CHALET
HOTELS

November 3, 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 Unaudited Financial Results for the quarter and six months ended September 30, 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 Unaudited Financial Results for the quarter and six months ended September 30, 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

HOTELS CHALET LIMITED MUMBAI

Christabelle Baptista
Company Secretary & Compliance Officer

Encl.: As above

"Chalet Hotels Limited
Q2 FY2022 Earnings Conference Call"

October 29, 2021

MANAGEMENT: **MR. SANJAY SETHI - MD AND CEO**
MR. MILIND WADEKAR – CFO

Moderator: Ladies and gentlemen good day and welcome to the Chalet Hotels Limited Q2 FY2022 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 Mr. Sanjay Sethi, Managing Director and CEO of Chalet Hotels. Thank you and over to you Sir!

Sanjay Sethi: Good morning, ladies and gentlemen. After six quarters of various levels of lockdown the hospitality industry has seen the momentum pick up led by a positive consumer sentiment and easing of restrictions and I guess the industry is quite excited about it. Globally over 38% of the population has now been fully vaccinated and in key markets such as UK, U.S, Singapore and UAE have between 60% and 80% of the population fully vaccinated.

India as you know we recently hit the one billion dose mark and over 32% of the eligible population is now fully vaccinated. At Chalet 99% of the team has got the first jab and 80% percent have received both jabs. The gaps only because there are a certain number of weeks before the second jab and another two or three weeks, we would actually have got almost everyone double jabbed.

Major business cities have seen restrictions being eased and domestic corporates have restarted work from office, business travel is also on the rise. The air traffic passenger numbers in India were around 55% of pre-COVID levels in September with domestic airlines now committed to full capacity, India has seen some of the highest ever single day Air traffic numbers during the COVID period in the current month of October.

Before I start with the overview of our business performance for the quarter gone by let me update you on a key development on one of our dormant projects. We have a residential project at Koramangala in Bengaluru which was stuck in litigation over cancellations of an earlier issued NOC for height by HAL. The project was under development with several towers at various stages of completion. We have worked out a revised development plan and have executed settlement terms with HAL. I am happy to share the Honorable High Court of Karnataka has passed the final orders and this marks the closure of the longstanding litigation on the project. We will recommence development shortly to unlock value for the asset.

In addition, all 83 of the continuing flat owners are aligned with a new plan and will soon be submitting applications for requisite approvals for commencing the project. I would like to highlight here that this project is branded as a Vivarea product which is a luxury brand

and those of you are familiar with the Mumbai Vivarea will know that it stands right at the top amongst residential buildings in Mumbai. In addition to that the location of Koramangala being the most premium in Bengaluru for residential, we do expect significant amount of value addition through reactivation of this project. The revised plans include 11 residential towers and a commercial building for strata sale. Milind will take you through some of the key numbers on the project shortly.

For the quarter ended September 2021 at the consolidated level we have clocked an adjusted revenue of Rs.1.16 billion against Rs.696 million in Q1 of the year which is a growth of 67%, adjusted EBITDA was at 253 million against 24 million in Q1 and 11x growth.

As hospitality segment progresses on stabilizing operations we are witnessing quick ramp up in performances. For the division we reported 915 million of revenue against 462 million in Q1 higher by 98% and an EBITDA of 138 million against a loss of 99 million in Q1.

Occupancies at our hotels have climbed to 56% for the quarter ending September up by 20% points and RevPAR was at 2161 up from 1252 in Q1. October continues to follow the trend and the occupancy till date for the portfolio is 59% with an average room rate of 4330 odd which is up 11% as compared to Q2.

In mid-August hours for operations of F&B Maharashtra were increased till 10 pm from an earlier restriction up to 4 pm. The same has subsequently been revised to midnight from last week. This bodes well for the business given the commencement of the festive season. F&B revenues have seen a sharp uptick and were sequentially up by 167% for the last quarter, rooms in F&B respectively contribute 55% and 38% of the hospitality revenue for the company.

We have been evaluating the performance of our non-hotel assets for best suited use. The Inorbit mall at Bengaluru has been underperforming for a while. The onset of the pandemic kept malls shut across the country for several months and impacted retailers. To optimize the asset we have started work on repurposing this space and will be converting the same for commercial office product adding another 0.3 million of square foot of commercial assets to our portfolio of 0.6 million square foot in Bengaluru. So, this will additionally be about 0.9 million of new office space at the Whitefield location.

Work on conversion of retail space at Sahar has progressed well. We are in the process of leasing the space currently. In fact, lease and license agreements for 25% of space have already been executed and the tenants have started fit out works. One tenant actually expects to begin office on that location from late November.

On the growth pipeline the two commercial development projects with an area of 1.4 million square foot are progressing well and in line with the timelines shared on previous calls. The commercial tower in Bengaluru now has a revised area of 0.66 million as against 0.45 million earlier because we have been able to add two more floors to the structure basically the cinema theater that is coming, multiplex that is coming in that tower to support the mall with the mall going out of action has now been converted to two additional office floors.

The estimated cost of the Powai project; however, has gone up on account of steep increase in commodity prices especially steel. We continue to evaluate demand dynamics to assess the opening of the new hotel in Hyderabad, expansion of capacity in Pune and the rebranding of the Powai hotel. We are also evaluating demand metrics for Airoli to take a decision on the way forward for the 260 room Hyatt Regency in the Marriott space complex over there. The renovation work at Renaissance Mumbai is at its last leg. With this we are targeting the rebranding to Westin in Q4 of this year.

The last year and a half have been challenging and unpredictable. We have streamlined our business over the past few quarters, remobilized dormant assets and repurposed underperforming months. In addition. Chalet has significant value yet to be unlocked from its existing balance sheet and I look forward to discussing the same in the near future with you.

I now hand over to Milind, our CFO to take you through some of the financial details on the financial performance.

Milind Wadekar: Thank you Sanjay. Good morning ladies and gentlemen. Reported revenue for the quarter was Rs.1376 million which includes Rs.161 million received from a commercial tenant on account of early termination of contract. Rs.50 million SEIS income which was written off in FY2021 and a rebate received from an operator of Rs. 4.6 million for past disputed liability. Adjusting for the same the revenue was at Rs.1161 million or Rs.116 Crores against adjusted revenue of Rs. 696 million in Q1 of this year a growth of 67%.

Further, we accounted Rs.33.6 million for interest on cancellation of three flats at our residential project in Koramangala. Adjusting for this EBITDA was at Rs.253 million against adjusted EBITDA of Rs.24 million in Q1 of this year. PBT post charges on depreciation and interest for the company were negative of Rs.278 million as against negative of Rs.693 million in the sequential quarter of Q1.

After taking credit for deferred tax assets of Rs.140 million loss after tax was at Rs.138 million. The hospitality segment contributed to 79% of the total income of the company. On the cost front, we continue to maintain lower fixed and variable cost compared to our pre-COVID performance. Fixed costs were lower by approximately 37% and variable costs were lower by 44% as compared to pre-COVID Q2 FY2020. The variable costs are expected to rationalize as operations scale up whereas our strategic initiatives on cost will keep the variable cost contribution lower than traditional levels. Revenue and EBITDA from retail and commercial segment was at Rs.377 million and Rs,326 million for the quarters respectively.

Adjusting for compensation received from the tenant, the revenue was at Rs.206 million and EBITDA was at Rs.172 million. As mentioned by Sanjay we are repurposing Inorbit Mall at Bengaluru. The contributions from our malls were not significant during the quarter under review. With conversion of retail spaces into office spaces will be EBITDA and return accretive and stabilize earnings from rental assets.

Debt for the company in the first six months has gone up by Rs.171 Crores which included Rs.135 Crores capex spend. The net debt of the company as of September 2021 stands at Rs. 2042 Crores. Our cash PBT that is EBITDA less finance cost for Q2 FY2021 has been Rs.42 million, which has turned positive for the first time since the pandemic hit us. This was led by prudent cash flow and working capital management along with other strategic initiatives.

The average cost of rupee loan as of September 2021 stands at 7.57% an improvement of 47 BPS since March 2021. We have cash and cash equivalent of around Rs.57 Crores as of September 2021 and Rs.710 Crores available lines of credit for general corporate purpose and planned capex.

We have received a new subscription of Rs. 50 Crores from promoters on the 0% non-convertible redeemable preferences for funding the outflows relating to residential project at Koramangala. The total subscription now stands at Rs. 175 Crores.

As briefed by Sanjay, the project has seen a closure on litigation. With the new development plans the project will have 9 towers of 10 floors and 2 towers of 11 floors each totaling to 8.5 lakh square feet of residential area. There will be additional 1.5 lakh square feet of commercial space for strata sale. Out of these 2.8 lakh square feet of residential project is already sold and the balance sellable area is around 5.7 lakh square feet. The cost estimated to complete this project including commercial building will be in the range of Rs.425 Crores and the project is expected to be completed by FY2026.

With this we now open the floor to questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We have our first question from the line of Karan Khanna from Ambit Capital. Please go ahead.

Karan Khanna: Thanks for the opportunity. Firstly, on your residential portfolio at Koramangala including the commercial park we mentioned about 425 Crores of required capex to finish the project. Can you give us some sense on the expected cash flows that you would be estimating internally along with the split between sold and unsold part including the commercial strata sale?

Sanjay Sethi: Certainly, I will let Milind address that but Karan as an overview from here onwards we largely expect the outflow to be supported by sales. We still have as Milind mentioned some money left over to be drawn up from the preference shares from the promoters that should be more than adequate to take us to the next level but Milind will come in with the details.

Milind Wadekar: Karan we have around 5.68 lakh square feet residential area for sale and around 1.5 lakh square feet commercial area. Cost we already mentioned it is going to be in the range of Rs.425 Crores and on revenue side we do not want to give forward looking numbers but the expected selling price per square feet is expected to be much higher than our previous estimates.

Karan Khanna: Are there any ballpark number that you can share?

Sanjay Sethi: Karan it is like this, we expect the base price to be comfortably north of Rs. 13000 square foot add to that floor rise, parking etc., and this is a base starting price as the project progresses, the price will increase, we are very confident that we see numbers northwards of Rs.15000.

Karan Khanna: Secondly on your commercial portfolio, can you give us some sense on your negotiation with the tenants for the Inorbit Mall and as a follow-up you would now have a little more than one million square feet of commercial real estate in the Whitefield market over the next three quarters, what we understand is that the Whitefield market already has vacant office space now with significant supply hitting the market over next four to six quarters. In that context, can you help us with your thoughts on the same along with leasing timeline for all the three blocks separately that is the 1.1 million square feet of recently vacated area 0.3 million square feet of In-Orbit conversion and 0.66 million square feet of the new construction along with expected revenues if you can share?

Sanjay Sethi: Karan, we have got more than adequate queries and the list on our sales tracker is long. We obviously could not lease out the mall area until we had our tenants vacated and the Accenture Learning Center just recently got vacated so we could not mobilize those two but on the new office which is expected to be commissioned end of Q4 this year, there is significant interest. We have also got potential tenants now doing site visits for the current Inorbit Mall which is as we speak being dismantled to reconfigure it to an office space. The Accenture Learning Center is the way it is, we still have retained the 67 rooms that were there and we have added that to the hotel inventory in Whitefield Bengaluru. We do not have any concrete numbers to share with you before we actually close the deals, so that will be a little premature; however, keep in mind that whilst they may be vacant space within Whitefield, the quality of assets makes a lot of difference, the provision of the hotel connected to these office space and the metro station literally you get off the metro station and you are on the property is both a clear advantage for this particular complex and we expect to get to see a traction on it.

Karan Khanna: Sure, and lastly on your hospitality portfolio you have mentioned in your investor presentation that currently occupancy is around 59%, is it possible to get some sense on the city-wise occupancy and ARR trends in the month of October that would be my last question?

Sanjay Sethi: I can give you a flavor of it. So, the Marriott executive apartment I am starting off with Powai, is at 71% occupancy in October but this is we do not really share this publicly. Let me give to give you an overview that ones that are of concern one of only one of that is of concern that is the Whitefield Bengaluru Marriott which has lower occupancies than the rest of the portfolio and has dragged the average down but you must remember the 67 rooms just got vacated over there, which were giving 100% occupancy for the period so you might see a sharp drop there but that is going to be filled up very soon. In the recent weeks we have seen business travel come back there and the occupancies are climbing up so when we report occupancy of Whitefield Marriott we are reporting on the full inventory of 324 plus 67 rooms which is 391 rooms and therefore the occupancy may look a little muted. But occupancy goes up 6.5% on the original inventory of 324 rooms. So that is the only hotel that we are concerned with because Whitefield has taken slightly longer than the rest of the country to pick up on account of the nature of business in that area. But as international travel and the IT companies start traveling and even domestic companies start travelling we see that picking up. We are not really so concerned about that hotel and it is a brilliant hotel, it has always been the best performing hotel in that market not just in Whitefield and has performed amongst the best in the whole city and we do know that when things comeback they will come back with a bang for that time. I mean our outperformers are clearly the JW Marriott, Sahar, Pune Hotel, Four Points by Sheraton and Marriott Executive Apartments.

Karan Khanna: Thanks a lot, and all the best.

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 and congrats on decent results and strong execution. My first question is our exposure is largely corporate so we are currently at a little disadvantage to peers with strong leisure presence but do we think with the trend of mostly all corporates now are looking to call people back to office. Even the tech companies which were claiming work from home and zoom meetings is a new normal almost planning to call more than 90% of their staff back next year. So any early indication we are getting if there is no third wave do we think maybe in FY2023, we will see a very strong pickup in leisure especially on the pricing side?

Sanjay Sethi: Thank you Vikas for the question. I hope you are doing well. Yes, we do expect that things will come back and ramp up on business travel pretty soon and with that return of business travel and add to that the new revenue streams that we have developed over the last 18 months, we do expect FY2023 to look a lot stronger. Our previous estimate was that we should be back to close to normal numbers from October of next year. I think we will retain that outlook and FY2024 as a whole year is likely to be a good year and we should be back to pre-COVID numbers. I must also add here that we have been looking at some lead indicators of what is happening in the market. Two lead indicators that we are looking at: one is the growth air passenger travel and we see now a significant percentage of the flights in key sectors of Delhi, Mumbai, Hyderabad, Bengaluru and Chennai are now business travelers. Pune airport is closed for a bit but will open day after tomorrow. A clear indicator is that people have started traveling for work so that is one strong indication. The second indicator that we looked at is the hiring patterns of companies and the hiring patterns have been very, very strong. Just to give you an indication, one metric that we look at is what is a leasing trend for these increased hires within these companies and I was speaking to our leasing head within the group companies and he said for every five people that they are hiring, they are adding on four extra seats within the office spaces and this has not changed. This was the number that we had even pre-COVID so potential tenants, potential businesses who were our key accounts for our hotels all seem to be hiring well and they seem to be providing for four office spaces for every five hirers that they do, all good positive indicators. In addition to that the special corporate which is your contracted corporate travel accounts in our segmentation we see that 30% month on month increase between September and October, which again is a good strong trend and in addition to that we have got staycationss which are improving by 5% with higher ADR. What we have been able to do is with occupancies improving, for the rest of the retail segment which is our visible rates as we BAR rates or Best Available Rates have gone up. So, if today you were to scan for some of our hotels which have high occupancy, the visible rate in those markets are almost about 60% higher than they were about a month and a half back. And finally, the RFP cycle for the next year has started and we were at a meeting with Marriott and Accor yesterday and they confirmed that there is no discounting happening on the global corporate accounts as far as the room rates are concerned and the most of the accounts are likely to be closed at 2019 rates.

Vikas Ahuja: This is very helpful Sir and also for hotels do we have any plans of currently we have no plans of moving to leisure and all but in from medium to long-term perspective. Do you think that we can actually also move into leisure or do you think the parent being a commercial builder so some of the synergies are better only with city hotels?

Sanjay Sethi: No, I do not think the second part is true. Chalet will look at its own portfolio and reassess its strategies according to what the requirements of the day are. Leisure has been a growth area as a strategy for the last three to four years now for us. We have stated that in almost every call that we have had that we do want to get into the leisure space we have not found suitable assets that work for us. We do not want to take development risk for now. We would rather acquire an asset if it is available so that is one. Second, it is a very interesting phenomenon that has happened over the last 18 months. Whilst we say that we are not in the leisure destinations, we have created leisure products within the cities. A large part of the business is actually coming out of people who are taking staycations, basically the purpose of this staycation is leisure. So what we have done is we have created what are known as urban resorts within the cities within the existing hotel profile and created a new segment for them. Powai is a clear example of the location and taking the location advantage of the lakefront to grow their staycation. We had strong staycations even in Pune and Four Points by Sheraton in Vashi. JW has had strong staycations and I think as I mentioned in my opening statement the conversion of the Renaissance into Westin sometime maybe January of the next year will reposition it as a product also because Westin is all about wellness as a brand so we see a significant move on the guest profile over there. I hope that is addresses your question?

Vikas Ahuja: Yes Sir I have also follow-up for Milind. Milind last quarter you talked about our capex and the debt target so capex you said it would be around 850 Crores in next two-and-a-half years and that debt would be peaking at 2500 Crores so any changes with that because I know there has been some delays and also I have a follow-up one clarification of the preference loan by promoter so just correct me if I am wrong that the total debt that we report that does not include the promoters preference loan and once you start getting cash flows from the real estate project, how that money will go back to the promoter is it like going to be in the initial phase or that is the last thing?

Milind Wadekar: Let me take your questions one by one on capex Rs.850 Crores I mean we have spent around Rs.135 Crore in the last quarter so to that extent it will come down. Our peak debt estimate remains at same 25-50 may go up little on account of this increase in cost of project but that is not really significant. On the preference it will be redeemed out of surplus cash generated from this project so it is not initial outflow whenever we have surplus after meeting all project related expenses it will be ready. Hope I have answered all your questions?

Vikas Ahuja: Thanks a lot. Best of luck.

Moderator: Thank you very much. The next question is from the line of Prateek Poddar from Nippon India. Please go ahead.

Prateek Poddar: Sir when I look at other expenses as a line item is there anyone-off or this is a sustainable runrate. I would have thought that the incremental flow through of revenue into EBITDA that should have been better given our cost cuts so just wanted to understand that is there any one-off over here or these are the normal expenses?

Sanjay Sethi: These are normal expenses except I think one expense that will be one off is your payment to the exits that we had at Koramangala, and we also wrote back the SLM revenue that we had from Accenture which could be an overall impact but you have got to keep in mind that now the salaries are getting normalized and as business and occupancies improve, we are hiring. If you recall from my earlier conversations they had come down to 0.72 employees at the last quarter we are now up to 0.76 so there has been hiring to take care of the extra guests that we have in the hotel. So those are costs that are going to continue to go up. One of the commitments that we have is that we have capped our manning numbers at a portfolio level to 0.9 employees to a room when we have full business back. So I think we will still be far more efficient than we were pre-pandemic on those numbers besides that there is no really exceptional expenses over here or maybe unless Milind wants to add something.

Milind Wadekar: Our hospitality revenue has gone up from Rs.67 to Rs.128 Crores more than double and more or less on the same lines our other expenses have gone up.

Prateek Poddar: Sir the way I was looking at it was sequentially if I see your revenue growth in the hospitality segment and when I see the EBITDA delta the flow through is around 55%, I would have thought this would have been slightly higher within the amount, the way it costs have been contained so that was just a limited point which I was trying to understand?

Sanjay Sethi: One thing I did not touch upon earlier that the exit of Accenture which was revenue that was coming to us without any cost and the flow through was almost 100% there. This has not coming form I think after first week of August rather and therefore it could be some difference a marginal gap on account of it; however, if you really look at our EBITDA line, EBITDA line has climbed up fairly sharply in the hospitality performance from a negative EBITDA of 99 million to a positive EBITDA of 138 million so the gap is 237 million against a revenue increase of 400 odd million.

Prateek Poddar: Got it. Second question was I think just elaborating or building upon current question by when do you expect the two properties of the Inorbit Mall as well as the new commercial property which is coming up, in your best estimate is one year something which you would look for to fill up these properties or this could take some while. I am just trying to understand the time period required to fill these properties not asking for any number sure just broad sense as to why when can we fill up these properties?

Sanjay Sethi: Look Milind will give you a little more flavor on this but let me give you an overview the Accenture exit has been actually advantageous to us because their lease was signed up about five years back at lower rentals and they had a lock-in period so they actually paid us right up to 2024 for the rooms so we have got literally three years of revenue in advance. Similarly, there notice period on the office assets and a couple of other operating services that we are providing they have honored that and given us the funds upfront. We expect to end up somewhere between one-and-a-half to two years accretive in the sense that we have got the range till 2024 we will probably lease it out one-and-a-half to two years before that ends so we will actually get double dipping on that asset as far as rent is concerned for at least one-and-a-half years.

Milind Wadekar: Prateek to answer your questions the completion timelines for these buildings are different. I mean our commercial block will get ready maybe by end of next quarter or and it will be offered to tenants for fit outs whereas this conversion of mall may take nine months for construction period post approval so maybe one year from today. So, by the time our mall is ready major portion of our new office building will be leased out and there are serious enquiries leads for existing Accenture Learning Center but to answer your question I mean the entire leasing may not happen in one financial year it may spread over maybe two financial years.

Sanjay Sethi: I see an 18 month for 100% leasing period from now. In fact, I just like to update you that we have received the MOEF approval for conversion of the mall so that is one big time consuming approval has already come in. So that time lag that we are speaking about could shorten further and as we speak the dismantling of the mall is already happening with the

MOEF approval so where what Milind is trying to say is in the next 18 months we are likely to have complete leasing of 0.9 million square feet.

Prateek Poddar: Just last question when I see and it is over a time, when I see today ADRs the visible ADRs we see about pre-COVID in MMR is that a fair understanding?

Sanjay Sethi: Not the ADRs but the best available rates may look very high but they fluctuate depending on occupancy, day of the week and demand in that particular location or city that keeps going up and down because that is changed on a daily basis by the revenue manages over there. Sahar is now at about Rs.10000 on the best available rates or the public rates that is also driven by the fact that Sahar has a very large block of 400 rooms occupied for a period of three months by Disney Hotstar which is first cover the IPL and then subsequently the World Cup they will continue to occupy that until mid-November so that has left us only 188 rooms and what we have done is we have optimized those 188 rooms to make sure that we get higher rates for them. November and in fact September and October we have seen occupancies at 90% so that hotel is clearly outperforming the market and the market share of the hotel is very strong. So, the rates will fluctuate depending on demand. Bengaluru will be the lowest if you go to the website for OTAs, followed by maybe Hyderabad. Renaissance continues to be strong Four Points is actually now giving rates which are back to almost close to 2019 rates because the occupancies are in the mid to high 70s there, last few days it clocked close to 85%-90% occupancies in that hotel and a large part of that business that is coming in there is not business travel.

Prateek Poddar: Got it and just to from a industry perspective, do you expect this momentum to further accelerate in Q4 of this year. Because business will further open up there will be more travels as you indicated. This will build on right so from here on also we should think about industry Q4 being much better than Q3 especially on the corporate side right?

Sanjay Sethi: Prateek we see month on month improvement in corporate travel. I mentioned earlier we have seen 28% to 30% increase month on month between September and October and corporate travel itself and that is a rapid pace of improvement and October still has its own challenges of Dussehrra and all that in between in spite of that we said we may see a slight drop in the Diwali week which is the next week but after that the ramp up again is going to be extremely sharp. In fact our view is that the early pickup that happened about three to four months back on domestic corporate travel was going up very sharply but we see the next big step up happening post Diwali and the second big step up happening post the first week of January when the post Christmas Diwali and New Year's traffic comes back I must highlight over here that the wedding season looks very bullish for our hotels of Powai and J W Sahar. We are seeing a very solid improvement on bookings and confirmations for weddings in our hotel. There still is restriction in Mumbai but we are working with those restrictions and we will be able to deliver good numbers on the wedding. For example the restrictions in Mumbai have now been changed from one of the 50 people to now 50% of the whole capacity and because they are large all connected with large lawns and multiple walls together our ability to take large weddings is very high. The **Novotel** for example did a massive promotion on Vivah which is a wedding promotion for the Accor Group and they have traditionally got 70 lakhs of wedding revenues, Shaadi by Marriott again which was the initiative that was started I think about two or three years back has kicked up very well. They have a dedicated website for that and that is generating huge amount of leads. They did share numbers with us but I do not want to share them right now but the numbers of leads that they are getting up are phenomenal, both Accor and Marriott. We extremely excited about the wedding business and now with that starting in the next week or so we see this going right up to early April we should see a strong production out of that segment.

Prateek Poddar: If I may ask that is Renaissance also back to 2019 levels in terms of ADRs we talked about Four Point?

Sanjay Sethi: Renaissance has a very large inventory of 773 rooms between the hotel and the executive apartment so right now we are focusing on the occupancy part of it not worrying too much about the rates right now but as a market overall we have seen rates go up within the micro market around the airport and that will lift Renaissance greatly and the next step of Renaissance is actually going to be the rebranding in January when it moves to Westin.

Prateek Poddar: Last question Sir just from an industry perspective are you seeing a material difference between let us say one star or a two-star hotel versus five-star hotels in terms of pricing and occupancy as in people are not preferring to go to one and two stars but because of whatever the scare, people are more willing to pay a slightly higher premium and go towards five star hence you are occupying a better occupancy or let us say the five star hotels are getting a better ADRs versus what two and three star would be getting or that is not the case it is the same across the board?

Sanjay Sethi: I have really not seen the one and two star numbers Prateek. My general view is that there is a market for every price point and there is a demand for every price point so once that profiles of the guests may change category to category but even if they go down the value there will be a demand for Rs.1000 rooms also always so that is always there yet as far as corporate travel is concerned given the risk associated on the health front, the corporates are more comfortable going with the top end of the hotels because they do not want to put their employees at risk because that then puts them at risk from their employees but if anything goes wrong so the trust on in brands is where they are placing the majority of the guests and the global standards that are followed at hotels of our category are clearly the preferred hotels for a lot of the corporate houses and their administrative teams to look at.

Milind Wadekar: Prateek, to answer your question on other expenses, interest expenses royalty and management fees which we pay to our operators has gone up like the increase in business. Commission which we paid to OTAs and other commission has gone up so these are two major heads, repairs and maintenance cost has gone up a little. These are two three heads for increasing and these are purely operational expenses.

Prateek Poddar: Can I just squeeze one last question on Koramangala given the way real estate sector is behaving and premiumness of that location from a presale perspective and given that it is a Vivarea brand do you expect that the presales would be very strong and may be the project gets sold out in a very short span of time I do not want any numbers or even directionally FY2026 is a date of completion but would the presales be so strong that you would have sold the project much, much before that?

Sanjay Sethi: Two elements have come into play on Koramangala one is that the building 9 out of 11 buildings are substantially built and the demand for residential is the highest that we have seen in many years across the country. Koramangala Bengaluru is amongst those districts that have seen high demand on the residential side so yes we see pace of bookings once we open up to be high. The second element is the first few buildings are substantially completed, the payment which is typically linked to construction will be in literally at the 80%-85% of the total value coming in upfront. It is only the two new towers where we link to construction activity where it may come in with its own structure but we do expect once we open sales that the bookings will need higher upfront payments.

Milind Wadekar: Prateek further to add to what Sanjay said I mean originally we had sold around 202 apartments. We have seen cancellation of 119 in last so many years with the resolution to this litigation I mean few of our customers who have cancelled at the flats and exited so they may come back.

Prateek Poddar: I will come back.

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

Amandeep Singh: Thanks for the opportunity. Sir firstly on the capex part can you give us breakup of pending capex between the hospitality and the commercial segment along with timelines especially for the Powai and Airoli hotel if possible?

Sanjay Sethi: I will give you the timelines, but Milind come into the numbers on the capex. On Airoli as we said we are evaluating the demand dynamics from the time we decide to start we see roughly a 30 month time to open the hotel. There was one issue that was stuck in Mumbai and was holding back a lot of the large projects was the Flamingo issue in the area that was a protected area around it of 10 kilometers that has been reduced to 4 kilometers so all our projects are now clear from that restriction and we had already taken approvals for the hotel as it was about two years back. We need to revalidate some of those approvals. So I do not think approval is going to be a challenge. The only thing in play over there is where are we on the demand. So we need to right time the asset and we will right time it with the demand pickup. My general input right now is my gut feel that I think we are good to go in the near future.

Milind Wadekar: Total capex plan for next one and half year is around Rs.770 Crores out of that Rs.200 Crores is for hotels and balance is for commercial office buildings. Again out of this 200 for hotel, 150 will spend in next financial year that is for completion of Hyderabad hotel, addition of 88 rooms in Pune and part of Renaissance rebranding to Westin.

Amandeep Singh: Thank you and what would be the expected capex for the including the Airoli and the Powai project, upcoming hotel?

Milind Wadekar: So, Powai upcoming hotel is now a question mark. We have to take a call on this. We have not taken a call. Now there are two options here. Powai given that we have 773 rooms today do we want to add another 150 rooms in the environment that we have just seen. It is something we need to we need to reevaluate and if we were to reevaluate and decide not to go ahead with that project that opens up a massive land parcel to us for alternate asset classes to be put there so that is something that we are going to study, evaluate and we will come back to you at the right time.

Amandeep Singh: Sir secondly as a follow-up to the previous participant so you mentioned that nine towers are already constructed but you are given a timeline of say more four years to construct the remaining two towers so is this a conservative guidance or do not think it will take four years to construct the remaining two towers along with the commercial part of it?

Milind Wadekar: Amandeep, four years for completing entire sales I mean the construction time is around two years, once we get all the approvals. We are a bit conservative on sales velocity so from that perspective we are taking it at up to FY2026.

Sanjay Sethi: We do not want to come back to you, sorry face at any spoint of time. We are giving you numbers that are conservative so we can outperform these numbers both on rate per square foot and on timelines by nature the company and the group does not give our aggressive numbers so this is what we are doing. As Milind said two years into the two-and-a-half years of the construction time, but closing all sales 100% of these say the apartment sold so that is when you record for revenue is a four year period this includes from now to May which is the time required to dismantle the work that was done above 10 floors and to get the final approvals so the sales will only start from June next year and you must sort of take note of that please.

Amandeep Singh: This is really helpful and follow-up question in respect to that only that on the accounting aspect that should be in line with Ind-AS 115 that means it would hit the P&L only after the project completion?

Sanjay Seth: That is right Amandeep and we will follow Ind-AS 115 and will account it on completion of projects. So, if you would ask the same question to our project team their answer would have been two-and-a-half years because you asked it to our CFO, he gives the answers 2026 because he was looking at probably the way he accounts.

Amandeep Singh: That is all from my side. Thank you and all the best.

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 Sir. I have two questions one is on this cash flow you talked about the cash flow PBT of about 4.8 crores, is it including the one-offs like a 16 Crores you have got and I think 5 for SIES and another 4 million rom Marriott or it is stripping out these one-offs, can you talk on that and my second question is more on strategy you are getting out of retail so is that a strategic move to focus completely on hotel and office sector going ahead and no more retail and moving ahead will there be any other vertical or you will just stick to office and hotel sector?

Sanjay Sethi: The strategy is clearly, some hotel companies would spread their risk by getting into business hotels long-stay products, leisure destinations or holiday homes and that sort of stuff, we have done asset classes as our strategy for hedging the risk and I think that has worked out well during the pandemic for us. You are right with this exit on InOrbit in Bengaluru and the Orb in Mumbai we will exit retail almost completely. The hotel assets and all the offices will have small format retail of course that is normal offering of those products. So, we will largely end up with hospitality and office assets classes that will be operating in. There is one residential project but that is one that we will conclude and since it is an exit through sale that will not remain with us for too long however hospitality will continue to contribute the largest part of the revenue.

Milind Wadekar: Amit to answer your question on cash PBT of 48 million, it is including one-off income but it is one-off income is supported with our cash which we have received.

Amit Agarwal: Operationally these are one-off time so operationally this time you probably would have been negative if they were removed am I correct on that?

Milind Wadekar: No but operationally our EBITDA is I mean netting of this adjustment has gone up to from 2.4 crores to 25 crores for the quarter and sequentially.

Sanjay Sethi: You are right it was a certain extent that we would still have been negative on cash to service our interest commitments that were there but we look forward and we believe that the next two quarters the operating numbers will be adequate to cover these costs.

Amit Agarwal: Your capex plans I mean given the fact one thing which I notice was that your interest expense is about 40% of your topline correct me if I am wrong going ahead while things are definitely improving very, very strongly but that risk with the third wave and fourth wave remains so are you going to still stick to your capex plans of 750 Crores I think that is what you said or 770 Crores out of which you spend something in the next two years or if there is a possibility could be spread out a little more depending on how the things pan out?

Milind Wadekar: Amit our major capex is for commercial building. Our cost of capital today is 7.5 and incremental returns and returns on incremental capex will be in high teens or maybe in the range of 20% so we will continue incurring this capex complete these buildings it will start earning revenue and EBITDA for us.

Amit Agarwal: Thanks a lot. That is all from my side.

Moderator: Thank you very much. That was the last question for today. I would now like to have a conference over to Mr. Sanjay Sethi for closing comments. Over to you Sir!

Sanjay Sethi: Thank you so much. Thank you everyone for joining us for the call. Please stay well and we are hoping along with you that there is no third wave and even if it is there, we are pretty confident that we will be as a country able to handle it a lot better than the second one. We believe business is back and we are very confident for the years ahead. Thank you.

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

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