CHALET
HOTELS

February 4, 2025

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 nine months ended December 31, 2024

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), please find enclosed herewith the transcript of the Earnings Call held by the Company on January 30, 2025, in respect of the Unaudited Financial Results for the quarter and nine months ended December 31, 2024.

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

Request you to take the same on record.

Thanking You.

Yours faithfully,
For Chalet Hotels Limited

CHRISTABELLE BERNADETTE BAPTISTA

Digitally signed by CHRISTABELLE BERNADETTE BAPTISTA
Date: 2025.02.04 21:30:31 +05'30'

Christabelle Baptista
Company Secretary and Compliance Officer

Enclosed: As above

"Chalet Hotels Limited

Q3 FY '25 Earnings Conference Call"

January 30, 2025

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

Moderator: Ladies and gentlemen, good day and welcome to Chalet Hotels Limited Q3 FY '25 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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

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

Sanjay Sethi: Thank you. Good morning and thank you for joining us today for Chalet Hotel Limited's Q3 FY '25 Earnings Call. I trust you've had a chance to review our results and the presentation. The Indian hospitality sector continues to show resilience supported by steady economic growth, stable rate of inflation and increasing demand for travel and tourism despite the state of global geopolitics. These trends create a favorable environment for the sector, and we at Chalet are well positioned to capitalize on these opportunities.

In the coming year, we will see 2 new major airports open at Mumbai and Delhi, which will positively impact these gateway cities. The new airports are going to unlock a massive opportunity for passenger-carrying capacity in these 2 megapolises. Especially in Mumbai, carrying capacity has been a major bottleneck which has restricted travel growth for the last few years. I'll be happy to elaborate further in the Q&A segment as we continue this conversation.

Meanwhile, at Chalet, the journey of growth continues unhindered. Q3 did not just turn out to be the best Q3 but also the best-ever quarter in Chalet's history. Our consolidated revenue grew 22% year-on-year to INR4.6 billion. Consolidated EBITDA rose 23% year-on-year to INR2.1 billion. We have reported a strong EBITDA margin of 45.5%. The 9-month EBITDA for the company is INR5.2 billion, and we expect Q4 performance to materially augment this number.

In the Hospitality segment, we recorded a robust 18% growth in the average room rates compared to the same quarter last year, with steady occupancy of 70%, resulting in a 16% increase in RevPAR. Even on a like-to-like basis, portfolio RevPAR grew by 17%, driven by powerful performances in Pune, Bengaluru and the Mumbai metropolitan region.

Our annuity portfolio, which is counter to the cyclicality of the hospitality industry, is ramping up rapidly, with revenue surging 92% year-on-year to INR577 million. Additionally, we achieved significant leasing momentum with lease confirmations of an additional 400,000 square feet in the quarter.

In the residential real estate segment, we kept strong momentum in sales velocity and rates, achieving sales of 18 apartments in the quarter at an average rate of almost INR22,000 per square foot. Nitin will share more insights on the segment during the call.

Now some updates on the ongoing pipeline of projects. The phased opening of The Dukes Retreat continues, 73 rooms -- I repeat. 73 rooms, a restaurant, a bar and a pool are already operational. Meanwhile, we've had -- and while we've had some delays on the completion time line, the product is turning out extremely well.

Renovations at Four Points By Sheraton Navi Mumbai are progressing well, with roughly 20% of the rooms and public areas currently in the works, with completion targeted for the whole inventory by July 2025. The Taj at Terminal 3 Delhi International Airport is expected to open in Q2 of FY '27.

New inventory at Bangalore -- Marriott Bengaluru is being released, as we speak, into operations and will be all in play in the current quarter itself. The new hotel projects at Airoli, Mumbai, Varca, Goa; and the commercial development Cignus 2 in Powai are advancing as per plan. Besides these, we are creating new and high-energy F&B experiences at the JW Marriott Sahar, The Westin Powai and The Dukes Retreat. We are also working on our plans to upwardly reposition the spectacular Courtyard by Marriott Aravali to the Marriott brand.

As we move to a new stepped-up phase of growth at Chalet Hotels, it is critical to augment our talent capital. In line with that, I'm pleased to welcome Gaurav Singh, who has recently joined us as our Chief Operating Officer. Gaurav brings with him a rich background in the hospitality sector, and we are confident that his leadership will strengthen our operational excellence.

With Shwetank, Nitin, Rachit and now Gaurav, we are creating a young and dynamic leadership in the company with a long-term perspective. Equally exciting news is that we have earned Great Place to Work certification for the sixth consecutive year, underscoring our commitment to a culture of all-around excellence.

Ladies and gentlemen, on the back of the infra support, robust corporate travel, a growing MICE segment and the vibrant leisure and wedding markets, we stay optimistic about the next few years. And I'm personally extremely excited about our future.

Now please allow me to hand over the conversation to Nitin for further updates on the business. Nitin

Nitin Khanna: Thank you, Sanjay. Good morning, ladies and gentlemen. Welcome to another quarter of historically best performances.

On the financial updates. In the Hospitality segment, ADRs have risen by 18% to almost INR13,000 levels for the first time. This is led by strong rate growth in Bengaluru and addition of Courtyard by Marriott Aravali Resort. Occupancy remained stable at 70% for the same period, resulting in a 16% RevPAR growth to over INR9,000. On a same-store basis, excluding the newly acquired hotel at Aravali and The Dukes Retreat, occupancy was at 71% and RevPAR continued to grow by 17%. Our room revenue grew by 21% for the same period. And total revenue growth was at 17%, which came to INR4 billion, for the Hospitality division.

We have been diversifying into different market segments and micro market with varied cost structures. While we navigate it, I am pleased to report that we have maintained focus on cost control strategies and maintained our industry leadership in margins. EBITDA margins for the quarter for Hospitality division was at 46.1%, with well-managed utilities and payroll costs.

On the rental and annuity front, our revenue for the quarter was at INR577 million. And we have clocked exit of INR20 crores monthly run rate in December '24. The EBITDA for the division was at INR455 million, with 79% margins. As Sanjay highlighted, we have made strides in the leasing pace. And I'm confident we will be reaching full potential of the commercial inventory within a couple of quarters.

Coming to the updates on the residential projects. We have sold additional 18 units during the quarter. We have reached the last leg of sales for the 9 towers which are ready for handovers. Majority of new sales are for the last 2 towers which are currently under construction. Our blended selling rate is approximate INR21,700 per square feet. Out of total 321 units, we have 50 unsold inventory, which are largely in the new towers; and we expect it to take about few quarters to sell. Overall collections during the 9 months was INR2.9 billion. And we have an outstanding receivable of INR4 billion as on December 31.

Consolidated revenue for the quarter was INR4.6 billion, with a growth of 22% year-on-year. Consolidated EBITDA was at INR2.1 billion, with a growth of 23% year-on-year and a margin of 45.5%.

Consolidated PBT for the quarter was at INR1.2 billion versus INR0.9 billion in the same quarter last year. The PAT for the quarter was at INR965 million, as against INR706 million in the same quarter last year, a growth of 37%.

During the year to date, the company spent about INR4.8 billion on capex and land acquisitions. The net debt as on December 31 was at INR15.8 billion. We closed the quarter with an average cost of finance standing at 8.53%, a reduction of 34 bps from March '24. The company has been actively investing in its growth and has a capital expenditure under the current plan of around INR20 billion for the next 3 years. This will be largely funded through internal accruals. We will continue on our growth trajectory. And our balance sheet is in a very comfortable position to support further strategic growth opportunities.

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

Moderator: Thank you. The first question comes from the line of Karan Khanna with Ambit Capital.

Karan Khanna: Congrats, Sanjay and Nitin and team, for another strong quarter. So my first question, Sanjay: when we talk about the MMR market, where for 9 months FY '25 you've seen a RevPAR growth of about 6%, while when we look at your peers, they've reported about 12% to 14% RevPAR growth over the same period. Could you highlight key reasons for this, given you've been highlighting the scarcity of upcoming supply in the market? And as a follow-up, what kind of an impact are you expecting from the upcoming Fairmont hotel which is expected to open up in the next couple of months?

Sanjay Sethi: Karan, thank you. Look. Our MMR RevPAR has grown about between 6% and 7%, largely on the back of an ADR strategy. We did let go of some business, which were low-paying business during the period, for long-term reasons. A 13% growth in the average room rate for the Mumbai metropolitan region is an extremely healthy rate.

Our occupancies continue to be in the mid-70s, even in MMR, which is a healthy occupancy to have. In other cities, our occupancies are at 66%, which has improved by 2%, but then the combined RevPAR growth for us is 16%. Even on an occupancy basis, if you were to look at our overall portfolio, we're largely flattish. Add to that the aggressive growth on the rates, throwing up a RevPAR of 16%. I think we've done a good and satisfactory job.

To your question about new supply. You're right. And I've maintained that there's some serious competition coming in place with the new hotel at the airport in Mumbai. They have a total inventory of 450 rooms, out of which around 200 are in the state that will be opened in the near future. We are very confident that the partnership with Marriott with a very strong distribution, sales and loyalty program will continue to get us the premium in that market. We are confident that we will continue to be #1 on the RevPAR basis there. And we are also confident that, in the coming year, we will continue to have growth at JW Marriott Sahar.

Karan Khanna: Sure. And your investor presentation continues to suggest that the share of foreign guests continues to stand at 39%, which is good but that has remained flat Y-o-Y, so are you seeing any signs of recovery in FTAs given this would possibly aid in higher ARR growth?

Sanjay Sethi: So yes, I do expect growth in the foreign travel. And I actually alluded to one major change that's going to happen in the coming year which is going to support that, which is the airport expansion that we'll see in Bombay. And I would like to elaborate on this for everyone's benefit. I think it will be useful for everyone to understand.

Here is, my perspective on the new airport. As and when that opens at Navi Mumbai, the -- 2, 3 things will happen. Number one, the cargo will be split between the 2 airports. I don't have a ratio of how it's going to be split, but even if it splits 50-50, you're still creating major capacity opportunity at the island city airport, which is the main airport. Second, the passenger traffic will also split between the 2 airports.

And people who need to then travel to the mainland side will prefer the Navi Mumbai airport, but people whose purpose of visit is the island city will come to the island city. And therefore, again because the people are going to go to the other airport for the Navi Mumbai side, there will be spare capacity created in the main island city airport.

It does 2, 3 things. Number one, it makes it easier for travelers to come in and out because flight seats capacity will be augmented. Second, the airlines -- a lot of the international airlines have had trouble finding slots, so the international carriers have not had slots in Bombay since COVID actually.

Now with this split, it will create an opportunity where they can let out more slots to both domestic and international airline carriers, which will create an opportunity for direct flights from the U.S., both East and West Coast, which I think will support further growth on the foreign travellers.

Having said that, whilst your percentages remained flat, absolute numbers are up, so we must be conscious of that, of -- not by a big margin, but they're up 5% over last year. So your number of foreigner room nights in Q3 this year was 72,684 versus 69,326 room nights, foreign room nights, last year.

So that's, I think, a key takeaway. The other is, look, domestic traffic is growing and it continues to grow very strongly. And we are very confident that will support growth for all our hotels. I hope I've answered everything that you've asked for.

Karan Khanna: Sure. This is helpful, Sanjay. My second question: You've included the Kerala project in your pipeline of assets, so can you talk a bit more about the opportunity, the kind of capex, time lines and the RevPAR expectation that you have for this 150-key hotel? And will the demand be primarily leisure led, or do you also expect some corporate demand in this market?

Sanjay Sethi: So Karan, this hotel has been on our books for a while, but it was stuck at the government level. The government has now announced they're fast-tracking the approval process at their end. Because they will transfer the land from one government department to the second government department before we can start our processes at our end. Now that's taking shape.

Timelines are fluid. I don't want to commit on time lines because of the nature of the transaction. However, this 150-room hotel is a -- the first phase is 150 rooms. Potentially we can go up to 300, 400 rooms, but I don't think the market can support that for now. The Phase 1 will have 150 rooms and a convention center. To a large extent, we will create the demand in house with the convention center for the 150 -- to support the 150 rooms.

Obviously 150 rooms will not be enough for the convention center that we're developing. It's a large one, so other hotels will also get the benefit of this. And at -- in a staged manner, we have the opportunity because there are lakes within the property. We will have the opportunity of putting waterfront villas on the property itself, but we'll play that part by ear, depending on how the demand paces up.

Karan Khanna: Sure. And my last question is on your leasing portfolio. And while Nitin mentioned that you're confident of leasing out the entire 2.4 million square feet in the next couple of quarters -- but apart from the 1.6 million square feet which is already leased out, have you signed any other LOIs which could help you reach your target by end of this...

Sanjay Sethi: Look. At this point of time, that's all we have to share. It's a 400,000-square-foot improvement on the 1.2 million that was there. And 1.2 million included 0.5 million of JW Sahar, so actually, from the leasing space that was available, it's grown from 700,000 to -- by another 400,000, which is a material jump in the leased space. And we expect this momentum to take us through in the next 2 or 3 quarters.

Moderator: Next question comes from the line of Jinesh Joshi with PL Capital.

Jinesh Joshi: Sir, I have a bookkeeping question. After the debt repayment that happened sometime back, I think our finance cost has settled in the band of about 30 crores-odd in the first 2 quarters, but if I look at the 3Q run rate, the cost has shot up to about 45 crores. If you can just explain the reason behind this, given debt repayment happened. And also, how should we foresee the run rate going ahead?

Nitin Khanna: Jinesh, to answer your question on the interest costs. If you remember, in the last quarter, we had said that the Powai commercial building is capitalized. And this happened towards the end of the last quarter. This interest is post OC which we started charging to P&L from this quarter. That's the major increase.

Sanjay Sethi: Our net debt continues to be at 1,580 crores. As Nitin mentioned earlier, we'll be able to support the current announced pipeline of growth largely through internal accruals.

Jinesh Joshi: Got that. And secondly, I mean, if I look at the Bangalore market, our ARR growth was about 30%-odd in this quarter. So if you can highlight, what led to such a sharp surge? And also secondly, I think, on the Trivandrum hotel, while we have not committed on the time line, can you just confirm whether that INR20 billion capex number that you have guided for the next 3 years does anything with respect to Trivandrum is included in that number?

Sanjay Sethi: Jinesh, Trivandrum is a little fluid, as I mentioned earlier, so we'll not put that number as yet. We will see how that paces up. The important thing was to put it in the list, both from all of your perspective that it is in the tracker. it's a potential growth opportunity. We will obviously take it forward depending on how it sort of positively impacts our own performance, but the number is not in there as yet, so if you want to build up from a cost perspective as a pipeline, you'll have to add that.

Sanjay Sethi: Indicative, it's about, let's say, 1 crore a key.

Jinesh Joshi: Sure. And the Bangalore market, if you can highlight...

Sanjay Sethi: Sorry. I missed that part. So Bangalore, I don't think we've given any separate numbers on city-wise ADRs. We've given Mumbai and then we've given other cities. Other cities, ADR has jumped by 26%.

Jinesh Joshi: Slide 7.

Sanjay Sethi: Yes, yes, yes, got it. So okay. So yes. So Bangalore has improved by -- ADR by 31%. You're right. And our occupancy has also improved by 4%, which is a 40-odd-percent growth in the RevPAR in that particular hotel. Look. Bangalore had struggled to keep pace with Hyderabad, but now in the recent quarters we've seen it's catching up pace with Hyderabad.

And therefore, it is just a natural growth that's happening there. And we expect this to continue. We are also going to add another 129 rooms in this property over the next few weeks, which will increase capacity. And therefore, we'll pay -- play the RevPAR route till those 129 rooms stabilize.

Jinesh Joshi: Understood. Sir, one last question from my side, if you can just refresh: What are the existing leasing rates in the Bangalore and the Mumbai market on a per-square-feet basis given the fact that the progress on leasing has been quite good at least in the last quarter?

Sanjay Sethi: Yes, sure. So the Powai one is trading around in the 120s, and Bangalore in the mid-60s, on a per-square-foot basis. This is, of course, without CAM. And when fully occupied, we expect CAM to take care of all the costs, so we expect 100% -- near 100% flow-through to the EBITDA margins. The Sahar one, which has been almost fully occupied for a while now, is now trading between 145 and 150.

Moderator: Next question comes from the line of Archana Gude with IDBI Capital.

Archana Gude: Congrats on another strong quarter. Sir, I have 3 questions. Particularly, sir, you spoke about being very confident about strong earnings growth in near term, which is very encouraging. However, there are talks of discretion spending under pressure and -- which is evident from the subdued volume offtake for the consumption companies. Have you also seen some downsizing of the budget or cancellations, particularly in Q4 and it doesn't really worry us?

Sanjay Sethi: I'm sorry. It was a little, let's say, unclear, but I'm guessing you're asking how does the slowdown on the consumption side reflect on our hotel side of the story, right?

Archana Gude: Sir, I was asking about the consumption being slightly subdued for a few, last couple of quarters. So have you seen some downsizing of the budget or cancelations in Q4?

Sanjay Sethi: Well, look. Q3 numbers are in front of you. It's healthy growth, as Nitin mentioned, 17% RevPAR growth even on a like-to-like basis on asset-to-asset basis which were there earlier. Overall, we've been able to show 16% growth including the new assets which are ramping up. Now that's your Q3 performance. Q4 is typically better than Q3, and I can share with you that we expect that trend to continue.

Archana Gude: Sure, sir. Sir, secondly, on this Aravali resort. It has been over 3 quarters that you acquired. How has been the performance, so far? Any positive or negative surprises there in terms of demand and pricing?

Sanjay Sethi: No. Actually it's doing very well. It has also had 15% RevPAR growth in this quarter, so it is trading well. Occupancies are up. The rates are up. It's now trading north of INR15,000 for the quarter 3, looking strong. And also, as I said in my opening statement, we are going to upgrade and reposition this asset over the next 6 months or so into a higher brand positioning. It will move up from Courtyard by Marriott to Marriott, which will support further.

Archana Gude: Okay, sure, sir. And sir, lastly, you spoke about this Bangalore market catching up with Hyderabad, but this 31% ADR growth on Y-o-Y looks very, very on a higher side, so should we take it as the base rate going forward? Or was there really one-off in this quarter?

Sanjay Sethi: No, no, it's not one-off, for sure. Incidentally, Hyderabad Westin has also grown at 28%. So the strong story of these 2 what I refer to as new-age cities for India continues to be very robust. It was not a one-off story. It continues to be strong on all parameters, demand and -- of the -- of demand. And we also see supply to be muted in that city, and therefore, there's no reason to believe that this will slow down.

Moderator: Next question comes from the line of Adhidev Chattopadhyay with ICICI Securities.

Adhidev Chattopadhyay: Sir, first question is on the Hyderabad market. Anecdotally, what we are picking up is the room rates continue still to be pretty strong. And the overall market seems to have rerated, so could you please just confirm these trends? Or do you see it more a one-off, maybe some events or anything driving that in that market? That is the first question.

Sanjay Sethi: Adhidev, it's not a one-off event. It is normal growth of the business. Q3 is a better quarter than Q1 and Q2. That's what we've seen play out. And we see Q4 being equally strong. This growth in Hyderabad and Bangalore is structural in nature. It is not driven by singular events that are happening in those cities.

Adhidev Chattopadhyay: Okay, okay. I just come to the point that we have locked in for one of our hotels, right, the rates, right, so I just wanted to get your view on that. Do you see some scope for the rates being renegotiated or something or -- of that sort? That is where I was coming from actually.

Sanjay Sethi: You mean renegotiated upwards...

Adhidev Chattopadhyay: Yes, yes, yes.

Sanjay Sethi: So we've got 1 more year to go. I mean one more rate cycle to go, which again is a 15-odd-percent growth built into the contract. And for now we will honor that contract, but 15% growth in the contract is a solid growth. Remember that hotel gets 100% occupancy at these rates. And if you're growing at 15%, 16% year-on-year -- that's your RevPAR growth, which is solid by any measure.

Meanwhile, the other Hyderabad hotel, which is a larger one of 427, we'll continue to reap the benefits of the rate growth that's happening there. Also, because the one that is locked in with a single client, there's no -- the cost side is very, very tight. We're able to throw up gross operating profits -- which is a hospitality terminology used. We're able to throw up those GOPs in the mid-60s -- low to mid-60s. That itself is a massive upside for us. The margins are high in that hotel.

Adhidev Chattopadhyay: Okay, okay, sure, sir. So the second question is on our -- now this leasing which you've alluded to, right, to get it fully leased. So the rent-free period, assuming that may be 3 to 6 months -- and also by -- another 12 months from now, what would be the exit run rate, assuming that we are at a very high rate of occupancy on our commercial portfolio?

Sanjay Sethi: So we're expecting roughly 30 crores as your exit run rate once all of this is leased out, which in effect is about -- I think, closer to 400 crores almost, right, on an annualized basis. And expect about 90% of that to flow through to EBITDA.

Adhidev Chattopadhyay: Okay, so this -- so we could assume, in FY '27, right, this full effect will show, right, other than leasing we'll be doing in...

Sanjay Sethi: Full effect is coming in, in some quarters of '26 also.

Moderator: Next question comes from the line of Abhay Khaitan with Axis Capital.

Abhay Khaitan: So my first question is on -- particularly on the JW Marriott Sahar. So given the sharp increase in ARR you've already taken, I think the focus is clearly on ARR and not occupancy, but how do you think the occupancy is going to fare in the coming months, particularly because of the intense competition in that particular micro market? And in that sense, will we see some sort of cutting of rates or some sort of flattening of rates to become -- to remain competitive in the market?

Sanjay Sethi: Look. We'll have to remain competitive, but as I mentioned earlier in another, on another question, the distribution system of Marriott and the loyalty program is a major draw over all competitors. And that supported us in the past. You've got to remember that we've got very good hotels in the neighborhood. I don't want to name them, but if you scan the market around there:

There are very strong brands and hotels in that neighborhood, and we've been outperforming them for a very long time. We'll continue to outperform that market. I don't see any reason to be concerned of a slowdown. We may not grow at the pace as other hotels, but look. That hotel clocked -- even in last quarter, where we had some occupancy slowdown on -- at the benefit of rates, it still clocked 76% occupancy.

It's a big hotel. It's 588 rooms. So I don't say I'm not concerned. We've got a very solid product. We're upgrading the F&B with a couple of new F&B outlets. We've got the Marriott Bonvoy loyalty program. We've got the Marriott distribution system. We've got ongoing relationships and we've already locked in the RFPs for this coming year.

Abhay Khaitan: Okay, got it. And my second question is on the overall portfolio. So what we have been seeing, that bulk of the RevPAR growth is coming from higher ARR. And now even Bangalore market and Hyderabad market has also seen a very sharp increase, but going forward, do you think that -- the reset that has to be done is largely done? And will -- now the ARR growth that we have been seeing for the last 1 or 2 years will now slow down from this level. Or do we see, still see more triggers that will enable a double-digit ARR growth?

Sanjay Sethi: So I've maintained that we will see double-digit RevPAR growth. Even for the last few quarters, I've said that. We've actually been exceeding that over the quarters. I see no reason why that commentary needs to change. Very confident that we will deliver double-digit RevPAR growths on our existing portfolio. And we will add through new assets and new inventories.

Moderator: Next question comes from the line of Hrishikesh Chandrakant Bhagat with Kotak AMC.

Hrishikesh Bhagat: Just 2 questions. First is I see on the time line of your pipeline that you have given there's a 1-quarter delay that you have, compared to last quarter presentation, especially in case of Dukes and Bengaluru. So if you can throw some light on that. And secondly, on the other projects also, is there any risk of delay?

Sanjay Sethi: Thank you, Hrishikesh. And yes, look. Dukes is delayed. I actually mentioned that in my opening statement. It will be Q2. We are just ensuring that it comes out really well and the full product is ready. We already have 73 rooms operational. It's not that it's not operational, but then there are banquet hall, 1 or 2 F&B outlets.

And the balance rooms are still to be completed. There have been delays. There have been delays for various reasons, but we are very confident that Q1 will be a quarter that we will open this very strongly, end of Q1 actually. Also keep in mind that Bangalore has already been released.

Whilst -- as we said that it will be pushed back, the fact is that today, as we speak today, the hotel teams are taking over the hotel rooms and snagging them for the snag at our end. And as soon as that is cleared, we'll get them operational. So sometime in end of February, early March, we should see that inventory getting added to Bangalore. It will be this quarter, though.

Hrishikesh Bhagat: Yes. The other question is on this news about -- you did explain in the start of the call about the impact of the new airport, but any impact likely of the shutdown of T1 terminal, which is likely in Q3 '25 -- or '26 rather than November '25 onwards? This is a reasonably peak period for us, so do you think -- any impact that...

Sanjay Sethi: So Hrishikesh, while the Terminal 1 is scheduled to be shut down for whatever the plans are -- and I don't want to speculate on those plans right now. The overall capacity will get enhanced between the 2 airports, so you'll still net-net have more capacity into the Mumbai city between the terminals -- 2 and the new airport in Navi Mumbai. Our problem at Mumbai wasn't the terminal space.

Terminal 2 is large enough to accommodate more people. The problem was the runway space, so that runway remains identical to where it was for the island city airport. And for the Navi Mumbai, it will be an additional 2 runways that will come into play, so overall capacity into Mumbai will enhance.

Moderator: Next question comes from the line of Pradyumna Telkhade with ICICI Bank.

Pradyumna Telkhade: Yes sir. Congratulation on another great quarter. I have 2 questions. First is regarding the residential project at Koramangala. So in last quarter, you have said that we can expect quarter 4 to have a revenue recognition and cost recognition as well, basis a few conditions like electricity connections and others. So are we able to recognize that entirely in Q4 FY '24? If you could guide us on the same.

Nitin Khanna: Yes. So the electricity connection, et cetera, they are steadily ramping up. And then, probably in quarter 4, we'll be able to hand over at least 60 flats in Koramangala.

Sanjay Sethi: So the short answer is, yes, it is getting completed in this quarter. And the handover process will start, which will allow us to recognize the revenues and costs on a progressive basis.

Pradyumna Telkhade: Okay, so we can -- so the entire revenue recognition can happen in Q4 FY '25...

Sanjay Sethi: Not entire revenue recognition. It will be graded revenue recognition, which will be, as Nitin mentioned, in the range of around 60 apartments, give or take 10.

Pradyumna Telkhade: Okay, sir. Sir, second follow-up question is regarding the hotel at Goa, if you could please tell us how much capex is expected and how much it will be funded through internal accruals and debt.

Sanjay Sethi: So roughly the capex is going to be about 1.4 crores per room, per key. We are planning about, around 175 to 180 keys or rooms. In terms of time line, we expect to get all approvals in the next 3, 4 months time. And then depending on whether the monsoons are on us or not, we will start either just before or immediately after the monsoon. And from the start date, we expect about 30 months to completion.

Pradyumna Telkhade: Okay. Sir, how much it will be funded through internal accruals, debt, any idea on that?

Sanjay Sethi: So see. Money, to that extent, is fungible, right? Overall on the company basis, we don't expect debt to go, with the announced pipeline, to beyond 1,900 crores to 2,000 crores as a peak debt at any point of time. We're currently at 1,580 crores. Of course, Chalet is on an aggressive growth path. As we get new opportunities, that may move downwards or upwards, but as of now this is the guideline that we have.

Moderator: Next question comes from the line of Vignesh Iyer with Sequent Investments.

Vignesh Iyer: There are 2 questions from my side. First thing is I wanted to understand how the wedding markets panned out in quarter 3 vis-à-vis last year, same quarter. And how has January panned out for the same? And my second question is more on the corporate rate hikes cycle. Can you tell me how we were planning on doing some increase in corporate rates? So if you could tell me how it has panned out.

Sanjay Sethi: So Vignesh, on the wedding side, we won't -- don't have -- I don't have specific data at hand right now, but it's been good, much better. And in fact, the good point is that, this time in quarter 4 and quarter 1 of next year, we see weddings being strong. Last year, we didn't have any weddings in Q1 and Q2, but this year, we see significant weddings even in Q1. Q4 seems to be as good or better than Q4 last year, and therefore, we are very bullish about this Q4 doing extremely well.

We will, of course, make sure that we take on weddings in groups, subject to they being more value accretive from a revenue management perspective. If the transient or independent travelers continue to get us higher revenue returns, we will obviously go down that route. So we will control the inventory on various segments depending on what's best for us.

I want to give an -- elaborate that a little bit. If a city has a big event or a big wedding going on, sometimes it is in our interest not to take other -- any other event because we know there will be compression in the city, which will force individual travelers to look for hotels -- look for accommodation in alternate hotels. At that point of time, they'll come through the retail rate, which can allow us higher rate increases.

Vignesh Iyer: Right, right, yes. Also, on the corporate...

Sanjay Sethi: You have -- sorry. You had a question on the corporate rate. I don't have an exact number for you right now, but it seems to be healthy sign off. We've also this time again kept the RFP contracts for last-room-available rates very limited, which will allow us to again revenue manage the rates as we go forward.

Vignesh Iyer: Okay. As it is usually lesser than the retail rate, would it be fair to assume it will be more like on a lower double digit at least?

Sanjay Sethi: I don't want to speculate and give forward-looking numbers on that. We've already given indication that we see no reason why we won't grow in comfortable double-digit RevPAR numbers on a same-store basis. That's the only guideline I'm able to share at this point of time.

Moderator: Next question comes from the line of Prashant Biyani with Elara Securities.

Prashant Biyani: Sir, of the total debt, can you break it up between hotel, commercial and residential business?

Sanjay Sethi: I'll let Nitin comment on that, but it's fungible debt. So we take it at a corporate level, but if you were to -- and I'm giving you an overview before Nitin comes in with the exact numbers. Today, if you were to practically look at it from a bird's eye view, all the debt that we have -- almost all of it is actually on the office assets. The hotels are debt free, if you really look at our portfolio. Nitin, do you want to come and confirm that?

Nitin Khanna: Yes. So actually, on the commercial LRD, if you see, the eligibility is roughly 6x the current rentals, whatever, there. So if you take 20 crores as a running run rate, the basic eligibility from an LRD perspective is already 1,800 crores. So given my net debt is 1,580 crores, hotels are -- as Sanjay has rightly put, are actually debt free.

Prashant Biyani: Okay. And would we be taking any additional debt for the new commercial tower at Powai?

Nitin Khanna: Yes, absolutely. As the construction moves on, we will be taking construction finance.

Sanjay Sethi: But at the same time, we'll have accruals which will set that off to counter the net debt part.

Prashant Biyani: Right. And sir, how much incremental capex would we require for the new Powai tower as well as for the residential project?

Sanjay Sethi: So Nitin is coming in. I think the residential project is about -- cost is -- pending cost is 300-odd crores. And new sales opportunity is 500 crores plus the receivables, so together, we'll end up with about 400 crores to 450 crores of net cash flows after repaying the promoters. On the office side, Nitin, if you can come in and share what is the Phase 4.

Nitin Khanna: So Powai, which is the Powai second -- Phase 2, is roughly 800 crores of capex spend, out of which we have already spent close to 200 crores, so 600 crores is the balance capex which we might be spending in next 3 quarters.

Prashant Biyani: Okay. Sir, just lastly, for JW Sahar, you mentioned sometime back that RFPs have been locked for this year. Can you share how much growth it has been at vis-à-vis last year?

Sanjay Sethi: So as I said earlier, I don't have the data with me. Also I think it's fairly confidential in terms of how we look at that. And the guidelines that I've given is that please feel comfortable that we will deliver at least low double-digit RevPAR growths on our hotels.

Moderator: Next question comes from the line of Vikas Ahuja with Antique.

Vikas Ahuja: Sir, my first question is especially on the Sahar. So with -- the opening of Aurika has clearly had a negligible impact on pricing of Sahar. However, do you think the addition of Fairfield nearby will have an effect since its pricing is much lower than ours; could pose a challenge, especially considering that both are Marriott brands? This is my first question.

Sanjay Sethi: So Vikas, Fairfield is a budget hotel in the Marriott portfolio. There is no reference point between the two, as far as pricing is concerned. Fairfield to JW Marriott can have a gap of almost -- anywhere between 2x to 5x on the pricing, so I don't think that's a fair comparison. And it's not even worth looking at, so don't bother about the Fairfield one at all. And so it will open for a while, 0 impact there.

Vikas Ahuja: Okay, sure. And second, it -- you did talk about Hyderabad market doing well, so -- I mean -- and we are also hearing a similar feedback. Is that surge is -- largely because of the surge in GCC openings? Or it's a base effect. Or any particular factor which is leading to such a high surge in pricing there?

Sanjay Sethi: Yes. So it's driven by the office absorption in that market. We see that's very strong. It's also growing. Our own group is adding several million square foot of office space in that area, and to a large extent, those relationships pay off at our hotels. All hotels are doing extremely well. So it's not just 1 hotel or 2 hotels are doing well, which is a great sign to have because, if the market is elevated, it will ensure long-term growth for all of us.

And I do hope that we can see similar trends in other cities in the country where the markets themselves elevate themselves by that 15%, 20%, but Hyderabad looks strong, structurally strong; going to be strong, supply side weak. We are very positive about Hyderabad.

Vikas Ahuja: Sure, sir. Sir, finally, sorry to harp on this rates question again, but you know some of the industry experts are talking about a slowdown in second half. However, our commentary remains reassuring on rates. So just want to clarify this ADR strength we are seeing is largely a broad-based. Or we have a few pockets which would be helping us to grow double digit or maybe high single digit in the second half also.

Sanjay Sethi: It's broad-based. Our portfolio on a same-store basis has grown on ADR at 17%; overall, around 18% growth. And as this is a similar trend that we're seeing across cities. You now have quarter 3 results out from 2, 3 of the listed companies; similar story being -- coming out from everyone, so this whole H2 thing being slowed down clearly is a fallacy, as far as at least big cities are concerned.

Moderator: Next question comes from the line of Aliasgar Shakir, Motilal Oswal AMC.

Aliasgar Shakir: Sir, first question is on the F&B. So this quarter being a wedding season, festive season. And we've seen F&B growth of about probably 8% - 9%, which is maybe slightly better than RevPAR growth. And I think our F&B is also not at its peak, right? It's close to about 30-odd percent. Plus -- of the total. Plus we have spent a lot also on upgrading our MICE and other activities. So if you can just throw some light on what led to a slower growth. And do you expect this to pick up in the coming quarters?

Sanjay Sethi: So Aliasgar, the F&B growth at 8% may look muted, but that's on the back of the fact that we've got 2 hotels that got added as hotels, which have lower F&B. Courtyard by Marriott Aravali is one example. The other is The Dukes Retreat. The 73-odd rooms that have opened have really no non-resident business coming in because our banquet hall is shut over there and the works.

We also have 2 or 3 new outlets that are on the verge of opening at our hotels. I alluded to high-energy F&B spaces opening at JW Marriott Sahar, at the rooftop of the hotel; and also at the -- what do you call it, at The Westin Powai, where we've got a large, high-energy F&B space that's about to open. So all of this will supplement the growth for us. We are not a very heavy F&B-driven company in any case, so far. And I think that's what probably drives our margins also.

However, we like to adequately size the F&B. And where it needs support for new F&B opportunities, we always add. For example, we continue to always evaluate every square foot of space that we have in the hotel and see how we can sort of sweat that real estate asset and create some F&B or the experiences for the guests, to grow. Going forward, I don't see F&B growth going dramatically up, except that in Q1 -- in the coming year's Q1, because weddings are better than last year, we see Q1 doing very well.

Aliasgar Shakir: Got it. So with all these renovations that we are doing, do you think that this 30% has the opportunity to rebase at the higher end? Or maybe -- of course, you mentioned that it will not grow significantly but -- at least, I mean, track at par with RevPAR growth or slightly higher in the near term because of this rebase.

Sanjay Sethi: Aliasgar, again I would to repeat our focus is on rooms, room revenue. This is your highest-margin business. Within F&B, banquets is your high-margin business. Restaurants give negligible margins; and won't be too fussed about it, frankly, if you ask me. Our focus continues to be on growing ADRs aggressively. That's where we should focus. At the same time, we should have enough F&B to draw people into the hotel; and make sure our residents have enough options as they stay with us, and great experiences. That's where we stand today.

Aliasgar Shakir: Yes, understood, understood. And second and last question is on the margin. We have done pretty strong revenue growth, but margins have kind of been flattish. So if you can just share some color. Of course, we are at very healthy margins, but are you seeing any pressure on your costs, because of which your strong revenue growth also didn't lead to any margin improvement? How should we look at margins going forward with your revenue growth being, if at all, double digit?

Sanjay Sethi: Okay. So margin is growing, I mean. And the fact that we've got Dukes open, and our inventory, for the last quarter, which is actually negative EBITDA because the revenue is low. Costs are fixed. And the other one is Four Points By Sheraton, where we shut off inventory and some public areas now for renovation.

Those are dragging the margins down because, if -- and if you take those two out, our margin for the Hospitality segment is actually 47%, which by any measure is a very strong margin to come out with. And it is significantly higher than last -- quarter 3 last year.

Aliasgar Shakir: Understood. So as we stabilize, of course, we should expect your margins to move up?

Sanjay Sethi: That right. Also we added Courtyard by Marriott, which is in its ramp-up phase. The margins there are in the mid-30s. It -- when, once that stabilizes, these will further go up.

Moderator: Next question comes from the line of Rajiv Bharati with Nuvama.

Rajiv Bharati: So this is again with regard to the previous question. So you – your Faridabad asset, because it's largely MICE-driven asset, it should be clubbed in the F&B part of it. It should have a significant contribution of F&B. Isn't it?

Sanjay Sethi: Rajiv, it's -- whilst it is a MICE-driven project [inaudible 0:53:45] its residential MICE largely. And because it is residential MICE, from a percentage perspective, rooms still contribute majority of the revenue. And it doesn't have too much of non-resident F&B coming in for dining only, except maybe at weekends you get some guests, so it is not really going to enhance or up your F&B percentage.

It will continue to be consistent with the other hotels, and therefore, we don't expect any major change on account of that. However, the upgradation of the product from Courtyard by Marriott to Marriott will have its own positive consequences. Some of it may come up often to F&B.

Rajiv Bharati: No, I was just thinking that -- because this was not in the base. And if you were to strip out the contribution of F&B from this asset, then the 8% number would come down even further on -- purely on F&B income.

Sanjay Sethi: [inaudible 0:54:40] Because it's not contributing the same number as the other hotels because it doesn't do non-resident business. So if you take that out, the growth will actually go up a little bit and...

Rajiv Bharati: Sure. And you -- yes...

Sanjay Sethi: On a like-to-like basis.

Rajiv Bharati: And you mentioned that, if you would -- The Dukes impact and Four Points Sheraton impact, if you were to remove, the EBITDA margin will be 47%...

Sanjay Sethi: Of the Hospitality segment, yes.

Rajiv Bharati: Okay. Which is still underwhelming, considering that you had some of the markets where you have grown 15% plus, Bangalore doing 30% plus. So operating leverage is...

Sanjay Sethi: There are variable costs that are connected with these revenues that come, right from commissions to management fees, to raw material costs, to operating costs. And as we go along and up our offering our rates, we also enhance our offering to our guests. We need experiences to be solid for all our guests. We continue to do that. Margin expansion at -- margin at 47% in Q3, which is typically lower than Q4, is I think a very strong margin to report. Given that we have some hotels which are just coming into the play, into that speed.

Moderator: Next question comes from the line of Achal Kumar with HSBC.

Achal Kumar: My first question is about -- so we've been hearing that currently the expensive costs of capital, expensive land -- I mean it really is not worth it to think about the greenfield projects. It's so expensive. And of course, the time line, if you're building a 5 star, could be 4 year, 5 year, but then now the rates are skyrocketing?

And you're expecting rates to further go up, so how does the equation work? I mean, do you think it's really true that greenfield projects -- I mean you may not see many greenfield projects and it's really not worth it. Or you think the rising rates are actually -- are really favorable and we could see more greenfield projects coming up in the due course. What are your thoughts on that, please?

Sanjay Sethi: So Achal, on a base of 3,050 operating rooms, we have close to 1,100 more rooms under development, so clearly we are going down that route of expansion. That's a significant uptick, 1/3 more. And this is what is the pipeline that we are working on now, but our BD team is constantly looking at more opportunities to grow.

I think I did give an indication that there is no reason for us to believe that, between operating in pipeline -- currently we are at about 4,100, 4,200. I see no reason why, in a few quarters down the line, that shouldn't be a close to 5,000 number. So yes, the growth we are bullish. There will be some cities where you may not be able to do greenfield.

You will find alternate ways of doing it through mixed-use or JVs or rented assets, rented shells, all of those options that are in front of us. We have a large group that supports us on similar asset classes. We expect to leverage that and grow aggressively going forward.

The good part of the story is cities like Mumbai, where we have maybe 55%, 60% of our portfolio today, have high barriers to entry which are extremely positive for the Chalet story. And we'd like to believe that this is going to hold us extremely well in the coming years. Similarly, in Hyderabad, we already have 600 rooms. Bangalore is going up from 390 to 520 rooms. All this is happening within our existing land parcels, so for us the cost of building them out is significantly lower.

Achal Kumar: So I mean -- so is it worth assuming that your next target could be the Tier 2 cities or Tier 3 cities where the construction could still worth it and where the costs of construction could be lower? I mean, do you think -- I mean, strategically, do you think that way, that path?

Sanjay Sethi: So look. They need to make economic sense in each of these individual assets. If they work, we'll look at them. We have no boundaries that restrict us. Our growth will be aligned with where we can get healthy returns. I've mentioned this in a previous call: To some extent, we are spoiled by our own returns. And anything that we do going forward will have to match up with these returns. We are certainly not going to dilute our performances by taking subpar assets into the portfolio.

Achal Kumar: Okay. My second question is about I wanted to understand more about the Pune market because, Pune, I keep hearing that not doing great. There is not a corporate market. There's not a -- it's not a leisure market either. So for you guys, how the Pune market is doing, any thoughts on that, please?

Sanjay Sethi: So tremendous growth. I mean, if you look at our Novotel Pune, our RevPAR growth in that hotel is 35% on a like-to-like basis. We had the same number of rooms last year, in the same quarter. We've grown by 35% in that hotel, clearly a strong market. Pune is not necessarily a very strong rate market, but certain pockets within Pune have high potential for new supply of hotels and we'll continue to explore them as we go along.

Achal Kumar: But is that, I mean -- so the great -- the -- sorry. The growth which you're referring to, is it more of a corporate growth? Or it's more of a leisure growth.

Sanjay Sethi: Corporate growth, all of it.

Achal Kumar: Okay, okay. My last question is about the airport assets. I mean you've been doing a lot on the airport assets. Any thoughts -- or any plans to have anything around new Jewar airport?

Sanjay Sethi: No. So look. We do get opportunities once in a while around that area. We've looked at them. So far, given the -- whatever we heard and saw, the economics didn't make sense at that point of time, but we will continue to keep our eyes and ears open to see any new opportunities that come around Jewar.

Moderator: Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Sanjay Sethi for closing comments.

Sanjay Sethi: Good morning, everyone, again. And -- that's right. Good afternoon. Thank you for joining us. In conclusion, I'd like to, firstly, thank you for joining us for the call; and more importantly, to confirm that we continue to be extremely excited of the space that we are in, both in hospitality and also equally in the office assets that we have. And we believe that Chalet's next few years, visible few years that we have sight, insights on, which is the next 4 years, look extremely bullish and strong. Thank you.

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