“Chalet Hotels Limited
Q2 & H1FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Q2 and H1 FY2021 Earnings Conference Call of Chalet Hotels Limited. We have with us today from the management Mr. Sanjay Sethi, Managing Director and CEO and Mr. Milind Wadekar, Vice President Finance Tax who is also the Interim CFO. 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 "*" then "0" 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. Thank you and over to you Sir!

Sanjay Sethi: Thank you so much. Good morning everyone and thank you for joining our quarterly earnings call for Q2 FY2021. I sincerely hope that you and your dear ones are safe and in good health.

It has been nine months since the lockdown and this is third time that we are addressing you since the pandemic. The crisis is clearly impacted the world a lot harder and lot longer than one earlier anticipated. The news updates on the vaccines being developed with the assurance of a cure in the next couple of quarters are encouraging and give us some sense of a time frame for normalcy to return with the potential ability to significantly accelerate business recovery next year.

Another positive indicator has been the progressive decrease in number of daily reported cases and mortality rate especially in the cities that we operate in and we do hope these numbers will dip further. We believe, the worst is behind us. However, we stay vigilant and there is no relaxation on the health protocols at our end.

Since our last interaction, India has entered into air bubble agreements with 19 countries now which has generated some international air traffic even as the Vande Bharat flights continue to operate. All the restrictions have also been relaxed in most cities. All our hotels have been in operation since August 2020 and with various restrictions across the states being lifted, we are making baby steps on a weekly basis towards recovery.

In addition to Bengaluru and Hyderabad, Maharashtra government issued new guidelines allowing dine-in options for non-resident guests for food and beverage in October. The response has been very encouraging including continued traction for food delivery and take away. I also worked with the rest of the executive committees of trade bodies like CII Tourism, Hotel Association of India and HRAWI to push for relief for our industry. I am happy to report that you had some significant success especially in the state of Maharashtra on the following aspects - You would have heard that the property tax relief has been extended to hotels that we used for doctors stay for three months by the Municipal Corporation and the two big hotels of ours in Mumbai will get that benefit. We are pressing for a six-month relief on this. Similarly, we were declared as an industry in 1999 in the state of Maharashtra and we did not get the industry benefits on tariff or electricity, water, property tax etc. This is now been announced that we will get those benefits starting April 1, 2021 in Mumbai hotels as well as in Pune hotels. We are indeed grateful to the State Government for this landmark breakthrough on a long sort industry ask.

Opening out of restaurants, bars and bank for non-resident guest was a push through the local bodies and I think we have been successful in that and now have significant opening up of F&B in our hotels. It has also been significant reduction in state licenses and approvals in Maharashtra, I do not know how many of you got that. But the Maharashtra Government has reduced 70 licenses to build a hotel down to 10 now plus 7 self-certification and another important thing is that these licenses will cover the 5-year validity, another commendable job by the State government on ease of doing business. On the operating front, our portfolio ADR compared to Q1 of this year has sequentially grown by 4% in Q2 to Rs. 4030 while occupancy is by 100 BPS to 25% for the same period.

I must highlight here that during the Q1 we had a significant inflow of Vande Bharat and doctors stays, that started edging of sometime in late August-early September, so September actually fell, July and early of August the occupancies were significantly higher and that fall is now being replaced by more sustainable forms of segments. Compared to the previous year for the same quarter, the ADR is down by 48%, occupancy contracted as a set of 25% last year for the same period we were at 74%.

With the change of the mix our ADR for September was higher by 8% as compared to August, October also saw an uptake in occupancies to 26% sequentially and as a resultant RevPAR improvement of 28%. All our properties have excellent staycation and workstation offers and are getting strong traction. We have continued to focus on tapping all business opportunities including new revenue regenerating segments and special purpose groups like seafarers and cargo airlines crews ,BCP rooms and continue to explore more.

Our operating partners have made significant inroads in honoring business project-based travels from domestic and multinational companies and we see this converting to occupancy build up in the coming quarter. On the cost front, we have executed the centralization of finance function for the five Marriott managed properties at Chalet, that team now will sit out of Mumbai and manage all the Hotels with significant reduction in number of people.

We are working towards centralizing the Human Resource function, we have also centralized laundry for our Mumbai hotels and exploring outsourcing laundry for Pune.

We continue to optimize our employee productivity while benchmarking ourselves with the global best. As of September 30, our hotels operated at a staff to room ratio of 0.75 per room, this was I might remind you our target about nine months back which was yet to be started as compared to 1.17 per room in February of this year. Consequentially, the payable cost has come down by 42% for H1 this year compared to H1 last year and by the end of October the employee productivity ratio has further improved to 0.73 employees per room. All these initiatives, centralizing and outsource of operations, employee right sizing, energy conservation, along with other initiatives that have resulted in rationalizing fixed costs which will be valued accretive for the company P&L in the long run.

The adoption of increased technology in hospitality segment is expected to offer our guests the option of reduced human interface, a significant step in the new normal. Three areas that we are actively working on include keyless mobile room access, digital check in and check out using handheld devices, contactless service by digitizing our room directory, touchless attendance systems for employees, e-menus, e-ordering with integrated digital payments to name a few.

We aim to have the keyless option which is basically guest using their mobile phones for everything. In place for 100% of our hotels by end of the current financial year. Rentals for our commercial portfolio continues to be unaffected and support our cash flows, retail operations have commenced in both Mumbai and Bengaluru albeit at a cautious space. On the positive side, the footfalls are picking up in Bengaluru for the festive season and spends per footfall have also been higher.

The retail commercial segment has contributed roughly 169 million in Q2 and Rs. 342 million in the first half of the year to EBITDA of the company. I am happy to share that as in Q1 we managed to stay in the black at EBITDA level for Q2 with consolidated EBITDA at Rs. 30 million largely powered by this strategic mix of the asset portfolio and very diligent effort towards cost management.

A quick update on the project pipeline in the current VUCA environment it is critical to think and analyze on the go and form a strategic direction for the short and mid-term. Keeping this in mind, the company has been evaluating market dynamics for our projects pipeline and we have decided to re-commence construction at two of our commercial development sites.

We have already started work at the commercial tower of 750,000 square feet of leasable space at the Powai complex and we will shortly start work at the Bengaluru Whitefield location for the commercial tower which is roughly around 450,000 square foot of leasable space, that is the combination of multiplex and office.

Our market assessment been strong demand for new grade A office space in these locations over the next 12 months to 30 months. Both projects are part of our well-defined hotel led mixed used asset development strategy. The current market condition the commercial segment has proven to be resilient and a good cash flow hedge for the company. With lobby renovation underway at Renaissance is on track and we will be completed by the end of this calendar year. We will evaluate the start of balance renovation work at this hotel on an ongoing basis to right time the brand upgrade.

Our current estimate to commence operations in the new hotel in Hyderabad is beginning of Q3 of next year which will require us to restart work on site by Q1 of next year probably April next year. We will review this decision basis demand dynamics in February again before we kick start this work. Similarly, the need for commissioning the additional 88 rooms in the hotel will be reviewed on an ongoing basis. However, the two proposed hotels one the W at Powai and Hyatt at Airoli, Navi Mumbai where the work has not started as yet, they have been put on hold till we have more clarity on pace of demand before we commit capital to these projects.

I cannot end without thanking my team at the hotels, retail assets, office assets and at the corporate office who have done a tremendous job of coping in very trying circumstances and coming out with flying colors. I am pleased to share that we have now six young and dynamic lady colleagues out of our 11 members senior management at Chalet Hotels in line with our general diversity focus. This leadership team will now work towards striving the diversity ratios at all levels of the company. We are further encouraged by being listed as one among India's best workplaces for women in 2020. Similarly, the next few months we are going to focus our efforts on additional areas of ESG like a path and timeline to being carbon neutral and work on other initiatives also we have utilized the time well in the last eight months to nine months, we will continue to do so and make sure we come out as one of the leading companies on a integrated reporting.

Now allow me to introduce our interim CFO, Milind Wadekar some of you already interacted with him, He has been with Chalet Hotels for over a decade now and has played an instrumental role in his success and the finance function as the Vice President finance and accounts. Over to you Milind!

Milind Wadekar: Thank you Sanjay. Good morning, ladies and gentlemen. I hope everyone is staying healthy and safe.

Our presentation has been uploaded on the stock exchange and made available on our website. I hope you had a chance to go through the same.

As mentioned by Sanjay, the current pandemic is taking longer than anyone had anticipated. Our focus continues to be gradually scaling up operations while managing cash flows and controlling cost. The performance comparison with the same period last year would not be justified given by current scenario, hence, we would also be highlighting our performance sequentially with Q1 of the current year.

For the quarter ended September 2020, the total income was at 641 million as compared to 2405 million in the same quarter of previous year or sequential basis compared to Q1 FY2021, the total income grew by 9%.

As elaborated by Sanjay, the company continues to work on its cost structure, the total expenses were lower by 60% during the quarter as compared to Q2 FY2020 and we are marginally up on sequential basis as we operationalize all our properties and scaled up services.

As highlighted in slide 14, our fixed cost continues to be rationalized which is a likely to have longer term benefit to the company. Resultantly the EBITDA was at 30million as compared to 3 million in Q1 of the current year. For the period of Q2 FY2020, our EBITDA was at 867 million.

For the first half of the year, total income was at 1231 million, total expenses for the period where 1198 million a drop of 62% from the previous year same period EBITDA was at 33 million for half year.

Hospitality segment accounted for 56% of the revenue at 359 million in Q2 FY2021, a sequential growth of 15% over Q1 of the same year. In Q2 of the previous year our revenue was at 2046 million. Within hospitality segment room have been accounted for 66%, FMB accounted for 26% and 8% was from other services.

The segmental loss before interest, depreciation and tax was at 107 million as compared to 145 million in Q1 of this year. On the cost front, power, light and fuel and payroll cost which are traditionally majorly fixed in nature for our business have been lower by 62% and 48% respectively in Q2 FY2021 as compared to previous year.

Even sequentially compared to Q1 of this year power, light and fuel cost have been lower by 7% and payroll has been lower by 17% as we continue to work on improving our cost structure, benchmarking with global standards without compromising guest appearance.

For the first half revenue was at 673 million as compared to 4244 million in the same period last year. The segmental loss before interest depreciation and tax was at 251 million as compared to profit of 1,602 million in the same period of last year. The mixed use development under retail and commercial segment continues to show resilience, commercial segment has seen steady receipt of rental revenue while retail has shown signs of pick up in the last quarter.

The revenue for the quarter were at 229 million as compared to 213 million in the preceding quarter year FY2021. Adjusted for SLM the revenue grew from 176 million to 192 million for the same period. For the half year, this segment has revenue of 442 million as EBITDA of 342 million.

On treasury front, we have sequentially reduced cost of debt to 8.74% as compared to 9.38% as of March-2020. Our gross debt stands Rs.1802 Crores as against Rs.1791 Crores as on March-2020. Our net debt has increased to Rs.1757 Crores as compared to Rs.1657 Crores as on March-2020 an increase of Rs.100 Crores. This is taking into consideration capex spend of Rs.34 Crores in first half of the financial year. Our cash burn i. e., EBITDA less finance cost and repayment of term loans for Q2 and H1 have been at Rs. 85 Crores and Rs. 172 Crores, respectively. This clearly signifies prudent cash flow and working capital management.

As of today, we have Rs.195 Crores undrawn lines of credit for general corporate purpose and liquidity of around Rs.45 Crores.

We have re-commenced construction work of commercial project at Powai and shortly expected to commence work on our Bengaluru port project. The estimated ROI or incremental investment shall be in high teens. The promoters have continued to subscribe to zero percent non-convertible redeemable preferential share for the outflow relating to residential project at Koramangala and the redemption is contingent on surplus from the project. The total value of subscription is Rs.1250 million as of today.

With this we now open the floor to questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question is from the line of Aditya Bagul from Axis Capital. Please go ahead.

Aditya Bagul: Gentlemen good morning, thank you for taking my question. So, I have three questions, first question is essentially on our mix when it comes to the losses in the Hospitality segment, I am referring to slide number 12, what I see is that Bengaluru Marriott is now at breakeven I just wanted to understand what is that we are doing so well in making the losses in Bengaluru Marriott or close to negligible of actually it is slight positive as well. So, that is question number one, the question number two Milind Sir is to, can you just explain a little more in terms of this EBITDA cash flow I think I missed some of those numbers you said Rs.172 Crores, if you can highlight a little more and in the same breath if you can advise us what is the kind of principle repayment that we have got stacked up towards H2 of this year and full year of FY2022?

Sanjay Sethi: Aditya this is Sanjay here, let me address the first question of yours. On the Bengaluru side we have the benefit of a long-term contract with Accenture on their learning center. About 67 rooms they have occupied by them on a perpetual basis for a seven-year period. We also have some public areas leased out to them and I think the team has done a fabulous job on the cost management side in fact if you were to look at the various cities and their numbers in terms of operating performance overall Bengaluru is probably the worst performing city in the country today and we felt that impact on regular sustainable business at our Whitefield Hotel also. But the combination of the Accenture learning center and cost management has helped us get through. We have also had significant success on food and beverage there Bengaluru and Hyderabad as you already know opened out their F&B to non-residence almost about three month-four months back and the benefit of that has been that our Sunday branches, our dine in options, our bar sales and very importantly delivery sales they are all a big part of the F&B increase that we are having. We have seen these similar trends at Hyderabad in fact Hyderabad in the last six weeks or so F&B is been going through the roof over there, we were there in Hyderabad on Thursday and Friday last week and the restaurant is packed there were people waiting to get into the restaurant and eat for the Friday lunch. Similarly, our bar over there at the roof top is doing extremely well and our Sunday branches are doing very well. Just to give you an example our Diwali hampers become a key part of revenues at this time of the year we expect to hit almost about Rs.50 lakhs of revenue from Bengaluru from Diwali hampers alone. So, Bengaluru is a mix bag of ALC and cost management the regular occupancy is still to be picked up as it picks up, I think our numbers will start looking rapidly better. Milind you want to comment on the EBITDA part.

Milind Wadekar: Aditya, our cash burn for Q2 was Rs.85 Crores and for half year was Rs.172 Crores. Our EBITDA for half year is Rs.33 million i. e. Rs.3.3 Crores. Our interest debit for half year is around Rs.80 Crores and repayment was Rs.95 Crores. That is how it adds up to Rs.172

Crores cash burn for H1. Now, for H2 we have repayment obligations of around Rs.85 Crores and our finance cost we expect be in the same range.

Aditya Bagul: To be around Rs.80 Crores?

Milind Wadekar: Yes.

Aditya Bagul: Okay, and Milind Sir if you can advise us what is the revenue likely to be in terms of principle repayment for FY2022?

Milind Wadekar: FY2022 it will be around Rs.240 Crores or so.

Aditya Bagul: Rs. 240 Crores okay.

Sanjay Sethi: I think Aditya, it is important to highlight that we do have conversations in play to make sure that we do not have cash flow challenge at all and the foreseeable or mid-term future.

Milind Wadekar: So, Aditya as we have mentioned I mean we have undrawn lines of credit of around Rs.195 Crores as of today and we have cash on hand of around Rs.45 Crores. So, we are very comfortable with our cash position for short-term as well as medium-term.

Aditya Bagul: Sure, that makes a lot of sense. One last question Sir that it shows a lot of conviction on our part that we have resumed some of our commercial construction activities once again. So, just wanted to understand to from you how is the response from WPP and Accenture the two large customers who house commercial property so what has they got to say about this and how does that link into our construction pipeline project?

Sanjay Sethi: I think both these companies are large companies they are not going to take major action by couple of quarters or three quarters of lockdown. We have had rentals coming on time for both the companies for six months. We had given some relief on parking charges and CAM charges but then that was because on CAM we reduced our costs so we passed on that cost saving to WPP and similarly now we might pass on some saving that we have been able to do to Accenture on their billing. But yes, we have not had a challenge, we are getting our rents from clients on time, relationship is strong. And the reason for starting the two projects is that the market seem to right with the timing that we have in mind. We are looking at roughly around twenty months for the Powai project and less than that for Bengaluru and the demand for new grade-A office spaces of good quality in both locations is very high.

Aditya Bagul: Right, so that answers most of my questions. Thank you so much and wish you all the best.

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

Amandeep Singh: Thanks for the opportunity. So, Sir your investor presentation talks about significant increase in domestic contract negotiation can you help us understand the customer profile like SMEs is even large corporates the micro markets and the ADR's for these contracts?

Sanjay Sethi: Amandeep, we have to give you the ADR's that we will break it up into two sections, one is the RFP accounts which are global accounts. On the RFP accounts we have done a rollover of 2020 rates into 2021 and all our RFP accounts have accepted them and said that when we start travel, will come back to your hotels at the same rate as 2020. So, we do not see a challenge, a contraction of rates from the RFP global accounts or the area that we did not have too much of traction in the past it was there but not such strong was in the domestic companies and that is where the last nine months have been spent on building relationships and tying up what we call LNR a locally negotiated rates with these domestic companies. These accounts will probably come at a slightly lower rates then the RFP accounts and that is okay, right now our focus is to make sure that we will fill up rooms and get the business running and picking up momentum there. So, with that in mind I think we will have a strong traction of the domestic accounts to begin with for the next couple of quarters before large scale international travel really starts from the business travel side. Not all is lost and I was quite surprised myself when I look at the numbers 19% of our guests in our hotels in the last quarter are still foreigners and most people thought that they have vanished that is not the absolute case and therefore we are confident this will come back at some point of time.

Amandeep Singh: Sure Sir, that is helpful. My next question is related to Hyderabad micro market, as a city witnessed amongst the grade offices absorption in the recent quarters, we note that the hotel occupancy in Q2 was low at 9% for Westin Hyderabad. So, Sir in that context can you help us understand is it due to COVID led near term headwinds or there has been some structural change in the outlook for the micro market?

Sanjay Sethi: No, I do not think there is any structural change it is driven by COVID and I think once the travel restarts we will be back to normal. What had happened in Hyderabad in Q1 we had a lot of BCP groups business continuity plan that a lot of companies had rolled out , Qualcomm and Bank of America were the two companies that have stayed with us and they gave us business for almost about eight weeks and therefore we see a sharp drop in Q2 as they were not there for Q2. Hyderabad started picking up before that, I am happy to report that in October was at 15%-16% occupancies, November looks closer to 20% so, clearly it is ramping up very rapidly now. The good part of Hyderabad is that whilst the foreign IT business traffic has still not started. We see project-based movement, we see wedding groups and we see a lot of staycations there. As I mentioned earlier even in Hyderabad we saw the amount of activity in our restaurants were quite phenomenal the team to had to actually fight off guests to maintain social distancing and make sure that we do not occupy more table than practical and safe so, therefore our people were in the lobby and that is happening with our bar too in the evenings over even out door bars called Casbah, its doing extremely well.

Amandeep Singh: That was really helpful. And sir you highlighted about resumption of capex plans across commercial portfolio in that context can you help us understand the capex outflow you are expecting for the same in FY2021 and FY2022 and will it be fair to assume this would be via fresh debt?

Milind Wadekar: Our estimated capex for H2 will be somewhere in the range of Rs. 115 Crores. This will be primarily for commercial project and for next year our capex will be in the range of Rs.550 Crores or so which includes some capex for Hospitality projects i. e., our Hyderabad project as well as rebranding of Renaissance Hotel. So, that will be revisited as we progress based on outlook of the business.

Sanjay Sethi: But Milind maybe you wanted to add what is going to be a source of this capital?

Milind Wadekar: Yes, we have tied up loans and we are tying up for additional loan of around Rs. 650 Crores for commercial projects.

Sanjay Sethi: That combined with the principle pay backs will not take the overall debt to worrying levels?

Milind Wadekar: Yes.

Amandeep Singh: Sure Sir, that was helpful and lastly on retail, while some mentioned improving trends across the portfolio will it be possible to quantify how would be the foot falls and consumption trends versus pre-COVID levels?

Sanjay Sethi: I do not that number with me, Milind do we have something and unfortunately we are sitting in two different locations.

Milind Wadekar: So, footfall and business transacted is at 20% to 25% as compared to pre-COVID level.

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

Moderator: Thank you. We have next question from the line of Nimish Patil an individual investor. Please go ahead.

Nimish Patil: Good morning. Thank you for taking my question. Actually, I am independent investor. I have two questions. First is when does the management expect the average revenue per room to return to pre-COVID levels, and my second question is considering recent reforms by the Government of India and the travel and tourism sector, I mean how would that benefit Chalet Hotel in the long run maybe I heard something about the moratorium restructuring over travel and tourism I am not quite sure about other reforms but how do the government policies impact Chalet Hotels?

Sanjay Sethi: Nimish, I will answer your first question and go to the benefits part. On the RevPAR front, I think to hit 2019 numbers and I am looking at calendar year 2019, we are likely to go calendar year 2022 or maybe overlap little bit in the calendar year 2023 to really get back to the same RevPAR numbers that is a blend of occupancies and ADRs. So, FY2023 it must in my view especially the second half should be very close to FY2020 numbers in second half. On your second question, there are various types of reliefs that have been given, one is the fiscal reliefs that have been given combination between the Finance Ministry, the RBI and the banks. On that front whilst we studied the moratorium and the restructuring opportunities, we never needed to look at them because we were very comfortable on our balance sheet front so we did not take the moratorium, we have no intention of restructuring our debt, we are well placed as things stand. There are other reliefs that have been announced by the government which includes things like industry status, industry benefit on electricity tariff that is the second largest cost on operating cost in our business and property tax reliefs are all of that that has happened is most welcome and obviously Chalet gets to benefit extensively format given that 60% of the portfolio for us almost 2/3rd actually is in Maharashtra between Pune and Mumbai and the only state in the country to give industrial tariff on these things, we do look forward to initiatives by the government and welcome it.

Nimish Patil: Thank you very much. I appreciate it.

Moderator: Thank you. We have next question from the line of Sumanth Kumar from Motilal Oswal. Please go ahead.

Sumanth Kumar: Hi Sir. We have seen the overall improvement in October, in occupancy side also and ADR, so can you discuss about the forward booking, how is the demand for the upcoming November and December month.

Sanjay Sethi: Sumanth, this whole pandemic period has been extremely volatile, and it has been very difficult to forecast whilst the pandemic is still going on. The period of kick-in, we call it kick-in and pace of bookings has shortened significantly, just to give an example we recently picked up some 5000 rooms in 24 hours for one of our hotels in one month and occupancy is doubled for that month for that hotel but those are sort of things that happened because this is all largely ad hoc group and large movements of groups type of business. I can tell you the segments that are bringing in lot of these large groups, one is the eafarers because we still see maritime employees going up and down, in and out of India on a regular basis, secondly is the Vande Bharat the flights still continue to come in and out, third is the shooting units we see this significant amount of actively happening on that and finally and that is the more recent once we see a lot of companies getting back to rehiring and moving people for training purposes in large volumes and from a safety perspective staying at a five star hotel makes the best sense for them to ensure that there is no health risk to any of the new joiners and nor are they in any risk of being sued by anyone. From all that perspective we see good traction happening and finally I think the staycation part has been a solid sort of source room bookings in our hotels in Pune, Hyderabad and Sahar. We see some traction happening in Powai also now.

Sumanth Kumar: So, what percentage of demand rough cut is traditional currently?

Sanjay Sethi: Right now, it is mostly non-traditional demand, the more traditional of business traveler coming in for short stays and going out with higher rates I think is about a month or so away when the domestic kick-in will start and then that will be followed by international travelers doing the same, however long stay project-based business has already kicked in fairly well. So, we have heard of companies like Samsung, Apple, Ikea and all of them are moving in to towns and take taking up extensive rooms, we see that happening in our four-point center in Vashi. See, the other thing is that we have very large books hotels in most cases. Now the Vashi hotel which is 150-rooms which is typically the size of Indian five-star hotels in the country, is already talking about 45% to 46% occupancies so that is the difference in your large boxes whilst during these times you may see occupancy percentage is small but the ability to bring down your cost combined with potential ramp up very quickly when things normalize is a great feature in the mid and long term.

Sumanth Kumar: How is wedding enquiries?

Sanjay Sethi: Several, surprisingly several, only problem is there are still the restrictions on number of people that you can have so therefore they are small in size, right now the restriction for outdoor is 100 people, in Maharashtra is still 50 we are hoping they will go up to 100 but on a case-to-case basis between the hotel and the wedding organizer we do apply for larger approvals and in some cases we have been successful in getting increasing those sizes to 150 to 200 also.

Sumanth Kumar: Compared to the previous year the overall demand of wedding is really strong for the coming couple of quarters?

Sanjay Sethi: Yes, number of events are far higher, our number of people per event is lower. What we are doing is we have minimum guarantee format in play in some of the key hotels that we have so in terms of revenue we have some form of protection against the downside rather.

Sumanth Kumar: So, that is giving overall clarity or the expectation of revenue whatever we have in Q2 is going to be far better in Q3 and Q4?

Sanjay Sethi: Yes, in fact we had some weddings in Q2 I must share that with you, and we expect that this will go up further in the subsequent quarters. I cannot really give out numbers at this stage.

Sumanth Kumar: What is your view on corporate travelling in the Q3 or Q4, what is your view on that?

Sanjay Sethi: So, some amount of domestic corporate travel has started, we see that happening in some of our hotels, but it is not large. I was expecting that we will have a larger kick-in post Diwali but we have to see how that pans out but I think from January onwards for sure it should be some traction on corporate travel and this quarter after that for international travelers.

Sumanth Kumar: Say, Q4 onwards you are talking about the international travel?

Sanjay Sethi: No, international travel Q1 next year.

Sumanth Kumar: Okay. Thank you so much.

Moderator: Thank you. We have next question from the line of Venkat Samala from Tata Asset Management. Please go ahead.

Venkat Samala: Thanks for taking my question. Sir, if you could just highlight how the mix has changed from that the COVID centric segment like quarantine, doctors, medical staff, some of things that is used for quarantine etc., is there a more regular demand, see from the part of Q2 October maybe, if that possible?

Sanjay Sethi: It is difficult for me to give you an exact number of how it changes as a mix every month for example right till August early August at least we had a lot of doctors staying with us, we had a lot of Vande Bharat people, seafarers staying with us and then we had people coming in and out then stop, then again start again so it has been bit erratic and therefore we see the variation in the occupancies, I will give you a reference point, the quarantine business or repatriation business in September for the portfolio for example was 1200, it dropped in October to 383 but the project based corporate business which was 537 odd rooms grew to 2400 in October. Similarly, the retail business booked online which was 1235 rooms in September jumped to 5719 rooms in October. So, we are seeing a lot of fluctuations happened. The good part is that in October the movement towards the project-based business, retails business and couple of other things like crew are actually positive because they indicate more sustainable segments.

Venkat Samala: Right and if you could also highlight what are the rates at which more regular or that the segments that you think are more sustainable, we will be coming at because the ADR's have not grown materially QoQ, so that is the reason I am asking so how could the ADR's move here on, that the demand moves towards these normalized sustainable segments.

Sanjay Sethi: Venkat, that will happen only when the normal business starts coming in, till then most of the business that we pick up is going to be ad hoc in nature and will be negotiated across the table and depending on how the need is for getting that bulk of business in that particular hotel, rates will be negotiable so it is very difficult to put the numbers right, good part is that from an average of what Rs. 3000 you have now crossed, the Rs. 4000 mark that pace it should continue to grow on a fairly strong basis from here onwards. We would also drag down largely by the Doctors rooms at Renaissance for several month, that has gone. We replaced it with a large shooting unit which is staying with us for a month but again at discounted rates but this brings in a serious amount of revenue both F&B, lawn rentals, 100 rooms for 30 days all of that helps.

Venkat Samala: Right, so if were to do more like-to-like comparison at least because we have some transparency or some reference point at least for retail, when we are selling through this OTA's if we have to compare to the last October or November, what would be the rates be?

Sanjay Sethi: See, the overall rates as we mentioned have dropped from Rs. 7800 of last month of same quarter to Rs. 4030, on a segment wise basis because these are all of ad hoc segments therefore each of them is negotiated on a very individual basis, I am unable to give you a segment wise rate because the segments are new and there is no comparison from the past year for these segments.

Venkat Samala: So, I mean I will completely get it because the mix has also changed and now the focus is more towards the improvement of RevPAR so what I am trying to understand is that the rates on a likewise basis have also comes up I mean for us and for the industry as a whole?

Sanjay Sethi: So, Q1 to Q2 yes, we have seen that increase happen and on a weekly basis we see the traction happening on rate movement northwards.

Venkat Samala: Right, so at least here on there will be sequential improvement from here, I mean this, northwards?

Sanjay Sethi: We see that happen.

Venkat Samala: Right and also slightly more long-term perspective of what sort of savings can we have from the industry status which has been given to the hospitality segment for us?

Sanjay Sethi: Let me give you a reference point here, in Maharashtra the electricity rates for commercial establishments that is what you are paying I mean the range what Rs. 14.50 we had done third party power agreements and were able to bring it down to about Rs. 10.50 to Rs. 11.00 through the mix of third-party power versus state electricity board but the state electricity board power in future will come at Rs. 7.50. so therefore, the Rs. 14.50 comes down to Rs. 7.50 and then you blend that with third-party power which is we are hoping with the reduction in electricity duty that rate will also come down. So, we expect a significant drop in our power tariff. Similarly, water we will be paying lower charges but more importantly property tax which is a significant part of our fixed costs will also come down, just to give a reference here property tax lowest if for residential followed by industry, followed by commercial both office and shops, and hotels was at the top end, now the hotels come down three levels below to industry so sincerely there will be some amount of saving this is only for Maharashtra hotels.

Milind Wadekar: Let me come in. Venkat, to give you reference electricity duty for commercial establishment is 21% which works out to around Rs. 3.00 per unit and it will be reduced now to 9% so that itself will give us per unit reduction of more than Rs. 1.50 plus I mean industry tariffs are lower.

Venkat Samala: Right. So, as I understand at least for these two heads property tax and that the power expenditure against based for the Maharashtra properties you could save 15% to 20% is that a fair assumption to make?

Milind Wadekar: Yes, I mean it could be little higher than that and though it will have very effective open access arrangement I mean savings will be in the range of 15% to 20% for us.

Venkat Samala: Right. Thank you and wish you a very Happy Diwali.

Moderator: Thank you. We have the next question from the line of Amit Agarwal from Nirmal Bang Securities. Please go ahead.

Amit Agarwal: Thanks a lot for taking my question Sir. My question pertains to the current cashflow crunch which you have cash burns as you say and going forward while situation is improving probably it is improving a bit slowly plus you have the capex for the next year which you said, so is there any possibility that apart from taking money from the banks which is in the form of debt, you could be coming in to the market to raise further money to help you suppose to that let that equity at least remains the certain level and the pressure on the cash flows because the interest does not become too much?

Sanjay Sethi: So, Amit the way we are standing today and the lines of the credit as well as the potential debt rates that we are looking at, we should be comfortable and not need more but we are not averse to maybe raising some capital from the equity markets but not something that is on the cards as things stands today.

Amit Agarwal: Sure. Thanks a lot Sir.

Moderator: Thank you. We have the next question from the line of Nimish Patil an individual investor. Please go ahead.

Nimish Patil: Sorry for another question but my last question is when does this company or in fact the entire hotel industry expect to return back to quarterly profits?

Sanjay Sethi: I wish I was as good a soothsayer to answer that with some 100% confidence but as I said our expectation is that the year FY 2022 to 2023 we should be in a good space with yields as good as FY 2020 and in our case you could have keep in mind that in another one years to two years' time we will have two new office assets also opening up and when I say FY 2022-23 I am talking about the hospitality for the business, add to that the two new office buildings that we are commissioning around the time there should be a significant uptake in our operating numbers.

Nimish Patil: Great.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Sanjay Sethi for closing comments. Over to you Sir!

Sanjay Sethi: Thank you so much. Thank you for taking time out to attend our earnings call and whilst we have gone through a difficult patch for the last two to three quarters as I said I think the worst is behind us and we are looking forward with renewed energy for that future ahead for the company, the hotel, the industry in general and the people throughout the world. I wish you all a very Happy Diwali in advance. Stay well, stay safe. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of Chalet Hotels Limited that concludes this conference call. Thank you for joining with us and if you may now disconnect your lines.