August 1, 2024

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 ended June 30, 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 July 26, 2024, in respect of the Unaudited Financial Results for the quarter ended June 30, 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: 2024.08.01 18:24:37 +05'30'

Christabelle Baptista
Company Secretary and Compliance Officer

Enclosed: As above

"Chalet Hotels Limited

Q1 FY '25 Earnings Conference Call"

July 26, 2024

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

Moderator: Ladies and gentlemen, good day and welcome to Chalet Hotels Q1 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, sir.

Sanjay Sethi: Ladies and gentlemen, thank you for joining us today for the earnings call where we will reflect on the performance of Q1 FY '25. Before I commence the quarterly update, let me share with you our announcement of this morning. A Committee of our Board has approved a transaction to purchase a land in Goa for the development of 5-star deluxe resort. The closure of the acquisition process will take a couple of weeks and we will send out an update in the near future. This is in line with our long-term growth strategy to expand into the picturesque state of Goa. It is a greenfield opportunity and I believe we will be able to bring in Chalet's strength of design and efficiency for exceptional guest experiences.

Back to Q1. In the backdrop of some unique challenges including the longish election process in the world's largest democracy, the heatwave and a subdued quarter for MICE and leisure, we are pleased to announce that Q1 FY '25 has been the best Q1 in the history of Chalet Hotels Limited. This achievement underscores our continued focus on executing a growth-based strategy that combines capacity expansion with operational excellence.

The macroeconomics of India presents a compelling opportunity particularly in the flourishing tourism and hospitality sector. This growth potential is underpinned by the demographic strength of the nation. Our strategy of hard asset-led capacity addition and operational efficiency places us in a sweet spot to capitalize on favourable industry dynamics buoyed by favourable demand-supply arbitrage. The tailwinds of the present market conditions are expected to further bolster our operational performances and drive sustained growth in the coming quarters.

During Q1 FY '25, we have been able to demonstrate consistency across key metrics when compared to the same period last year. Consolidated revenue of the company increased by 17% whereas total EBITDA saw a 31% rise from Q1 FY '24. Within the hospitality segment, our revenue climbed by 15% accompanied by an 18% increase in segment EBITDA for the same period. Our portfolio occupancy stood at 70%, up by 90 bps with the average room rate showing a 1% improvement over Q1 FY '24 contributing to a year-on-year growth of RevPAR of 2%.

On a same store basis, the portfolio RevPAR has grown by 4%. We saw accretive RevPAR performances at JW Marriott Sahar, Westin Complex at Powai, Marriott Bengaluru and our two hotels in Hyderabad. The Vashi hotel saw a 7% dip in RevPAR. This was due to significant increase in room supply in similar category hotels in Navi Mumbai micro market over the last couple of years.

Novotel had lower RevPAR on account of increased capacity of 88 rooms which will take another quarter or two to stabilize. However, the hotel had revenue growth of 15% over the same quarter last year. Due to major renovation work underway at Dukes, we removed the limited inventory from sales from middle of May which is about a couple of months back, we will be opening 37 new rooms and some new public areas in Phase 1 for business before the long weekend of 15th of August.

We have a robust pipeline for capacity expansion in existing hotels at the Marriott Bengaluru and The Dukes Retreat in Lonavala. This expansion will be in play by end of the current calendar year. As most of you are aware, we are also developing two new hotels with Taj New Delhi Airport and the Hyatt Regency at Airoli in Mumbai. These two hotels will add approximately 660 rooms to the portfolio.

Additionally, the development of CIGNUS Powai Tower II, a new commercial building will add approximately 9 lakh square feet to our existing 24 lakh square feet of office portfolio, which is a strategic move into alternate asset class designed to mitigate the cyclicality of the hotel industry through annuity income. Leasing activity at the new office buildings in Powai and Whitefield is steady. We continue to expect 90% of the office portfolio leased out by end of the calendar year.

Our residential project at Koramangala, Bangalore is surpassing sales expectations, achieving prices significantly higher than initially projected. We anticipate substantial cash flows from this project over the next 6 to 7 quarters. Another pivotal focus for us is our pledge to net zero greenhouse gas emissions by 2040, aligning with the Paris Agreement's goal of limiting global temperature rise to 1.5 degrees Celsius. This commitment announced on the World Environment Day on 5th June, underscores our deep-seated commitment to sustainability and responsible business practice.

Ladies and gentlemen, I continue to be bullish on the sustained growth for the hospitality industry and the leasing industry, especially in the locations that we operate in. Indian hospitality sector is likely to see strong revenue growth in the next few years with margin expansion for companies that navigate the path diligently.

I now welcome Nitin Khanna our new CFO into the conversation and he will share additional financial highlights for the quarter.

Nitin Khanna: Thank you, Sanjay. Good morning, ladies and gentlemen. I'm happy to take over as CFO of Chalet and hope to interact with the members on the call in person in the near future. As discussed by Sanjay, this quarter has been marked by resilient and stable performance at the back of some challenges faced by the industry during the quarter. Following Chalet's growth trajectory, I'm happy to announce that this was the strongest Q1 performance historically. Coming to the financial updates.

In the Hospitality segment, ADRs have been stable at an average of INR10,446 during the quarter, which is a growth of 1% versus last year's same period. Occupancy touched 70.5% across the portfolio, which is 85 basis points higher than the last year. As a result, the RevPAR has been up by 2% year-on-year to INR7,361 for Q1 FY '25. Bangalore followed by Hyderabad saw the highest growth overall, while the Mumbai Metropolitan region continues to be the occupancy leader.

Excluding the new assets that is on the same-store basis, the occupancy grew by 191 bps and RevPAR grew by 4%. It will be pertinent to note that the total room nights sold were higher by 13.3% during the same period. Hospitality revenue for the quarter was INR3.3 billion, a growth of 15% led by a combination of rate growth, inventory additions and F&B contributions.

The hospitality segment during the quarter also delivered an adjusted EBITDA of INR1.3 billion, marking a growth of 12% with a margin of 41.2%. Now given that, number one, The Dukes is still under renovation and for Courtyard at Aravali, this is the season's weakest quarter; and three, the reasons already alluded to by Sanjay, it is now safe to say that we can expect better flow-throughs and higher margins for the rest of the year.

On the rental and annuity front, our leasable area stands at 2.4 million square feet with 1.2 million square feet leased so far. Our revenue for the quarter was at INR 355 million with an EBITDA of INR 264 million. With leasing for the new towers picking pace, as already explained by Sanjay, the unabsorbed costs for these new assets would average out over the course of next couple of quarters. And of course, the flow-through would improve.

Coming to the updates on the residential projects. We have sold 17 new units during the quarter commanding a rate of INR21,548 per square feet which is 14% higher than the rates averaged in FY '24. In all, 138 units have been sold since the relaunch of the projects. We expect the rate buoyancy to continue for the rest of the inventory.

Consolidated revenue for the quarter was INR3.7 billion, a growth of 17% year-on-year. Consolidated adjusted EBITDA was at INR1.5 billion with a growth of 14% and margin of 40.2%. Consolidated PBT for the quarter was INR0.8 billion versus INR0.4 billion in the same quarter last year. Now coming to debt. During the year, the company spent about INR1.3 billion across capital expenses which was majorly met out of internal accruals. The net debt as on 30th June '24 was at INR15 billion marginally up from our debt post QIP in April.

Majority of this debt is allocable to capital work in progress and assets not yet operationalized of about INR15 billion. These investments are expected to generate a ROCE of 18% to 20%. We closed the quarter with a significant improvement in cost of finance standing at 8.43%, a reduction of 44 bps from March '24. I'm also happy to add here that ICRA has maintained positive outlook for Chalet with a new rating of A and upgrade from A minus.

The company continues to invest in its growth and has a capex plan of around INR15 billion for the next 7 quarters for the announced projects, which will be largely funded through internal accruals. The only exception on this would be the new investments in Goa which, of course, we would apprise you in due course. The company is on a strong growth path. 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. We will now begin the question and answer session. The first question is from the line of Archana Gude from IDBI Capital. Please go ahead.

Archana Gude: Hi, sir. Thank you for the opportunity and congrats on the good set of numbers. Sir, I have a few questions. Firstly, somewhere the new CFO mentioned about the Goa market, so anything going on concrete on that front? I'm just curious to understand.

Sanjay Sethi: Archana, good to have you back. Look, we've just announced this morning that we have had a committee approval to conclude a process for acquisition of a land parcel in Goa. Those details have been put up in a notice and I referred to them in my opening statement. Just as a very quick macro overview on this transaction.

It's a 11-acre site on the beach front and we expect to get about 188 bays converting to about 170-odd rooms. This acquisition opportunity comes with approvals on the plot already. So our time to have shovels in the ground post-acquisition will be very short. Goa as you know seems to be a very strong market.

Archana Gude: Right sir. Absolutely. I think that is outperforming most of the markets. So secondly on Hyderabad market, I don't have this absolute number for occupancy, but when we look at this presentation at this double-digit growth of occupancy while ADR is being negative. So is that a prudent call from the management to focus more on occupancy part to boost the RevPAR or that was just one-off?

Sanjay Sethi: So these are all tactical initiatives that are taken depending on market conditions, Archana. When we see months that are slightly stretched, we tend to, in advance, decide to go with the occupancy-led strategies to fill up the hotel. But Hyderabad had another thing at play. We added a new hotel, the second hotel, which is 100% occupancy. So blended occupancy for Hyderabad will show higher growth than last year because of the new hotel with 100% occupancy at play over here.

Archana Gude: Yes. Right. And sir lastly on the rental market how is the situation in Mumbai market? Do we see some momentum going ahead?

Sanjay Sethi: Yes. So look, we've got two, three deals which are literally on the verge of closing, but the formal closing has not happened, so we've not been able to announce them. I know it's a little frustrating that it's going slower than we expected it to. But we are very confident that out of the 2.4 million square ft of office portfolio that we have by the end of the calendar year, we would have around 90% of the portfolio leased out already. Bangalore is also moving very well.

Archana Gude: Sure sir. Thank you and all the best.

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

Jaiveer Shekhawat: Mr. Sethi firstly on the Hyderabad market, we have seen other hotel companies sort of see healthy RevPAR growth there. Now we understand that the new hotel which came in was already contracted at double-digit rate acceleration. So, if you could just point out why we have seen growth decline there? Is it largely because of the election impact or is there anything else that play there?

Sanjay Sethi: No, just to highlight here we haven't seen a decrease in the Hyderabad market. In fact, our old hotel which is the Mindspace with 427 rooms, we have reported 13% RevPAR growth with an equal mix of rate and occupancy led growth in that hotel. And then, of course, The Westin HITEC which is a new hotel has had 100% occupancies with rate growing by 15% over there.

So what you'll see there is because it is already 100%. It was 100% last year, you did not see any occupancy growth, but the rate is growing by 15%. As a result, the RevPAR growth even in The Westin HITEC, which is the second hotel, is 15%. So to summarize, Hyderabad Mindspace 13% RevPAR growth, Hyderabad HITEC 15% RevPAR growth.

Jaiveer Shekhawat: Sure. So, the reason why we are seeing a decline in the ADRs, the blended ADRs because the Westin the new one has lower ADRs. Is my understanding right?

Sanjay Sethi: Lower rate yes.

Jaiveer Shekhawat: Understood. Just on the Goa plans that you have. So could you talk about the time lines as well as the branding and price points that you might be looking at?

Sanjay Sethi: So look, from a time line perspective first, we expect to conclude the deal in the next couple of weeks. We are required to have a Board resolution authorizing the same when we go to the registrar. That's where we are right now. So, we've taken that approval this morning and we'll be submitting the documents to the registrar there. We expect to conclude in two weeks' time.

As far as the market is concerned, Goa continues to be a very strong market. This is a beachfront property with a proper beach in the front and a really good quality beach and water. From a positioning perspective, I think we've already said it will be a 5-star deluxe hotel which is a top category in India. There's nothing higher than that as far as Classification ratings go and we expect to compete with the best over there. And because we're getting this hotel with approvals already in place, this particular land with approvals already in place, time taken to move from acquiring it to starting construction is going to be a few months only, it's only a very short period. My guess is that we're looking at maybe having shovels in the ground as soon as the monsoon ends.

Jaiveer Shekhawat: Right Sir, because you believe the other hotels, luxury hotels might take 5, 6 years. Do you think you will be able to do that in 3, 4 years?

Sanjay Sethi: Yes. I mean, we are very confident that 3 years will be up and about because a large part of Goa development process, time gets used up in approvals. This particular land has come with the approvals in place. So, it's only construction that we have to do. Design is already in place.

Jaiveer Shekhawat: Sure. Last question, I'm just trying to resolve the dilemma. So if you see the results across hotel companies over the last fourth quarter as well as this quarter, I mean, let's remove the election impact. What we have seen is moderation over the RevPAR growth front despite the fact that a lot of supply, which has been announced is not yet hit the market. And we have still started seeing moderation in RevPAR growth to say single digits. Now what's the outlook for the rest of the year? And do you think next year it could actually accelerate and reasons for the same.

Sanjay Sethi: Jaiveer, I actually expect it to sort of start improving from this quarter itself. And obviously, Quarter 3 and Quarter 4 will be very strong. And it's a little incorrect to compare Q4 to Q1 because there are massively….

Jaiveer Shekhawat: Ya actually we are seeing Y-o-Y growth rates in both quarters.

Sanjay Sethi: We've got our same-store growth rate at 9% on revenue, which is despite the election impact and election impact took us by surprise, I must admit that. I got that wrong. I thought the impact will be minimal. But somewhere during the election process, I think the mood and dynamics and the tone and tenor changed, which caused everyone to wait and watch. And that sort of slowed down travel for a lot of people in India. We have seen this impact across industries. Q1 has not been the best of quarters.

And when our feeder industries don't do well, we tend to have a slight slowdown. So I don't think that Q1 is a trend. Q1 is an aberration and the trend will continue down with growth quarter-on-quarter in the coming quarters even on a same-store basis.

Jaiveer Shekhawat: Sure. Wish you all the best and thank you so much.

Sanjay Sethi: Thank you Jaiveer.

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

Vikas: Yes. Good morning sir and thank you for the opportunity. Sir my first question is how should we think about rates from current levels? We have seen ADR growth lowest in past 3 years and understandable because of the election and heatwave. One of your peers did talk about in the earnings call that they have seen a very strong recovery with rates moving more than 20% in the past 3 weeks. So what kind of outlook, are we seeing a very similar kind of a bounce back or is it more gradual for us?

Sanjay Sethi: Look, we don't give numbers that we have not disclosed, but I can tell you, July is looking very strong.

Vikas: Okay. Sure. And secondly, if I talk about our medium-term growth type. So obviously, rates are going to land somewhere in the mid-single digits once maybe from next year onwards. So on organic basis, is it a right understanding that we should also grow in a very similar range, a new addition could take our revenue to be in the double-digit growth?

Sanjay Sethi: So I just want to highlight again to you, Vikas, that even in the quarter that was affected by elections, heat and no wedding dates in this quarter, we've managed to give on a same-store basis, 9% growth. And I'm pretty confident that in the subsequent quarters, we will get the double-digit growth that we are targeting.

Vikas: Okay. And finally, on this Goa addition. So especially, I know last year we did talk about adding more rooms in this leisure market. But last year Goa was looking very attractive. Now with the other Asian markets easing up visa restriction and I think Goa was the biggest hit in Q1. So do you think that this path adding more properties in this leisure market is still the right way to go. This is my last question?

Sanjay Sethi: So Vikas while Goa has seen some softening in rates, the waterfront or seafront properties continue to get a premium and they continue to do very well. And when you say that the rates there have softened, they softened from a very high number. I think the range that is taking a little bit of a hit is that INR25,000 to INR40,000 price point range. There's no resistance to the INR 15,000 to INR 20,000 price point range.

So we believe that this will continue to do well and the scarcity of seafront, beachfront assets is what is going to drive business for the acquisition opportunity that we have. There's a scarcity of assets on that category of hotels in Goa. A lot of them are moving into a landward side because beachfront properties are not available.

Vikas: And this is in South or North which area we are...

Sanjay Sethi: It's in South Goa.

Vikas: Got it. Okay. Thanks a lot.

Moderator: Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher Private Limited. Please go ahead.

Jinesh Joshi: Yes. Sorry, I have a question on Goa again. Sir, if I heard you right you mentioned that we'll open about 170-odd rooms in Goa and within 3 years the hotel should be complete. Can you share what can be ARR and what is the total capex outlined for this?

Sanjay Sethi: Jinesh are you there still.

Jinesh Joshi: Yes sir. Should I repeat my question or you got it.

Sanjay Sethi: I have heard your question I was going to starting off on giving you the answer. See Jinesh what we have right now in Goa is what we can share is that this is a very nice seafront land parcel which comes with approval, 11 acres in size. The current design has about 188-odd rooms drawn up, but those are bays so when we convert and add some suites etc it might reduce to about 170, 175 rooms. The market is very strong for the location that we are speaking about. It's a premium location and the product will clearly be at the high end.

Jinesh Joshi: Sir, by any chance, will you be able to share the capex number because land costs you have already shared, any rough indication you would want to give?

Sanjay Sethi: No. At this point of time, we'd not like to share those numbers. We will come back to you with final numbers, with a little more diligence put in place.

Jinesh Joshi: Sure sir. My second question is on our annuity business. So, if I compare our leased area versus last quarter I think there has been an increase of about 0.1 million square feet. However, our annuity revenue on sequential basis is flat at about INR35 odd crores. So, if you can just give the reason behind this. And also, our EBITDA margin has declined to about 74% in this quarter which is a bit low when I compare it with our earlier quarter. So any comments on that as well?

Sanjay Sethi: Yes. I will have Nitin comment on this. On the EBITDA margin, the obvious reason is we have unoccupied inventory, we have to carry the cost of that, and they are not charged off to CAM. And therefore, that's showing that margin impact. But Nitin will come in and give details to you.

Nitin Khanna: Jinesh, thanks for the question. The annuity business, if you see Quarter 1 FY '24 to FY '25, it has actually increased by 25%. And the reason is the extra inventory, which got leased out. And the reason for cost increase was purely that there is an unabsorbed common area maintenance and property tax.

Sanjay Sethi: That will get charged to CAM of tenants and our margins will then further settle down and improve.

Jinesh Joshi: Sure, I got that. But my question was more on the sequential revenue front because sequentially and according to your PPT whereby we see that the leased area has increased from about 1.1 million square feet to about 1.2 million square feet. But our revenue, if I look at 4Q and 1Q, they are flat at about INR35 crores despite increase in area by 0.1 million square feet. So that was the question.

Sanjay Sethi: So our revenue has actually increased by 25%. That's what Nitin shared earlier. We were INR285 million at Quarter 1 FY '24. It has increased to INR355 million now which is a 25% increase.

Jinesh Joshi: I will take this offline, sir. One last question from this side that is with respect to our occupancy in Pune which is down by about 16%, 17% and we mentioned that this is primarily due to the capacity inching, but if I remember right we had inaugurated these rooms in October '23 and about 8 to 9 months have already lapsed with this new inventories operational. So I believe it did get some time to stabilize. I just wanted to check if there is something more to read into this occupancy number which has fallen in double digit?

Sanjay Sethi: Sorry, the occupancy has fallen only on capacity addition. The actual occupancy of the old inventory is grown. So on a daily basis, the rooms occupied per day have increased substantially. To your question of when it will stabilize? My view is that the quarter October to December, which will be post the completion of 1 year of that new inventory, we will see normalization in that hotel. We are already seeing a very strong move in July this year.

Jinesh Joshi: Sure sir. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Prashant Biyani from Elara Securities. Please go ahead.

Prashant Biyani: Yes. Thanks for the opportunity. Sir, on the hotel business if you look at our number or for the industry, it has been the case that locations where we have seen occupancy increase, rates have reduced. And where ARR has been higher, occupancy has reduced. So, it looks like there is demand, but it is waiting to come at a particular rate. What would be your view on the dynamics which is playing out right now in this backdrop?

Sanjay Sethi: Prashant, thank you for your question. So look, revenue management is a key initiative that drives efficiencies into the hotel industry business. Seeing that the quarter is looking a little slower, our strategy in some of the hotels became an occupancy-led strategy as against rate-based strategy for this quarter and especially for this quarter because we had an impact of the election for almost 1.5 months out of the 3 months that we had. And I think that's worked favourably for us. And again, I want to repeat, at 9% growth over same quarter last year on a same-store basis, in a quarter that was challenged, I think it's quite a strong performance. On an overall basis, we've grown by 15%, that's because of capacity addition.

And you've got to remember that one of the hotels, Dukes Retreat has been completely out of action for almost 43 days out of the 91-odd days in the quarter. The reason we shut down that inventory was when I was on the on-site in second week of May. I felt the guest experience is getting compromised on account of the large construction activity going around. And as a result, because we are starting Phase 2 which involved some breaking up structures, old structure, I just took a call not to allow guests to have that experience, so we shut down the inventory.

We are now opening before the 15th August long weekend with 37 new rooms and the new public areas that are ready for guest use. It will, of course, not be a full hotel in play. The full hotel in play will only come in during the December month with all its frills and guest experiences. But for now, we're opening 37 rooms with the new restaurant, a new bar, a new cafe, a new reception block and some new suites.

Prashant Biyani: And it would be opening at around INR15,000 ARR.

Sanjay Sethi: Yes. It's public knowledge. You can go to the website and see what rates we have opened hotel out at, post in the second...

Prashant Biyani: And sir, on the Goa property, while you have shared all the details that you want to but the kind of property that we want to make there, similar property would be charging what sort of an ARR in that location currently?

Sanjay Sethi: So look beachfront properties in the 5-star deluxe category, are hovering around the INR17,000 to INR25,000 price point. So that's the range, I think, when it opens 3 years from now with an adjusted inflation for those 3 years, we should be able to open at.

Prashant Biyani: And do we have to design it or we have the designs available?

Sanjay Sethi: So basic approval to start construction design is already done. All municipal, environment and other approvals are coming as a part of the deal. And we will do the registration. Right now, we are working on the closure of the deal.

Prashant Biyani: Okay sir. That's it from my side. Thanks.

Moderator: Thank you. The next question is from Sriram Srivasan an individual investor. Please go ahead.

Sriram Srivasan: Many thanks for the opportunity. Hearty congratulations to the management with respect to successful completion of QIP and a reduction of debt and upgradation in the credit rating and developments at Goa. Many congratulations first of all sir. My question is more on the balance sheet side as well as on the occupancy as we have been expanding our portfolio in the next 3 to 4 years kind of time period.

Sir, if I look at from the balance sheet perspective, we have been likely to invest about additional INR 200 crores, INR130 crores including this Goa asset which we are planning to acquire as per today it's likely to happen in about next 3 to 3.5 years kind of a time period. So what is the kind of debt and equity or else internal accruals we have been planning for this INR137 crores of an investment?

Sanjay Sethi: I will let Nitin come in and update you.

Nitin Khanna: Yes. Thanks for your question. Look capex for next 2 years what we are planning is around INR15 billion. Around INR 650 crores is basically for the new commercial task. Around INR600 crores is for the hotels which includes DIAL, Dukes, our Bangalore addition as well. And INR250 crores out of which INR100 crores is our normal repair. So basically, the capex funding, if you see basically coming from our internal accrual, sir.

Sriram Srivasan: So the entire 1,500 what's we have planned is more from an internal accruals. We have been increasing the debt from here at this level?

Nitin Khanna: Yes. The peak debt will remain at the same level. We don't expect more leverage on this, maybe around a little bit, but yes, more or less the peak debt will remain at the same level.

Sanjay Sethi: Sriram from a cash flow perspective there might be some mild increase because you've got to match the cash flow cycle of internal accruals to projects. But it is going to be very much under control and a very balanced approach to the treasury and the debt equity management.

Sriram Srivasan: Understood, sir. So the other question is that what is the INR1,500 crores of debt what we're carrying? What is the long-term and short-term borrowing, sir?

Sanjay Sethi: Yes INR1,500 crores are you talking about the how many years we will spend this this over, right?

Sriram Srivasan: No. At the balance sheet level what is the long-term borrowing and short-term borrowing sir our of INR1,500 crores?

Sanjay Sethi: Long-term and short-term borrowings. It's all long term.

Nitin Khanna: Yes, majorly long-term borrowings.

Sriram Srivasan: Okay. So significant debt has been reduced in the short-term borrowings. If my understanding is correct?

Nitin Khanna: Yes, you're right.

Sriram Srivasan: Understood, sir. And more on the occupancy levels. As we have been inching towards almost like more than 800 rooms of additions in the next 3 to 3.5 years of time period. So what is the kind of an occupancy that we can get there, we can able to manage at 72% to 75% next 3 years?

Sanjay Sethi: So I think now with today's announcement, you can add another 170 rooms to the 800 - 850-odd rooms that we're talking about. So roughly, our pipeline is now 1,000 rooms over the next 3 years or so. In terms of occupancy, look, currently, I think last year, we closed at 72%, 73% occupancy. We expect that to grow by 200 to 300 bps more going forward.

But there will always be cycles when we open a hotel, it starts up with lower occupancy and over 4 quarter period, it builds up. So those individual hotel impacts will be there on the portfolio level. But on a same-store basis, seeing mid-70% occupancies or maybe even higher in some of the hotels is pretty easy to deliver.

Sriram Srivasan: Understood, sir. And the last question is that on the sustainability of the margins at upward of 40%. I think that the industry has been in a very good shape I mean in good shape and very good scale. So I hope that we've been able to sustain at more than 40%, 41% kind of margins?

Sanjay Sethi: We are confident on growing those margins. Thank you, Sriram.

Sriram Srivasan: Thank you sir.

Moderator: Thank you. The next question is from the line of Raghav Malik from Jefferies. Please go ahead.

Raghav Malik: Thank you for the opportunity. Sorry if I missed this sir could you just share some colour if possible on RevPAR across cities like how it's been trending post Q1 in July?

Sanjay Sethi: So Raghav thank you for your question. But we don't give forward-looking details out. What we typically do is if the earnings call is happening post a month of the subsequent quarter, we tend to disclose that on our earnings presentation. But since this is not end of the month, we've not given that as a part of the presentation. And I'll not be able to share the details but let me assure you that July is looking very strong, both on occupancy and rate front.

Raghav Malik: Okay. I think I'll go through the presentation. I didn't actually see it through on the BSE. So I'll just go check. Could you also just share the current inventory in terms of hotels and rooms that we have in total?

Sanjay Sethi: So currently we have 10 hotels with roughly 3,052 rooms. We have now about 1,000 rooms in the pipeline, and you will find the details of the presentation. What you may not see on the presentation because the presentation got sent out last evening is the addition of Goa in the pipeline. But 10 operating hotels, 2 hotels are getting capacity addition within the same. 2 hotels being added as new inventory. And today we've announced Goa so that becomes the 13th.

Raghav Malik: Thank you sir.

Moderator: Thank you. The next question is from the line Adhidev Chattopadhyay from ICICI Securities. Please go ahead.

Adhidev Chattopadhyay: Good morning. Thank you for the opportunity. First question is you alluded to around 90% leasing in our Powai and Bangalore rental assets by March. So getting into '26, what could be the broadly the exit rental income for '26 rental and EBITDA once this 90% leasing is achieved? That is the first question?

Sanjay Sethi: Once we've got the current 2.4 million square foot leased out, we expect roughly mid of INR280-odd crores from these assets on an annualized basis.

Adhidev Chattopadhyay: Okay. EBITDA of INR280 crores which is at 100% occupancy, or you are referring to right?

Sanjay Sethi: 95% occupancies.

Adhidev Chattopadhyay: Okay fine. That is clear. And sir just I don't know if you covered it for our NCR hotel, right, any developments over there you'd like to share in terms of what we are doing there or are we going to improve, upgrade the hotel or what is the plan over there for the rest of the year?

Sanjay Sethi: As I shared last time, we're doing two things over there, two big initiatives there. One, we are repositioning the Courtyard by Marriott and upgrading it to a Marriott. It requires some amount of minimal capex about INR8 crores - INR12 crores. And then we've got the 6-acre land parcel.

What we're doing now is developing a master plan for this property for going forward, and we will phase additional inventory depending on the occupancy pace up and the demand pace up. So for now, we're developing a master plan, how ultimately this resort can look like, but we will phase additional capacity depending on demand. From a positioning perspective, we expect to have the next 6 acres that we will develop actually reposition the asset even further upwards from where it is right now.

Adhidev Chattopadhyay: Okay. Sir and just 1 more question, if I may. Sir, on our Delhi hotel line that is a large one, could you just tell us the broad construction status on that? Where are we on the structure? And when do we start the hotel interiors over there?

Sanjay Sethi: Yes, a quick update on that. This hotel, as you know, is in a shell lease from Delhi International Airport Limited, the shell is being developed by them and their rental start post a certain period after they complete the shell. So it is in the interest to speed up the shell development because their financials are aligned with us.

Where they stand right now the work is going on the substructure work. Because this is 3 substructure flows, that's what will take time. Once you get to typical development, the hotel is only ground plus 7 storeys, it will move very rapidly. As of now, we expect our team to get into the site by January to start lower floor work on the MEP side. And then as they keep handing over every floor to us, we'll continue improving. Our current target continues to be last quarter FY '26.

Adhidev Chattopadhyay: Okay. So, I understand that the majority of capex is scheduled for next year, in the next financial year?

Sanjay Sethi: Yes, because the shell is being done by Delhi International Airport Limited.

Adhidev Chattopadhyay: Sure. That was very helpful. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Achal Kumar from HSBC. Please go ahead.

Achal Kumar: I have two, if I may, please. First of all, now given that we see a possibility of interest rate going down, I mean do you think that could have some impact or some positive impact either on the more Greenfield projects or do you think that may not be the case given that any-which ways capital cost remains high.

And in terms of inventory overall, do you have any sort of kind of colour in terms of how much growth do you think coming from greenfield, brownfield and how much from the conversion? That is my first question. And secondly, in terms of demand. So in the last 4, 5 months, I think the airline demand has significantly softened to 4% - 5%. Do you think that is because of the high fares or do you think that's an underlying weakness in demand? And if that is the case how do you see the demand for the hotels?

Sanjay Sethi: Great questions, Achal. So firstly, on the interest, I mean, we don't have any indication of interest rate drop. But if it does happen, it will affect us positively because we are a capital-intensive business. We have a very healthy rate even now. And obviously, when the market drops rates, we will get the additional benefit of that. And going forward, we do expect that our cost of capital will continue to move downwards. Also, you must remember that our rating is improving. It's already improved in the last quarter. We expect further changes on this going forward.

So we expect capex cost to be well under control. And if interest rates come down, obviously, it will help our IDC and therefore, help the balance sheet. On the inventory addition, as I mentioned earlier, we have 3,052 rooms now. We've got roughly 1,000 rooms in the pipeline now with 3 additional hotels potentially. And so we are on target for a 4,000 room sort of inventory in the near future of existing operating hotels as well as pipeline. And we expect to add to the pipeline going forward further. So therefore, we expect to be in the growth mode for some time to come.

On the airline demand softening up and the impact on hotels. Look, yes, there is a direct correlation to some extent. The opportunity is that the difference between demand and supply of hotel rooms in key cities in India continues to be favouring the market and the industry. So therefore, that will continue to get growth from.

Airport or airline seats do sometimes choke up demand, and we see that happening or playing a role in Mumbai. And the addition of a new airport in Mumbai which is expected sometime next year, it's clearly going to be a big positive for this city and it should help the hotel industry in this city immensely. And given that almost 60% of our portfolio at Chalet today is in Mumbai, we expect that will help us significantly.

Achal Kumar: Okay. Thank you. Wish you good luck.

Sanjay Sethi: Thank you.

Moderator: Thank you. The next question is from the line of Rajiv Bharati from Nuvama. Please go ahead.

Rajiv Bharati: Good morning, sir. Thanks for the opportunity. Sir this 9% number same store that is for the hospitality or for the entire business?

Sanjay Sethi: Hospitality.

Rajiv Bharati: So, your ARR is up 4%, right, on the same-store basis.

Sanjay Sethi: That's right.

Rajiv Bharati: So remaining is F&B, MICE...

Sanjay Sethi: Yes F&B and occupancy also.

Rajiv Bharati: Yes. So, I mean, especially on the MICE bit, have you seen traction here or that has been slow this quarter?

Sanjay Sethi: MICE has been slow given that the elections are on and there were no auspicious dates of weddings. So, the wedding dates pushed into the Quarter 2. In fact, if you go through any of the industries that rely heavily on weddings, you will find that their performance last quarter has not been great. Quarter 2 is where they see a lot of movement, and we are seeing the impact of that in our Courtyard by Marriott Aravali, where weddings have started this month, and we're seeing very positive traction.

So, from a MICE perspective, we'll expect, as always, that H2 will see a serious scale up. That's always the best half for the hotel industry in any case. So we expect occupancies and rates to grow quite sharply starting October.

Rajiv Bharati: Sure. And sir on this Four Points asset I thought you plan to renovate that sometime in near future, so any update on that?

Sanjay Sethi: Yes. So, we've almost completed the mockup room which is the step one to starting renovation of the room part of the hotel. And as soon as that's finished and approved by us we will get into renovating the hotel. We will probably take two or three floors at a time, and we should complete the project in around 10 months' time.

Rajiv Bharati: And sir including this asset renovation plus, let's say, the Goa thing, did you mention the peak debt between the call I missed that number?

Sanjay Sethi: So right now, the debt is around INR1,500 crores. This may go up marginally over some period of time. Very little, but that will probably be the peak. And going with our pipeline right now, I don't think we are going too much over that point if I start scaling down in about a year from now.

Rajiv Bharati: Sure. And lastly, on this Bangalore ARR improvement. So, we used to be at a premium to, let's say, your competitor. And now if the premium is restoring, how much juice was left in this? In the sense do you think we can go another 30%, 40% on business side?

Sanjay Sethi: So, I think Bangalore's ADR has been a very positive story. And I think occupancy is probably the upside there. Bangalore is again driven by H2 performance, which is the primary half for the hotel, and we expect occupancies to move sharply upwards going forward for Bangalore, and it will continue to improve on rates also. Another addition update, Rajiv, is that the 130 rooms will also get added to Bangalore in December. Maybe even slightly earlier than that actually.

Rajiv Bharati: Yes. Thanks a lot.

Moderator: Thank you. The next question is from the line of Saurabh Jain from HDFC Life Insurance. Please go ahead.

Saurabh Jain: Yes. So just a follow-up on the previous participant's question. So you said that Q1 was weak in terms of MICE demand because of the elections and the heatwaves. But when I see the F&B growth that is higher than the room revenue growth. So can you just explain on that why is that?

Sanjay Sethi: So look F&B we have been unlocking opportunities of F&B in our hotels over the last couple of years. We have sweated the assets by identifying more non-revenue earning areas and developing them into revenue earning areas largely on the office side. For example, in Powai, we squeezed out 4 more rooms, but then I think the big initiative there was opening the two Japanese outlets the Japanese Tapas bar and a Japanese restaurant. Both have been received very well. The Indian restaurants have got renovated.

Then in Q1, we also have the benefit of the outdoor poolside Indian restaurant that we've opened at Sahar. That's been helpful. And banquets we've managed to do well. All this combination combined together has given us the F&B growth in our hotel. So look when room demand gets challenged we play F&B strategies, we play occupancy-led strategies and this is the outcome where we've been able to deliver what we've been able to deliver and this I'm sure, is not the reference quarter for a trend. The trend will be established in the subsequent quarters.

Saurabh Jain: Okay. Thank you. That’s it from my side.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I would now like to hand the conference over to Mr. Sanjay Sethi for the closing comments.

Sanjay Sethi: Thank you, Jerald. Ladies and gentlemen, the closing comments continue to be on a positive note. The tailwinds for the industry continue to be very strong. The demand supply arbitrage is favourable. Chalet has a very strong growth pipeline which is asset-led growth and clearly will add significant numbers to our P&L balance sheet and with 4,000-odd rooms now on the cards. Our BD team will continue to work on additional capacity opportunities in line with our strategic destinations. And I want to repeat those strategic destinations or our strategy for growth.

We'll continue to focus on the traditional Chalet strategy of big box, big city hotels as and when we get opportunity. In addition to that our leisure play is centred around drivable distances from the big cities of Delhi, Mumbai, Bangalore and Hyderabad and also the deep markets of Goa. And maybe Rajasthan if we get an opportunity there.

I do want to add that one of the hotels in the pipeline that we haven't spoken too much about is the one in Kerala where we have 42-odd acres on the outskirts of Trivandrum with a beautiful lake front where we will in Phase 1 develop 150 rooms in the convention centre. And then slowly add capacity of cottages or villas going forward.

With that, I conclude this quarter's call. Thank you very much for your support and feel free to reach out to me and my team for any further information you may need. Thank you.

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