The Indian Hotels Company Limited

IHCL Earnings Call – Q1 FY 2021/22 Results

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Management :

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Operator: Good day and welcome to the Indian Hotels Company Limited Q1 FY21/22 earnings call being hosted by Mr Puneet Chhatwal, Managing Director and CEO of the Indian Hotels Company Limited and Mr Giridhar Sanjeevi, EVP and CFO of Indian Hotels Company Limited. As a reminder, all participant lines will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to turn the conference over to Mr Puneet Chhatwal, please go ahead, sir.

Puneet Chhatwal: Good evening, ladies and gentlemen, I'm here with Giridhar Sanjeevi, our CFO and let me begin the evening with reinforcing the good news which we got a few weeks ago, Taj was rated the world's strongest hotel brand-by-brand finance, a report scoring 89.7 and that is the highest score any brand has gotten. Also by brand finance we were, reported as the second strongest brand across all sectors in India and the strongest hospitality plan. So this is a good endorsement for a brand which is 118 year in operation and a well-deserved recognition. Moving on, I think we see some light after darkness. Of course, we saw some light between 15th of November till end of February in the last financial year, but mostly the last 19 months period or 18 months have been full of darkness for the sector, possibly the worst period the sector has ever seen in the last 100 years. However, now the global platform seems to be growing and expected to go at 5.6% and in the second half of this financial year an exit elevation is projected, especially on the global employment which obviously leads to more disposable income and more discretionary spend. And also on the India front very recently the RBI governor or the IMF projected our growth at 9.5% and also the unemployment rate to decline from 11.9 to 9.2%. So of course, we can see some more light after the long or extended period of darkness. This slide we have taken from HVS and in the month of June, they'd shown that the rates have increased at 14 to 16% occupancy increases also at 12 to 14% and there is the increase of almost 90 to 95% and that is very consistent with the results that we report. There is increase in domestic air traffic, about 47% in June and why do we talk here about June, whether it's HVS or us, is because again the period of April and May was, completely derailed by the second wave and the aftermath of second wave. So really, June was the month when things started coming back and thankfully, the period after getting a 4X growth in the number of cases, the period to bounce back after second wave was much shorter than what we saw at the outset of the pandemic. There is a month on month increase therefore in all parameters and the Q1 response recovery is obviously stronger than last year's Q1 because last year's entire Q1 was a washout with the sector, mostly shut, in all the regional markets as well as the international markets.

Moving further on key performance highlights, I think this graph or the line below is of consolidated revenues and the line above is enterprise revenues. That clearly indicates, if you look at the month of May, the dip took us down to as low as July, August of last year but the upswing is bringing it back to a period between November and December of last year. So actually, it would be fair to share here that because July is behind us, we have seen significant growth in July versus what we saw in April, May, June, of course, hampered through the second wave which hit us very badly. So, I think this trend is expected to continue. I know a lot of you would want to ask this question. As far as visibility's there, which has become shorter, I think in the first eight or 10 days of August, we are seeing a similar trend emerging. And that's what this slide also depicts, it's last year's Q1 versus this year Q1; the revenues are more than double and the Q2 revenue of last year was also exceeded by the revenue of Q1. And we believe that just July and like half of August or 20 days of August would be good enough to get to these kinds of revenue levels going forward. Further, I think it's very interesting to look at REVPAR as a percentage of last year, the REVPAR recovery was as per STR, 260%, but it's done over 200%, same store in most of the cities and when we look at it from the IHCL perspective, ARR recovery has been much stronger which means we've been gaining a lot of market share. So also last year, our base was, it was not as small as one would have expected. So when we show doubling it's coming from a much larger base and that is very well depicted in these figures, that go on around this and also all of the markets continue to perform well for us in terms of how we have gained market share vis-a-vis the industry. On growing direct to customer, that is a non OTA business, we have improved from almost 69% to 74% on the direct channels and the same thing, we see is because of some of the campaigns that we launched on cherishing togetherness, IHCL world of privileges, our own delivery business with Qmin, our homestays with AMA, or burning your loyalty points; some of these things have helped us get directly to the customer and which has helped us in containing of our cost. One thing and as I said containing our cost; if you look at our fixed expenses, we've been able to maintain them at126 Crore a month. Pre COVID, they were at 163, last year they went down to 123 and this year there is a marginal increase and that's a minimal three, given the kind of growth we are experiencing in not only different brands but also on growth in terms of our hotels and the new openings that we are having. Further when comes to our staff to room ratio, for IHCL we have drawn down for the entire group from 1.53 to 1.09, Ginger from 0.48 to 0.34, Vivanta we have from 1.48 to below one, Selections from almost 2 to 1.3 and for the Taj brand from 2.17 to 1.6.

So this has been a good reduction and as I said in the last call, I think, was that in Taj brand, we also have the palaces and safaris. And to maintain a certain level of service our ratio should not be compared with the others because others do not have this kind of luxury that we offer in terms of a palace portfolio or a safari portfolio. So that makes the Taj numbers look a bit larger, but, that is really, also needed because that kind of experience, those kinds of rates that we charge are otherwise not possible. Something which really pleases us is this slide on corporate overhead so that you see it was not a one-off last year. We were able to reduce our corporate overhead by 39% and this year in the first quarter, they are further down by 12% versus Q1 of the year before. So I think that has worked well in a corporate overhead per hotel has continued to decline and it will even decline further because we have a lot of new openings in our pipeline. Now moving on to unlocking value in new brands and businesses, I think Ginger; reimagined Ginger has done very well for us. It's achieved 60% of pre COVID revenue, even in Q1. You would recall last year for the full year, Ginger did 63% so in Q1 that is, it's off to a good start. Because we are more and more also doing food and beverage on our own, there is a 3X increase in the F&B revenue and a decline in the EBITDA losses by almost 85%. The Tripadvisor rating for the Ginger brand is at 4.87 on five. And we were able to sell the Ginger Mysore so we entered into sale and managed that, very much in line with our strategy in becoming asset light and going into a 50/50, managed vs owned or leased portfolio.

Moving on further, as you see on this picture, this project is the flagship Ginger Santacruz. The building there which was the old flight kitchen building has been demolished. The basement works are on and this is something which is very exciting. We hope to finish this in an 18-month period and we believe this will really make a big difference, to the standing, the positioning and the perception of the brand going forward. In terms of our home delivery business Qmin, I'm sure you are all intrigued to hear about it. This will be its first full fiscal year. Last year, it had 8 and a half months . It was launched on the 25th of June but today it is covered in 18 cities, 70 restaurants, and on 35 of our properties. We have served 1.25 million customers to date and more than three lac app downloads have happened and very interesting, in seven or eight destinations outside of India, you can order through the Qmin app, food for your family in India on various occasions. Whether it's a festival or it's a birthday or it's a wedding anniversary, etcetera, as travel on the international level has been restricted. Going forward, I think it would also be nice to show you our first food truck; the Qmin food truck has already started operation.

Also launched on 25th of June to coincide with the launch of the home delivery the year before and what we are expecting now is about eight to 10 of these Qmin food choices; why trailers instead of trucks? We realized that trucks, is not always easy in terms of permissions but the trailers built and more like the trucks are easy to park anywhere and they work in a similar fashion from inside, just like the truck would work. So we are really excited. I think the first few deliveries are expected when – definitely, before we do the next quarter call with you. Going forward, also on Ama, our homestay business, which is also relatively young, we already have a portfolio of 44 bungalows of which 30 are in operation in 11 destinations and five states. These bungalows as and when they're allowed to operate, are always operating at almost 100% occupancy and they're in great destinations like the Sangrun, this is a picture of the neatest one in Alibaug outside of Mumbai and the next one you'll see is our Tea Planter's Estate in Munnar. So very excited; we are hoping to grow this brand exponentially, also over the next couple of years and very excited to have this in our portfolio, especially during the times of the pandemic. In order to achieve all this, we have been still focused all over key enablers and how to keep strengthening them. And one of those things, which has been important for us is the employee vaccination right? I would be happy to tell you that almost 100% of our employees have got the first dose of vaccine and those aged about 45 is more than 70% of what got the doses and the total number of people who've got two vaccines is north of 30% but we expect to get to 100 on that very soon as and then people who are also eligible. We are also doing videos on responsibility, the liability and resilience stories of former employees and celebrating them as our COVID warriors and recognizing them in an appropriate way for the contributions some of them made in different hotels across the globe. Further, we have launched a 4P program of Preventing, Protecting, Providing and Preserving, all the help that we can give to all of our stakeholders under the program of COVID care. Our meals to smile which in the first phase we delivered 3 million meals, in the second phase, we have, again done 1.5 million until today we were also serving meals especially in the state which were badly impacted by flooding. All these meals in the second wave have actually been done under the Qmin branding and there is a reason for it, it is that I think Qmin as a new brand from its inception must stand for its service and care to the community. I think that way we are also able to get the name out and get the force behind it.

Of course, we have also been still working especially in the second wave on the quarantine facilities. You must have all read, some of our hotels were converted into temporary hospital facilities and we are still going ahead with our Taj for family employee assistance program. These are employees of our contractors who would have possibly lost a job. I always give an example; if a limousine company has a limousine service contract and if they cannot afford to have drivers as the demand for limousine is dropped, then those drivers have been assisted by the Taj executives and staff by contributing their salary, which went into the Taj public service welfare trust and fund. There it was disbursed to almost 7,700 needy people across the country. At the same time, we have been driving the vaccination campaigns. Not only it is important for the nation, not only it is important to the society, but it is definitely fundamental to the business of hospitality, travel and tourism. And that's why we are very strongly advocating, I'm vaccinated, I am safe. At the same time now, you'll see the pictures of all those meals that have been delivered in the second phase of meals to smile. And these are the pictures of some of the peoples who were recognized, some of our associates who were recognized under the COVID warrior program which I just alluded to. Moving forward, our financial performance, in short, before I hand over to my colleague Giridhar Sanjeevi, our revenue increased by 111% compared to the same quarter last year. Our EBITDA declined by 47% from -234 to -123 at the consolidated level. And when we look at the standalone, the revenues were up 93% and almost a similar trend of a decline at 44% on the negative EBITDA. With that, I hand over to Giridhar Sanjeevi.

Giridhar Sanjeevi: Thank you and moving on, I think this is a snapshot of the financial performance. So, we had a revenue in standalone of 226 and 370 consolidated which is a doubling of the earlier quarter numbers in Q1 and EBITDA at consolidated level was negative 123 and a negative PAT of 277. I think what is worth noting is that in the previous year we did have an exception of 82 crore which contributed to the income in the previous and that is not the sort of like to like basis. We have improved from something like -360 crores to -277 crores So, that is the snapshot of the performance and as we've always been mentioning this year's Q1 has been like last year's Q2, in fact has been better than last year's Q2 and now as you see the performance trending in July, I think we believe that we will probably be one quarter ahead as we have been mentioning and that gives us a reason for hope in terms of the type of recovery we've seen. This is a snapshot of the enterprise earnings. Enterprises are not consolidated, enterprise earning. The top box is the domestic hotels, including Ginger, an enterprise means, includes the management contracts and the bottom box is the international base once again in the similar fashion. If I just speak about the bars on the top, right I think what we're saying is that the light blue bar is the revenue last year which was 15% of 19/20 and in the dark blue bar, is the current year Q1 which is 38% of Q1, 19/20. Similarly, at the bottom bar on the international affairs, we grew from 7% of 19/20 to 37% of 19/20, and qualitatively, this international growth is very significant for us because we have dollar revenues and it goes a long way in terms of reducing cost and cash losses internationally. So, to that extent, it's very nice to see the uptick in performance. Going to the next slide, I think we did speak earlier in the presentation about our performance being better than industry. And now we look at overall performance across the different cities in India. As you can see for each of the key cities there has been a significant uplift in the performance whether it is Bombay or Delhi or any of those states or the larger cities, all of them have significantly performed better than last year's Q1. Moving to the next, I think international hotels as well, you see the similar trend in terms of the jumping performance whether it is the US or UK, which are important from our own consolidation perspective and if you see Dubai, fantastic performance even though we do only manage contracts. Now to look at consolidated performance trend, I think we have given the numbers on a month on month basis so you can see how the numbers look, May was obviously the difficult month, with the peak of the pandemic but we did end the quarter with an EBITDA of -123 crores as compared to 234 crores and in terms of PBT, we were -315 crores and PAT was -277 crores as compared to -280. So as I said there was an exception in the previous year so therefore the recovery is much better. Moving on, on the standalone, similar to the consolidated trend at the top line of 226 crores with EBITDA of minus -78 crores with the PBT of -220 crores and the PAT of -190 crores.

Now, I think moving on, I think as we kind of spoke about and a little bit, if you look at what are the key drivers on the revenue side. The revenue side, there are really three parts of it, which is the revenue recovery, the continuation of the asset light growth and the growth of the new activity managing businesses. I think on the asset light growth we continue to do it. We expect over 10+ openings this year, management fees about 30 crore and that recovery, we see a smart recovery happening this year with the revenue recovery. Our revenue recovery, occupancy improved by 7% that is 28.5. It is a seven percentage point improvement that is the period year, was about 21 or so. The ARR recovery was about 45% with a REVPARrecovery of 101% in standalone. I think that's very important in terms of seeing those numbers go up and then the new and reimagined businesses, I think Ginger has done well. Qmin as was described earlier, I think they're growing rapidly there. So I think on the key revenue levels, we continue to work in terms of driving the performance as we have always outlined in our previous meetings. If I go the next slide, I think cost management to drive operating leverage has constantly been our focus. I think on a consolidated basis our top-line grew by 111% and the cost grew by 20% mostly variable. Fixed cost as was pointed out was 126 close, meaning just a slight increase in the previous year, we kind of kept the fixed costs near constant.

Standalone also we grew by 93 % in top line with cost increase of 18% as we managed to do manpower rationalization, to redeployment and reskilling is a major initiative, 254 people have been redeployed till July 21 and we were able to claim about 15 crores of lease rental waivers, excluding what we claimed in the USA so as management continues to get it embedded. As far as the international hotels are concerned, significant improvement. Our top line grew from 18 to 57 in the US and as is I think in a drop-off EBITDA losses similarly in the UK business has also come back, post reopening and that resulted in the lower EBITDA loss percent. Cost rationalization of the period was very significant, as we've already said in terms of manpower, lease renegotiation and the surrender of ballroom, which gave permanent saving in the US approximately 5 million. Moving on, I think exceptional items are reducing. In fact, I think a couple of points to highlight, is that the change in derivative contracts. That should now disappear because we have repaid the derivative contracts and closed them so you will not see that happening any more again. South Africa, in that regard there is some small exchange which will keep happening because of the external loan which is there. We have said, the sale and lease back of property Ginger Mysore for 7 crores. we didn't sell any residential flats this quarter, these rental concessions are about 15 crores and it's good to see that the exceptional items are reducing on a consolidated basis. Moving on, standalone as well, you will see that the US losses have come down from 42 to 13 crores consolidated and we have the lease rental concession of 13 crores

Moving on, I think performance of key subsidiaries; we have spoken about, the first two. There is the US and the UK performance, PIEM hotels also, they have recovered, of course it was also impacted during the pandemic and in July in the recovery was there. CapEx focus as we continue to be selectively focused on CapEx with Ginger Santa Cruz being there, the St. James Court and the Pierre Ballroom. I think all of this is being carefully looked at. We expect to spend in terms of cash outflows maybe about ₹ 250 to 300 crores in terms of cash outflows at the end of the year. I think in terms of the management of liquidity in volume, we continue to have cash and lines at all points in time. No more exchange fluctuation. We maximized that ECLGS. We've also replaced the high cost debt with much lower costs. The net debt position in standalone is about ₹ 2600 crores and consolidated is 3600 crores. So that is the position, I think this is probably the financials. I have a couple of slides which we can look at, which is really the tables which we normally present, that will be part of the presentation that we will upload in any case so you can look at it and we are open questions.

Operator: Thank you. 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. Again, press star one to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for a question. I would also request everyone to say their name and the company they belong to before asking a question. And we take our first question, please go ahead, caller. Your line is open.

Nihal: Yes thank you so much. Good evening, to the management this is Nihal Jham from Edelweiss. So three questions from my side, first, I just wanted to understand on the Q1 performance better, the expectation in general, the supporter was progressing more like, as you said, Q2 of last year, somewhere similar to September or October but the performance in June has obviously been much better and even exceeded what we achieved in October. So just to understand what components have led to this significant improvement primarily in June is it mainly coming from again, Leisure travel are which are the cities also, well you highlighted that in the places, a little more sense on the performance mention that?

Puneet Chhatwal: The other two questions you have.

Nihal: Well, I just mentioned that, second question was on the international part that given that they have completed the evaluation program and are progressing much better to the recovery for, are international operations similar to the Indian operations? So the drivers in there and third was related to the analysts meet about the recognition of Qmin revenues. That if I look at the business on an overall level, how is it that Qmin incrementally add value? If I leave the part that if they are, servicing or giving us revenues from our standalone entity where it is a restaurant which is a part of their own business, so how is it that the revenues of Qmin get accounted, that's also something I just wanted to get a bit about.

Puneet Chhatwal: Hello, okay, so on the growth in June obviously, the industry is still seeing a lot more leisure travel versus business or corporate but I have to say that business and corporate has also picked up especially in the midmarket or at the ginger level. We saw a lot of growth and we saw a lot of staycation in the metros so whatever growth you’ve seen in let's say Mumbai or Delhi is driven by that. The key destinations remain, for our portfolio, I would say all the resorts but a lot of this was also not open. So a lot places were shut and there are still restrictions in Mumbai for dining out till 4:00 PM and so I think the good news was June picked u but I think more important is, as I said in the presentation, July has picked up much stronger and we're seeing a similar trend in August at least for the first eight days. It is quite strong or even stronger than July maybe it is because of the long weekend that is coming from 13th to 16th but the trend is positive and we are seeing, business travel. I've seen that also on my own travel experience to the airports that they looked much more full than they looked before. Of course, there are certain caveats which don't help us especially on our flight kitchen business, Taj SATS because for flights up to two hours, you're not allowed to service any meals. On the second question, you had the international part and, how's the recovery? You know that London was also shut for the large part of Q1. So it only benefited from maybe the last 10 days of Q1 and so was Cape Town. So both Cape Town and London were shut, San Francisco and New York had opened.

They performed better than our expectations, they both exceeded more than 40% in occupancy but at a very good rate, especially in New York, we are talking about rates, you know, which are the same or higher than pre COVID level and the demand for suites is much larger. Dubai was very strong but it is very normal that Dubai in the summer months, it gets very hot and the performance drops for those months, same as for Maldives and Sri Lanka is still struggling a bit. It'll take some time. So really on the international front, the recovery is really driven more by, I would say US and UK and Dubai which, these are the three cities that remain very strong for us. On Qmin, the revenues are accounted in the properties themselves. So, each of the properties pays a fee to Qmin, that is participating and that entity is housed at our corporate level and unless Giridhar you want to add something on that?

Giridhar Sanjeevi: No, that is fine. I think enterprise is what represents the global revenue. I think some part of the revenue was actually The Meals to Smile but would say that of the sale about 22% income comes through.

Puneet Chhatwal: See maybe Nihal it will help you, that revenue includes also Qmin meals done through Anuka, which is a brand under Taj SATS, which is flight kitchen business and some of that is also done through Ginger through the cafe, etcetera, that's the brand of the Ginger café so there is a, when we say 30 gross for Q1 it is the enterprise level. It's not all accounted for directly and at that level, we do expect this trend to continue even if, some of the other things were to slow down, given that three months was 30 for the full year enterprise revenue, anything north of 75 or even to 100 is quite realistic.

Nihal: I'll come back in a few days and we will take on that. Thank you so much.

Operator: Thank you. We take our next question, please go ahead caller.

Sumant: I think for currently in the US, this will change the momentum, is that momentum going to sustain?

Puneet Chhatwal: Yes in which place?

Sumant: Yes, so I'm talking about the US as the COVID cases are on the rising trend and we have seen a significant improvement in this quarter, the Q1, so do you think in Q2 and Q3 and maybe in short term, the format is, do you think they would impact the decision of the US market?

Puneet Chhatwal: So it's difficult for us to say anything about the pandemic. All I can say is that we have all experienced I'm sure everyone has seen that in the first wave let's say India or US, but let's say India, we had 90,000 cases and we were shut for five months and it took us five months to recover. In the second year, we had 400,000 cases and it took us five weeks to recover. So nobody knows the third wave and what's happening or not but yes, people are getting used to living with this pandemic called COVID and then moving on with life, with the exception of, I would say, a state in the south and one in northeast maybe a bit, almost everything has more or less opened up with certain restrictions there in the number of people in a wedding or events but more or less it has opened up and we are still at almost 40,000 cases on an average for the last week. So that's all we can say if that is a trend, then things will stay open especially because of our presence in the US, because as your initial question was US-focused, as in New York and San Francisco, we think that cities like those will be far more resilient than the suburbs or the secondary and tertiary markets also within US.

Giridhar Sanjeevi: I think I'll just add to that, which is to say that from the US pandemic is one of the unvaccinated and you can see so far the demand has been domestic and countries like the US, they opened up international service for those who will be vaccinated which means what we see is that while there is the pandemic, it's in terms of unvaccinated and if international business that should help compensate as well, actually. So I think that's what the market is moving to in terms of allowing fully vaccinated people to travel.

Sumant: So sir, can you talk about the business, guests who are into business destination hotels, how traveling through our hotel staying in our hotels?

Giridhar Sanjeevi: I think the mix, I think there's a business where in Q1, kind of city hotels, we saw staycations that happened to be. So I think so we did get the recovery on vacations and staycation to go with, yeah.

Sumant: I'm talking to about our big clients, started traveling, well how is the mix in the business destinations?

Giridhar Sanjeevi: Business destinations, is still lagging and you have seen one chart in the slide, which talks about the city-based performance and that is something that we had put up specifically for all the key cities actually so, which you saw. If you talk of the leisure, non-leisure, I think what I would say is that in Q1 our occupancy did grow by 18.9%

and the non-leisure went up 29, four and 3%, actually on the operability side and on the rate side, there was a significant jump. The leisure, era actually increased to 9,695 from 5,200 and we've given these numbers offline. I think we can always talk offline on this. And non-leisure also improved to 4,500 from 3,300. So there was a jump both in terms of leisure and non-leisure occupancies and the era. We can talk offline so much in terms of specific numbers.

Sumant: Yeah and I'm asking, how's the business travel in the key cities and how is the mix of our guests or are key clients overall, the marketing has increased or overall the quarterlies have increased, I'm talking about that?

Puneet Chhatwal: I think it's evolving. I think we've fully vaccinated people slowly, business travel is beginning. I think it will take some time before the business travel grows back. I think it's gradually picking up is what I would say.

Sumant: Okay thank you.

Operator: Thank you. We take our next question, please go ahead.

Operator: Thank you. We move to our next question, please go ahead, caller. Your line is open.

Achal: Hello?

Giridhar Sanjeevi: Hello here? Yes please.

Vikas: So this is Vikas from Antique. I have a couple of questions. First, sorry for hopping back on the data around US and UK. So clearly, our revenue this quarter is down 65% compared to pre COVID. So we were to do an comparison but now this quarter we did less and obviously for all the reasons , but what are the learnings or maybe the data we are getting from US and UK especially. Their things are opening up, although they're having a third wave but the mortality there is very, very low. So maybe for us, if you can share maybe for US, where do we stand in terms of revenues compared to pre COVID and what are the learnings maybe if we say that then some, so how should we – I mean look about modelling the revenues going forward?

Giridhar Sanjeevi: I think it's like the whole US, very clearly, there are always two parts to the US recovery regards, one was of course the banquet revenue which always constituted around $ 30 million or so in a pre-pandemic year on the total top line of $ 80 million or so. This year of course, this banquet opening may not happen because of the renovation of the ballroom there and that's a good position also because banquet, without adequate level of business, we will lose money. So then, I think more, 99% we would not open the banquet so that the cost don't increase so will not do that because of the position that we are taking and the renovations that are happening. So now that leads, what is the non-banquet business revenue? So if you take the pre pandemic revenue, is around $80 million and $30 million is banquets, because of 50 I think my own sense is that given the activity, my own sense is that the business should come back to 50% plus in terms of occupancies very quickly actually and hence I wouldn't be surprised if you guys ended up having a top line exceeding that. I think that's the kind of range that we are thinking about, on the US actually. And similarly on the UK as well revenue is now a million pounds a month actually and that should only improve again on the UK I think we – yeah, the first quarter, we did. Yeah, that's it but I think with the million pounds standard recovery happening now, I think my sense is just that, US and UK has always been something like a 40 million pound market. Now the question for us is that, when we achieve something like 20 million this year. I think we'll see how it goes; we'll see how it goes actually.

Puneet Chhatwal: With that I feel like I think we're beginning to see a lot of pick up in London so because it doesn't mean that you cannot get cancellations if things were to go bad, but if I look at just the trend of the last one week, the pickup for us in St. James as well as at the Pierre, it stands out because we don't go to every hotel; when we get our reports on a daily basis we get the top five, the top 10 on cancellations on this so London is beginning to feature constantly on it.

Giridhar Sanjeevi: And then there's also Amber, the colour code change too for countries also is limited in terms of travel happening.

Puneet Chhatwal: Does that answer your question Vikas?

Vikas: Yes that does and specifically so this quarter, the employee cost and sequentially obviously the revenues are down, maybe around 45% Q on Q but employee costs went up by around 4 to 5%. So if you can explain that, that's about it, thanks a lot.

Giridhar Sanjeevi: Yeah, no the employee costs went up because I think last year we had the benefit of the salary reduction which happened, the payroll cuts which happened. This year we have not implemented the payroll cuts. I think that's been one fundamental. I think – and of course the subsidies actually because the subsidies are now reducing in places like the UK so therefore taken both together gives us the four or 5% increase in employee cost.

Puneet Chhatwal: Did you get that?

Vikas: Yes sir thank you. Bye.

Puneet Chhatwal: There was a significant contribution last year from the subsidies for under the furlough scheme of the government in the Western hemisphere, which is gone. So actually we have become more efficient as we show bottom to corporate overhead as well as on the properties because these figures are not the, to any subsidies anymore.

Vikas: So largely it’s from the employer’s side, they have taken out subsidies or it’s because they have given you other subsidies as well during the lockdown or not?

Puneet Chhatwal No, other subsidies; subsidies, was mainly on the employee front and you get those in that part of the world because you have your unemployment insurance so it's better to give subsidies as the many people are employed. That’s the kind of practice Europe has followed and also US was very generous I think in terms of distributing checks to the employees directly, but also to businesses and those are fine --

Vikas: Thank you.

Operator: Thank you. We move to our next question.Go ahead, caller. Your line is now open.

Amit Agarwal: Can you hear me? So, this is Amit Agarwal. My first question is if you can give some idea of cash flow from operations less interest and tax for the quarter and how is it, compared to last year and last quarter and secondly, just a question on the fact that most of the growth that you have seen in June and July, including the sharp increase in the ARR, including the business, specifically like Bombay, etcetera, they all seem to be somewhere near Jan, Feb levels. So in a longer term, given the fact, of course, if COVID goes away then of course we're back on track but if it doesn't, do you expect this to be sustainable ARRs in a bit of a longer term? So cash flows and ARR, these are two things, thank you.

Puneet Chhatwal: Yeah so, let me answer the second part and then we gather the figures on the cash flow. I think there you rightly pointed out; we are seeing a significant increase in the metros, in terms of average rates. They're actually almost double coming from a very low base. So that is positive. We expect this trend to continue. I see no reason unless there is another lockdown, complete lockdown where you cannot move there, that it should go back. This is a pattern of behaviour in the industry for several decades, that first occupancy comes back and then the rate follows. When you get into a downturn first also the occupancy drops and then the rates drop in panic. So I think the industry's done quite well and actually, it would be fair to say that almost all our leisure destinations are outperforming their pre COVID level numbers. Almost all of those that were there, they're doing better than they did in pre COVID and on the REVPAR level. So it can be still, it's subdued and most of the places but wherever we are open, for example, as you said, Goa is doing better than it did in pre COVID at the same date and the same month in the period before COVID. So and that also showed in the slide that I showed that we are, we saw a 1000% increase, versus what the market saw. So we think this trend is there to stay and there will be no change on this in the short term. In the mid and long term, things will change, Giridhar you want to answer on cash flow?

Giridhar Sanjeevi: Yeah, now I'd like to answer on cash flow. I think what has happened is that between CapEx, dividends and interest is approximately ₹ 150 crores and on the operating, cash flow is I think about ₹ 185 Crores. So net between the two it's about ₹ 330 crores and that would be concerned if you are increasing net debt as well, 3,100 crores is the net debt in the month of March, that went up to 3,600 ₹ so ₹ 350 with crores so that's in terms of the way the cash flows are involved.

Amit Agarwal: Sure, so this last question, this quarter presumed that you'd be at least cash flow positive looking at the way things are right now, did I overthink it?

Giridhar Sanjeevi: Yeah so, that's what we believe. I think this quarter shouldbe effectively good in terms of cash flow so the cash burn should effectively disappear is what we believe, actually. Yes. And we don't have any major debt repayment coming so, yeah.

Amit Agarwal: Thanks, that’s all from my side. Thank you.

Operator: Thank you. We’ll take our next question, please go ahead caller. Your line is open.

Amandeep: Thanks for the opportunity. This is Amandeep from Ambit Capital. I have two questions. Firstly, can you mentioned about reducing employee to room ratio, now to around 1.09 versus 1.5 3X in March 20 on overall IHCL level, why should we believe that a part of this cost control initiative would be sustainable? Can you help us understand what could be the stable ratio once the business reaches normalized levels given the service level so with an experience at IHCL and secondly, my second question is on the supply side. So, we have seen large hotel teams and even investor reports talking about the reduction in supply, over and above near term development in supply. So in that context, can you help us understand your thoughts on the same and also if any of your managed hotel partners or temporary or permanent closure thank you.

Puneet Chhatwal: Okay so let me start with the last one; first, that at this point, on the call today, we are not aware of any partner that we have a temporary or a permanent closure. We have one closure in Bhutan but that is more mandatory as by the government and the law and sometimes-certain things are seasonal but it is not because of any kind of financial distress or any such thing. The second question is on staff to room ratio. We are very confident on maintaining these as business comes back, we are aware and we have also communicated that, we have not taken out any permanent staff in our hotels, we have carried everyone with us and that is in line with the philosophy of our founder.

We don't take such short-term decisions and that too during a pandemic. On the contrary, as we presented, we have supported with north of 20 crores for our executives and our staff in a fund, which we call Taj for families by providing people financial help, those who were indirectly associated with us or had some kind of a contractual relationship and were not able to make money. On the supply side, yes, when the market goes through what it has gone through, the likelihood that some form of balance comes in demand and supply is a very normal consequence or outcome of the situation. So a lot of projects might get delayed and may not get built as fast as we thought they would and in this, I am talking about the industry part of it and not specifically to us. And this would be very normal, that projects would get delayed, funding would get delayed with the banks. There will be construction delays when your migrant workers go away. The site is empty. If you have lockdowns there is always a delay built in because you're not allowed to work on site. We had that delay also in our hotel that we are building ourselves, The Ginger, the flagship Ginger in Santa Cruz, but certain hotels as you have read would also have a permanent closure. They don't have to be necessarily big names or big brands. There will be a kind of an erosion in supply, to what extent, we will get to know in another six to eight months' time, after your ECLGS, so and the moratoriums of each one offered once they are gone, then you have to see how many of those businesses can still stand on their feet. So, but a rebalance of demand and supply will happen, whether the demand, increases more or the supply decreases. And that's why demand increases that; some rebalance in some form will happen and is happening as we speak.

Achal: Thank you and good luck.

Operator: Thank you, we take our next question, please go ahead, caller.

Achal: Yeah hi, am I audible?

Achal: Yeah hi Giridhar, hi Puneet, this is Achal from HSBC. So had three questions if I may; first of all, on the expense side, so explained about the rise in employee costs quarter on quarter sequentially but there was a ₹ 62 crores decline in other costs, quarter on quarter so what is going on there, and on the same lines, how should we expect employee costs and other costs going into the next quarter? So, that is my first question. Secondly as you just talked about the closures and all those sort of things, so what is your expectation in terms of capacity? I mean do you think more and more hotels going down and then that will create an opportunity for you to sort of grab more assets on the right price? And does that also means that you might not succeed in asset monetization if you plan? So that is my second question. My third question is that, what sort of booking trend are you seeing at the moment? Because – sorry, I actually did try booking and second and I found that many of them are actually booking for the longer duration now. I mean, if somebody is going and previously they used to go for 2 nights and all so now they are picking sort of package, getting probably, more and more comfortable, probably six nights, seven nights and all, then so are you seeing any changes in the sort of bigger stay in terms of your own kind of duration of stays and booking trends, thank you?

Giridhar Sanjeevi: Yeah so I think the reduction in cost actually was more variable for us actually, which is still the sense than some of the other the first actually and that really depends on the level of activity in the hotels also. That is number one. The other question you had was on asset monetization. I think we should now see asset monetization getting kick-started again because I think that's definitely improved. So while we're not talking about those samples and now I think that we will fix that to sort of help actually, absolutely.

Puneet Chhatwal: So to add to what Giridhar just mentioned, it's also that price correction is happening because of the fear of installation. So now, it would make sense to monetize on that so we don't want to monetize on 30, 40, 50% of replacement value. So I think it gets more interesting now. On the third one which is the booking trend, the booking trend is in the month of July, has been positive and also the first eight days of August is very positive. We are trending at the moment, ahead of July. For the month of August, the booking window has become shorter. So it is difficult to say what will happen in September or October or whether this trend continues. And your second part of the question was, people are staying longer, that is absolutely right. Especially also because the mode of travel might've changed too by road, so nobody's going to go and stay for two nights and keep driving for two days, one day to go one day to come back. So obviously, that has become longer. People are combining business and leisure, I don't know whether you call it bleisure or biz-cation but that's just kind of a vocabulary thing but yes, this trend is, because of digital meetings, is happening more than it happened in the pre COVID level. So the length of stay has increased and also some of the demand in the domestic leisure, especially in the high-paying segment is being driven by the 25 million people who used to travel outside of India and recently started traveling again as some countries like Switzerland, etcetera, opened up but it's still complicated. Still you have to have had two vaccines. So that is an important source of business on the leisure front, definitely in the current year.

Achal: Perfect, thank you, sorry last question, I mean on the capital markets day, you mentioned that you will update on the capital-restructuring plan, during the first quarter result. Is there any update to share at the moment or is it slightly still early?

Giridhar Sanjeevi: Yeah, no I think I can say that we were waiting for the second wave of the pandemic to sort of kind of end and today we did discuss at the board and I think the board has now asked us to proceed in terms of discussions and now I think in the next two or three weeks, hopefully, we should have a proper board meeting but you wait for us to announce but fundamentally today there was a full house language in terms of doing that capital raise, I think now the next few weeks we'll just go through the same.

Achal: Perfect, thank you for what that and good luck.

Operator: Thank you. We take our next question, please. Go ahead, caller.

Shaleen: Hi, Puneet, Giri, Shaleen from UBS.

Puneet Chhatwal: Hi Shaleen.

Shaleen: Hi so most of my questions are already answered just maybe a bit on recovery. So how would you compare this July versus the normal July, any colour?

Puneet Chhatwal: Green; it's not, Amber it's green. See Shaleen, we are not having certain things like events are not happening where things are restricted in numbers. There is no international travel at all so if you look at it that way, it is definitely even dark green.

Shaleen: Okay.

Puneet Chhatwal: See 70% of the possible business, the question is how much are you doing out of it?

Shaleen: Yeah so you're doing most of it? Yeah. Okay Giri, again, many participants have asked this question but just to help us model this, for your employee cost ballpark this quarter and let's say you hit a full quarter of normal revenue, then how should we build this employee costs going forward? Like obviously there's some variable in it so should they go to 300, 350, 400, like any ballpark range can you help us with?

Giridhar Chhatwal: Can we take it offline in terms of talking about the specific model related questions? Can we do that Shaleen, is that okay with you?

Shaleen: Yeah absolutely, yeah thank you so much, but that's it from my side.

Operator: Thank you. We take our next question, please. Go ahead, caller.

Deepika: Hi sir, this is Deepika from JP Morgan. Thanks for the opportunity. So just a couple of things from my side, what kind of occupancy given the current environment, do you see rates going back to, we are going back to pre COVID levels?

Puneet Chhatwal: I think Deepika; it's a function of location and the metro that you are in. It's not any more a function of occupancy levels, so if you can travel easy, see I'm going to Bangalore tomorrow. I have double vaccine but I still have to get RTPCR tests done which I got done because I have to go. But if somebody has a choice, let's okay, let me avoid this and let's go somewhere else. So there are a lot of implications when it comes to the whole issue of leisure versus business. Now if the family wants to go to the Hills or they want to go to a beach, then you're going there. It's going to happen, whereas if you have to do – I have to do certain travels to certain metros, I can put them on a different list of priority depending on the ease of travel and the urgency of it. So, during this pandemic, the benchmark is not at what level of occupancy that is done. And as I said, there are certain markets and a significant number of hotels that we have almost more than 40 hotels in our system, did in July, better than they did in July pre COVID/

Deepika: In terms of ARRs?

Puneet Chhatwal: In terms of both ARR and occupancy, because ARR only comes if occupancy level goes higher than 65, 70%, otherwise the ARR recovery is not as fast as it should be, right? That's probably higher in most of the, like for like assets which are specially driven by leisure.

Deepika: Okay and just taking the, or given the fact that you're expecting large events, etcetera, to take longer to recover, is there more, changing strategy in terms of utilizing the assets in a different way to be able to capture some of that lost revenue?

Puneet Chhatwal: For sure some of these initiatives like Qmin are born out of that, right, that revenue, that, how you sweat your assets, how you utilize the kitchens that were empty, how you utilize the staff, which is there. So the chefs, the cooks, etcetera, this is how Qmin was born. This is how the homestead has been working with the same staffing. So the homesteads are usually close to another property that we are running. So it's the same people it's not additional or implemented staffing on it. Of course, you cannot suddenly convert large banquet halls into warehouses or something like that. That part is missing but to the extent possible, and to the extent practical and to the extent it's a fit with the brand and the location and is a sound financial decision, such decisions we take every day.

Deepika: Got it and just the last thing, or given that you're expecting to turn cash flow positive, pretty soon, should we expect debt to start reducing from these levels by year end?

Puneet Chhatwal: I think as Giri mentioned there are other discussions which we have in terms of restructuring, that are going on and so yes, I would say it is a fair expectation to have that we will need to do something. We were unsure and that's why we could not give any guidance because the magnitude of second wave was such that got us all a bit on the defensive but the recovery post-secondary has come faster. Now we are concerned about the third wave, whether it comes or it doesn't come so I think the good thing is that experience is showing that even if there was a third wave, the rebound will not take as long as it would when the pandemic started. So we are considering various options and we'll be enough position to communicate something very soon.

Deepika: Okay sir thank you so much and all the best.

Operator: Thank you. Once again, ladies and gentlemen, press star one to ask a question and we take our next question, please go ahead, caller.

Guarav: Hello, hi, this is Guarav, I'm an individual investor and I just had one observation to make in terms of customer experience at the past properties. The Taj experiences card apparently can be burned or redeemed for a lot of new features that we have, like Qmin or Ama stays. I'm not sure if this can use it. So is there any, idea behind introducing the Taj experiences card for all these other, like Khazana, I don't think we can burn this at anywhere. So is there any plan for that?

Puneet Chhatwal: I think you make a good suggestion, whether we use experience cards or something else. Maybe we should consider doing one card across all verticals, so you can use it anywhere. I think we've been discussing that but on a different platform, on the loyalty platform. So thank you Guarav for the suggestion and we will very seriously consider and execute without delay.

Guarav: Thank you.

Giridhar Sanjeevi: Can we have the last couple of questions please?

Operator: Thank you. It appears there are no additional questions at this time. I would like to turn the call back to our host for any additional closing remarks.

Giridhar Sanjeevi: Well, thanks for everyone for joining the call. Appreciate your engagement and support and also the questions you raised. We look forward to have our next interaction after the Q2. Thank you very much and have very a good evening.

Puneet Chhatwal: Thank you.

Operator: Thank you, ladies and gentlemen this concludes today's conference call. Thank you for your participation. You may now disconnect.