"Chalet Hotels Limited
Q3 FY2020 Earnings Conference Call"

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MANAGEMENT: **MR. SANJAY SETHI – MD & CEO**
MR. RAJEEV NEWAR – ED & CFO

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY2020 earnings conference call of Chalet Hotels Limited. 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, Chalet Hotels Limited. Thank you and over to you!

Sanjay Sethi: Thank you and good evening ladies and gentlemen and welcome to the call. Against a backdrop of weak economic activity, the budget was announced a few days back with several announcements including a new and optional income tax regime, abolition of the dividend distribution tax, an increase in bond limits for foreign investors and more importantly an ambitious privatization plan. The tourism sector saw Rs. 2,500 Crores being granted for tourism development and promised to open 100 new airports under the UDAN scheme by 2025. These are promising announcements for growth in tourism and we look forward to these initiatives.

At Chalet hotels our Q3 operations have witnessed a strong performance with the reversal of trends observed in H1 of this year. I am happy to report that the company clocked 9.9% growth in RevPAR across portfolio for the quarter. Largely driven by the portfolios average room rates, which grew by 8.8%, which is almost 9% against the same quarter of the previous year. This performance marks the eighth consecutive quarter of superior rate growth at Chalet.

We continue to adopt cost effective ways to drive efficiencies in our portfolio, which is reflected by our operating margin improvement. Q3 delivered an EBITDA margin of 43% in the hospitality division and 42% overall. The quarter marked an important milestone for Chalet hotels as we signed definitive agreements, collaborated and acquired brands. We strengthened our partnership with Marriot by signing of the largest ever deals in the luxury and upper-upscale hotels in India for 1500 rooms across different cities. This agreement fortify the two decade long relationship with the global hospitality brand, which is also the world's largest.

I have already shared the brands and the changes on our earlier calls. However, I am happy to and pleased to share that everything had gone as per plan. In January 2020 we signed a share purchase agreement for the purchase of Novotel Pune. As of February 7, 2020 we have concluded the transaction and today Belaire Hotels private limited and Seapearl Hotels Private Limited are 100% subsidiary of the company. With this acquisition we have marked the beginning of a tie-up with the Accor group, which is also one of the larger hospitality players globally with significant presence in India.

Chalet's portfolio now stands at six hotel assets across seven brands with 2,554 keys in four cities in the upscale and luxury space. The acquisition was at an enterprise value of Rs. 290 Crores, some of the details have already been shared with you in the presentation. The Novotel Pune has 223 operating keys and has an expansion potential of roughly between 84 and 88 more keys, which are today in a bare-shell stage and would try and fit out to complete the hotels taking the total inventory to 311 rooms.

We believe that Pune is an attractive market and sizable commercial office development is likely to come, which is going to drive strong demand for hotel rooms. Novotel is looking at a central location to key business hubs for Viman Nagar, Kharadi, Yerwada, Kalyani Nagar and Koregaon Park, which are all within a radius of 4 km. Additionally the expansion of the airport and the growth of the fintech and IT industries make the city a very attractive place to have a presence in.

We believe the market has strong dynamics combined with 40% increase in inventory and Chalet's asset management capability, the hotel should be able to deliver returns in line with the portfolio in a couple of years. This move with a growth strategy of strengthening and expanding our portfolio to new geographies with strong demand potential.

A quick update on the projects and development pipeline, with the addition of this new hotel we will be taking up the finishing of two floors, which will add 88 odd rooms at Novotel Pune, the work is likely to be completed by Q2 of next year. We expect the total project time to be anywhere between five to six months, we expect to start work early March over there. Project work for the Westin Hyderabad is on schedule and we are likely to commission that hotel in Q2 FY2021. The proposed brand change of Renaissance to the Westin Powai Lake is on schedule for the end of Q2 FY2021. The product improvement plans there are progressing very well. The timing for all the above is aligned to capture the higher occupancy second half of the year so I think we will stand to gain from timing it well.

A quick update on the non-hotel businesses or segments. The Sahar office at Mumbai is reaching occupancy and is on as scheduled with more than 85% of the tower already occupied and 17 FMCG outlets are already operating at the retail section. Inorbit Mall at Bengaluru continues to deliver steady occupancies with improved rentals. Work is progressing on schedule for the Bengaluru and Powai office towers.

With this brief on the quarter, I now handover to Rajiv to take you through the financial performance, post that we will take questions from all of you. Thank you.

Rajeev Newar: Thank you Sanjay and good evening ladies and gentlemen. Before we start let me offer the usual disclaimer. On forward looking statements and rounding of numbers during our conservation and our presentation has already been uploaded on the stock exchange and has been made available on our website, I do hope that you had a chance to go through the same.

Now Sanjay mentioned that the Company has completed the transaction of acquiring the two companies namely Belaire Hotels Private Limited and Seapearl Hotels Private Limited on February 7, 2020, which incidentally was the day on which the company got listed. The net consideration for the complete transaction was Rs.1,768 million and the cumulative borrowing in the acquired company was Rs.1,170 million and therefore the aggregate enterprise value was Rs.2,938 million.

Now coming to the financial performance of the company for Q3 FY2020, the total income was at Rs. 2,847 million, which was higher by 12% over the previous year and this was notwithstanding the lower other income of Rs. 66 million as compared to Rs. 75 million in the corresponding quarter of the previous year. The lower income in the corporate income was largely because of lower interest income from ICDs because all the ICDs were called back.

Further the company continues to be focused on cost, which for the quarter went up by only 5% on a like-to-like basis before accounting for exchange gain. There was foreign exchange gain of Rs.241 million for the base quarter, which was essentially the reversal of the foreign exchange loss in the first half of the previous year on account of ECB. Resultantly the EBITDA which was at Rs. 1,189 million grew by 22% before accounting for the impact of the exchange gain or loss.

The hospitality segment, which accounts for 88% of the total income, grew by 7% during the quarter and this was a healthy mix of both rate and volume as you would have heard earlier and the RevPAR grew by 9.9%. Correspondingly, the segment profit before interest depreciation and tax the margin thereof also improved to 43.4%, an expansion of 70 basis point from the base after adjusting for the exchange loss. For your information room revenue accounts for about 59% of our hospitality revenue, F&B about 33% and 8% comes from other income.

More importantly if you look at the retail and commercial segment, which accounts for 10% of our total turnover, this segment also showed a significant improvement, it clocked 281 million as compared to 130 million in the previous quarter. As far as the debts are concerned, the debt for the company has gone down it is now Rs. 14,577 million of which almost 12% only are foreign currency and the rest is all rupee loan.

More importantly while the loan was substantially repaid over the past few quarters, we were also able to improve our interest rate and a combination of this has resulted in the finance cost being lower at Rs. 339 million compared to Rs. 697 million in the corresponding quarter of the previous year. The promoters continue to subscribe to the zero percent nonconvertible redeemable preference shares for the residential project at Koramangala and the total value of subscription stands at Rs. 1,010 million as on today.

Quick two lines on the year-to-date performance. The total income for the year-to-date, which is nine months ended December 31, 2019, was Rs. 7,714 million as compared to Rs. 7,577 million, so growth of about 2% and EBITDA has also grown for the same period. For the previous year the EBITDA included an exchange loss of Rs. 148 million, which was substantially reversed in the Q3.

With this we now open the floor to questions.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for the moment while the question queue assembles. The first question is from the line of Aditya Bagul from Axis Capital. Please go ahead.

Aditya Bagul: Thank you and congratulations to the entire team for the brilliant set of numbers. Three questions from my end. Sanjay if you could start off with giving us some holistic idea of what is happening in three of our key micro markets including Mumbai MMR, Bengaluru and Hyderabad with special emphasis on Mumbai because we have not seen a sharp improvement in ARRs in Mumbai as we have seen in the other two geographies, so that is question number one, if I can just follow up with two questions, secondly on the retail and office space what explains the sequential decline in revenues in our retail and commercial offering if I am not mistaken the last quarter we had 30.7 Crores in terms of topline now we are at 28.1 so if you could just help me out with both of this?

Sanjay Sethi: Sure. So, let me address the Mumbai market scenario or rather the market scenario all the three cities first, so you are right Mumbai has not grown at the same pace in terms of rate as the other two cities, but Mumbai still clocked 6% ADR growth for the quarter in a market, which is slightly subdued on account of the general economic scenario is a very good performance. So, you got to also keep in mind that the average room rate in Mumbai for our portfolio itself is already Rs.8900 odd and the city continues to get, we have the highest RevPAR in the country today. I think one of the key challenges that Mumbai has today is

Airport capacity and that is sort of cost some amount of concern and as we build out the new airport at Navi Mumbai we see some improvements in this market. Having said that we have also got some spare capacity sitting out of the jet airlines slot that was there, which need to be filled up and utilized and once that happens we likely to see some demand growth and when the demand growth happens the rates will go up. Bengaluru and Hyderabad and this is comparatively, when you compare to them, Mumbai looks weaker but Bengaluru has clocked 11.8% ADR growth and Hyderabad at 17% ADR growth, but that is a phenomenal growth. This is for our hotels, but then in comparison mix Mumbai looks slightly weak, but overall, I think Mumbai has also performed reasonably well. On the occupancy side, Mumbai has grown at about 0.7% Bengaluru at 0.4%, 0.9% in Hyderabad this is within our portfolio. You got to keep in mind that at Bengaluru and Hyderabad the amount of office supply addition and absorption is significantly higher, especially in Hyderabad we see that they are growing exponentially and that is why we believe that Hyderabad has a very strong future for the next foreseeable may be five to ten-year horizon and the 170 rooms that we are adding in that market should get absorbed very quickly once we open them. Bengaluru did have a lot of supply that came up, in fact within our micro market of Whitefield we saw two hotels open up, the Sheraton Grand and the Den literally increasing the supply by 120%, but the pace of demand was so strong that has managed to take care of those new hotels and allow us to go a little bit and especially grow very aggressively on the rate front. So, this is about these three markets. I do want to add Pune to this because now we have hotel in Pune and once Pune has seen a little bit of stress over the last few years I think Pune is going to be a very strong market for the coming years. Let me tell you why? One was Hyderabad is the new Bengaluru, and we believe Pune will be the new Hyderabad and on the supply side of office spaces we see almost similar strength developing in Pune now especially in the eastern and the central eastern belt of Pune, which should drive occupancies of the hotels in areas we are located in So very bullish about all four cities, the supply and demand arbitrage continues to be favourable, demand did see some challenges on account of various macroeconomic factors, some of them driven by the financial services, stress that is there, some because of the automobile industry seeing some stress, but this we believe is an impact for a few quarters, our strategy does not change, we continue to grow in the cities that we had said will continue to grow in, which is current cities of Mumbai, Bengaluru and Hyderabad, add to that Pune we are interested in growing in Chennai, may be something in Goa, the Goa seeing some amount of challenges in the last one year and we will continue to look at opportunities in Delhi but they should be ready for hotels against building on green field there.

Aditya Bagul: Sanjay if I may just ask a question on that, with regards to our ADR growth in any of the three cities have we seen a material change in terms of our mix of customers, have we moved in a more meaningful manner towards retail and GDS versus corporate?

Sanjay Sethi: Great question. So as occupancy is stringent, the hotel operators tend to close out other channels and give more room nights to the retail channel, retail channel having a higher room rate tends to bring the average rate up and that is what happened, so if we would look at and recently Marriott was presenting to us about a month or two back that the retail business, which was roughly around 21%, 22% about a year, year-and-a-half back is now in the mid to high thirties, which clearly is reflecting on the average room rates that we are seeing cost to market and I think similar strategies you will see in our Pune hotels as we go forward.

Aditya Bagul: That is great to hear. Thank you. If you can just help me with the retail and commercial?

Rajeev Newar: So, Aditya basically in the case of retail and commercial we have been accounting both based on the billing as well as SLM, but we had to reassess our estimate because there were couple of stores, which is scheduled to open on a certain date; however, since they were taking a little longer we have gone little conservative in our estimates and we have reset our obviously the toplines accordingly on a consecutive basis.

Aditya Bagul: If I may ask we have got about 58 to 60 Crores of revenue from the retail and commercial in Q2 and Q3 put together, if I annualize this number, is Rs. 120 Crores sustainable number to look at for an annualized FY2021?

Sanjay Sethi: So, the full year number would be, so what is your number Aditya?

Aditya Bagul: I am looking at Q2 and Q3 together because Q1 did not include the ORB so Q2 and Q3 put together run rate of 60 Crores is it fair to annualize that, that is the only question that I had?

Sanjay Sethi: Reasonably fair to annualize that, there are a couple of stores obviously, which have already committed to us that they are opening and they are in advanced stage so I see no reasons why we should not be in a position to analyze that, more or less it is in line.

Aditya Bagul: Yes, I understand. Perfect. Thank you so much and best of luck for the quarters to come.

Moderator: Thank you. The next question is from the line of Abhinav Nadipally from India First Life Insurance. Please go ahead.

A Nadipally: Sir my question is specific to the Hyderabad market, can you just share some numbers what would be the specific inventory, which is going to be added in that particular market or the next three years horizon?

Sanjay Sethi: So, there is not any major inventory getting added I think we are adding 170 rooms and there is an unfinished Oberoi Hotel that is in that market so as and when that, the NCLT processes gets concluded and someone buys it out and starts working on it that will take anyway between two to two-and-a-half years to finish after that. There is a Meridien that opened a little while back, a few months back besides that there is no serious inventory that we are aware of that, that is come up in the near future.

A Nadipally: Sir can we expect, 10% RevPAR kind of thing or ADR kind of thing over the next two to three years going forward in the Hyderabad market?

Sanjay Sethi: Look we do not want to give very aggressive forward looking numbers. I think you will have to take the run rate for the last few quarters and decide what the numbers are going to look like. The market continues to be very strong, in fact it is stated as a best performing in market in the country in terms of rate or growth, so we continue to be bullish about it.

A Nadipally: No, I am asking this question specifically because I have seen some few of your rates I think currently the rates are higher than the current ADR, which you are showing in your presentation?

Sanjay Sethi: I hope they are paying them.

A Nadipally: Can you throw some light on the demand supply situation in the Pune market how is it?

Sanjay Sethi: So, in Pune there is some amount, the new hotels that opened there recently called Ritz-Carlton not very high on inventory I think it is in the 180, 190-odd rooms they opened with. There is a Grand Hyatt, which is lying unfinished for several years in the more or less same vicinity that we are at. Besides that there is one Crown Plaza and there is one Holiday Inn Express or something like that was planned, but lot of them are announced hotels, some of them work had started, but there seems to be very less activity on site, and that is probably the challenge in assessing how much is going to come up, but having covered all of this I think the rate of growth of supply is going to be significantly lower than rate of growth of demand.

A Nadipally: Thanks.

Moderator: Thank you. The next question is from the line of Satyam Thakur from Morgan Stanley. Please go ahead.

Satyam Thakur: My first question was just on, like the RevPAR performance that you reported seems quite stellar at 10% right; however, the hotel segment revenues are up only 7% Y-o-Y, so does that mean some inventory was out of circulation is that what is the driver and to complete the question on hotel side the EBIT that you have reported the segment profit so that even after I make the adjustment for the previous year same quarter having the exchange loss then also it seems that your EBIT margin is kind of flattish, is that correct on Y-o-Y, so what I am saying is that even with 7% revenue growth and 10% RevPAR growth why is the EBIT margin flat Y-o-Y, why did we not see operating leverage there?

Sanjay Sethi: let me address the first question which was on the RevPAR 9.9% or 10% Satyam without any decrease in inventory, so the rooms that have been taken off for renovation are not decreased when we calculated the RevPAR so in fact it is, if you would decrease the RevPAR growth it will be even higher so that is one, so it is not on account of any ….

Satyam Thakur: How many rooms were out of circulation?

Sanjay Sethi: I think we took away some 25 rooms in December or something like that at Renaissance and we had some rooms for renovation in four points, which have completed earlier part of the Q3. So, in spite of that this RevPAR is growing 9.9% and this is on full inventory not reducing the room count.

Rajeev Newar: So, Satyam basically the RevPAR reflects the growth in the room revenue, but then the other revenues also.

Sanjay Sethi: So let me take the second part of the question, why is the revenue grown only by 7%. I think one area that we have seen I think we spoke about in this last quarter also that the banquet demand seems to be lower than expected and we have seen F&B show some amount of stress largely on the banquet side of the business. So, if we were to look at Q3 F&B growth it is grown only at 2% this is driven by two, three factors. The two big hotels Renaissance and JW Marriot Sahar, which were very heavily dependent on large events that happene city-wide events, so those events not happening in this quarter and therefore Mumbai as a whole saw some drop in banquet business and these hotel because they had large share of banquet the overall impact on that and the total F&B revenue is quite large, so Sahar was actually flattish, the Renaissance that we saw some de-growth, Westin grew at 12%, but that comes out of low base, Marriot Whitefield grew at 14%, but that again comes of a low base. So, the two big base hotels did not grow on the F&B side.

Satyam Thakur: So that explains the revenue being lower and the second part of the hotel's question was that the EBIT margin seems flat Y-o-Y despite 7% growth in revenue did we not see any operating leverage play out here?

Rajeev Newar: Satyam you are talking about specifically nine months ended December correct?

Satyam Thakur: Only the quarter, the Q3 to Q3 Y-o-Y.

Rajeev Newar: So basically I think the way possibly if you look at the exchange loss, see what has happened if you recall in the last year first half there was an exchange loss on account of ECB, but in the Q3 of last year there was a reversal because the rupee strengthened, as a result of which there was 24 million with 241 million, which was accounted as income foreign exchange gain above the EBITDA, now if you were to exclude that 241 on a like-to-like basis then the EBITDA had grown by 22% Satyam from 972 to 1189.

Satyam Thakur: We do not have the EBITDA numbers, what you have in the PPT is only EBIT segment profit right, so which is why it is, we do not have that number, so it will be great if you can share EBITDA as well for hotel business.

Rajeev Newar: It is in the presentation but we can take it offline and we can show you where it is.

Satyam Thakur: That is good to know.

Sanjay Sethi: Since you are online requested to go to slide#14.

Satyam Thakur: That segment format is EBIT, right?

Sanjay Sethi: No, that is EBITDA.

Satyam Thakur: So that is what I said, one to two if I subtract the exchange gain of 228 from there then the EBIT or EBITDA margin here seems flat, right Y-o-Y?

Rajeev Newar: Gone up from 43.4 to 52.5.

Sanjay Sethi: You are right Satyam let us break it up for you in detail conservation.

Satyam Thakur: Yes, buy Sir my point is that it remains 43% the adjusted margin remains 43% Y-o-Y in both the quarters so that is why I found little, I was trying to get that was there any one off cost that we booked in this quarter is that what has kept the operating leverage from playing out or should we expect that with 7% revenue growth, which is just about kind of maintain the margins?

Rajeev Newar: Satyam maybe I can just comment here. Just to give you couple of numbers, which will help to understand this better. The hospitality revenue as you right said has gone up by 7%, the hospitality segment profit, which is an EBITDA equivalent before exchange loss has gone up by 9% from 994 million in the previous year for the quarter to 1084, and therefore while the revenue has gone up by 7% the EBITDA for the segment has gone up by 9%.

Satyam Thakur: Make sense and then moving on this second part on hotel thing was that in this coming quarter are you seeing any impact from this whole scare on the virus side or are you seeing any cancellations happened in January and February, what is the outlook looking there?

Sanjay Sethi: Satyam, fortunately we do not have too much exposure to Chinese tourists and we are not in the leisure segment so we do not have too much of an impact, but it is a serious virus and we are going to not ignore it, we continue to stay on top of it, we have had continuous engagement for the last couple of weeks with the operating teams at the hotels, and we have had some cancellations. In fact, the Marriot guidelines that we have sort of seen recently the booking pace has not grown dramatically still grown at 1% above the base that was there for the same time last year. However the week-on-week booking activity has seen some drop, we will have to wait and watch and how it sort of culminates we are concerned on the way things are going obviously it is a global pandemic, we need to be careful, I must commend the Marriot team for having responded extremely productively on this so they have actually set up an action plan, which is very robust right from revenue to cost management side, on the revenue side, on the retail business side and the group side they have put in action plans and I have gone through some of those details very well thought out and I think they have solid action plans. Cost side also they have taken precautions to freeze hiring, nonessential travel and other procurements, etc., but more than that I am really very confident that the way they have charted out a plan for the next few weeks and they have actually sending updates every week on action plans, they have it well under control. If not, as we have not had cancellations, right now the cancellations that have come in for these weeks, we are fortunate enough to fill them up almost immediately because there was enough demand on account of the sold out dates, but if it continues down this line we would obviously have some impact on the business. We will continue to watch it very closely.

Satyam Thakur: My last question is on the rental side, so they are on the Sahar Mall, there the number of outlets that the growth there seems to be stagnating a bit, what is happening on the ground, are we facing any challenge in terms of filling, leasing out the remaining space or is the challenge more in terms of those guys opening and reaching the commercial launch of their outlets?

Sanjay Sethi: So, I think it is a mix of both, I think there are three, four outlets, which are left, which have not been leased out as yet. There are four outlets, which are ready, but waiting for licenses. Now I am going to keep you in their shoes also, they got to pay up an annual excise license in February and they are going to have to pay the full year excise license rather open for first March-April, I understand there is a reason for delaying it a bit, but in the overall larger scheme of things its small revenue the big ticket item was the office side of the revenue that is going as per plan amongst schedule.

Satyam Thakur: Great. Thanks a lot, and all the best.

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

Karan Khanna: Sir I have three specific questions, first on Novotel Pune if you can help us understand more specifics in terms of what the occupancy and area risk for the property whether the comparable property is nearby, second if I look at your segmental results, your margins in the retail and commercial segment has reduced from 54% to 44% on a sequential basis, in hospitality division the extent of seasonality in retail and commercial segment should be lower and hence if you can explain why the operating margins have been reduced, finally the third question, in terms of the early trends for fourth quarter if you can throw some light in how the RevPAR trend and the outlook?

Sanjay Sethi: Thank you Karan for those questions. Let me address the Pune question first, so in Pune the hotel and I think we have shared some numbers of the last financial year in the presentation because we cannot disclose the numbers are not out in public space right now, let me sort of share with you two, three macro level thought process at our end. Number one we strongly believe in Pune like I mentioned earlier, that is the market that is going to have a strong increase in room night demand and we have done this time and over again over the last 20 years to foresee market dynamics and go and put hotels, build hotels and acquire hotels in those locations, and take advantage of group markets, Hyderabad is case in example, Bengaluru same thing happened, Mumbai similar scenario happened for us. Having said that Pune the hotel that we have bought, the reason we have been able to buy it at a price at the compelling price was because it was not performing well, so I do not really want you to assess previous numbers to assess what the hotel's feature is going to be about. The macro strategy over there is the following: one, complete 88 rooms that we have which are unbuild quickly because of flow through from that 88 rooms is very strong, the fixed costs have already been covered and typically room business shows up in many case 80%, 85% margins this should show up slightly higher margins in that. Second there are opportunities on the properties to sweat the asset a lot more efficiently, on that front we have seen that there is a pool deck area, which is completely underutilized right now, though they have got a bar and bar license in F&B area that is an area that we can monetize very quickly by turning it around. Action plan is already underway on that. The hotel does not have a Spa so we are identifying a small Spa there to add a facility, which we believe turnaround the guests experience offering at the hotel and largely ability to sweat the asset more. On the cost side we see couple of big opportunities, one optimization will bring in electricity cost under control and secondly, we want to introduce PNG, which replaces LPG the gas, which brings down the cost significantly for us. In addition to that we have got operational opportunities on the F&B outlet timings, laundry timings and outsourcing laundry and bakery operations. All in all we are extremely bullish about this hotel, the asset management capability sits in the Chalet Hotel steam, the distribution capability of Accor at a global level and a very young and aggressive and dynamic team at the hotel itself is a great combination to take it to the next level. Currently underperforming to its concept, we see it performing well over the near future. So key as I said is to get the 88 rooms going and, on that front, not only have we going to be quick off the ground we have already designed those rooms once we are closing that position, so we going to be on-site as early as first week of March to start work on the rooms.

Karan Khanna: The second question on the segmental results as far as your margins in the retail and commercial segments are concerned so if I look at segmental results your EBIT in the retail and commercial segment was 12 Crores this quarter versus 16.7 Crores last quarter, while the revenue has broadly been on similar line, the 30.7 Crores last quarter and 28 Crores this quarter?

Rajeev Newar: That is right, Karan the reason is because if you look at overall retail and commercial revenues for the quarter, the overall revenues have gone up and the overall profits have also gone up the segment profit have gone up, as we would have noticed, so from a 52 million of EBITDA segment profit last year, it has gone up to almost 178 million in the current quarter and this increase is essentially because the Sahar commercial is getting progressively occupied by the tenant the lessee, the revenue is also being accrued accordingly. Your question is comparison to the previous quarter, as I mentioned initially that there were, so if you look at quarter-by-quarter the issue what has happened is that in the current quarter we have taken a conservative view on certain recoverables that were there from certain stores in the hub so we have taken and based on that we have revisited our revenue recognition on those on a conservative basis.

Karan Khanna: Fair enough and finally in terms of the fourth quarter as far as the earlier trends are concerned if you can throw some light on how the RevPAR and how the outlook is for the quarter ahead?

Sanjay Sethi: I am afraid we are not giving any forward looking statements or numbers on this front. Typically, Q4 is always a strong quarter and I do not see any reason why it will not continue to be a strong quarter both on occupancies and rates, but having said that we still need to see how the Coronavirus being plays out. As of now there is nothing material that we are worried about, but it was a great quarter even last year and in fact the best quarter in over a decade last year when those results came out for Q1 calendar year or Q4 financial year that we reported. So, it is difficult for me to right now share the numbers because I am not allowed to do that, but let me assure you that the performance will continue to be robust.

Karan Khanna: Thanks for the clarification. Thank you.

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

Sumant Kumar: My question is regarding how is the performance of corporate and free individual traveler segment and MICE segment overall Y-o-Y?

Sanjay Sethi: So, thank you Sumant for the question. A very quick breakup of how things are going, so we will actually categorize them into three categories, transient, groups and contract, the segments which are the macro segments that we have, so we have seen the overall contribution from transient grow from 67% to 69%, the groups continue to grow from 12% to 16%; however, the contract, which is only the crew segment has gone down from 21% to 15%, but that does not mean the absolute room nights have fallen by that percent, it is just that this combined with the growth that we have had, this is the share of the total pie. The other way if we can look at is source of bookings, so from a source of bookings we have got four sources that we look at, e-channel, which is largely OTA business, the global distribution system or the GDS, marriott.com for us and what comes on property through voice or other means so on the e-channel side, which is OTA business has grown from 8% to 10% in this quarter. The GDS business has actually come down marginally from 37% to 35%, Marriot.com, which is the cheapest form of acquisition of business, has grown from 12% to 16% and property or voice and other means of getting the business have gone down from 43% to 39%. The primary reasons for property in voice business to go down are because the group business, which will combine with the MICE segment, has seen a slightly slow performance. What we are excited about is the growth in the Marriot.com, the continued strength of the GDS, which also covers retail to some extent and finally the e-channel, which is largely the retail business.

Sumant Kumar: So overall the higher ARR can we say that the transient, overall the free individual traveler post the GST cut the growth is higher and so your ARR is higher?

Sanjay Sethi: That is true, the segment mix has changed that has been a sort of strategy, it is a strategic call that the Marriot has taken to grow the retail business through various means, whether it comes from the OTA channel or through from their own Marriot.com channel.

Sumant Kumar: So, when we see the overall performance of other peers overall the ARR growth is comparatively lower what you are showing the 9% average ARR you are showing, overall industry growth is in the range of 3% to 5% we can say that on the luxury segment also, so I am trying to understand these are the key reasons and any other reason is there to outperform the overall peer?

Sanjay Sethi: So Sumant I cannot speak for others because I do not know what their strategy or what their internal numbers are, I can only share what we are doing and on that front I think about for the last three, four months we have been engaging with the Marriot team and every month the strategy that they have spelt out to us indicate that they will release more rooms in favour of the retail segment because the occupancies are high you want to try the rates up so you continue to increase the retail contribution to the total mix and that has helped us.

Sumant Kumar: So overall, we have seen a few companies' numbers and their occupancy they have compromised, they have grown through the volume, the occupancy is 4% to 5% higher and they have compromised on ARR so your strategy is focusing more on ARR rather than occupancy?

Sanjay Sethi: Actually, it will vary from quarter-to-quarter, in quarters where in any case the occupancies are high, we will continue to focus on rate led growth on quarters where the occupancies are typically lower, which is typically the monsoon in the summer month, will continue to take on large volume business like groups, conferences, etc., which typically come at the slightly lower rate.

Rajeev Newar: Sumant we are basically driven by RevPAR.

Sanjay Sethi: If you look at our overall year-to-date ADR also it is 5% of course helped by this quarter growth of 9%.

Rajeev Newar: Also, Sumant you will also appreciate that occupancy levels are also at a healthy level so we are also able to leverage.

Suman Kumar: Thank you so much.

Moderator: Thank you. As there are no further questions I now hand the conference over to Mr. Sanjay Sethi for closing comments.

Sanjay Sethi: Thank you so much everyone for your time. We look forward to your continued support over the coming quarters. Thank you.

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