May 17, 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 Audited Financial Results for the quarter and year ended March 31, 2024

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), please find enclosed herewith the transcript of the Earnings Call held by the Company on May 14, 2024, in respect of the Audited Financial Results for the quarter and year ended March 31, 2024.

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

Request you to take the same on record.

Thanking You.

Yours faithfully,
For Chalet Hotels Limited

CHRISTABELLE BERNADETTE BAPTISTA
Digitally signed by CHRISTABELLE BERNADETTE BAPTISTA
Date: 2024.05.17 19:08:00 +05'30'

Christabelle Baptista
Company Secretary and Compliance Officer

Enclosed: As above

“Chalet Hotels Limited”

“Q4 FY '24 Earnings Conference Call”

May 14, 2024

MANAGEMENT: MR. SANJAY SETHI – MANAGING DIRECTOR AND CEO
MR. MILIND WADEKAR – CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day, and welcome to the Chalet Hotels Limited Q4 FY '24 Earnings Conference Call. We have with us today Mr. Sanjay Sethi, CEO and MD; and Mr. Milind Wadekar, CFO. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes.

Please note, 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. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone 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: Thank you so much. Good morning, ladies and gentlemen, and thank you for joining us for the call today. To begin with, Milind and I will share some highlights of the quarter and the year. We then look forward to open the forum for question and answers.

The Indian hospitality sector continues to experience strong tailwinds as the average room rate has surged to levels not seen in a decade, and occupancies remain robust. Furthermore, air traffic in the country has reached unprecedented highs, indicating a growing demand for travel. This presents a golden opportunity for the industry to leverage and reposition India's play in the global tourism market. Despite its vast potential for hospitality sector in India still relatively underserved, offering ample room for growth. Chalet is in a prime position to seize this opportunities and further establish a foothold in the market.

I'm happy to report that Chalet Hotels has delivered some of its best quarters in FY '24 on the back of strong business performance, strategic acquisitions and inventory additions. The fourth quarter marked yet another best ever performance, achieving record high ADRs, revenue, EBITDA and PAT. The presentation for Q4 has been made available on the exchanges on our website for your reference.

This year, we acquired the Courtyard by Marriott, resort in Aravali for an enterprise value of INR315 crores. This property features 158 rooms and is spread across 14 acres of picturesque landscape. The property has 6 acres of undeveloped land, which will allow for capacity addition in the future. We also use the expansion opportunity to reposition the resort at a higher level.

Earlier in June '23, we launched our second hotel in Hyderabad, The Westin HITEC City Hyderabad with 168 rooms. It has proudly achieved their USGBC LEED GOLD certification. It's unique for being entirely managed by lady colleagues and exclusively contracted to a single corporate client for 3 years. We expanded the capacity at Novotel Pune by adding 88 rooms, increasing inventory by about 40%.

We continue to expand our portfolio. Our current plan involves adding approximately 870 more rooms to our portfolio along with an additional office tower in Powai. To fuel this growth, we earmarked over INR2,000 crores as capital to be invested over the next 3 years. Going forward, our aim is to enhance our presence significantly across segments and markets.

In the quarter gone by, the company successfully raised INR1,000 crores through our QIP, further strengthening our balance sheet. Historically, Chalet has followed the path of high capital productivity through an optimal mix of leverage in its balance sheet. This trend, along with our ability to deliver high capital efficiency creates a compelling growth opportunity for the company.

A little earlier, I spoke about the strength of demand of our -- for our industry. For Chalet, the robust pickup of demand seen in Q3 FY '24 continued into the next quarter in Q4, largely led by corporate travel, MICE, weddings and social events. Q4 recorded new highs in average room rates at INR 11,862, which is up 5% over the previous year. It is up by 8% on a same-store basis. Occupancies improved 2% year-on-year to 76%, leading to the highest ever quarterly RevPAR of INR 8,984.

Hospitality segment revenue grew by 24% year-on-year to INR3.8 billion. Room revenue grew by 24% over the previous year, and the portfolio F&B revenue was about INR1.2 billion, which is 26% higher. Costs remained well under control, resulting in high flow-through during the quarter. Our EBITDA for the Hospitality division was INR1.8 billion with one of the highest EBITDA margins of 47.8%.

Consolidated revenue for the quarter at INR4.2 billion with an EBITDA of INR1.9 billion. The EBITDA margin was at INR44.5 billion. This is again the highest revenue EBITDA for the company in a single quarter till date. Adjusted for the one-off expenses at Dukes in Koramangala, the adjusted EBITDA margin for us works out to 46.4%, which is same to what it was in Q4 of last year. For the full year, average room rates were again at a decade high of 10,718 with occupancies of 73%. Hospitality revenue and EBITDA were at a lifetime high of INR13 billion and INR5.7 billion, respectively, with EBITDA margins of 44.4%.

I'm pleased to announce that on a consolidated level, the company's EBITDA surpassed the INR6 billion mark with an EBITDA margin of 42%. Some updates on our project pipeline at the end of the year -- as at the end of the year, our capital working progress along with assets to be operationalized stands at INR13.5 billion. We're looking investing over INR20 billion over the next 3 years across various capex projects. This number does not include the residential project at Bengaluru.

With strong recovery in Bangalore, we are looking forward to the 125-room addition at the Marriott Whitefield, taking the inventory up to 520 rooms by end of FY '25. The Dukes Retreat in Lonavala is undergoing a major upgradation and repositioning. The resort will have a final inventory of approximately 145 keys, and we look forward to welcoming guests to that hotel by end of this calendar year.

As you are aware, we're working on new assets at the Taj Delhi Airport with around 390 keys and Hyatt Regency at Airoli with about 280 keys, is set to open the doors for guests in FY '26 and FY '27, respectively.

The construction of the second Commercial Tower or Westin Powai complex CIGNUS 2 is progressing according to schedule and is expected to be completed in FY '27.

For the residential project at Bengaluru, we have occupation certificate for 9 towers, which were built earlier. They are now gearing up for handover. The sale of these flats, which commenced in October 2023 has had very good traction, and we've sold 38% of the total units in the last 6 months, ending till the end of the year.

Including the historical sales, we have now sold 64% of total inventory. The new sales are trending at much higher rates than anticipated earlier with 2 new residential towers and 1 office block, which are new builds. These are under development and are progressing extremely well.

On the ESG front, our rating at Dow Jones Sustainability Index or DJSI as it's known, reflects an unwavering commitment towards sustainable growth with an overall score of 57, reflecting an improvement of 14 points over the previous score.

We are proud to be ranked 8th amongst hospitality companies globally. Our commitment to diversity and inclusion is reflected in the improvement of women employee ratio from 17% to 22% in FY '24. On the environment front, we made strong strides with 3 million square foot of the portfolio under the green footprint now.

Ladies and gentlemen, the company is in the early cycle of the flywheel momentum. As we step into the fresh financial year, our commitment towards creating new benchmarks on operational efficiencies, project execution and maintaining momentum of organic and inorganic growth remains steadfast.

With that optimistic outlook, I now pass it back to Milind who will take you through some more financial highlights. Milind?

Milind Wadekar: Thank you, Sanjay. Good morning, ladies and gentlemen, and welcome to another quarter of fantastic results. The company has reported an EPS growth of 1.5x to INR13.54 per share.

As discussed by Sanjay, this year has been marked by great addition to our portfolio by way of completion of greenfield developments in hospitality and commercial as well as strategic acquisition in National Capital Region, ticking all the right boxes of a resort North India and asset with growth potential.

In the Hospitality segment, ADR has been growing continuously, touching an average of INR 11,862 during the quarter, which is a growth of 5% year-on-year. With occupancies touching 76% across the portfolio, that is 2 percentage points higher than last year, clearly affirming the demand dynamics of the industry. As a result, the RevPAR has been INR 8,984, a growth of 7% for quarter Q4 FY '24.

Hyderabad followed by Bengaluru saw the highest growth overall, while Mumbai continues to be occupancy leader. Excluding the new asset, that is on same-store basis, ADR grew by 8% across INR12,000 mark and RevPAR grew by 10%.

Hospitality revenue for the quarter was INR3.8 billion, a growth of 24%, led by combination of rate growth, inventory addition and F&B contributions. The quarter also delivered one of the highest EBITDA margin of 47.8%, with an expansion of 30 bps despite the new inventory, which is getting stabilized and some inventory is under renovation. This was led by prudent cost control measures.

On the rental & annuity front, our leasable area double to 2.4 million square feet from 1.2 million square feet last year. Our revenue for the quarter was at INR354 million with an EBITDA of INR272 million with leasing for new towers picking pace, as already explained by Sanjay, the operating cost for these new towers would average out over the course of this year and flow-throughs are expected to improve over the year.

Coming to the residential updates, we have sold 79 new units during the quarter, totaling to 121 units during the year. Total collection is INR2.5 billion. In all, 204 units have been sold during the historical -- including historical sales. Consolidated revenue for the quarter was INR4.2 billion, a growth of 23% year-on-year. Consolidated EBITDA was at INR1.9 billion for quarter 4 FY '24 with a growth of 18% year-on-year and margins of 44.5%. Consolidated PAT for the quarter was INR0.8 billion with a growth of 125% year-on-year.

Through our constant efforts to sourcing green power and upgrading infrastructure with energy-efficient equipment, we have achieved an all-time low utilities cost, which is 4.1% of revenue, creating new benchmark for the industry. During the year, company spent INR6.6 billion in investment across capital expenses and acquisitions, which was majorly met out of its internal accolades.

The net debt as on March '24 was at INR25 billion, marginally up from previous year. Around half of the debt is allocable to capital work in progress and assets not yet operationalized. We closed the year with the cost of finance at 8.87%. The company has capex plan of around INR15 billion for next 2 years for the announced project, which will be largely funded through internal accruals. The details of the projects are included in our investor presentation.

Since the completion of QIP, the net debt as on 30th April 2024 is down to INR14.6 billion, leaving the company at healthy leverages and return ratio on investor capital.

With this, we open the floor for question and answer.

Moderator Thank you very much. Our first question from the line of Vikas from Antique Securities. Please go ahead.

Vikas: So my first question is, this quarter, followed up by the last quarter, we have seen a decline in pricing on a Y-on-Y basis. So do we think now from here onwards, pricing should mirror more like inflation growth or maybe it would be more like a mid-single to high-single digit as base is already there? That's my first question.

And just to follow up on that, in the Mumbai region, we have shown a 2% growth. And if I compare it with maybe one of your peers, which reported numbers, they have seen 8% growth. So any trends we should… are you taking there?

Sanjay Sethi: Vikas, thank you for your question. Yes. So look, on pricing, overall, whilst we've shown growth is about 5% for the quarter, our same-store base ADR growth is actually 8%. And for the year, our ADR growth is 17%. In the Mumbai metropolitan region, the 2 hotels that we are following our occupancy route, one of them is a Powai hotel, which is 777 rooms and the other is where we're maintaining and ensuring that we retain that market share is Four Points By Sheraton in Vashi.

These 2 hotels largely, we are either protecting market share or increasing occupancies as a strategy. And I think it's in line with our plans. From our perspective, overall growth for Mumbai is 14% for the year. And for the hotels in other cities, it's about 23% with a blended ADR increase of 17%, which continues to be an extremely healthy rate growth.

Vikas: Yes, Sanjay. And just a follow-up. I mean it's not with the Chalet and even with the others who have reported, we have seen the growth moderating. Because if I look at first half, we were doing more like a double-digit growth. For the industry, it was more like 18% pricing growth. Now suddenly, we are seeing everybody reporting somewhere between over to 8% kind of one. So I was just trying to understand, last 2 years, the growth was very strong. So now is it base, which is stacking up? Or do we still have a lot of scope, maybe rates moving to $200, $250 in next 2, 3 years. And this quarter is more of a one-off?

Sanjay Sethi: Vikas, you're right the base has increased significantly. I mean we've had 2 consecutive years of rate growth and almost 8 quarters of rate growth. There will be the base effect that will come into play. That's happening to a certain extent.

And then quarter 4 was already extremely good quarter last year, as a quarter. And therefore, there will be those effects that will continue to happen. I think what we should look at is, India is cyclical in nature in the annual cycle itself, which is the seasonal impact, non-seasonal impact. The clear opportunity for headroom for growth will continue to be in lower rate months going forward. And on a blended basis, I think we'll continue to deliver good rate growths. And our focus was to make sure that we continue to be market leaders, and we continue to protect our market share in each of these markets.

Each hotel will need their different strategy, and that's what's playing out.

Vikas: Sure. That's pretty clear. The final question is for Milind. Milind in the PPT, we have given receivables of INR320 crores from Bangalore real estate sales. So how and when this revenue will recognize in P&L? How should we build it, I mean, it will start flowing in from next fiscal year onwards? I mean, just any help you can around that would be great.

Milind Wadekar: So Vikas, to recognize revenue for residential project, the 3 conditions are required to be fulfilled. One is handing over of possession. 90% of collection and receipt of occupation certificate. So we have received OC. And when we hand over possession, we'll get more than 90% collection. So these 2 conditions can be fulfilled.

Now we are in the final stage of snagging and de-snagging. And we expect maybe by this quarter end, we'll be able to complete and hand over possession to the flat owners, but there are some challenges from labourers and labourers have moved out to their hometowns for election, but this is temporary delay and we are targeting to complete this project and handover possession by end of June.

Sanjay Sethi: Let me recap here. I think it's about the accounting entries that we're referring to. Two things will happen. One is the accounting entry will come in, we believe, in quarter 2 with the 3 conditions being met. Number two, collections will also improve significantly once we do the handover. So that combined together will show up in quarter 2 results.

Milind Wadekar: Vikas, to add further, on residential side, we had 8.62 lakh square feet of sellable area. Out of that, we have sold, I mean old sales was around 1/3rd, 2.84 lakh square feet. We have sold 2.89 lakh square feet, that is 1/3rd. And unsold inventory as of today is only 2.89 lakh square feet, which is 1/3. And we are expecting a rate of more than INR20,000 for unsold inventory.

Moderator: We'll take our next question from the line of Param Khanna from Ambit.

Param Khanna: Firstly, congrats on adding one more hotel into your portfolio and the entry into the Delhi NCR market. So my first question, Sanjay, just if you look at your previous earnings calls and media interviews, you sounded fairly confident about a double-digit room rate growth for the industry and for Chalet over next 2 to 3 years. Based on the commentary so far, I think some amount of cautious optimism regarding this.

So if you can help me understand more on this front because while you did allude to the fact that you wanted to protect market share within the Mumbai market, but how should we read this? Because your FTA or the foreign guests in your portfolio, that's increased from 37% to 43%, and your room rates are still sub-$150 a night. Despite that, I think we've seen a fair amount of muted growth in the ARR for Mumbai. So as we enter FY '25 and potentially next 2 to 3 years, with 30% room addition to your portfolio over the next 3 years, how confident are you about sustaining double-digit rate hikes over the next 3 to 5 years?

Sanjay Sethi: So Karan, firstly, we try not to give guidance on our rates. The questions that I've addressed in the past, have all been about the industry. Having said that, I'm confident that we will continue to do extremely well and work at industry rate growths. We believe the industry has an upside of double-digit rate growth going forward.

And to reiterate, we have delivered 17% rate growth this year. It may not look like on a quarter-to-quarter basis, but the whole idea is to spread the months and quarters, which have headroom for rate growth for rate growth and months that have opportunity for occupancy growth with occupancy growth.

As I also said earlier, the strategy for each hotel will continue to be different, and we'll address them one hotel at a time. So overview, we are in an extremely good space. The demand continues to or rate of growth and demand continues to outpace rate of growth and supply. None of our confidence has changed on that. We continue to be extremely bullish about the industry going forward.

Karan Khanna Sure. Just talking about the NCR asset, can you elaborate more on the potential of this property. If I'm not mistaken, you're already clocking INR7 crores- INR7.5 crores sort of a monthly run rate at the Aravali Resort. How should one think about the ramp-up of this asset? And given the seasonality, should one think of this asset let's say, 50% to 60% occupancy with high ARR? Or will this steady-state occupancies of this asset be closer to your rest of the portfolio?

Sanjay Sethi: Karan, again, we don't give forward-looking numbers. But the hotel has done well and it is still on its ramp-up phase as a resort. Two elements that I'd like to highlight here. It is positioned at a price point, which is competitive and is competing against 3 or 4 similar sort of position hotels in that market.

Number two, it's a resort property, and therefore, will have seasonal impacts. So occupancy will be lower than what typical city hotels do. Number three, the property has come with 6 acres of unutilized land. And the true striking of this asset is going to happen through capacity addition, and that capacity addition in our minds is going to happen at a higher level of product positioning, which will allow us significant upside going forward.

Karan Khanna Thirdly, in the previous earnings call, Sanjay, when asked by one of the participants on the potential fund raise, you said the idea is to keep the gunpowder dry for inorganic opportunities and hence the fund raise, but if you look at the utilization of the net proceeds, you've used a large chunk of this capital to pay down debt. So just wanted to understand your thoughts on the same and whether you think there are not adequate acquisition opportunities available in the market because of which you found it prudent the delever the balance sheet?

Sanjay Sethi: So Karan, the stated purpose of the capital raise is pay down debt and general corporate purposes. We've gone exactly as per plan. It does strengthen our balance sheet further to create headroom for growth opportunities going forward. This has just happened over the last month or so.

M&A activities don't happen in a month, 2 months, 3 months. It takes time, this is a longer-term plan. And we will come back to you with the opportunities of growth that we have on the own build as our BD team closes some of those.

Karan Khanna Sure. And lastly, if I may. I'm looking at Slide #11 of the presentation. Effectively, your staff to room ratio has largely stabilized at 0.93x while payroll costs as a percentage of your revenue have been inching higher. As we enter FY '25, how should one potentially think about operating leverage in the business? And is there headroom for margins to further expand?

Sanjay Sethi: We continue to be extremely positive about our margin and some margin expansion. At 11.9%, I'm pretty sure for the quarter and actually 12.8% for the year, we'll probably be industry leaders by a huge margin. I don't want to compare against others, but you might want to do a comparative check on that. But overall margins, we are very, very bullish.

Moderator: We'll take the next question from the line of Archana Gude from IDBI Capital.

Archana Gude: Congrats on another best of quarterly performance. Sir, I have two questions. Sir, firstly, on this Aravali resort, can you give us some color on the revenue mix in terms of retail and the events and MICE, et cetera?

Sanjay Sethi: So it's largely a resort product. It has 3 primary segments that it caters to. The first and primary one being family holidays, drivable distance locations. So typically, from Friday to Sunday, that's our primary segment that fills up the hotels and typically at a premium rate to rest of weekdays.

The other 2 segments are MICE, which is corporates doing events, meetings, conferences, et cetera, at the hotel. And the third big segment is wedding. Weddings, of course, are limited to number of the auspicious days that happen in a year and it will be sort of interspersed in different months depending on the auspicious months.

Rest of the months, largely leisure family stays, some friends and family groups and conferences This is a segment mix. We are looking at 2, 3 things with this asset. One, we are trying to further upwardly position this asset through a potential brand change over the next few quarters.

And second big-ticket item, is the expansion opportunity that I referred to earlier. Overall, extremely excited about the opportunity with this asset.

Archana Gude: Sure sir. So my second question is more on the industry level. So in the presentation it is mentioned that the demand is growing at 11%, while the supply is inching up by 9%. When do you see the supply side surpass the demand at industry level. And does that pose a concern on ADR, which has been growing at healthy double digit till now?

Sanjay Sethi: I think we've got at least for the visible future, which is the next 2 to 3, 4 years, supply and demand is expected to outstrip supply. Beyond that, it's very difficult to predict now.

Archana Gude Sure. But, so said that, should we expect some moderation in the ADR growth on the higher base for next such as couple of years?

Sanjay Sethi: When ADR growth happen, absolutely. Moderate after some time. Yes, that's also likely to happen.

Moderator: We'll take the next question from the line of Jinesh Joshi from Prabhudas Liladher.

Jinesh Joshi: Yes. I again have a question on ARR. So sir, if I remember right, in the last earnings call, you had mentioned that corporate rates have been renegotiated higher by about 12% to 20%. And if my understanding is right, typically corporate rates are lower than retail rate. So is the renegotiation in the double digits? Then in a such scenario, how come our overall ARR growth is at about 5%? So if you can just share some insights on this?

Sanjay Sethi: So our actual ARR growth is 8%, Jinesh. So let's put that right in terms of same-store basis. When you add assets, you've got to look at them a little bit separately than the same-store basis assets. At 8% for the quarter and 17% for the year, we continue to have a fairly good space that we are in.

In terms of how does this stack up, please remember there is a mix of segment that comes into play, the corporate segment, typically, as I think I've spoken about this earlier, is 60% in typical hotels in Mumbai for us. And out of that 60%, half is only contracted prices. The rest of it comes through retail. And the retail growth last year in terms of pace of growth was higher than it has been this year only because it's come off of a higher base and not in terms of absolute value. So that's the answer for this.

The other thing that's happened is at two of our hotels, and I did allude to this earlier, especially the big one in Powai, our strategy is to fill up the hotel post renovation. And therefore, we are taking a lot of MICE business. And we've also taken on crew business, which is now gone up from, I think, about 40, 50, 60 rooms to 100 rooms almost, which typically comes at a lower rate, but it tends to fill up holidays, weekends, et cetera. And that will have its impact of averaging out the rate growth slightly.

Jinesh Joshi Understood. Sir, my second question pertains to certain comments which you had made in the earlier call regarding Taj, Delhi and Airoli. I think you had mentioned in the last earnings call that the construction at Taj has already begun. So if you can just share what is the progress there? And also construction at Airoli was suppose to begin within a quarter or so. So has it already started? Any updates on that?

Sanjay Sethi: Okay. So to come back to your question, Jinesh, Taj, construction is underway. As you know, this is a warm shell lease from Delhi International Airport Limited. They're doing the construction part. They are still in the substructure stage. There are 3 basements in the property, so a lot's going on that. As per our current estimate, we expect to continue to complete this project by Q4 of '26, which is roughly around 2 years from now.

Jinesh Joshi And the Airoli one, sir.

Sanjay Sethi: And Airoli, we expect to start work in October. We should get our approvals in the next few months' time, couple of months. But since it is monsoon time, so we will wait for the monsoon to end.

Jinesh Joshi Sure. Sir, one last question from my side. And again, this pertains to your ARR growth in the MMR region, which is at 2%. But you did highlight that you're focusing more on occupancy in Powai and Four Points Sheraton and predominantly, that is the reason why your growth is slightly soft. But are we seeing any pricing pressure, especially in the MMR market surrounding the airport area, given quite a few new hotels have come up. And in that context, I mean, if you can just share at Marriott Sahar, what was the ARR growth in this quarter and for the full year?

Sanjay Sethi: So Jinesh, firstly, on individual hotels, we don't give the average room rate itself because it's competitive information that we don't want to release in the market, and that's why we've clubbed it all together. Sahar is also on a very high base right now, remember that. So therefore, whilst we expect that to grow, there will be bits and pieces, which will maybe not grow at the rates that you expect them to grow, but it will continue to grow at a very healthy rate.

Our strategy at Sahar is rate-led. Our strategy at Powai is occupancy-led. And at Four Points by Sheraton because there is 3x capacity addition over there in the Navi Mumbai area is to protect market share and to do well. In terms of new supply, we really have had no supply come into the market as yet. We do expect direct competition to come in, in the market in maybe early next calendar year or end of this calendar year through the proposed Fairmont Hotel at the airport.

Jinesh Joshi Sure. Sir, so just one follow-up. I understand you cannot reveal the exact numbers, but is it possible to share whether the ARR growth at Marriott Sahar, was it in mid-single digit, low single digit or high single digit?

Sanjay Sethi: Let me just pick this up in a second. It's a double digit.

Jinesh Joshi: Marriott Sahar is double-digit growth in 4Q.

Sanjay Sethi: In Q4, yes.

Moderator: Thank you. We'll take the next question from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas.

Kaustubh Pawaskar: Congrats for good set of numbers. So my first question is on your Aravali resort, which you have recently acquired. So are we planning to...

Moderator: May I request to use your handset mode, please, Mr. Pawaskar?

Kaustubh Pawaskar: Is it better now?

Moderator: Yes.

Kaustubh Pawaskar: So my question is on the Aravali resort acquisition. I just want to know whether we are planning to invest in renovation of any of the rooms for this property? And if yes, what kind of renovation costs you are planning to put? Secondly, are all the rooms under the property currently operational or there are certain rooms which you are planning to renovate, and they might be operational in the next 2 to 3 quarters?

Sanjay Sethi: So Kaustubh, Courtyard by Marriott in Aravali is a fairly new property. It will not need any renovation or refurbishment for a few years. All 158 rooms are operational. The only thing that we may do is to reposition the brand in the sense if we have an opportunity of taking the brand up from Courtyard by Marriott to a higher brand, there may be some brand specs that need to incorporated, but that's going to be small -- very small cost, small change. But we have no need to renovate the property at this stage.

Only, there are two things that are going to happen in that property. One is the repositioning of the brand. Second is there's a potential activity center that will happen that we'll complete. And thirdly, the 6 acres that we have at hand, we'd like to use that opportunity for expanding capacity with a better quality product or a higher-quality product and take the position further up.

Kaustubh Pawaskar: Right. So we will be having all the rooms available from quarter 1 of this year

Sanjay Sethi: Available.

Kaustubh Pawaskar: Okay. Sir, my second question is on 2 of your key regions that in Bangalore and Hyderabad. So any color on those reasons, how is the demand environment in both these regions and whether you will see average room rental also picking up in these 2 regions, considering the pick up what we have seen in the demand, especially in the Bangalore after, I guess, last year, it was lull, but after that, it started picking up. So how is the demand environment? And what is your take on both these places?

Sanjay Sethi: Certainly. So look Bangalore was one of the slowest cities to take off. But over the last couple of quarters, has done extremely well and is now caught got pace with the pre-pandemic performances, in fact, the RevPAR at Bangalore in Q4 is almost 18%, 20% higher, which is a significant growth over the previous year. So that's caught up and doing extremely well now.

Same with Hyderabad. Hyderabad as a market in general is doing extremely well. So we've seen significant growth in Hyderabad. And if I was to look at Hyderabad as a percentage of growth, the rate growth there is roughly 20% and our RevPAR growth of 33% there. So clearly, Hyderabad and Bangalore continue to do extremely good.

Kaustubh Pawaskar: And the occupancies in Bangalore would be much higher this year for us compared to what it was last year?

Sanjay Sethi: So occupancy is in a bit of a sticky situation in Bangalore because Bangalore had a slower pickup on the IT side. And Bangalore, like I was speaking earlier, each hotel will have its own strategy. Our strategy is to take the rate growth up. There, we are focusing on rate as against occupancy because occupancies are fairly stable.

Moderator: We'll take the next question from the line of Hrishikesh Bhagat from Kotak Mutual Fund.

Hrishikesh Bhagat: Two questions. First is on potential capex in FY '25 and '26. And secondly, on this Hyderabad market, what is the supply likely over the next probably 2 years or 3 years in the market considering the ARR growth of 20%...

Sanjay Sethi: Milind will address the first question later. I'll just address the second one first to begin with. The supply side for Hyderabad, especially in the micro market that we're looking at is extremely limited. And there's another hotel coming up, but that's in the Banjara Hills, Jubilee Hills site, which is not market that we address. So there's no supply pressure on that at all.

I just want to come back to an earlier number that I shared about JW Marriott. One correction, our rate growth there is actually 9%, not 10% for the quarter. However, for the year, it is 18%. The RevPAR growth was 10% there for the quarter. Milind, do you want to comment on the...

Milind Wadekar: On capex, we'll be spending around INR1,500 crores for next 2 years. Out of that, around INR700 crores for commercial tower INR650 crores, INR700 crores at the new commercial tower, which we are adding in Powai.

There is some spillover capex of our commercial tower, which is almost ready in Powai and Bengaluru. The balance will be for DIAL, Dukes expansion and renovation, Bangalore addition and some represent renovation capex of hotels.

Moderator: We'll take our next question from the line of Nirav Seksaria from Living Root Analytics.

Nirav Seksaria: So in the Indian economy, religious tourism is playing out well for many peers. Sir, is Chalet planning to participate in this?

Sanjay Sethi: At the moment, we don't have anything in the pipeline that is targeted towards a specific religious tourism destination.

Nirav Seksaria: But in the near future, is there any plan to enter into such location or anything as such?

Sanjay Sethi: Nirav, we continue to explore all markets on a pan-India basis across segments. We've looked at Varanasi and Ayodhya also as potential markets to study. We don't think we've found a compelling enough opportunity as of now from an investment perspective. I can understand if I had a brand and an asset-light business model, it wouldn't have hurt me to put a few hotels in Varanasi and Ayodhya, but from a return investment perspective, I'm not so sure we have the right opportunity.

Moderator: We'll take our next question from the line of Sumit Kumar from JM Financial.

Sumit Kumar My first question is on the other expenses. There has been a good amount of increase on that. So any one-offs that we should be taking into account? And the second one would be on the onetime expenses of INR81 million. If you could explain a little bit more on what those onetime expenses were?

Sanjay Sethi: Yes. Milind will come in with the details on that. It's never good to have one-off, have you used the term good increase in expenses. I don't think we'll be ever happy with the increase in expenses. Milind?

Milind Wadekar: So one-off expenses includes decapitalization of some assets of our Dukes property, which is getting renovated. Some cost of acquisition of Aravali. And in our Koramangala residential project, we have physically verified entire inventory, which was lying and inventory which was identified as not usable is charged off to P&L. And we will realized some value from sale of that, but the entire value of inventory charged off to P&L.

Sanjay Sethi: So to answer your question, it's one-off, all the INR8.1 crores.

Milind Wadekar: These are nonrecurring expenses accounted for the quarter.

Sanjay Sethi: On the other expenses.

Milind Wadekar: Other expenses include some increase, which has come from our commercial business. We've added new tower and cost, which is linked to -- these other expenses include royalty in management fees paid to operators. So increase on account of volume is accounted there.

Sumit Kumar: Sir, just one follow-up. So we expect these costs to normalize going forward?

Sanjay Sethi: Sorry, could you repeat the question again?

Sumit Kumar: We expect these costs to normalize going forward? Or will they remain at these elevated levels? Any guidance on that?

Milind Wadekar: If you look at our cost structure, I mean, payroll and heat, light and power is -- I mean payroll, let's say, heat, light, power is semi variable. Admin expenses are fixed. Our F&B cost is pass through. And other costs are mostly variable in nature. I mean what we pay to operators is variable. It is linked to top line or bottom line, right? So more or less, it will remain at this level, except the cost which is variable in nature.

Moderator: We'll take the next question from the line of Saurabh Jain from HDFC Life Insurance.

Saurabh Jain: So a couple of questions from my side. First is on this Aravali resort. You mentioned that we are also looking at expanding the inventory there, but with the sizable inventory of what 150-odd rooms and occupancy that they did last year was about 40%, wouldn't be prudent to ramp up the occupancy cost and then look for expansion? And generally we see that the resort properties are in this range of 150 to 200 inventory? So what makes you confident that adding an inventory here will lead to more occupancy and more revenue?

Sanjay Sethi: Saurabh, any capacity addition will be based with the demand pickup on the property, number one. Number two, it takes time to design and get approvals. We will get to that stage and get that out of the way and then wait for the right time.

From our perspective, as I said earlier, because it's a fairly large area, we can potentially do a completely different brand, a higher-level brand and do a dual brand sort of product over there so that we can get the benefit of higher rates. But having said that, you're absolutely right, we have always been prudent in our investments. We will continue to ensure that the market is deep enough for us to expand capacity.

Saurabh Jain: Okay. That's helpful. Secondly, I just need to understand this slide on real estate development at Bangalore a little better. So when you say the receivables of about INR3-odd billion, so this is against the sale of INR5.7 lakh square feet or what is it against?

Milind Wadekar: Yes, it includes receivables against sale. I mean the total sale value minus amount, which is collected is shown as receivables. So for the area what we have sold, I mean, the total sales value is around INR550 crores. We've collected around INR250 crores. And against all sales, there are some receivables.

Sanjay Sethi: It's a combined receivable value of the earlier sales as well as new ones, right, Milind, the rest is cash. So totally about 121 plus 80 or 200-odd apartments have a receivable value of INR300-odd crores.

Saurabh Jain: Okay. Got it. And just to understand. So generally, we are seeing this real estate upcycle that as soon as the project is launched, all the units are sold out. So why this 2.9 lakh square feet of space is still lying unsold? I'm just failing to understand that.

Sanjay Sethi: It depends on what price we are selling at, right? The luxury properties tend to have a cycle of sales, which is slightly longer than the just below, luxury sort of positioning. This is the luxury positioning, number one.

Number two, 2 towers, which have a significant inventory. We just started work in the last quarter -- last couple of quarters. So obviously, they will follow a cycle of buildup before sales happen.

Also, for anything that does not have an OC, there's a 5% GST impact to the buyers. And we had actually slowed down sales for the new towers in between, which we have now opened up again.

Saurabh Jain: So when is this positioning starting, you said that starting by the end of this quarter, till what time will the entire project will be given position to the end consumer?

Sanjay Sethi: So Milind has shared the numbers -- sorry, the time line a little earlier in the last conversation, Milind can you come back?

Milind Wadekar: Saurabh, I mean, we have -- this project is in 2 phases, 9 buildings, which are almost ready and we can hand out possession by end of this quarter or early next quarter and 2 wings, which are new buildings, which are getting constructed. So this first 9 wings, whatever area sold, we can recognize revenue. Unsold inventory as and when we sell it, we'll recognize revenue. At K and L wing, I mean 2 new towers, we expect this work will be completed by FY '25, March '25, and we'll recognize revenue at that time.

Sanjay Sethi: And to answer your question, why we based it like this, look, we've been able to take the project up from an earlier price point envisaged about INR13,000, INR13,500 a square foot to current blended price of INR18,800. We are hoping to take it higher. So I guess the strategy is working for us.

Saurabh Jain: Got it. And just last thing, if you can update on the leasing traction of the commercial towers in the Bangalore and Powai.

Sanjay Sethi: Sorry, the commercial towers, leasing traction.

Saurabh Jain: Yes.

Sanjay Sethi: We had roughly, If I recall, about 4 lakh square foot of Bangalore that was leased out earlier. We've and you'll probably see from the presentation another, I think, 40,000-odd square feet that's come in there. We've in the last 1 week, closed another big client. We will come back with the details, but we are now talking about another increase of 175,000-odd square feet to this, which will take us to roughly in excess of 600,000 square feet, which is 2/3 of the building.

On Powai, we are currently at about 1.4 lakh square feet, and we are on final stages of, I think, 3 deals now, which will give a major step-up in the leasing activity.

Moderator: We'll take our next question from the line of Prateek Kumar from Jefferies.

Prateek Kumar: I've couple of questions. Firstly, so you have like 12% to 13% kind of ARR and RevPAR growth in Q4 in other markets than MMR? I think you have said these numbers earlier, but can you just give the split of this 12% in various markets like Bangalore, Hyderabad and maybe Pune?

Sanjay Sethi: No, I don't think we mentioned 12% to 13% growth on RevPAR. What is the RevPAR that we've reported?

Prateek Kumar: Yes, I've taken it from presentation only.

Sanjay Sethi: Yes, 7% growth in Q4 for the overall branded portfolio. Other market is 13% and the MMR was 7%. On a same-store basis, the RevPAR growth is slightly higher. As a breakup, okay, I can share this quickly because there's a lot of questions around this. We've got in the Mumbai Metropolitan Region, 3 hotels, The Westin at Powai with 777 rooms, JW Sahar at the airport with 588 rooms and the Four Points by Sheraton in Navi Mumbai with 152 rooms.

Where we've seen rate not growing as per what the question or queries are around Powai and Four Points, we've seen significant growth in JW Sahar I think I have already shared that earlier that the JW Sahar growth was 9% for the quarter. On a year-to-date basis, of course, it is roughly around 18%. Mumbai and Bangalore also I've shared the rate growth, 20% for Hyderabad, 26% for Bangalore in the quarter 4. And on a YTD basis, 35% for Hyderabad and 32% for Bangalore.

What is also dragging some of this down, and therefore, the blend is looking not as encouraging is because we've got 2 new hotels in this, Dukes Retreat and Westin HITEC, which are at lower rates and therefore drag the blended rate down a bit. And both these hotels were not there the year before that. And therefore, for the year before that, you are looking at a blend without them. This year, you're seeing with that -- with these 2 hotels added and therefore, the numbers are looking maybe a little muted for you, but I've already now shared with you the rate growths for the quarter and the year on a property-wise basis.

Milind Wadekar: To what Sanjay said, I mean as we go forward, rates or contribution from Dukes will come at higher ADR, contribution from Aravali will come at higher ADR. And our portfolio ADR will move up.

Sanjay Sethi: Can I just add one more element. So please, in your analysis when you do Dukes, Westin HITEC and the 88 additional rooms at Novotel are added capacity at lower rates in the portfolio. So therefore, the blended rate may appear muted to you. I would urge you to maybe analyze that carefully.

Prateek Kumar: Sure. Okay. But on like-for-like property, as you said, in Bangalore, Hyderabad, we are growing like 20%, 30% for Q4...

Sanjay Sethi: 20% Hyderabad, 26% Bangalore.

Prateek Kumar: Right. Okay. And one more question on demand mix. Is there anything which gets derived from government travel conferences, which would have got impacted in first quarter FY '25 relating to election. So government-related travel or any conferences or any trainings, which happen in terms of customer mix which would impact your business in first quarter '25, not 4Q?

Sanjay Sethi: So we've not historically not had much of a government business in our portfolio. And of course, the election impact will be there because there is some slowing down that happens in the respective cities on the date for election. That really will be there, but on a limited basis.

Prateek Kumar: Slowdown except for what, election, I mean, large related to government travel related slow down is there? Or is there any other impact?

Sanjay Sethi: This is on election day, specifically, the cities tend to slow down and people tend to... So if I am in Delhi and I got my election happening in Delhi that day, I'd like to vote, I'd probably not travel out of Delhi. Similarly, if I have to travel to Mumbai and Mumbai elections are happening on that particular day, I may not want to travel to Mumbai because we know the city will largely be slow on that day. So therefore, that does limit some travel. So it affects both the base city of the traveller and the destination city of the traveller, the elections in those cities impact some travel. But that's limited. It happens once in 5 years.

Moderator: We'll take our next question from the line of Paresh Shah an individual investor. Please go ahead.

Paresh Shah: I just wanted to check about the impact of water shortage in Bangalore area. How it is impacted on our sales currently? And what are the steps you are taking to come across the situation for our future sales?

Sanjay Sethi: So very good question, Paresh. I think the impact of natural resources globally is a major concern area. And at Chalet, we've been working very hard to reduce our consumption, whether it's electricity, water, plastics, all of that. Anything that could impact negatively the environment. And I think we've constantly brought down consumption. For example, our electricity unit consumption per room has come down from 64 to low 50s now. Our water consumption, which was used to be around 0.7 to 0.8 kl per room per day is now down to 0.6 kl per room per day. So we've made significant strides in conserving water. To the specific question about Bangalore, Bangalore has unfortunately had this problem of water shortage. For now, we haven't felt any negative impact in terms of access to water or any business impact at Bangalore in our hotels.

Paresh Shah: And sir, my specific question is regarding our real estate sale and commercial leasing. Is it impacting on price? Is it impacting on your negotiation? I understand that the problem is visible, but are there any plan to circumvent such situation that maybe consciously a company is taking a call that we should not do any expansion in Bangalore or we should not take exposure in Bangalore until the situation is improved? Have you thought about this aspect at management level?

Sanjay Sethi: So all decisions on new projects take into account climate and weather and environment. We've actually got a team that signs off on every project towards environment impact before we proceed to a project. In Bangalore, the residential project is an ongoing project. We have seen no impact on sales or pricing over there. In fact, if anything, our price points have actually gone up. So no challenges or concern on that front.

Moderator: We'll take our next question from the line of Rajiv from DAM Capital.

Rajiv: This is regarding the segment asset sheet. So there is a close to INR480 crores drop in the hospitality bit, and there is a big swing on the rental annuity business side. Can you just explain that?

Milind Wadekar: Rajiv, Milind here. We are looking into details. I mean looks like there is some error there, but I will get back to you.

Rajiv: Secondly, if you can share the LFL ARR increase, do you have the LFL margin for the hospitality bit for the same-store margin in fact?

Sanjay Sethi: Sorry, the same-store...

Rajiv: On the hospitality bit, the 8% growth you have mentioned, do you have the same-store margin in the sense if -- just wanted to get how much drag is from the new additions which you have done.

Sanjay Sethi: Let me pick up that number. We actually have it. So our same-store margin is actually at 48.4%, which is margin expansion, if I recall, 80 bps, for the year. Yes. So margin expansion on a same-store basis for the quarter is 80 bps and 300 bps for the year.

Rajiv: Sure. And lastly, are we getting Four Points by Sheraton due for renovation? And if at all, what is the capex lined up for that?

Sanjay Sethi: So it's, yes, it is part of our capex plan that Milind shared earlier, it is due for renovation. And we are up also for a revision on the contract of Marriott. We are discussing what's best for us, and we'll take a decision on that. So basis the decision on what we do with the brand going forward, we will take a decision on what level of capex will be required, but we've already parked a capex, within the capex plan for that.

Rajiv: Sure. And on the Powai's bit, when you -- you had 100 rooms under renovation in the base year, in your calculation, this is adjusted for that? Or this includes the entire inventory is taken...

Sanjay Sethi: So we've taken the entire inventory, and we take the inventory now.

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

Sanjay Sethi: Thank you, ladies and gentlemen, for your time. Truly grateful for that. We'll be, of course, available for one-on-one meetings when required. Please do reach out to us for that. And again, I want to close with this intent to share with you that we're extremely bullish, excited about Chalet Hotels going forward. I think we are in a brilliant space in a mix of high performance, strong market conditions, strong growth trajectory and a very strong pipeline going forward. Thank you.

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