The Indian Hotels Company Limited

IHCL Earnings Call - FY 2019/2020 – Q2 Results

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Management:

Mr. Puneet Chhatwal, Managing Director & CEO

Mr. Giridhar Sanjeevi, Executive Vice President & CFO

Operator: Good day and welcome to the Indian Hotels Company Limited's Q2 for Year 2020 Earnings Call being hosted by Mr Puneet Chhatwal, MD and CEO IHCL and Mr Giridhar Sanjeevi, EVP and CFO IHCL.

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 presenting star – by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

At this time, I would like to turn the conference over to Mr Giridhar Sanjeevi, EVP and CFO of IHCL. Please go ahead, sir.

Giridhar Sanjeevi: Hi. Good evening to all of you who have joined the call today. Many thanks for joining. I think I'll take the opportunity of welcoming all of you. And what we will go through now is a short presentation on the performance of the company and the results. And to start with, I'll pass the call to Mr Puneet Chhatwal, Managing Director, to start the presentation. Thank you.

Puneet Chhatwal: Thank you. Good evening, everyone, and thank you for joining so late in the evening. I would like to begin with sharing the news that as we are having this call, we are having a religious ceremony at what will be the Taj Tirupati. We are preparing for the opening and the hotel will open any time between the 15th of this month to the end of the month depending on the opening certificate. This is 106-room properties with four food-and-beverage outlets and it is in line with our strategy of strengthening our presence in the religious tourism sector, and that too now with the Taj Tirupati property which we are very proud of.

Moving on our key highlights, on the Aspiration to execution, as a short reminder, we said we will grow our margin by 800 basis points as a part of Aspiration 2022 which we unveiled last year in February, that we will add 15 new projects to our pipeline of the year and have a balanced portfolio which is 50% on fee-based business and 50% which is owned or leased properties.

So where do we stand on that? I think it's a journey which you can see, especially on the results from the last full year where the revenue increased to 4,600 crores EBITDA to almost 900. EBITDA margin came to 20% and we almost reached 300 crores in profit after-tax. Return on equity almost at 7% coming from a negative 7 four years ago, and a net debt-to-EBITDA coming down from 6.5 to 2.1 and a portfolio of hotels which we stood at 158 when we announced the Aspiration, then finished last year at 179. And this is something which we have already communicated, that we are at 192 properties of which 151 are in operation and 41 are in pipeline and we are well in within our target and our guidance of opening a hotel every month.

If we look at the last 18 months, which is the last six quarters and we tried to focus this time a bit on what we have achieved in the last six quarters, we signed 36 new agreements, well-distributed over our three mainstream brands, that's Taj, Vivanta and Ginger. And SeleQtions, as the names suggest, is a collection of certain hotels which do not really fit into a brand but are very nice properties to have, like the President in Mumbai and the Ambassador in Delhi. There also we've been able to add four assets including the famous Cidade De Goa; and then we're opening in Jaipur in December with Devi Ratn. You all are aware of the Connaught in New Delhi. And another property in Jaipur. So, I think 36 contracts, signing of two contracts a month and with a target of, as of this year, opening a hotel every month seems quite imminent.

If we then further go on what we have done in the openings, then you will see that 15 hotels are to open in this year which we may not achieve because certain openings always get delayed, but definitely, the 12 will be achieved. So, Ginger Dwarka, Sanand, Madgaon, Patna, Cidade De Goa and Cidade De Goa as SeleQtions and Agra as the Taj Convention Centre is already opened. And we are opening – to open, as I said, Tirupati very soon. The Taj Convention Centre in Goa in the middle of February. The Jumeirah Lake Towers in Dubai in December, the Connaught in Delhi, the Devi Ratn in Jaipur, as well as three more Gingers are expected to open over the next five to six months. So, we are quite confident that in all, we will be able to open 12 of these 15 that we are showing you on this chart.

Going forward, if you also look at the last six quarters, every quarter, consistently, we've been able to expand our margins. And although the impact in this quarter looks very high, it's a little bit assisted also by the new accounting standard which makes your increase margins look very green and increase in PAT looks a little less green. So, it balances out in the end, but we are quite pleased with the performance because as you all know that Q2 is the weakest quarter historically and has always been for the industry in general and IHCL in particular.

When we look at the Q2 RevPAR growth compared to the industry, the industry on an all India basis, this is based on data we received from STR, global, the RevPAR was at 3,254. RevPAR growth was 3.1%. We have had a RevPAR of 4,833, this is all India basis only, and the RevPAR growth of 3.9%.

When it comes to also certain key markets, you know, it's very important for us because our footprint in some of these markets is very significant, especially in Mumbai, Delhi, Chennai. Also, Bangalore and Hyderabad is quite significant.

Actually, Bangalore would have been much higher, but our flagship in trophy asset West End had certain rooms out of order as we were renovating them, and especially the suite offering in West End which has now come online and it's beginning to show very positive results. And we've been very focused on driving our market share. As the top line growth was not coming to the extent that we would have all liked it to, one of the key levers we had was how to improve our market share. So, I think what we've been doing is, in the key markets, we have been gaining market share from our competitors.

At the same time, as we had announced in February 2018, we have been very focused on cost optimisation. We said the 800-basis point like almost 50% will come to top line growth and 50% will come to cost optimisation at the scale that we are aiming for does not necessarily mean that it is direct correlation in the increase in costs, especially on the corporate overheads. And as you can see, the corporate overheads start looking already 125 basis points lower is the percentage to the revenue versus the same quarter last year; and that is coming also because of the scale. So, you keep your expenses under check as the percentage start then going down on the total revenue if that keeps increasing. Same is with the raw material costs which has come down, and also we have taken on significant projects as one of the highest expense on an increased basis. The highest increase in expenses is in heat, light and power and we are very pleased to see that we had been able to keep this expense also under strict control.

Then we further move on to our brand scale which is a very important part of our growth strategy. You are all aware that we launched Ama Trails & Stay. We have 12 operational bungalows and we have six more to open over the next few months. Ginger, 20% off the Ginger lean luxe portfolio has been already repositioned to the new Ginger positioning to the new look and feel of the brand, and same thing has happened with nine Vivantas that have already – so nine Gateway properties have migrated to Vivanta successfully. Ten more will follow before the end of this financial year.

Further, we relaunched the Chambers' value proposition. We relaunched the Salon in the Niu and Nau as the brand name as we tied up with AB InBev to do 7 Rivers which is our micro-brewery brand together with AB InBev which we have an exclusive right with them. And the first one will be opening in Taj on the MG Road in Bengaluru.

In summary, I will say that Indian Hotels has been able to deliver strong performance across all parameters. It's industry leader in development momentum in terms of signing new hotels. As you know, we have signed already this year in the first six months 14 hotels totalling 2,000 rooms. And as I showed earlier, 36 new properties added to our pipeline in the last 18 months without using our capital, except for the one that is Connaught in New Delhi. We are on track to open more than a hotel a month in this financial year. We have had six consecutive quarters of EBITDA margin expansion which is in line with our Aspiration 2022 as highlighted to all of you.

We have higher Q2 RevPAR growth recorded compared to the industry. Our RevPAR performance is positive compared to competition in all the key markets. We are focused and we remain extremely diligent on cost optimisation despite launching new brands, despite aggressively marketing our portfolio, and keeping overheads, repairs and maintenance, and heat, light and power costs.

Having said that, that does not mean that we are not adding talent. We just added a head of digital who we have hired from TCS who joined us this month; and digital is an important part of our strategy and our industry taking us forward and we remain very focused on unlocking the value of all brands under IHCL.

So, I think this actually makes a good summary; and now how this translates into financial performance that you can see that our revenue for the quarter increased to almost 5%. We touched 1,000 crores which we have never touched in the last ten years or even earlier. Our EBITDA increased by 57%, 282 crores. Our EBITDA margin was up almost 600 basis points with 17.5%. As I said before, this is one of our weakest quarters or not one of, it is the weakest quarter among the four quarters and our PAT has had up 76 cores swing on this quarter versus the same quarter last year.

With that, I think we can also see what I just mentioned about, the last ten years. If you look at this chart, on the top, you will see in the light blue highlighted, the top line that they hit 1,000 crores and it’s quite a good jump because already last year was a good year, but if you go back a few years, it is showing almost a 15-20% increase over where we were a few years ago. Our expenses are not showing the 15%, 20% increase. At the same time, that is what is driving our EBITDA margin including our operating EBITDA margin, we were PBT marginally negative but this is because of the new reporting standards. If we had the old ones, it would be positive. And the PAT was also positive.

With that, we can now move on to the first-half of the year. And if you look at the first-half, the first six months of this year, we hit for the first time 2,000 crores in revenue. Almost 2,100 a 6% increase, an EBITDA of 392 crores which is 62% increase over last year and EBITDA margin of 18.8%, a 658 basis point increase and a PAT which has gone up 7.7 times. Of course, aided by one way or the other tax reversal, but we also get one or the other negative impacts in some quarters or in certain years. So, this time it’s been positive for us. And again, if we look at here, the first-half performance, as you can all see that we never had 2,000 crores in revenue, so our total income was almost 2,100 crores and our EBITDA touching 392 and a margin of 18.8, a PBT of 20 crores and a PAT of 77 crores.

With that, I would like to hand over to my colleague Mr Sanjeevi, who is the Chief Financial Officer. Over to you, Giri.

Giridhar Sanjeevi: Thank you. Thank you. I think that continuing from where we kind of left off, I think what we are trying to summarise in a very simple way is the kind of – summarise in fact of the performance of the pre-IND AS and post-IND AS. I think very clearly you see this summarises the previous slide in terms of growth of revenue of 4.8% on a pre-IND AS basis. EBITDA very clearly is 17.8%, EBITDA margin growth of 1.5% and an operational EBITDA margin growth of 1.16%.

Exceptional items were marginal at this point of time, and profit after tax 71 crores is what we reported in Q2 and on pre-IND AS basis, 82 crores actually. So, I think this just summarise in a simple way the pre and post-IND AS impact. Going forward, I think you will also see the detailed consolidated report. I think what is good to see is that in terms of expenditure, the focus in our revenue grew by 4%. I think the expenditure focus has always been there actually. And that has resulted in the leverage. And I think that is the most important thing.

If many of you remember, I think we have always been saying that we will do everything we can in terms of making sure that we report an operating EBITDA leverage actually. And that is something that we have been able to do. Depreciation and finance cost here reflects the impact of the new accounting standard. Exceptions, we don't have any other item. And as stated, we had – due to the new tax regime, a reversal in terms of differed tax liability, and that is reflected in the final number, 71 crores for the post-IND AS number. In terms of the exceptions, there's nothing and nothing much to report. We just – we had a sale of flats included that – about 8 crores or so. Other than that, there's nothing exceptional included.

And when we moved to H1, H1 again, I think what we see here is that as Puneet mentioned, we crossed the 2,000 crores in terms of top line. We continued to show the EBITDA margin expansion of 2.3% and an operating EBITDA margin expansion of 0.24%. Profit after taxes was about 77 crores for the quarter.

Similarly, I think the consolidated P&L for H1 shows a similar story in terms of tight control on cost and managing leverage and also reflects the final performance of 77 crores in terms of the cutback. Consolidated exceptionals, we don't have much. In terms of the – what do you say – the network revenue, I think F&B revenue grew in domestic by about 3.6%, room revenue grew by 8.7%, RevPar grew by 3.9%, very strong focus in this quarter in terms of driving up occupancy growth actually. And international also did – was fairly stable in terms of all our international hotels. US did okay, the St James Court did very well actually. So, all our international operations were kind of stable and accretive.

If I look at the H1 revenues again, I think you will see this very clearly that the international operations were strongly accretive in terms of RevPAR. And in terms of domestic, we continue to drive room revenue growth and to drive the performance actually.

Moving on to standalone very quickly, we had 625 crores of top line. EBITDA was about 148 crores. Again, standalone reflects the EBITDA margin expansion of 0.96% on an operating basis. And it includes about 8 crores in terms of sale of flats.

Profit before exceptional items and taxes were about 37 crores, profit after tax was 119 crores. Similarly, on an IND AS basis, we have continued to reflect the impact of IND AS across the line and overall profit after tax of 119 crores. The detailed P&Ls also reflect the focus in terms of not just working on the revenue levers but also expenditure control which driving the EBITDA margin expansion and an overall PAT of about 190 crores.

Exceptional items, I think as far as Q2 is concerned, I think the only item to note is that like we have gone for the last three years, whatever was the cash loss in Pierre, we have kind of provided for it in standalone of 27 crores. I think the good thing is that the Pierre losses have come down in the quarter, from 31 crores to 27 crores. And that is getting reflected in the half year numbers as well.

In terms of H1 as well, the total revenue was 1,233 crores, and EBITDA was 293 crores. Once again, it showed a margin expansion of 1.7% and operating margin expansion of 0.66% actually, and includes the EBITDA of – on sale of flats of about 33 crores is included.

H1 profit before exceptional items and tax is about 73 crores and profit after tax is a strong 141 crores actually. Once again, showing the impact on INDEAS 116 which you can look up. Standalone reported P&L again kind of reflected the leverage and the overall performance of 141 crores. Exceptional items for H1, as I said, I think we didn't have any derivative contract, what do you say, losses, and we had a profit on sale of Tamil Nadu Flight Kitchen – Taj Madras Flight Kitchen shares actually. And the peer losses clearly reduced from last year, 32 crores to 26 crores. So, that continues our report in terms of improving the performance there.

In terms of acquisitions and monetisation, I think we have we have just announced the commercial closure of the first transaction of the GIC platform. Sales of residential apartments continued and simplification and monetisation Taj Madras Flight Kitchen we've completed it during the quarter.

As far as the net debt position is concerned, I think we continued to focus in terms of the net debt position, while it went up marginally by about 120 crores or so, there's nothing unusual. And net debt EBITDA clearly went down from 2.1 to 1.92. And the net debt to equity remained stable at 0.43 or so. So, I think this is an area where we continue to focus in terms of making sure that the net debt position is under control.

So, that's it in terms of the performance update. I'm open for questions.

Puneet Chhatwal: Hello. Can we now open for questions please?

Giridhar Sanjeevi: Yes. I think.

Operator: Okay, do you want me to take the questions on the audio call?

Puneet Chhatwal: Yes, please.

Giridhar Sanjeevi: Yes.

Operator: Sure. Thank you. Participants, if you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. A voice prompt on the phone line will indicate when your line is open.

Please state your name before posing your question. Again, press star one to ask a question.

We'll pause for just a moment to allow everyone an opportunity to signal for questions. Participants, you can also queue in your questions on the webcast as well. We will now take our first question in the audio. Participants, your line is open. Please post your name before taking your question.

Satyam: Hello.

Puneet Chhatwal: Yes.

Satyam: Hi. Good evening, everyone, this is Satyam. Puneet, the first question that I had was on the demand trend. We have seen the first half be little weak; but based on checks, we gather that the November is looking a little stronger than first-half and October was continued to – also continued weakness because of the large number of holidays, etc. So, do you think October November put together has seen some kind of improvement, because maybe that's a better way to look at it seeing both the months together. So, is that together at least showing some kind of improvement in the RevPAR trajectory versus the first-half? And if so, then, you know, what is driving that improvement, is it coming from some improvement in the corporate bookings as well or is it all leisure driven?

Puneet Chhatwal: Yeah, Satyam thank you for taking that up, because, you're right, we have to look at October, November together as October had both Dussehra and Diwali. So, obviously, the first ten days of November are looking much more positive than last year. So, if you take the trend of the last 40 days out together, there is obviously a positive RevPAR growth.

At the moment, we are seeing most of the growth is still driven by volume than by rate, but the impact of rate should come at certain point of time, because the GST reduction has also happened as of 1st October. So, by the time you'll start seeing a reflection of improvement in rates and also the some of the plans and – you know, changes announced by the government, this should help in the rate improvement. And a very normal trend has both occupancy and rate were under pressure. Now I don't think occupancy is anymore under pressure. And that's when the rates tend to increase. Now the big question is, can I say when they will increase? I don't have the answer to that today but definitely by end of November, we should know more because we've just come from – from the holiday period and so the comparison is not there. We need at least 10, 15 more normal working days to give some form of guidance.

Satyam: And Puneet, on the FNB revenue side, you showed on the slide that you had 3.6% YOY growth in the quarter, and which then compares very well versus the other luxury companies who have reported so far, we have all seen 7-8% decline YOY because of the MICE weakness.

So, you know, any comments there, you know, in terms of whether you saw any weakness from the MICE side as well or, you know, what helped you avoid that kind of decline in FNB.

Puneet Chhatwal: I think I mentioned that in my presentation. So, one of the things we have remained focused on is driving market share. The demand has not been strong as it was the same time last year. That would be fair to say. But our market share growth is – has been very good, especially in the key markets where almost 50% of our portfolio is. So, 50% of our portfolio is in Delhi, Mumbai, you know, Rajasthan, Goa, etc. So, and in these markets, we are almost market leaders with iconic assets, and that has been helping us either maintain or increase share. And if you are able to maintain or increase share, that's one, and second is our growth in our portfolio.

So, if you add Cidade de Goa or a Taj in Agra with 240 rooms, that also helps you to increase the revenue, although both are managements only accounts in the fee side, but it also is giving us a better footprint and a better opportunity to market in different – to go to market with different kind of offerings that we have today versus before.

Satyam: And last question from me. On the Pune Hotel acquisition that you have announced, are you in a position to share any details on which property this is, or the – you know, how many rooms does it have, what kind of a, you know, chain scale is it positioned at, if it's an operational property, what's the brand now and what will be the brand once you take it over; any details on this?

Giridhar Sanjeevi: I think we will come back in terms of the details, because the agreements are yet kind of not yet done next actually. We've just done the commercial closure. I think we will announce it maybe in a month's time or so in terms of further details on this. I think it isn't – I think all I can I say is that it's an operational property. I think that's it.

Satyam: Okay. Great, thank you, and all the best.

Operator: We will now take our next question. Participant, your line is open, please go ahead.

Nihal: Hi, good evening. This is Nihal from Edelweiss. So, my first question was, could you say what the current pipeline of management contract rooms are at this point in time?

Puneet Chhatwal: So, we have update over 5,000 rooms in the pipeline totalling almost 40 properties, or 41 to be precise, and they are divided then over different brands. And that is then, you know, like, a significant acceleration in the Ginger brand in terms of pipeline, which is good, because it's a high-margin business for us. There's a couple of properties and SeleQtions. There are a few contracts – you know, Vivanta has seven selections and three – 13 properties in Ginger, totalling over 1,100 rooms, and 15 as Taj with over 3,000 rooms.

Nihal: That's very helpful. And if I remember right, this number was 4,000 at the start of the year, which has now increased to 5,000?

Puneet Chhatwal: Correct, or 5,400 to be precise because some of the hotels have been conversions. So, a hotel like Cidade de Goa, the day it is signed, it went online. So, it never reaches the pipeline. The same is for Agra, the day was signed, it opened. So, although when we count hotels, number of hotels signed, we count those rooms, but they immediately opened. So – and some other openings, because they were in the pipeline, so that keeps happening. So, it's not exactly the same number that you're sign you have always in the pipeline, it's a question of new construction versus conversions. So, Ginger in Dwarka was also a conversion.

Nihal: Okay. So then just a little data to this will be, how many room have we opened in the last six months under management contracts?

Puneet Chhatwal: In the last six months, we have opened four hotels and all of them are under operating agreements, and this is totalling 765 rooms. But the majority of our – as I said before, there are eight openings that we expect to have in the next five months. And it's also the right time to do that because, as you know, the second half is stronger. So, we want to tend to have openings.

So, for example, Dubai property, you don't want to open in July or August or September. It's not going to work. So, we are targeting an opening in December because December and January are the best months for Dubai. And even though February is strong, but you don't hotels in Dubai in May, June, July and August. So, similarly, in some other destinations like this, the openings are also higher just like the revenue is higher in the second half of the year.

Nihal: Thank you so much Puneet. Puneet, the second question was on the CapEx front. Obviously, we see that there has been a reduction on the CapEx compared to last year. First, I just wanted – is it current guidance still between 300 crores to 400 crores, especially in the light that we would be investing 250 crores in year to year [inaudible]

Puneet Chhatwal: We will continue to – yeah, we will continue to invest in our strategic assets and putting our kind of market – you know, strengthening our market position, especially in this kind of macroeconomic circumstances. So, there are certain projects where also the CapEx amounts will be kind of coming our way in the next five months.

Giridhar Sanjeevi: Yeah, and I think the other way of looking at it is to sort of look at the overall net debt. I think what we always guided is that net debt this year will be constant actually. We don't expect net debt to reduce nor kind of go higher actually. So, that's really kind of [inaudible]

Puneet Chhatwal: And it depends where the EBITDA comes – the absolute amount. If is a bit higher than last year, which it seems as we look at the first half, we don't know how the second half would be, but if the second half was the same as last year and we have the first half, the net debt to EBITDA will go down further.

Nihal: Absolutely. So, if I understood right, we will still be able to manage to maintain that number of 300 to 400 crores including this investment in ELEL or maybe we could add on to that number?

Puneet Chhatwal: The ELEL investment, you know, the definitive agreements have to be done, but there will be no investment of significant amount in this financial year, or the next, or the next. It will be divided over several years. So, it's – the heads of terms that we have agreed without having signed the definitive agreements, have a payment schedule which goes over several years.

Nihal: Absolutely. I think the last question from my side is that last quarter I think –

Puneet Chhatwal: I mean, it's very important you ask that – sorry, it's very important you ask this question because I think that kind of information with don't disclose when we disclose to SEBI. So, I think for all the investors in this call, it's important, but not suddenly that we are buying a 15% share tomorrow or day after, it's not what's going to happen. We have agreed to acquire, and it will be staggered with several milestones over a few years or so.

Nihal: Okay. I think the press released mentioned too, so that's why I was putting the number of 125 as the ball park. So, maybe that would be something I'll just look at again. I think the last question from my side was on, I think, in Q1 we mentioned that we're looking at a top line growth of 7% for this year. As first half is concluded, we are at 4%. So, is there a possibility of still achieving that 7% above for this full year?

Puneet Chhatwal: Sorry, could you repeat that question? Sorry, could you repeat that question, please? Sorry.

Nihal: Yes. I was asking that, I think at the end of Q1, we are looking at the top line growth of 7% for this year. Now, that the first half is concluded at a top line of growth of 4%, is it still something we can achieve in the remaining part of year?

Puneet Chhatwal: Yeah. I think we will continue to work on all the four revenues levers, very clearly, you know, and you have seen the RevPar performance in the first half overall, 3.9%. So, that's number one. Number two is that the FNB is still an important part of our business, and that we'll continue to focus on. And this is the season time. We have always said that while, you know, the wedding season should still be there, it should not kind of dilute.

The third lever is the growth in management contracts, which, I think first half, the growth has been 6% or so, in terms of fees from management contracts, actually, that's the third one. And the fourth is that the expressions, especially Chambers, has kind of picked up actually. And in fact, as we speak, up to date, we have probably done about 20 crores or so in terms of Chamber's billings, which means 15-crore addition to the bottom line.

So, therefore, we will work all the four levers. I think at this stage, I don't want to sort of talk about a specific number at the end of the year, but suffice to say that we remain focused in terms of all the four levers of revenue growth, actually.

Nihal: So, that's very helpful. If I have more questions, I'll get back in the queue. Thank you so much.

Puneet Chhatwal: Yeah.

Operator: If you find that your question has been answered, you may remove yourself from the queue by pressing start two. We will now take our next question. Participant, your line is open please go ahead.

Sumant: Hi sir, Sumant here from Motilal Oswal. Yeah. Hi. So, my question is regarding retail demand. So, the post GST cut, how is the demand from the retail side?

Giridhar Sanjeevi: I think the retail is always strong. In fact, I think what we saw in the first half was that, you know, the RevPar growth when we spoke about 3.9%, I think the impact was more for corporate and MICE actually. In fact, that transient customers have always been above 50%. So, that's what I think the retail demand has been strong actually. In fact, that's been helping everyone actually. So, you should assume that the retail demand continues to be strong.

Sumant: Okay. And we talked about the 8.7% room revenue growth, so how is the growth at standalone in the room revenue side and what is the breakup of OR and ARR.

Giridhar Sanjeevi: Yeah. In standalone, for the Q2, we had a very strong occupancy growth actually. In fact, occupancy in Q2 for standalone was 68.2%, which is an up of about 4.3%. So, occupancy growth is very strong. Clearly it was, you know, the rate was not – the rate clearly was down. Rate was down by about 4.5% or so. I think – but we really grow through occupancies and these are the big boxes, so I think that helped us a lot actually. And overall RevPAR growth was about 1.7% for Q2.

Sumant: For the standalone?

Giridhar Sanjeevi: Yes, yes. And that's an improving trend. You know, I think if we look at this year, it's an improving trend overall for the industry. I think we saw the, you know, starting end of March-April, we have been gradually seeing improvements. So, therefore, the Q2 trend is certainly an improving trend over Q1.

Puneet Chhatwal: In the standalone, we have three properties which are I think so is West End, the Aguada and Holiday Village. And all three had certain rooms out of order because that was the time – right time to renovate them and upgrade them. So, some CapEx movement was on there, but they have come back very strongly. So – and are important drivers of growth in the second half, both Goa and Bangalore properties.

Sumant: So, that means the performance of domestic subsidy like Piem has improved a lot?

Giridhar Sanjeevi: Yes. PM definitely has improved actually. PM definitely has improved.

Sumant: Okay.

Giridhar Sanjeevi: Absolutely.

Sumant: And so, when we've compare with the standalone and then domestic subsidy like Piem, it's a – the growth of RevPAR might be tourists?

Giridhar Sanjeevi: Sorry, I didn't understand that.

Puneet Chhatwal: Tourist. Not really. It's not tourists, Sumant, it's – the – our landscape is changing so much that tourist destinations are there. We are still the strongest operator of resort properties. But our hotels are increasing everyday in other destinations, so it's not just tourism, it's also a lot of business, customer-base that is increasing more rapidly as a percentage. That does not mean the number of tourists is not increasing or the number of tourism-related business, domestic or international; both are on an increase, but business increase is higher.

Sumant: No, no, my question is, the Piem RevPAR and Ginger RevPAR, is the 2x of standalone business?

Giridhar Sanjeevi: Sorry. Could you – could you – maybe we should take that question offline, Sumant, because I have to –

Sumant: Okay. And how is that tax rate – what is the tax rate guidance for FY20?

Giridhar Sanjeevi: So, the tax rate guidance – see, we have adopted the new tax rate as you know, Sumant, and therefore we will be a 25.1. But however, because of some of the prominent differences we have due to the US loss and all, we'll be able 30% – 29 point something. So, under 30% is what we should have seen.

Sumant: Okay. Thank you so much.

Giridhar Sanjeevi: Yeah.

Operator. We will now take our next question. Participant, your line is open. Please go ahead.

Amit: Hi, this is Amit Agarwal, Nirmal Bang. I just wanted to have a more update on this GIC platform. I think you just maintained – said that one hotel is being included out there. Can you give us some idea of what's the outflow there and how many hotels will be included in the next – probably a year or so?

Giridhar Sanjeevi: So, we are – of course there is evaluation going on from other multiple properties both in terms of acquisition as well as monetisation of some – of one or two of our own properties that evaluation is going on.

Right now, all we have announced is the first deal, small transaction, the first deal of an operating property, we have just concluded the commercial terms. And that is something we'll come back with greater the details in about a month's time when things – when more definitive agreements are done.

Puneet Chhatwal: But our outflow will not be more than 20, it will be somewhere between 15 and 20 CR?

Giridhar Sanjeevi: Yeah.

Puneet Chhatwal: Which is very, very nominal and would be offset with the, you know, kind of the sale of a few other apartments. So, that's what we have guided. We said whenever we monetise on non-core assets, that kind of amount will either go in bringing down the debt or in acquiring strategic assets with – on the GIC platform or into, you know, a growth of our other levers in the system or solving one or the other issue that we have been carrying on for a long time.

Giridhar Sanjeevi: Yeah.

Amit: Yeah. Second question, last question. I believe the foreign tourists arrival has dropped to – I think it's about 2-3% against a lot more on the earlier periods. So, firstly, are you feeling the pain? And secondly, what's a mix of all the domestic tourists or, let's say, guests in your hotels?

Speaker: 65.

Puneet Chhatwal: Firstly, you know, we have not seen that kind of pain, because, you know, luxury is a bit more resistant to drops like this and most of those foreign tourists for us were coming in our palaces and iconic assets. I think there we have not yet seen any kind of major drop in bookings and whether it's the Rambagh or it's the Lake Palace or Umaid Bhawan or the Taj Palace in Delhi or Taj Mahal Palace in Mumbai or Lands End.

What we've definitely seen is the other way around. We've seen an increase in Delhi and that is because pre-elections and post-elections the government business had come to a standstill. And so, you must have read and seen there are a lot of state visits which are happening, whether it's the royalty coming into India from Sweden or Denmark or, you know, or Holland, or it is heads of states like Chancellor Merkel or others. So, I think those kind of visits are actually driving the government business which was very much missing in the majority of the first half of this year.

Amit: Sure. And last question, sorry, just one more question. In the mix of your guests that you have, if I may broadly say, normally we'd talk about the corporates, OTAs, and the – let's say crew probably is very low. What has the mix change the last one year?

Giridhar Sanjeevi: I think the mix has largely been steady. You see, I think the way we classify is that areas that is the ADS, that is OTAs and all that has been about 20-22%. So, there is no real change in the OTAs actually. And the non-negotiated customers which is the Transient as we call it has been 50%, 52% or so. I think no fundamental changes at all actually. I think all we could say is that in terms of the growth – because of the economic situation, we saw some down in corporate and MICE, but that was more than made up by the other segment actually, which is fundamentally the transient.

Amit: Corporate and MICE has been a bit weak –

Giridhar Sanjeevi: Yes.

Amit: – in the first half.

Giridhar Sanjeevi: Of course, of course – which is expected. So, I think – but it'll pick up now. It'll pick up, yeah.

Amit: Sure. That – thanks. That's all from my side.

Giridhar Sanjeevi: Yeah.

Operator. We will now take our next question. Participant, your line is open. Please go ahead.

Shaleen: Hi, Puneet, Giri. Shaleen from UBS. Congrats on the great set of numbers. Interestingly your results are literally better compared to your competition both in terms of RevPAR growth and FNB growth. So, congrats on that side. You know, one of your competitor made a comment that they are able to – or rather the resistance from the corporate in terms of price increase has come down. Are you also seeing that on –?

Giridhar Sanjeevi: That is correct. That is –

Shaleen: – for you to take a price?

Giridhar Sanjeevi: That is correct. Because I think what's happened is post the GST reduction from 28% to 18% – earlier we saw that there was some resistance in terms of increasing the rate of about 7,500 because the guests would then – the compartments would then be on the higher slab actually. But with this coming down now, and as we are getting into the cycle of negotiations, I think we certainly believe that the resistance is lower. And I think we'll be able to better update the status of negotiations maybe in a month from now actually, but clearly this is a positive action. This is a positive.

Shaleen: Great, great. Just one more thing. And do you have any sense like what is happening in the market in terms of the new agreement; like your market share in the new agreement which are getting signed, so – you know, you have made out your mark earlier that you are almost – more than 50% of the market share in the new agreement, so any sense where we stand for the first half in the domestic market?

Giridhar Sanjeevi: We continue to dominate, actually. I think that is fair to say.

Puneet Chhatwal: We will not say 50% or whatever is the right number is – that – some other analysts or research house should give the guidance, but I think – I don't think there is any group which has signed 36 agreements in the last 18 months.

Giridhar Sanjeevi: Yeah.

Shaleen: That I agree completely – I agree with you on that. Right. And what exactly is happening in the international property? It's a bit of slowdown over there. Is that seasonal?

Puneet Chhatwal: No. Not at all. Actually – thank you for raising that because while Giri was presenting, and we said that there is a decline in international, the majority of that has been driven by three of our hotels in Sri Lanka in the first half, although Colombo is beginning to come back very strongly. It had a very strong October because they got a one-off delegation, but it's following the terrorist attacks in April. Since we have three hotels in Sri Lanka and the downfall for example in Bentota was like 50% in RevPar. So, that percentage is intact.

We have done quite well in both the US and – London has been phenomenal for us. We mentioned that at the – last quarter call also. And we see no reason why London will not continue to benefit despite all the Brexit discussions that are there. And we're actually adding some more value into London because we'll be opening Chambers there within six months' time. We are adding a Chinese place there called House of Ming, we'll be adding an all-day dining. So, that's a property which has got great presence behind Buckingham gate and we are investing actually more money into London.

In terms of CapEx, as the previous person had asked, actually we are spending more money in London and we are earning very well in London. I think this is one of the best six months London has had for us.

Shaleen: Right, right. And the last bit, what kind of losses are we envisaging for Pierre for this year? Any ballpark number?

Giridhar Sanjeevi: I think if we look at the H1, I mean which is quite visible, if you see the exceptional numbers that we showed, the exceptional items for the first half appear clearly, you know, because we provide for it, the loss came down by 6 crores or so, 32 crores to 26 crores, so that's for the Pierre losses, cash loss have come down definitely in the first half.

I think last year I think the cash loss was about probably around 64, 65 crores actually. So, this year will be about – about 60 crores is what we anticipate [inaudible], but that's – but, you know, that performance continues to kind of – we continue to work on it to improve it.

Shaleen: Sure, sure. Great. That's it from my side. Thank you so much.

Operator: We will now take our next question. Participant, your line is open. Please go ahead.

Speaker: Yeah. Thanks for giving me the opportunity. This is [inaudible] Sharekhan. Most of my questions have been answered. Just on the operating performance, it would be really helpful if you help us to know what was the comparable, you know, improvement in the operating margin if you exclude the IND AS impact.

Puneet Chhatwal: It's around – for the quarter, it's around 150 basis points. And for the first half of the year, is double of that, 250 – how much is it?

Speaker: This is on the standalone business or consolidated?

Puneet Chhatwal: So, no, this is on a consolidated basis.

Speaker: Can you help me out with the standalone basis also?

Puneet Chhatwal: On – one second. We can get you that number. So, actually, we had 230 basis points on the first half, on consolidated basis. On standalone, we have to verify the number for a second. I think it is – it is around 30 basis points on standalone.

Speaker: 30? For the first half?

Puneet Chhatwal: And the first half is 170.

Speaker: Okay, okay. So, with the [inaudible] you know, this is despite the fact that, you know, first half is normally kind of 40% of the business, and you've achieved about 150 bps expansion in Q2 margin and 230 bps in H1 margins. So, second, we should expect much better in terms of operating margin on a comparable basis?

Puneet Chhatwal: I think the guidance which we have given is 800 basis points. We'll continue to deliver on that. We've delivered it in the last six quarters and we will continue to deliver going forward.

Speaker: Thank you. Sir, on the demand front, as you mentioned that October-November, you know, looks to be promising. And in terms of room rate increase, when do you expect exactly the room rate hike to happen in the industry – you know, from industry perspective, not exactly from [inaudible] point of view, but from industry point of view, when do you expect, you know, real room rate hike?

Giridhar Sanjeevi: Room rate increases. I think now that the occupancy increases strongly happen as we were discussing, I think as we get into the season, let's see, I think hopefully the room rate increases should start happening. And maybe as Puneet said earlier, let's wait until the end of November before we can talk in terms of what kind of room rate increases we get.

Speaker: Okay. Thank you –

Operator: We will now take our –

Puneet Chhatwal: Yeah, last question possibly, just last one –

Operator: Yeah, we have the last question, we will now take our last question. Participant, your line is open, please go ahead.

Prashant: My name is Prashant Shivsagar from Unived Corporate Research Private Limited. Thanks for the opportunity. I just wanted to – your comment on the Middle East business of the company for the half year and the quarter.

Giridhar Sanjeevi: Middle East business of our company today is very limited. It's really just a one property in Dubai. And that has been doing fairly well; is a business leader, is the market leader in the business bay area. We are opening a second hotel in Dubai in December, as I said, the Jumeirah Lakes Towers. And a third one will open in Palm at the Palm in Dubai by September, just before the expo commences in 2020. And a fourth one in Dubai Waterfront, Deira Waterfront in another few years, and then we are under development with the property in Makkah.

So, basically, that's what it is, the rates in Dubai are under pressure, but the volume is not. The occupancy levels are good. We have a very good FNB revenue base in Dubai. So, our total revenue increases there despite a decline in the average rates in the Dubai market in general, and also business base seen a lot of supply growth, so in particular in business space, there has been severe pressure on rates, but we continue to do well.

And more importantly, the different contracts where we have a very happy owner.

Prashant: Thanks. And one more question is, your Taj Lands expansion plan had been held up by one of the government permissions, so can you help us with what is the status of that –

Giridhar Sanjeevi: I think you mean Sea Rock and not Landsend –

Speaker: Yeah, yeah. Yeah.

Giridhar Sanjeevi: So, as we have disclosed today, we have a plan to acquire the shares of Sea Rock so that we are 100% owner. Then we will do the architectural planning, go for full planning permission. And then once we have all that, then go for construction. But this is not like a one year or a two-year project. The good thing is that we have the framework approval, now we have to negotiate and close the agreements with our 15% shareholder, and if we start today, the day it would open is earliest is five years. So, it's a long-term project, and also need support from the local government, and the planning with the sea link, et cetera, you know, all the traffic planning also has to happen, otherwise, if you just build another hotel out there, which is very large, it will – the roads will not be able to take the traffic. So, all this will happen in tandem, the initial discussions have been going on. I think it will be good for the city, it will be good for the country, but it's not a project where we can report every quarter what is happening. It's a two-year planning process as we have disclosed, and after that, another three years to build it at the earliest if not a bit longer.

Speaker: Just a question – have you got all the permissions from the government for the project?

Giridhar Sanjeevi: How can we go for all the permissions? You go for the permissions and spend the money on architecture and planning once you have cleared all the shareholdings. So, we have had the shareholding, we have had the land, now we will start after we have definitive agreements with the shareholder, when we control the property 100%, then we will start the development and planning process.

Speaker: Okay. Thanks a lot. That answers my question.

Operator: There are no further questions at this time. I'm handing over back – the call back to you, sir.

Giridhar Sanjeevi: Yeah. Thank you so much for participating in the call today. I think – and for those, if there are any further questions, Nitin and I would be able to take the questions offline, actually. Thank you so much.

Operator: This concludes today's call. Thank you for your participation, you may now disconnect your lines. Thank you.