of our cities. Some hotels have chosen to take them and in Pune we have again been above market so Bengaluru and Pune will be above market on RevPAR basis, Hyderabad is lower on account of not taking COVID guests and Mumbai largely on account of very large inventory.

**Amandeep Singh:** Thanks for the detailed explanation. I will come back to the queue.

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

**Vikas Ahuja:** Thank you for the opportunity. I have two questions; the first one is clearly the second wave has dented the expectation of recovery in FY2022 but internally how we are seeing when should we expect to move back to maybe you know pre-COVID level revenues and obviously you know the western countries are opening up and the chances of third wave looks bleak there but how we are looking at recovery in India any color around would be pretty helpful, I know partially you have already answered this in your opening statement but if anything you can add? My second question is if what our capex plans are for next two to three years and maybe also if any update on revised timeline on hotels and office block openings. Renaissance, Powai you already said it is on track but what is the status of W Powai I mean is it on hold indefinitely, probably we should remove the capex and revenue assumptions from our models? Westin and Mindspace can we assume it will come fully in the second half of FY2022? Also any update on change in timeline for may be Hyatt Regency, Powai, block, etc? Thank you.

**Sanjay Sethi**: Thank you for these questions, Vikas. Let me answer the first one quickly. Colour on the future. As I said in the opening statement one thing you like to know there is no crystal ball available to any of us. Everything seemed to be going extremely well in the later part of the third quarter last year and the beginning of the fourth quarter this year and we were extremely positive that we are going to be out of the woods in the next three, four, or five year's time, but on the second wave hit us. I have no knowledge. I cannot claim to have any knowledge on the medical front. People are predicting a third wave. People are saying we will not have a third wave because we are well prepared. The vaccination drive is going to reduce the chances of any significant impact of the third wave, but our vaccination is slow, so from our perspective, how we are looking at is the following that we believe the current and next quarters are going to be subdued, current quarter more so. Hopefully in the next quarter or latter of this quarter. Current quarter we will see opening up. Business will come back cautiously. It will probably come back to how it was in the early fourth quarter, but will it come back to 50%, 60%, 70% occupancies? I doubt it right now. That expectation is only in H2 from our perspective. That we will see significant pickup in the quarter starting or the half year starting October 2021 and that too will largely be dependent on what shape and route the COVID-19 takes. Clearly as I mentioned again in the opening statements that the two key countries that are critical for Chalet, US and UK have done very well on the vaccine front and they seem to be extremely confident that the population that is vaccinated is largely safe from any serious impact of COVID-19. That gives us a lot of comfort because that means they can move around freely within their countries irrespective of whether others have got COVID or not that should hold true for their country. Obviously India has taken some really bad PR hit over the last few months or few weeks, but we are hopeful the memory will be short on that and as things improve in India and numbers goes down and yesterday's numbers are very encouraging. There is a sharp dip in number of COVID positive cases. We believe that business travel will be back strongly. One indicator I think for us is once we see that the leisure travel picked up early that indicate people are willing to travel, but it is aircrafts or the hotels. The current lockdowns have restricted them from travel and some of the destination, which have got affected it must be lifted as to travel today, but the willingness to travel is high and that will be consistent for leisure as well as business. So we are confident that will happen. I think FY2023 will be a strong recovery year. FY2024 should be normalized fairly well. To answer your question on the projects, Renaissance renovation is going on as I mentioned. The phase 3, which was the office building, which is about 750000 square feet of leasable space, is progressing well. We had a bit of a slowdown in last two, three weeks, slowdown in the sense the number of labor on the site is not as many, we had 600 people on site, right now 300, this impacted us may be for three, four weeks, but it is progressing well and to be on an account of this blip actually will be covered in the buffer that we had kept on announced dates of opening. Bengaluru may be delayed by a couple of months, the Bengaluru office tower, because there the labor hit is stronger and to get them back and restart and remobilize may take slightly longer, but I think Bengaluru may be delayed by a max of three months I think as the office built tower stands. On W Powai and Hyatt Regency for now I do not see staring this construction in the next six to nine months so therefore we will have to build in your number 24 to 30 months of build up time may be 24 months actually because approvals and designs are all ready. And we will review W also depending on demand dynamics whether it makes sense to go down that route or we should look at alterna options. Westin Hyderabad as I mentioned earlier we have five months to start that project. We will continuously review this on what is happening on the demand dynamics, next review probably in mid June and then remobilize if required. From our perspective we would actually suggest since we have not started and we are still to review that, we at least 7 months out from opening that, so keep that as a perspective. Finally on the numbers or any incremental costs, I will ask Milind to give you further details. We do not have any material or significant increase in costs on these projects, some IDC may have gone up on the spent.

**Milind Wadekar**: As mentioned by Sanjay based on demand dynamics we will determine the capex plan for Westin Hyderabad and our estimated capex for the year is 350 Crores or so, major component is for commercial offices both Powai and Bengaluru.

**Vikas Ahuja**: That is really helpful. Thanks a lot.

**Moderator**: Thank you. The next question is from the line of Amit Agarwal from Nirmal Bang. Please go ahead.

**Amit Agarwal**: Thanks a lot for the opportunity. My question firstly relates to the mall which you have in Bengaluru given the current slowdown and closure have you been under renegotiation with your tenant out there and if so can you throw any colour which side it is progressing and how does it move? Question number two, how we were expecting F&B to do a much greater than what we have done in the fourth quarter when I look at the numbers, third quarter and quarter-on-quarter comparison I see F&B revenue, correct me if I am wrong, in third quarter was 26 Crores and fourth quarter, it was 27 Crores so not much of a growth we are seeing there, so any light you can throw in these two assets? Thank you.

**Sanjay Sethi**: Thank you, Amit for the question. I will answer the F&B part first and then Milind will take the Inorbit one. As I mentioned Mumbai went into lockdown late March, but restrictions and banquets and the worry on banquet and F&B given slightly earlier, so with our Mumbai hotels hit hard in March, we did not see the expected growth for the quarter because of the March impact and almost two-thirds of our inventory is between Mumbai and Pune. January and February has shown very healthy growth. Unfortunately we have the numbers in front of us somewhere may be I will give it out after Milind sort of covers that part and so that is what the net impact has been for the major cost of F&B numbers of ourselves. So January we had 8.5 Crores of F&B, February has increased by almost 25% to 10.5 Crores, but then March down to 8.3 Crores again, so clearly that the trend that was beginning to build up strong and healthy did not happen. So 8.5 Crores to 10.5 Crores and down to 8.3 Crores, if that trend has continued I remember February was already 28 days, the March following that trend should have been in the range of about 13 Crores to 14 Crores, that 13 Crores to 14 Crores would have added another 4 Crores to 5 Crores in the 27 Crores taking to somewhere to 32 Crores to 33 Crores, which were again been a good jump from our Q3.

**Milind Wadekar**: For FY2021, we had EBITDA breakeven at Inorbit, Bengaluru. Footfalls started improving from December and we are expecting it will go up in the first quarter of current year. Since the lockdowns are imposed again retailers will approach us and will negotiate ongoing basis, but we had estimated positive EBITDA for the year, but we will see how it pans out based on the lockdown conditions in Bengaluru.

**Amit Agarwal**: My question actually pertains to as we move forward like what happened last time retailers had approached the mall owners and there is some kind of agreement on that, has the same thing started now because whether it is Bengaluru, Mumbai malls were closed all over, so few mall in the Bengaluru as a retailers approached to, have any kind of agreement in terms of whatever waiver of fees or whatever, anything on that?

**Sanjay Sethi**: No, Amit. There have been no such discussions so far.

**Amit Agarwal**: Sure. Thanks a lot. That is it all from my side. I will come back in queue.

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

**Sumant Kumar**: Sir, you have seen in Q4 there was an increase in employee cost, so as per your PPT payroll cost as a percentage our revenue increased from 28% in Q3 to 29%, right so that is number one, number two overall fixed cost reduction in FY2021, you have highlighted 50% so can you tell us what percentage of cost cutting is going to sustain over three to four years?

**Sanjay Sethi**: I did allude to answer to this question earlier. I will try and answer it again. The fixed cost, a large percentage of the fixed cost reduction will continue in the coming years because the employee productivity numbers have improved significantly on the back of two, three exercises, one we have clustered some services. Number two, we have centralized certain services, number three, we have reassessed processes in systems and automated a few things to allow us to go with a lesser number of people. Now all this will continue and therefore we expect the productivity levels to be high for times to come. The certain other costs in terms of variable will also continue to be high even if the revenues go up. Just to give you a reference over the last one-and-a-half years we worked with the brands of localizing all procurement items so consumables like bathroom amenities, room amenities have all been localized. We are working on establishing our in-house water bottling plants, that is more from environment perspective, but the outcome of that is that our payback will be around a year so we will actually have reduction in operating cost there too. Similarly we have had some energy initiatives in the company, which have improved efficiencies of energy consumption and all of them will help keep our costs low as we go forward. Laundry, I have already mentioned earlier that this has been one item that we have outsourced and our efficiency on a cost per kg of laundry has improved also significantly plus we were able to reduce the number of employees that we had. Finally, I think the one big ticket item is that we worked hard with the global brands to pick up some of the best practices that were available globally and incorporate them. Like there could be change in patterns of how people travel in future, there is also going to be change in patterns of what services will be offered in hotels. When I mentioned automation, we do expect in future all our guests at least the large percentage of the guests will actually be using handheld devices for checking in, using that as a key, for concierge services or any engagement with the hotel team and for checking out. Practically, we expect over the next two, three years time we will probably do away with the front desk as a whole. You will have some people in lobby, which are my guest relation executives who are going to be fully engaging with the guest in that area, but not having proper front desk for checking in and check outs. That will reduce employees three times over because the three shifts that manned over the reception counter and there are multiple counters at each hotel, so these are going to be good for future and we do expect a large part of this to continue. Another thing that I have mentioned was that some of the fixed cost have been converted to variable. So that fixed to variable and laundry is a clear example of that helps us navigate any crisis that will come in future. So our cost will not be the fixed cost of running the laundry machines, running electricity there and paying wages and salaries for the laundry employee that has been now the laundry operators requirement. Ours will be payment on a per kg basis or per unit basis, so therefore our costs will come down. I hope I have addressed your questions? I am not giving you numbers because I think again there will be perceived as forward-looking numbers.

**Sumant Kumar**: So, can you talk about the 50% reduction and then you have a payroll cost also and the payroll cost you have cut the overall ratio of the employee to room, but what about the cost measurement, whatever the per employee cost cut you have done, it is going to reverse when the good time will come?

**Sanjay Sethi**: I think, I am sorry I missed that part of your question. We answered that earlier also that we saw an increase in payroll costs between the previous quarter and the current quarter that we have reported. The reason for that was that we reduced some of the salary cuts for the employees and therefore that costs went up. There could be some creep up on those cost on the payroll cost because there are some amount of salary cuts, which is basically reduction in number of days that the employees are coming to work, which are currently in play, but it is not going to be material in nature.

**Sumant Kumar**: So, my understanding compared to industry your fixed cost reduction for three, four years will be lower whatever the industry has already cut?

**Sanjay Sethi**: No, cost reduction will be higher. We only are by the fact that we have now operating at 0.74 employees to a room. So let me give you a reference point here Sumant, on this. One pre-pandemic, I think the reported numbers for the industry for upper upscale and luxury hotels for productivity were 2.1 employees per room and at that time Chalet used to be 1.18 to 1.2 employees to a room. So we were 40% to 45% more efficient in the rest of the industry combined together. We have since then brought it down from 1.18 to 0.74. Now that is a reduction of .18 and .26 that is almost 0.44 on a base of 1.18 that is almost 40% reduction in number of employees, so that gives you a clear reference on which way teams are heading. We do have significant savings. The other thing that Milind had touched upon was the power cost. Now that is something that we are working on for a while now and we have happy to announce that as Milind mentioned that we have signed LOI for power purchase for the next 10 years that will not only help us take that 51% of renewable share even higher than we are today, but it will also bring our blended cost per unit lower than where we are today.

**Milind Wadekar**: Sumant, Milind here. Just to give you a perspective we were sourcing our power from third party generators and it was at discount around 30% of commercial rates. Now, we are expecting industry rates will be applicable in the next one or two months and our new arrangement is a discount to industry rate so as compared to our previous purchase price it is 30% lower and there will be some discount to industry rate, so which bring down our power cost substantially.

**Sumant Kumar**: Thank you.

**Moderator**: Thank you. The next question is from the line of Priyanka Yogesh Khandelwal from ICICI Prudential Mutual Fund. Please go ahead. It seems like we lost the connection for the current participant, we move to the next question from the line of Jeetu Panjabi from EM Capital advisors. Please go ahead.

**Jeetu Panjabi**: Thanks so much. We really appreciate this. Two questions, one more on micro question what is your total debt as of today and what is the plan on that, I mean how do you penetrate that forward over the next year or two?

**Milind Wadekar**: Out gross debt position as on date is Rs.1940 Crores to be reduced by cash and cash equivalent so we are at around Rs.1871 Crores or so and we have planned capex of around Rs.350 Crores for next year, so there will be some addition in debt in FY2022, but that depends on how capex pans out.

**Jeetu Panjabi**: Okay, understood and the second question, we hear lot of the moving parts on occupancy and ARRs and everything else is going on can you just take me through what is the thinking at the board level or the family level how do Ravi and Neel or how does the founder think about this business from a three, four year perspective, what is the bigger picture game plan, what do we plan to do this over the next 4 to 5 years, where do we plan to take this?

**Sanjay Sethi**: This is Sanjay here. We just finished the board meeting yesterday. I think this is the fresh off the table. From our perspective we get enough comfort from the backing of the promoters group, a very strong promoters group, so from that perspective we have no stress at all. We have the benefit of the real estate expertise within the group and Chalet has three types of assets within is portfolio, hotels, we have got malls and we have got office spaces. The office space real estate division has been doing extremely well and our general belief is that, that is more stable in nature than retail and on the back of that strategy and we are converting majority of the ORB, which is at the JW Sahar Mumbai into office space. Just as a reference the total area that we have is about 11200 square meters and 80% of that will be converted to office space. Roughly around 2500 square meters will continue as F&B and retail, this decision is taken on the back of knowledge that sits within the group and we are able to sweat the asset, diversify our risks on the back of the real estate expertise. We believe that the hedge that we have done of having a certain amount of assets in the office side has been the savior in the last four quarters that actually helped us to deliver four consecutive quarters of EBITDA positive results. We believe going forward that will continue to be strong and if you heard the earnings call of the Mindspace business park they have done an excellent job of leasing and releasing spaces even in the last quarter. The belief is the following that good quality A grade office spaces at the right location will continue to have higher demand and a premium to hedge. With that in mind the decision was taken and with that in mind we are building the large office building in Powai and with that in mind we are building the office towers in Bengaluru.

**Jeetu Panjabi**: Just on a focus perspective am I hearing this right that from a hotels and a retail perspective you want to keep a little but manage it very well over the next three, four years and the incremental capital will be going to office space? Did I hear that correctly or is that?

**Sanjay Sethi**: Jeetu, if you look at our current capex plans and our projects, that is true, majority of the capex plan is actually going to office spaces. We had three hotels, which were supposed to be in the pipeline given the demand dynamics obviously we are following a wait and watch strategy on that. But hospitality we will continue with the majority of the business as even with the 39% occupancies, hospitality revenue has now crept back to 70% odd of the total revenue of the company and when things do stabilize in two, three years time we expect revenues in hospitality to be about 75% of the revenue, 25% of it coming through office and retail, majority of it is coming through offices actually.

**Milind Wadekar**: Jeetu let me add here, I mean our incremental capex for office space we are expecting high teen returns so we are raising debt at 8-8.25% today and we are expecting a very high return so we want to use this uncertain time for building commercial assets.

**Jeetu Panjabi**: Thank you so much. I really appreciate.

**Moderator**: Thank you. The next question is a followup from the line of Amit Agarwal from Nirmal Bang. Please go ahead.

**Amit Agarwal**: Thanks, again. Just a quick followup, honestly I do not know what SEIS income. Can you just explain me what is SEIS income for?

**Milind Wadekar**: SEIS is Service Exports from India Scheme. We are entitled for 5% SEIS for net foreign exchange earnings for the year. So as an hotelier whenever we have foreign guest they pay us in foreign currency and that becomes our foreign exchange we have some foreign currency expenditure that is royalty or management fees what we pay to our operators so on the basis of net foreign exchange earning our entitlement is 5% for net foreign exchange earnings.

**Amit Agarwal**: For importing goods?

**Sanjay Sethi**: Or you cannot buy the scripts. So just to expand that a little bit more the SEIS, final announcement by the Ministry, Government of India has not been made and this is for the year FY2019-2020. That was recorded in our financial statements earlier because you take the earnings in the benefit of SEIS in the subsequent year and with the government taking some more time to come back on the final announcement, it was only prudent to write back that income in our books and on advise of our auditors we have written that back so the impact of that was Rs.12.3 Crores in this quarter and that is why our EBITDA numbers did go down by Rs.12 Crores odd.

**Milind Wadekar**: So, Amit, weights were notified by a Ministry of Commerce up to FY2019. We were expecting Ministry of Commerce will notify rate for FY2020, but that did not come through till March 2021 or April 2021, hence we decided to reverse that income.

**Sanjay Sethi**: Just as a decision the Hotel Association of India SIHRA, FHRAI all of us are falling through the association to get this it is not just that it is a travel community, other exporters all of them are faced with the same challenge and once this gets announced then we might be able to put it back in the book depending on what the announcement is.

**Amit Agarwal**: Sure, thanks. That is all from my side.

**Moderator**: Thank you. Ladies and gentlemen, as there are no further questions, I now hand the conference over to Mr. Sanjay Sethi for closing comments. Over to you, Sir!

**Sanjay Sethi**: Thank you so much. Thank you everyone for your time. On behalf of the team at Chalet we would like to wish you good health and please stay safe. We look forward to engaging with you in the near future.

**Moderator**: Thank you. Ladies and gentlemen, on behalf of Chalet Hotels Limited that concludes this conference. We thank you for joining us. You may now disconnect your lines.