The Indian Hotels Company Limited

IHCL Earnings Call – Q4 FY 2021/22 Results

Wednesday 27 April 2022, 19:30 MUMBAI

Management :

Mr. Puneet Chhatwal, Managing Director & CEO

Mr. Giridhar Sanjeevi, Executive Vice President & CFO

Operator: Good day and welcome to The Indian Hotel Company Limited Q4 and FY 2021-2022 results call being hosted by Mr. Puneet Chhatwal, managing director and CEO, IHCL and Mr. Giridhar Sanjeevi, EVP and CFO IHCL. As a reminder, all participant lines will be in a 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 signal and operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded. At this time, I would like to turn the conference over to Mr. Puneet Chhatwal. Please go ahead, sir.

Puneet Chhatwal: Good evening, everyone. Apologies for the delay of 30 minutes there was some technical glitch and the interface with the systems where not necessarily at our end, but here we are. I need to walk you through our Q4 and full year results. Let me start by the picture of Taj Exotica Resort and Spa that we opened on the Palm last month in Dubai, with maybe the longest pool in that marketplace of 75 meter pool, which is a 325 room property, taking a total number of hotels in operation in Dubai to three, totalling 800 rooms all on management contracts with the fourth one scheduled to open in a couple of years, which is the Taj Deira Waterfront Dubai.

Moving on, some awards, travel and leisure recognized our newly open Taj wellington Mews in Chennai. Some of you will recall this hotel is run by all the women professional from general manager to back of house, to front of house, to food and beverage, to the security services, to everything possible. Recently HICSA took place in April the first week of April that's hotel investment conference, South Asia in luxury and upper upscale hotel Taj Lakefront, Bhopal was declared the winner for the best new hotel in the upscale, The Vivanta in Pakyong, Sikkim upscale segment and the Ginger in Visakhapatnam, in the budget and economy segment. So three recognitions in all three important segments that we operate in.

Moving on to some macro, we used there are certain challenges on the global GDP growth estimates, especially with the tension in Russia versus Ukraine. However, India still continues to be strong, and we are expecting GDP growth, north of 8% in India. So I think that is quite good, definitely for our industry not forgetting where we are coming from. As per STR the performance has come back in towards end of March and early April above the 2019 level in terms of the RevPar recovery, leisure markets continue to outperform. There is strong recovery in business demand, especially led by both the national capital of Delhi and the commercial capital of Mumbai followed by Bengaluru. And as of each wave, we will see that the recovery is faster.

The first wave the recovery as we remember was followed by a lockdown for over several months. So the recovery took some time with the second wave, the recovery was faster, it has gone into like a V-shape mode. And so was the case after the third wave the Omicron as we popularly call it. And within this IHCL continued to outperform the industry on the RevPar level. The industry is leading the rates and occupancy recovery at the moment.

And, also IHCL is still continuing to outperform. Our average rates have already reached on the domestic level on the same store basis for hotels that were open till 19-20. We are at 94% recovery in average rate on the rooms per day, or occupancy is 81% recovery on the RevPar is 76% versus industry, which stands at 65%.

This is data, which we have taken from sources like STR. Industry leading recovery, also in various key markets with the exception of Rajasthan. We are leading in all markets on all India basis, as you saw was 65% and we were at 76 , in Goa, we are at 100% of pre-COVID level and even places like Chennai we are doing well.

However, it is important to note the three key cities, which have a huge impact in the industry getting to the pre-COVID level as of April are performing well like Delhi at 121%, Mumbai at 118% and Bengaluru at 102% in terms of the forecast or the expectation for the actual April numbers, as we get close to that in the next few days.

On the industry leading benchmarks which we will be taking you through in this call, one of the, besides the RevPar recovery, where we are the industry leaders, I think we are also leading the industry in terms of building our pipeline for two consecutive years based on data published by HVS.

So both on signing a number of keys and number of hotels for two consecutive years, I think The Indian Hotels has been posting industry leading figures with the last year, getting us 19 hotels, and more than 2000 rooms added to our pipeline. As I said just now, not only 19 hotels were signed, but also 13 were opened and of these 13 openings there were three with the Taj brand, two with SeleQtions, five with Vivanta and three with GingerGinger.

In Q4 itself, we had five signings and five openings, and we are very proud to also share that today Indian Hotels with its hotel business and not the home stay along with its hotel business covers more than a hundred locations in India, more than 29 states and union territories, and has a total portfolio of 215 plus hotels. If I was to add homestay with are our Ama brand, then we would be north of also 215 portfolio in India.

So we are ideally positioned and poised to support the Dekho Apna Desh campaign, which we had supported six-eight months ago, and we are hoping to relaunch it. And we are planning to relaunch it in the next four to six weeks.

In terms of a pipeline, which I just mentioned. We have 60 hotels totalling 7,500 rooms. This is also industry leading on the Indian subcontinent. And as we can see that other brands are continuing to grow more importantly via management contract at 74% of our pipeline is driven by fee-based business. 26% is non-fee-based business. That does not mean, and I want to highlight this, that these are investments.

I know this 26% includes a couple of investments but it's mainly the Ginger operating leases because that is our preferred model for GingerGinger is to do operating leases as they drive higher margin and give us higher share of the revenue versus a management contract for hotels, which we would be having reasonable or not that very big top lines.

In terms of by brand I think all brands are growing and growing very strong obviously, GingerGinger at the moment on the pipeline is strong and that is absolutely in line with our strategy. We want to stay very exclusive. We want to stay luxury focused. We want to be very selective when it comes to the crown jewel of the nation and that's the Taj brand. And at this same time, we want to get to very quick scale with the Ginger brand.

So 40% of our pipeline with Ginger is very good. And definitely this year, the openings in Ginger in this financial year should cross a double-digit number. So if that's a guidance we can give, yes, we're giving this guidance that we will definitely cross a double-digit number in Ginger for the number of hotels opened, obviously subject to no more COVID on the waves and the lockdowns or any other kind of event beyond the reasonable control of the management.

Moving on. Also we are industry leading innovation through new businesses. As you're all aware, of course, GingerGinger is a name that we have had for a long time, but the whole entire brand has been reimagined the logo, the look and feel, what we call the lean Lux positioning and Ginger actually posted in Q4 a 96% recovery of the top line. Our aspiration is to quickly get to 200, 250 hotels.

And having said that, I think also our two new brands, relatively new brands, both born almost during the pandemic one, three months into the pandemic, one, three months before the pandemic is Qmin on the home delivery QSR and the food truck businesses today in 20 cities did a GMV of 66 plus crores. Our aspiration is to increase our footprint to 25 cities this year and keep accelerating the GMV growth. On the ama it's the same, we are 80 properties today in 40 destinations, and our aspiration is to grow to 500 properties and grow our market footprint over the next three to five years.

Moving on to our industry leading a new loyalty program, yes that I'm talking here about Tata Neu it's off to a good start. We expect significant upside, especially for our other brands. Like Vivanta, SeleQtionsSeleQtions, Qmin and even Ginger as and when they get start benefiting from different promotions from Tata Neu.

This is also very much in line with our strategy to transfer our loyalty to a platform which benefits from various group companies and various businesses increasing our reach to our customers, not by doubling that base or tripling rather over the next three years to have a 20 X or a 30 X of what we were able to achieve on our own.

I think very important for us was the launch of our ESG plus CSR, whatever our responsible business towards nation building has been as the oldest operating company. And we have given this, the name of Paathya which stands for the Path in English and path in Hindi that we have embarked upon which constitutes of six pieces. Of the six pillars in doing justice to the waste water, in skilling of more than a 100,000 youth over the next five years in saving energy, in having 100% of our hotels earth check certified, having going beyond the single use plastic free, all our hotels would be single use plastic free over time, and adaption or embracing the UNESCO guidelines on sustainability, on heritage preserving heritage contributing towards building of heritage.

And also over all of our meetings would migrate into green meeting. So our conference business would be supported by our green meeting concept, which we have very, probably called Innergise, which is kind of giving strength to your inner self by introducing special kinds of food, special kinds of paper, pens, all the 360 degree value proposition that goes with it.

A few other awards that we got recently is the India Risk Management Awards organized by CNBC which is master of risk in business model adaptability risk and brand and social management a masters of risk in brand social management and a special jury citation for risk management in hospitality sector is in hospitality. They have put us in the bucket of the large cap category.

In terms of our delivery of a promise to deliver, in order for me to summarize, yes, we are leading the recovery as far as the industry is concerned. We are leading the growth and the growth in our pipeline. We're leading the footprint in India. We are leading the pipeline in India. We are industry leading today in innovations, in F&B concepts, in our ESG concepts. As you've seen, we are leading today with the help of Tata Neu on loyalty, and we are leading in risk management as recognized by the recent awards.

Moving on to financial performance, in Q4, we did a revenue little short of 1000 crores, which is a 52% increase over Q4 of last year. Our EBITDA grew by 192% from 83 to 242 crores this year. And we declared the profit after tax of ₹ 74 crores against the loss of ₹ 91 crores for the same quarter last year.

Year to date, however, the PAT is still at the loss, but it has come down significantly like almost by 472 crores the variation, but the EBITDA has been positive for the full year at 560 crores versus a loss of 197 crores at that level and our revenue reached 70% of the pre-COVID level at 3,211. The quarter four was also interesting in terms of, if you look at the top line and which I just now mentioned, which is 955 crores.

We were able to post our highest EBITDA margin in the last 10 years at 25.3%. Pre-COVID and 10 years almost to eight years before that we had been doing north of 1000 crores in revenue, but our margins were shorter. This means our business models that we have embarked upon in separating our businesses into traditional and into new businesses with the new ones being our efforts with our private membership club, our home delivery, our home stay, our Ginger brand and the traditional we have the right mix to get the best optimal figures on the absolute amount, but as well as a percentage amount, and we are better hedged going forward.

Our costs, we have kept a strict control and the total expenditure is still less by 24%. Of course, we are also at 70% of pre-COVID, but let's not forget the inflation factor, a lot of costs have increased in the last few months given the price of fuel, etc. So with that, I think the expenditure, the management and the hotels and the general managers have done a good job in keeping a strict control of the costs and our corporate overhead versus 2019-20 is still 28% less than what it used to be despite adding so many new businesses and new brands to our portfolio. We are also industry leading in terms of our balance sheet with the help of the rights issue and the QIP.

Our consolidated net debt actually becomes a positive. So as you might have noticed all of you that we are a 100 plus cash positive now so that is a good news we'll keep repaying as and when the debts mature and get due, whether it is a debenture or payments getting due very soon in Q1 and Q2, there is one payment which is due in Q1 of next year for that we'll have to wait.

Finally, we are very pleased to announce 23rd of May as the capital market day. And on that day, we will be unwilling IHCL strategy for the future. We embarked on this journey on middle of February 2018 when we announced aspiration 2022, and now is the time to chart the course for the next four to five years. We will be sharing all those details and all that plans with you on 23rd of May, which is almost in four weeks from now, and we will be inviting all of you to join us physically or digitally, or whatever other medium that you might prefer.

With that, I hand over to my colleague Giridhar Sanjeevi, the Executive Vice President and Chief Financial Officer of the Company.

Giridhar Sanjeevi: Thank you, Puneet. I think moving on to some details in terms of the performance. I think this chart is really the progression across the quarters. I think what we have seen is that there has been a steady progress across the quarters. Q4 was impacted because of Omicron in the month of January, but it is good to see that even on a lower revenue base of 955 crores, we were able to maintain an EBITDA margin of 25% and the profit after tax of 74 crores.

Next slide, please. On the standalone, similarly, we have a top line of 675 crores, which represented an 89% recovery has compared to 19-20. EBITDA margin came at 36% in standalone for Q4, which represents, again, a very important milestone in terms of driving through EBITDA margins, despite Omicron in the month of January.

And the profit after tax was 86 crores in the standalone for the quarter. In terms of the revenue recovery across the key cities, as we look at the different cities, what is very good to see is that for January, February and March consistently, the business continued to improve across all the cities. And most importantly, Mumbai, Delhi and Bangalore, the recovering in March 2022 versus March 2019 was 84%, 79% and 94%.

And those three key cities matter to us. And in April, as we pointed out earlier, it has crossed 110%. So this is something it is consistent with what the entire industry is experiencing and will continue to be in.

On the international stores. Hotel same stores, once again we see very strong performance in markets like Dubai, where the recovery was 158%, UK came at 95%, USA in March 2022 was at 58% as compared to March 2019. And the other cities of Maldives, Africa, and Sri Lanka did well, though Sri Lanka has of course been impacted due to the recent economic challenges. I think one of the things is that we are seeing is that which there was a report by Morgan Stanley, which we also seeing is that hotels possibly offer a hedge to inflation globally because the pricing is determined by demand supply.

And at this point of time, we are seeing strong demand. And as we have highlighted in earlier presentations, also, there is a supply impact, which is definitely being seen, of course, inflation is impacting some of our costs in terms of fuel and other costs.

But overall, I think the hedge against inflation is something that we continue to see so far. And we will continue to keep track of this case. If you look at the domestic same store in Q4 and the gap between the difference between leisure and non-leisure, what we have clearly seen in occupancy is that the leisure occupancy continue to grow in the quarter up to 64% and non-leisure group to 73% at the Sharp jump through the quarter, Ginger went up to 61%.

Similarly in ARR, we continued to see a bump up in the leisure ARR at 14,982, we saw the non-leisure ARR also grew up with the resumption of business travel and business conferences. We're seeing the non-leisure ARR also grow. And Ginger also grew its ARR.

On the international geographies as well. When you look at the occupancy, the occupancy in the US climbed up, UK went up sharply to 62%, Dubai is very well at 80% and Maldives at 95%. On the ARR, US went up. UK has picked up. And similarly, Dubai has been better in the month of March 2022 of course has also improved.

So internationally also, the messaging is consistent in terms of recruit occupancy and ARR. In terms of the key revenue drivers, very clearly there are three key revenue drivers for us, which is revenue recovery. There are supplied growth and the new and reimagined businesses.

Occupancy this year was about 52% overall, which represented a 13 percentage point improvement, the ARR at 9,717 improved by 32% and RevPar at 5,103 improved by 76%. These are standalone 12 months current year versus previous year. On the Asset Light Growth. We had a total portfolio of 235 Hotels, 28,000 rooms in including the pipeline. New openings were 13 openings with 19 signings and management fee was 231 crores.

In fact, if you remember earlier discussions, we were earlier expecting management fee to close at around 185 to 190 crores. We're happy to report that we have 231 crores of management fees, which represents a return back to what we earned in the pre pandemic period. In fact, we did better than that.

On the new and reimagined businesses, Ginger have the portfolio of 85 hotels in 20 cities, ama we have 80 bungalows and chambers did about 85 crores of income in terms of memberships and annual Fees on top of it, of course, is the business that they generate in terms of meetings and conference rooms, F&B etc. So therefore, chambers also did well.

The next chart really shows graphically the growth in management fees and chambers. And as you see, the growth in management fees has bounced back to 231 crores and chambers also bounce back to sort of 85 crores. In terms of some key revenue metrics, if I look at the full year as we discussed the full year, and you see that it has been a steady progression in terms of the Occupancy, ARR and the RevPar.

Q4 was slightly muted because of the Omicron impact in the month of January. Similarly, in terms of room revenue, F&B revenue and other revenue, they continue to show a steady growth. Similarly, the revenue metrics at an Enterprise Basis on domestic also showed a steady growth in terms of Occupancy, ARR and RevPar.

Similarly, room revenue, F&B revenue and other revenues and also in terms of fixed costs and corporate overhead per hotel. The chart on the left that you can see on slide 37 in the presentation is that the fixed costs control continued. I think while the fixed costs went up from 1390 crores to 1590 during the year driven by the increase in business, I think you'll see that as compared to 1920, the fixed cost for hotel has dropped from 24.4 crores to 18 9 crores

Similarly, the corporate overheads, which now has come down from 347 crores to 249 crores in the current year. With the oversight on additional hotels, I think the productivity has significantly gone up and the corporate overheads per hotel has come down from 3.21 crores to 2.11 crores actually.

Performance of three subsidiaries. I think what is good to see is that on the US front, the cash loss funding in The Pierre came down from 164 crores in the prior year to 56 crores in the current year. St. James Court did very well in terms of recovery of performance and was EBITDA positive. PIEM Hotels was good. They were able to also divest Ginger shares and get the benefit of the acquisition of Ginger shares by IHCL, which they hold. And therefore they came in at a small EBITDA positive.

Root Corporation today is 100% subsidiary, we have now acquired all the shares. Roots Corporation did very well with EBITDA of 43 crores during the year.

In terms of the equity issues and utilization we raised 3,943 crores through the QIP and rights issues. Till date, we have paid about 2,873 crores in that in the next few days, we paid another 500 crores or so. What will really be left is really the debt will come down to zero in all places except in, IHCL India, 450 crores, which was the TLTRO debt, which is taken in 2020, which is an unsecured debt, which is a three-year bond. We can prepay that, but that comes in a premium at a high cost. So we are not repaying it, these will be paid in April 2023. And the balance is Debt in the UK, which will come down by 200 crores immediately and we will continue to bring it down. And of course in markets like UK, because of the joint venture, we don't put in monies as an inter-corporate debt. We actually increase shareholding in the process. So therefore, if you look at the end use, I think part of it has gone towards growth, which is Ginger acquisition, consolidation of shareholding in Searock, and also increasing shareholding in subsidiary, like St. James court. Cash position. This is a position as of 31st of March. It does show a high liquidity of 1100 crores, but as the debt get gets repaid that they should start coming down.

I think the balance slides are really on the details in terms of standalone and consolidated. And these are in the presentations, which has been uploaded both on the stock exchanges, as well as on the website actually. Now I think we are open to questions and any we can also have detailed discussions tomorrow for any follow up questions. Thank you.

Operator: And if you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speaker phone, please make sure your mute function is turned off to allow your signals to reach our equipment. A voice prompt on the phone line will indicate when your line is open. Please state your name and company before posing your question. Again, press star one, to ask a question. To our first question. Please go ahead.

Nihal Jham: Hi, Good evening, Mr. Chatwal and Mr. Giri this is This is Nihal Jham from Edelweiss . So three questions from my side. If I notice in the presentation as you've given the recovery and the rates also for all these markets. In fact, the rates in April for literally every location that the major cities is actually much higher than April 2019. And the increment is given more than what traditionally we seeing in normal times for the hotel sector. So the first question was how sustainable you think this recovery is specifically if I point out say Goa which is 150% of pre-COVID level. So that be my first question. I'll come to the other two later if that's fine.

Puneet Chhatwal: Nihal recovery is strong. Now whether it's going to be 110, 115, 120, that time will tell, because it's also dependent on a lot of other factors. Having said that, let's not forget that your international traffic is not yet started. So that's a hidden upside we might have opened the air space and allowed people to come in, but it's not that your international business travel is picked up like it used to be at a pre-COVID level. So demand is still being very strongly driven by domestic. And with that, I think even if it was to weaken a bit, I think the international will start compensating as time goes by.

Nihal Jham: Understood. If I would just take a related question for a city like Delhi because for Mumbai, we are aware of what the drivers are in terms of IPL and rate being strong. Specifically for Delhi, let's say corporate travel also at this point in time, not completely recovered and still rates are such pre-COVID for us. So what are the drivers there that are leading to such kind of buoyancy in the rate.?

Puneet Chhatwal: No, I think that I don't agree with you that the corporate travel is not picked up. You know you have a lot of delegations coming in and also Indian delegations are going abroad. So that is the really a driver that was missing for the last a year or so. And now whether it's the UK premier coming in or anybody else coming in, it brings with them a lot of other people and they are able to pay higher rates also.

So the city gets then busy and the rates increase. It's a very simple formula. The other thing that is aiding for sure is, I don't know if I've heard of a new hotel that opened recently in Delhi. So if your demand comes back and supplies stay contained, obviously the rates should go up.

Nihal Jham: Understood. That's helpful. My final question was on a cost reduction target. So we have been grading, I think for a number of around 300 crores. I just wanted to confirm that does that number stay or given the restrictions or aggressive plan, we may just want to revisit that target again?

Puneet Chhatwal: I think what's happening on cost is actually at this point in time I think we are seeing very strong revenue recovery clearly in terms of wage inflation, there will be wage inflation, for sure. And also, I think in the last two, three years, we have not had some wage settlements with employees actually. So those we will need to correct. As far as the food cost inflation is concerned our ability to pricing is definitely there in terms of increasing the revenue, the pricing on both on it can be as well as on room rates we are able to see that.

So therefore my sense is that we will have to look at it together and the business security has come back. So my sense is the leverage will get in terms of managing inflation, driving drop line and managing expenses will continue and hence, which will be better for the margin section.

Nihal Jham: Sure. That's helpful. I'll come back and wish you all the best Thank you.

Operator: And we'll go to our next question, please go ahead.

Vikas: Hi, sir. Good evening. This is Vikas from Antique. I have two questions. First, looking at the April trends, especially for the corporate cities like Delhi and Mumbai. Is it fair to assume we will be crossing pre-COVID revenues in FY 23 provided that there is no fourth case based, or there is a lot of pent up demand you think which held take up and also if it's possible to give the mix of corporate travel in those Metro cities currently? This is my first question.

Puneet Chhatwal: Vikas - I think I made that comment already four weeks ago that March, April, May is trending much higher than March, April, May 2019. We don't see any change in that trend. Corporate is as strong as is any other social events. So people are happy to go out. People are happy to be in a larger gathering. And there are some people who still wear a mask and take the necessary precautions, but it's not like it was six months ago. And so partially the pent up demand, I think it's slowly getting absorbed, I think it's now we are getting back to the normal demand.

And if you look at including your own side of business, I think a lot of your own sector companies are beginning to have events happening in the next few months because we do get an invite if we can come and be a speaker.

So those events, awards events, these are all happening in person it's not anymore digital what it was till maybe three months ago or so. So all that brings in corporate demand and these two cities, both Delhi and Mumbai are very important, of course, as we all know Mumbai is very strongly aided by the IPL. As few hotels are very busy because of that. And maybe that will also reflect in the rates, but I think once the demand is back, those are rates will also go up. So you can expect very high occupancies in cities, like Mumbai for the month of April and for the month of May.

Vikas: Sure. Thank you. And also, just coming back to what Nihal asked on maybe the margins. So in your opening remarks, you have talked about the cost of escalation. It would be great if we can get some kind of maybe guidance on margins for FY 23 and finally the booking through Tata Neu, what kind of trends we are expecting there. And is there any stake we share with them for the bookings, because I understand it's one group, but is there any take rates to it like you share with the OTS? Thank you. That's all.

Puneet Chhatwal: Not really Tata neu is one of our biggest opportunities in the years ahead. It will take time. I mean, it's been launched only on the 7th of April, and that is exactly 20 days ago. So you have to have at least 100 days of operation to start seeing a lot of tangible results. We are on that platform because it was a close user group since six, seven months now. And we definitely saw the strength of the platform because it is giving you an incremental reach to a lot of customers, which you otherwise don't have, especially for our newly launched or new era businesses like Qmin or the ginger, which will go online on TataNeu as of June, should be very positive going forward.

So I think all in all that help as the loyalty platform is good and we are very excited about that, and I think data needs to mature, so we would be happy to share data with you, but I think 20 days is not a benchmark. So when you launch, you promote a lot.

We are putting promotions, discounts, etc. I think it'll become more relevant when some of it has stabilized over a few months period so that you can see what are the visible trends and how many enrolments have actually happened at what million you are, how many people have you been able to transition to that platform who are already your members.

So a lot of that work is happening as we speak. So kindly bear with us for another, at least 60, 70, 80 days, let's give ourselves at least 100 days to give you any form of guidance or outlook. But for us, it has to be more positive than it was. So for us, it's a superior reach than what we could have done on our own. That's what we can say today.

Vikas: Sure. And finally, this was Giri Sir for any FY 2023 margins, anything which we can incremental talk about.

Puneet Chhatwal: What we can say is that when it comes to margins and that kind of guidance you'll have to be patient till the 23rd of May, we will do it together on the capital market day. And we will announce the strategy. Having said that, you know our company well, and you've been seeing what we did in Q3, you can see what we have done in Q4. You have a certain thing about the margins and belonging to the group we belong to. And given 120-year history as the oldest of operating company of the group, I don't think we have any kind of tricks there to increase margins. So actually, we are very proud and very happy that we have consistently grown margins and then came COVID. And then we all went into lockdown and was a problem.

But since things have started opening up, we have re-embarked on that journey and it's mainly driven through a lot of efficiency. See, when we announced Aspiration 2022, we were at 17% margin on the EBITDA levels, right? And we were a portfolio of 150 hotels, today we are at 235 hotels portfolio with obviously 60 in pipeline. But our corporate overhead is reduced by 28%. And last year even, it was higher than that. And we have more brands and we have more businesses today. So I think that itself should give you based on the actual figures, some idea of what that means.

Vikas: Okay sir. That helps. Thanks a lot.

.

Operator: We'll take our next question, please, go ahead.

Sumant: Yeah. Hi sir, Sumant here from Motilal Oswal. My question - can you hear me?

Puneet Chhatwal: Yes Sumant, we can.

Sumant: Yeah. So my question is regarding management contract, can you talk about for FY 2023, 2024 or next three to five year, what is the run rate of opening management contract room for ex of Ginger in Standalone books if we say

Giridhar Sanjeevi: So I think we've always guided Sumant on management contracts that we have been opening around at least 2000 rooms. and I think what we have been happy with is the case of recovery of business and management fees in 2022 March has now come back to 231 crores. I think we have guided earlier on July 7th that the management fee could reach about 350 crores, but I think on 23rd May once again, we will give you better clarity in terms of where the projection is, where we believe that our pipeline is growing. Our ability to open hotels is growing and with the recovery of business, we believe that the potential to drive this is clearly there. So just wait till 23rd to give you a full guidance on how this works.

Puneet Chhatwal: What we can definitely say. . . I will just add to what Mr. Sanjeevi said is that we'll definitely open more hotels this financial year than we opened last year. We opened 13 and you can count on at least anything between 18 to 22 hotels to open this year. A minimum of 18, maximum of 22, everything on either a management contract or on an operating lease.

Sumant: So what is total number of management room in standalone as on March 2022?

Giridhar Sanjeevi: March 2022 the number is 231 crores management fees. Yeah.

Sumant: number of rooms, sir?

Giridhar Sanjeevi: Number of rooms. Okay. One second. 7604.

Puneet Chhatwal: 7,600 approximately managed rooms.

Sumant: What is the ginger in that?

Giridhar Sanjeevi: 1,100.

Sumant: Okay. Got it. So next question regarding Searock. Can you update on that?

Puneet Chhatwal: Yes, also that we will provide a more detailed update on the capital market day, but as you all know, we are now 100% owners of SeaRock property and we have started working on the development plan for SeaRock together with the City Authorities and the Government and hopefully we will get decisions in the course of this financial year.

Sumant: Okay. So can you talk about pent up demand in leisure segment? Are you seeing a pent-up demand in business segment in coming quarter?

Giridhar Sanjeevi: Yes, we are. Whether we call it pent up or a strong demand or a strong recovery, there is recovery. And as I, we said before one of the reasons why we have chosen 23rd of May is not for any other thing. It's the fact that we could not get a decent sized hall to hold a capital market day in the city of Mumbai.

Sumant: Okay. Thank you so much, sir.

Operator: And we'll take our next question. Please go ahead.

Adhidev Chattopadhyay: Yeah, good evening, everyone. This is Adhidev Chattopadhyay here from ICICI Securities. So my first question is on now that hotels are fully opened up, how is the employee rehiring and your staff to room ratio? You highlighted some numbers last year of what you expected to sustain at, but is there any change to those numbers and to hire the new employees? Are you having to pay them more or how is the wage inflation trending for the new hires?

Puneet Chhatwal: Take the first question.

Giridhar Sanjeevi: I think see what's happened is that in terms of manpower very clearly with the resumption of business, I think there is definitely hiring happening. We have not yet rolled out any new increments at this point of time, but that will happen now. What we are also working through is that in the last three years, some of wage settlements with unions have not taken place in a number of hotels. So those are also being worked through. And in terms of cost of hiring I think not seeing any noticeable increase in terms of cost of hiring per employees. And I think that's what I would say at this point of time actually.

Puneet Chhatwal: We did not, unlike other companies, we have not asked any of our full-time employees to go. So there is, however, having said that there is a challenge in the global hospitality in general, and also in certain countries in particular, because a lot of people seem to have left the industry. If a fear was inculcated in people that by going to hotels or restaurants you get COVID, and that's why these places have to stay shut. I'm sure a lot of people were forced by their families to leave this job and take on alternative jobs. And we are seeing those challenges especially in cities like London, because of Brexit, because of COVID, because of other reasons.

But we think that a majority of our room to staff ratios will be maintained, not because people were taken out or not added contractual or fixed term contract because of business, rather by changing the business model itself at a hotel level, the way we operate hotels today. The way the organization structure is evolving, is addressing an organizational need and an optimization for the future.

And a lot of customers have also evolved after the pandemic and they do not expect a lot of that kind of service with five people or four people standing around you or around your table and people have got used to a bit more privacy. So, also the consumer behaviour is evolving. So, I think all that together should help the industry, not just us as a company to redefine the business model.

Adhidev Chattopadhyay: Okay. A second question is on the management of fee income of 231 crores for the year. So to put you on the like to like basis how could you tell us how much would that figure be and just excluding the new openings or the management fee?: Okay. I think, can we respond to that.

Puneet Chhatwal: I think the number you have to look at it as almost 80 to 85% coming from the previous, on a like for like basis, because when you open new hotels and new business that does not immediately give you fees. There are certain exceptions to it, like our hotel in Rishikesh, in Shimla, in Goa, in Darjeeling, which in leisure destinations, which started off very well. But when you open a new hotel and it takes time to ramp up. So, I think the majority of the fees, almost more than 200 corers of the 231 is from the like-for-like portfolio.

Adhidev Chattopadhyay: Sure, sir. And this last question, now that we are a net debt free or a net cash company rather, I'm assuming things stay well and good for the coming quarter, how are you using to utilize the excess free cash flow, which will generate any clarity on the tape?

Giridhar Sanjeevi: No, I think as far as free cash flow is concerned we will certainly, clearly very clearly we don't want to get back into a borrowing situation at this point of time. I think in terms of utilization, I think the key projects that we are completing are Ginger Santacruz, we continued completion of the Taj Mahal, Delhi. We are doing one block in London in terms of renovations. So some of these key projects will definitely continue.

And in terms of renovations I think there are some other like chambers in Bangalore and other project that we're looking at. So, we would continue to focus on renovations, which help in terms of doing it. So I think we don't anticipate too many, it's not going to be a case that we have a significant amount of cash, which we don't know what to do with.

So, we are being judicious in terms of using it. And I suppose the project that we have spoken about, like Shiroda in Maharashtra we will have to start spending money at some stage. Kevadia in Gujrat is the other project where we will start spending at some stage. So, I think all those are in planning. So really it's being deployed towards growth related initiatives and renovations in different parts of the enterprise.

Puneet Chhatwal: And scaling up new businesses.

Giridhar Sanjeevi: And scaling up new businesses.

Adhidev Chattopadhyay: Okay. So is there any capex you'd like to share for the coming year, any budgeted or Capex figure, which you would disclose.

Puneet Chhatwal: See usually the Capex is what we have said always around 4% of the top line. And if you are coming out of the pandemic, you can increase it to five or six, if things are going fine, but as Mr. Sanjeevi said, it's all really dependent on those one-off projects that we will work upon as a renovation, but also on asset monetization. We would try to keep that number with the exception of a one-off investment here or there to within those levels of five to 6%.

Adhidev Chattopadhyay: Okay. Fine sir. That was very helpful. Thank you. And all the best.

Puneet Chhatwal: Thank you.

Operator: And we'll go to our next question. Please go ahead.

Aishwaria Agarwal: Thank you very much, sir for this opportunity. This is Aishwaria Agarwal from Nippon India. And my question is I seek your view on the supply side, because I understand the new supply takes time. And if there is a gap between demand and supply, and then there is a high occupancy and as the tariff also goes up, which is highly beneficial for the hotels. So just want to understand your view for the next three years perspective, which I assume is the time for the new hotel to rise . So that is it, sir.

Puneet Chhatwal: Yeah. I think that should help. The supply will remain constrained except for what is already under construction. Those kind of projects will get completed with or delay without delay. But the sector with what it has gone through will have issues. And with those issues, it will be very difficult to get funding for new supply in the short to medium term. So I think in the next two, three years demand should clearly out pace supply

.

Aishwaria Agarwal: Sure, sir. And do we have any estimate in terms of what kind of occupancy and the, tariff we should anticipate probably after year or two years? It's a very difficult question, but if you have anything in mind that will be very helpful, at least I'm not able to figure the answer for it

Puneet Chhatwal: Can you repeat the question? What kind of. . .

Aishwaria Agarwal: Yes, sir. What kind of occupancy and the tariff you expect in next one year because I'm not able to get the answer of this question.

Puneet Chhatwal: I don't think anybody can give, I think what you have to do is in such cases, get third parties who do this industry benchmark like HVS, Howarth, Hotelivate and a lot of such companies that do this STR, those kind of names. We use the same. It's not that we don't use that. We also use those kind of information. And then against that we benchmark how we are doing. That's how we are able to show, what is our market share? How much are we doing better than the market? And they are experts in doing this. For us as listed companies, if we start giving guidance and we think the occupancy will be X percent and the rate will be Y, it becomes a challenge.

So that's why I think we have to use advisory groups to get that, or JLL or CBRE or whatever you want to use. And all these kind of companies, they do that all the time. That's, their business and our business is to focus on running hotels and outperform the guidance, which is given by advisors and try to gain more market share.

Aishwaria Agarwal: Sure, sir. And one last question is what could be the potential lead indicator which suggest that there is a gap between demand and supply, and the things will be really moving northwards?

Puneet Chhatwal: The lead indicator is when you have to call a few hotels to get a room, or when you reach a hotel. And then unfortunately there is no room when you have a confirmed booking. How often that happens, that is the kind of statistics that one has to get.

Aishwaria Agarwal: I guess sir here the booking.com and these websites will be very helpful to see how the things are. It is a very readily available -

Puneet Chhatwal: Yeah, you can benchmark, if let's say today, 27th of April, just make your own portfolio of 10 hotels on one of these websites. See if you book on a certain date, what rate are you getting? And after 10 days try the same, and then you will see the Delta.

Aishwaria Agarwal: Yeah. Sure sir this is really helpful and wish you best of luck. Thank you.

Puneet Chhatwal: Thank you

Operator: Again for questions, press star one. And if you find that your question has been answered, please press star two to remove yourself from the queue. And we'll go to our next question, please go ahead.

Achal: Hi. Good evening everyone. This is Achal from HSBC. So I had a couple of questions actually. So first of all could you please discuss a bit about the pickup in the different business segments? So interestingly, you said that you did not get the hotel the room or the ballroom for the meeting. So is that a kind of an indication that there a strong pickup in the MICE business, in terms of marriages, how do you see the marriages? Do you see the fact marriages coming back, or do you think the marriages still staying the smaller size marriages in terms of F&B business? So if you could please discuss a bit about the pickup in the different businesses, that would be very, very helpful. That's my first question, please.

Puneet Chhatwal: See, there is what is happening is leisure is still demonstrating resilience at a high level because leisure has been lookin very strong, or what has happened is corporate business is coming back. The MICE is coming back, the weddings are coming back. Now the difference in the consumer behaviour is not a 1000, 2000 people wedding happening that often as it used to happen before, but you could have a wedding which is divided over several days of functions of 50 or hundred or 200 each.

So that part is definitely there. It is happening and will or should be reflected in the results. As you can see, we have announced our results. If you discount for the month of January, somewhere and a slow pickup in the first few weeks of February, whatever numbers that you're seeing, the majority of that, 60, 70% has come in the last six weeks of the last quarter.

And the four weeks of this month are stronger than April 2019. So it cannot be just coming from leisure because the markets which have really gone up very strong in the last six, eight weeks. For us, and that are relevant for us very strongly are Delhi, Mumbai and Bangalore.

Achal: So is it fair to assume Puneet that, and so the demand has picked up and strong in all the cities on the cost side, you're doing good. I mean, at least pre-COVID level, you have restructured cost and the costs are now lower than pre-COVID level. So is it fair to assume that your profits this year should be higher than pre-COVID levels? Unless there is some challenge? And if you don't think so, do you see any challenge other than the potential of fourth wave?

Puneet Chhatwal: We can't predict the fourth, fifth waves and the impact of it, all we can is that we will continue to strive for excellence in our operations, enhance our revenue to the extent possible, optimize our spend, which was the definition of reset, continue to work on effective asset management and remain thrift and financially prudent. This is what we have been doing. This is what we'll continue to do. And based around all these factors, we will announce our new roadmap for the next four to five years which is not far away, which is on the 23rd of May.

Achal: . Since the restaurants are open now and people prefer to walk in, has that impacted your Qmin business?

Giridhar Sanjeevi: Yes, it has. But what we have done is in the sense that you have to move when, what we did was when we started Qmin it was mainly the food from different restaurants. So, what we have done several months ago is we have introduced a comfort food element, which has nothing to do with the restaurants. We have introduced the same throgh our flight kitchen business with the brand Anuka. So we are also in the Qmin with also the value segment and not just dependent on the restaurants.

When we launched Qmin on 25th of June 2020, it was limited to those restaurants because that's what best we could have done then. So, there has been an evolution in the Qmin brand. The number of orders are still being maintained, the average per order, because it's not restaurant food has gone down, but our continuous focus and expansion on the Qmin QSR, which we recently did in Bangalore, and also on the Qmin food truck is actually helping drive superior sales when they were during the pandemic.

Achal: Okay. One question I have on slide 31, you are showing the difference in the occupancy levels in different brands. One thing, which is very surprising and then I could not understand really, that you are showing there is a significant difference in the occupancy levels between your own Ginger properties and on the Ginger properties on the management contract. So why such a big difference? I mean, for the customers in Ginger? I mean, why is such a big difference and what exactly are you trying to say here? What message are you trying to pass on this?

Giridhar Sanjeevi: Yeah, I guess the locations in that actually, it really depends on locations in terms of how the occupancy look in general.

Puneet Chhatwal: Some of the managed ginger properties were closed during the pandemic, but that's not really important. The important part is our owned, or least ginger hotels are like in Goa, in Bangalore, or like let's say where there is hardly any other supplies. So they tend to benefit. And one of the key learnings which we have had from the managed ginger properties, is that in difficult locations, it's very difficult to drive business the way it is, in Mumbai you can do 10, 15, 20 gingers, and it doesn't matter. So as we'll be opening our 371 rooms ginger, this financial year, in Santa Cruz, the revenue of that and the occupancy of that will cross all the charts here.

So that's how it is because there is a huge gap in the key metros and the kind of rates and occupancies you achieve there versus in sometimes in tier two, three, four markets, if you are the first hotel, first branded hotel in tier three, tier four, you benefit a lot. But when the second branded property, the third branded property comes in and the demand doesn't go on the same proportion does not matter in India or anywhere else in the world. Then the occupants in the rates get stressed.

So typically you tend to own or lease in key markets, which are brand enhancing, which give your brand more visibility. So that's why they show higher occupancy. And on the rate side, you will see the gap is not as big. Then the occupancy part, which is significantly higher. And that too it's really between three months of Jan, Feb, March. And I don't think it's a snapshot of the full year. This is the slide 31 is restricted to three months of which one month was COVID. And then within that, which of the cities that recovered in which states in the end.

So that is a detail we can take on offline and deep dive into it, but mainly it's driven by ginger in Panjim, ginger in Dona Paula, ginger in Madgaon all three gingers in Goa, the ginger in Bangalore and all these key markets where it is doing very well.

Achal: Sorry, last two quick questions. Very -

Puneet Chhatwal: And sorry, I forgot to tell you, even in the new gingers Bhubaneshwar or in Patna etc., it's very nice properties for all these cities. So it tends to do very well. The Visakapatnam, the latest properties that we have. So there is also that kind of dynamics in this kind of capital cities. Commercial or state capital.

Achal: Right. Fair enough. Two very quick questions on the Searock of course you spoke a little about it and you are intend to speak on the capital market day, but just quickly, I mean, have you sort of, have you got any partners yet, or if you don't get any partner, what, how would you manage it? I mean, would you start investing in this property? What will be a strategy? And second question is that in the last quarter, actually, this message was very clear not from Indian Hotel, but from everyone, from either Chalet, Lemon Tree or whatever it is, that message was very clear that people are ready to spend more.

And hence the premium properties are high end properties are actually benefited out of that change in behaviour. And of course, Indian Hotels is the big brand and was definitely one of the beneficiaries. So now, have you seen that continued or is there any change in that? Thank you.

Puneet Chhatwal: I can only agree with the colleagues from the other companies and what they said. People have not had much opportunities in the last few years to spend the discretionary spent, whether it is on hotel stays, or it is in buying goods or other services. The willingness to spend is there as long as you feel safe and secure. So obviously anything premium is more in demand. And it doesn't matter in whichever segment people go, they're looking for premium and not for price driven only.

Achal: Okay. And about Searock

Giridhar Sanjeevi: I think we have been very clear that we don't intend to put more money into this project at this point of time. So I think that position continues. Achal

Achal: But then if you don't get any partner, what will be your strategy? I mean, do you continue to wait?

Puneet Chhatwal: No, we belong to a very large group. We have partners within the group also, which are possible. It is a step-by-step process. Our first step is to get approvals from the city from all perspectives. And that will take some time and we are on the drawing board, we are drawing the plans and once we are ready, we will approach the city, which we have already approached. We have taken their wishes into account, whether it's with the urban development or it's with the BMC, or it is with the tourism minister or tourism secretary, it's a lot of people, or a lot of stakeholders who are involved. It's also you have to take care of the environment, you all the other factors that come with it your CRZ there are so many regulations.

So all that is being worked upon as we speak. And we are very hopeful and are very focused, to find that solution within this year. We did not want to go for that last year till we had 100% control of the property. Now we have a 100% control, so it is us in the front.

Achal: Okay. Thank you so much and wish you all the Good luck.

Giridhar Sanjeevi: Thank you. Can we sort of have another five minutes please? Maybe the last one or two questions, and then if any follow-on questions are there we can speak tomorrow.

Operator: Go to our next question, please go ahead.

Deepika: Deepika from JP Morgan, just two quick things from myself. Firstly I just wanted to understand the US business, it seems that the loss has increased in the fourth quarter.

So just mainly order to understand, is there any shift in the cost structure for the US property?

Giridhar Sanjeevi: Fourth quarter traditionally has always been the low quarter in terms of business. And so the pattern that we have seen is really consistent with that. This year, that is 31st March, as you know, the banquets are also not operational because the banquet renovations are taking place. So I think what will happen in the current year is that you will see business come back both in terms of rooms, as well as banquets. There can be services also will come back actually. And so I think we will. So that's the way we look at it. So we expect a recovery of the business.

Deepika: So basically there is no change at the cost restructuring that have taken over the past couple of years that remains right. There is no change to any of the fixed costs coming back in the US property?

Giridhar Sanjeevi: In terms of the core functioning not really there is no change at all actually. There's no change.

Puneet Chhatwal: On the contrary actually we have a reduction in the cost, because again, change in the business model, we have reduced the size of the ballroom. We have given back the additional space, which was from our neighbours, the Barney's, back to them, which has reduced our fixed lease rental with them. So, and given the challenges you have with the F&B service staff in New York that reduces our labour cost also on that front.

So the US a lot of work has been done. Let's see when the business comes back, how the P&L will then start shaping up. From a cost point of view, we have done a lot of work and used the pandemic time to optimize it to the level that we could.

Deepika: Understood. That's very clear. And just lastly, on balance sheet. I think I've missed it. What is the total aim the debt reduction in the next year?

Puneet Chhatwal: Total debt aim to reduce it? I think there will be only one big piece of debt left, which is only due in April 2023, which is around 450 corers.

Giridhar Sanjeevi: And UK will probably remain at around 250, 300 corers. I think those levels.

Puneet Chhatwal: Which is 25, 30 million pounds for a property that is worth 200 million pounds. So that's what we have. But we are not going to add Debt if at all we'll keep reducing it and use the surpluses or cash available, as we said earlier on another question from one of your other colleagues to scale up our new businesses.

Deepika: Got it, sir. Thank you so much for that and all the best.

Giridhar Sanjeevi: Thank you. If it's okay with everyone, can we close the conference now and then take questions tomorrow, please?

Puneet Chhatwal: I think we have to ask the moderator.

Giridhar Sanjeevi: Yeah, I think thank you for participating. And I think we will close the conference now.

Puneet Chhatwal: Thank you, everyone, for joining.

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