The Indian Hotels Company Limited

IHCL Earnings Call – Q4 & FY 2019/2020 Results

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Management :

Mr. Puneet Chhatwal, Managing Director & CEO

Mr. Giridhar Sanjeevi, Executive Vice President & CFO

Operator: Good day and welcome to the Indian Hotels Company Limited's Q4 and FY'20 Earnings call, being hosted by Mr Puneet. Chhatwal, Managing Director and CEO, IHCL and Mr Giridhar Sanjeevi EVP and CFO, IHCL. As a reminder, all participants line will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star than 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 afternoon, everyone. I am here as always, with my colleague, Giridhar Sanjeevi to walk you through the key highlights of the full year '19-'20 as well as Q4 of '19-'20. When we look back, although it did not happen in Q4, but I think we cannot ignore the fact that brand finance recognized Taj as the strongest brand of the nation in all categories. And together with Tata Brand retaining as the most valued brand category, I think this is a very good space to be in for a brand from a hotel industry, which has been severely affected due to the pandemic. But also, it makes us feel very, very proud that our Taj has made it as the nation's strongest brand.

When we then move to a kind of rewind of the year gone by, we will see that some of the key milestones achieved where we reached the portfolio size of 200 hotels of which 158 were operational, till we started having the lockdown, 50 new hotels were signed in the last two years and in the last year alone we signed 29 more, totaling almost 2000 rooms. We opened 17 new hotels in the last two years. And last year we fulfilled the promise of opening 12 properties, one property a month, and the size of management contract portfolio grew from 32% to 42% over the period of two and a half years. The number of rooms increased from 18,000 to 25,000 while 18,000 is that when we announced our journey of Aspiration 2022 and the number of hotels increased from 160 to 200 in this period.

Moving forward, on the highlights of restructuring our portfolio, as I already mentioned, we delivered 12 openings. We had a consolidated presence in Goa, which is a key market for us by the addition of Cidade de Goa last year, as well as Taj Hotel & Convention Centre, unfortunately open for almost less than a month, but together it gave us 500 additional rooms in one of our key profitable markets. We added another palace after many years, the Taj Fateh Prakash Palace, making us a formidable force in the city of Udaipur, together with the Taj Aravali. So we have three properties, one for MICE and now with Taj Fateh Prakash, MICE in a palace environment together with the romantic Lake Palace. Very important we repositioned the Ginger brand, as most of you would know. And Ginger reached a key milestone of 50 operational hotels. And as I've consistently said, this is a brand to watch. Unfortunately, like any other brand, any other hotel business, this also got hit in March very negatively because of the COVID. Otherwise, we had much more better news in store for Ginger.

We signed 20 new hotels and you will see that in that 13 were Ginger branded properties. Actually, if you look at a single brand in India last year, Ginger had the highest share of signings of new contracts to its business. Then improving on that we consolidated Indian Hotels presence in the Northeast. We always say Northeast is there where Africa was 15, 20 years ago. It's a market ready to go in the next few years and now after a very good success of Guwahati where we are present and also with the Ginger in Agartala, we added hotels in Shillong, Gangtok and Tawang in Arunachal Pradesh. We also got the intimation of disapproval, the IOD as they call it, which means basically a kind of an approval to start building the 371 key flagship Ginger in Santacruz on the property that we own, which was belonging to the old Flight Kitchen of the TajSATS business.

We even had a record year for growth, both in terms of signings, and in terms of opening. As we have always constantly communicated, one of the key values that needs to be unleashed is the values in our brands, and also trying to make our brand pure. The result you've already seen for the Taj brand, but also the same year we came up with the rebranding of TajSATS. We came up with the rebranding of Chambers, Khazana. We introduced a new brand like amã Homestays & Trails. We introduced a new brand in the Salon business called niu&nau, and several food and beverage brands, including the one in partnership with AB InBev, for which we have also got the required permits. So within four weeks, the first brewpub under the brand that we have jointly developed with AB InBev will be going live in the city of Bangalore at the Taj on the MG Road. So these brands have been drivers of our top line.

And a lot of these brands have been carefully chosen because they are significant margin drivers. These are not brands that have been chosen because they just create the buzz around our mainstream brands like the Taj or Vivanta, but also in themselves, the brands like reimagining Chambers, why, because Chambers margin contribution is as high as 80%. Same is the story with some of the microbrewery brand, which I told you. This brewery brand has a very high margin contribution versus any other food and beverage restaurant. And also amã Stays & Trails, we have no investment. These are existing bungalows and guesthouses of Tata Coffee, or other individual owners leasing very quickly. I think this year it will have at least before the end of December 25 operational amã's. And these are all adding value to our portfolio of brands and helping us drive our market share.

Moving on some of the campaigns that also assisted us and you must have seen especially in the month of February and the first week of March was our campaign on Taj, Like Always and Like Never Before. It had an offline reach of almost 4 million, social media reach of 2.5 million. We use displays and search to get to several millions in terms of our vision. This brand really helps us in driving our market share.

So that all – these kind of activities resulted in what we're going to show you now is our results for the full year. If you move on to the next slide, which is you see the revenue came in flat, and this revenue came in flat because by the 15th, 20th of February, the growth had started slowing down. Actually, our memories tend to be short with intent to blame everything just on COVID because it is such a major impact on our business and shutting down the properties. But the slowdown had started a bit earlier which is reflected in the GDP numbers for the full year and that all did not come in end of February or March. Growth in the GDP has been constantly slowing down from the Q1 of last year.

So although our revenue growth was flat, our EBITDA still grew by 20%. Our EBITDA margin grew by 400 basis points. And our PAT had a growth of 34%. When Giridhar takes over from me on the details and he will take you, so you'll see what kind of an impact we had alone in the month of March, and how much it drove us into the negative territory versus where we were almost a year-to-date December or year-to-date February. When we look at the details of the last 10 years. you see that especially in the last four years or so, the revenue growth is only around 10%, but our EBITDA growth and EBITDA margin growth is very phenomenal as you can see. That is mainly because of the change in our business model, which we have been communicating.

That revenue growth, if we get rid of properties that we own that are loss leaders and reduce the debt with it, the revenue goes down. When we add to the management fee business, the management fee business is only added as management fees and not the revenue of hotel. So that part of the growth slows down, but what it really helps to achieve is the margin expansion, which we have done. And if you look at the last three years, we've consistently grown from INR700 odd cores to INR1,100 crores in EBITDA, from 17% EBITDA margin to almost 24% EBITDA margin, from a PBT of 162 to more than doubling it to 355 and a profit after tax at a 3.5 times increase from INR101 crores to INR354 crores.

Some of the key initiatives that we had announced in Aspiration 2022 and this is important because we are exactly today halfway through the Aspiration 2022, which was launched middle of Feb in 2018. When we did our Capital Market Day, invited all of you and announced what they were going to do. And the five key pillars of Aspiration 2022 was restructuring growth. We said we will grow by 15 hotels per year. If I look at only last few years, we added 50. So if we look at the restructuring of portfolio owned and managed, we said we wanted to have a 50-50 balance at the end of 2022. We have already reached a 42% managed portfolio.

Then we said we will re-imagine excellence in being the most iconic and most profitable hospitality company. We were awarded the strongest brand across all sectors. And I don't think you can be more iconic than that. In terms of regional incompatibility, our EBITDA margin expansion we had given a guidance of 800 basis points, but we achieved 700 of course, with the little bit help from the change in the accounting standard. But even if we were to discount that, we would still have 350 to 400 basis points growth in EBITDA margin despite COVID impact, which you will see in March. And our envision in Aspiration was to bring down our net debt to EBITDA to less than two and this finished the year at 1.69.

I think we need to now address the COVID challenge. And this unprecedented issue has been a challenge for not just India but globally for the hospitality, tourism and airline industry. There is an estimated loss of $2.1 trillion in terms of the top line, there are 75 million jobs at risk, and there is a fall in global aviation revenues by 252 billion. The global economy is expected to contract by minus six, can be anybody's guess it could be even minus 10 or even a number higher than that depending on which economist one talks to. Then before we move on, based on these numbers to the Indian travel and hospitality sector, the loss is estimated at INR10,00,000 crores, the 38 million jobs at risk and up to 25% impact on international travel. And India's estimated GDP growth is supposed to be contracting to minus 3.2.

I was on a webinar yesterday or day before where one of the former economists or advisor to the government actually expected a much larger number, which was more than twice that what is shown here. And every time somebody – every week, somebody or the other comes up with a new forecast. So I think definitely there is going to be a contraction in GDP, which has a very strong correlation with our business.

After getting all this information and after having had the experience of exactly three months to date, the international borders were shut down on the 11th March because all Visa's for travellers coming was cancelled. People and OCI card holders were also stopped as of 13th March and to date being the 10th June, it's really three months into this. We decided to turn our strategy that said, okay, we have already achieved maybe 70% of our goals of Aspiration 2022. This is not the time now for looking only midterm and what we are going to do in 2022, rather to address the issues now, and we came up with what we call R.E.S.E.T 2020 and as of next quarter, we will give you new targets on what we think would be our aspiration going forward. Just for the sake of clarity, and I would like to repeat that very loud and clear; all our targets will be enhanced. They will not be corrected downwards. Rather they will only be corrected upwards because we have a very strong belief as management in the future of our industry. And we don't see this as a permanent problem rather, under the stream of things that this too shall pass. The question is only then in three months or six months or nine months. But this too shall pass and that's why we need to press the button of reset.

And also reset response to COVID-19 is based on revenue growth. We will be announcing seven key revenue initiatives. One was already launched yesterday or day before in Karnataka and Kerala where the hotels are open. It's based on the concept of drive vacation. It's called the 4D experience that is a dream, drive, discover and delight. So you dream and you get into a car you drive, you discover a new destination around your place three to five hours driving distance, and you delight yourself. So similarly, we have lined up a number of initiatives, including new lines of revenue. I think it would be prudent to mention in this call that within a week from now, we will also be launching our own home delivery business under a new brand with our own app, which was a long time desire to do something in our business, also on the digital side. So in a state of the art app, you'll all get to read about it, but all have to be patient for a week.

So there are several such initiatives as I said, the top seven of ours, which are meant to compensate for the loss in revenue or better said the loss in EBITDA or in PAT, which is definitely the case for us and for the entire global hotel industry in the Q1 of this financial year. So on top of that, we are also coming up with strategies for new corporate leisure wedding. In my businesses across different state, we will have new business based on this app will also be taken as shops into hotels and mobile shops in key city centre locations where they have large platforms like at the President in Cuffe Parade or the Ambassador in Delhi, which is Pandara Road, Golf Links all that catchment area. Then, as an example, something which we launched on 10th April, hospitality at home initiative has proven to be very successful. This was just delivering hampers, or people coming to pick up three different kinds of hampers have given us some kind of incremental revenue, which was not existent before. So some of these initiatives, which are already launched, and some that will be launched over the next four to six weeks, depending on the openings are all ready. We are ready to go with it.

And our focus will be definitely on one of the initiatives we launched last year, which is a very big success for us, was driving Chambers membership. Chambers in its absolutely new look, feel and design is being launched at the Mansingh in Delhi. It's delayed for three, four months, for obvious reasons for COVID because the hotel is shut and also it got delayed because of the air pollution issues that we had when Supreme Court ruling made all construction stop for several weeks in the NCR region. So but Chambers will be launched at the Mansingh by September of this year at the latest hopefully by October, which gives us clear six months in the rest of the year. And the same will be the case in London. So the chambers will be entering the London market. And we think this gives a definite great positioning for a private club, a brand that only we have and that would be our competitive advantage going forward.

Moving on to the excellence initiatives, I think you all know, we have launched the Tajness, A Commitment Restrengthened. These are initiatives built around the new normal as they call it, the health, the safety standards, the standards of food production, the food delivery, the food service, but also excellence in what we do, excellence in our values. Our values stem out of the three letters Taj, which is trust, awareness and joy, and the trust of the community is with us because we've supplied 2 million meals in this time through the assistants of Taj Public Service Welfare Trust to the doctors, to the medical fraternity, to the migrant workers. And also hosted for many medical room nights approximately 25,000 plus room nights have been hosted by us and also subsidized by Taj Public Service Welfare Trust. So I think this is something extraordinary.

And now I come to one, which you all like to hear the most. Of course, I think revenue is very important, but it's very important is our initiative on spend optimization. And when I talk about spend optimization, we need to make sure that that 50% of operations have been shut down, mostly operations were shut down and there is a staggered opening. So 50% of our hotels across the portfolio were closed, or were used only as active quarantine centers as of mid end of May. And post relaxation of lockdown, we have put a plan for the staggered opening in place. The factors considered for the staggered opening is obviously different in every state. It depends on the rules and regulations of the state and also the country because we also have hotels outside of India. The second is obviously the profitability of the hotels in terms of steady state EBITDA margins; and the third because if you've multiple hotels in the same city, you have to look at the chance of which ones drive the maximum margin or which one helps you to keep the costs best under control. The third is a threshold occupancy levels for the hotels to be profitable or stabilized or to breakeven. And ability to synergize within a city and maximize business potential as well as, in these difficult times, maintaining owner relations and having understanding of the limitations of the owners on cash flows as every owner is not in the same financial position.

Moving on further from this too, it comes to the spend optimization initiatives. I think we go through a historical phase in our company where we have embarked already since a year and a half or so which most of the analysts have been open to enroll[?] the investments also, they've been working on the organizational and payroll optimization since a year and a half and now that has accelerated. And if you look at our corporate overhead as a percentage of revenue has continuously declined, despite the normal inflationary increases in payroll expenses. And I think we will now see a more significant change in the corporate overhead, but also in the operations of hotels.

As we have so many openings of hotels, we have the possibility to redeploy people. I always say yes, cost cut also comes on top if people were to taking pay cuts, but ideally you read the floor because all those measures are temporary. Whereas if you effectively reset the cost base, reset the manning base, reset the number of executive base, reset based on the branding and the portfolio that you have, that has a longer-term impact. So when the business comes back, you have reset your cost base for a much healthier future tomorrow. Similarly, on heat, light and power, I think we've been able to drive these costs significantly lower. So in some places to one third of the level it was there before. This is also an ongoing project and it has accelerated now ongoing, why, because we picked up 19 hotels together with

Siemens to do a kind of a study. And now why it has accelerated, certain states have been forthcoming. For example, Maharashtra has given both on the fixed and the variable costs based on the consumption a reduction to the DISCOMS and to the energy providers, which has been further given to us. Similarly on unnecessary repairs and maintenance expenses. Going forward also on stores and supplies, nice to have versus what is necessary to have in the period of lockdown, advertisement and promotional expenses, cleverly using digitization going forward, which is much cheaper. And as I already alluded to, administration expense, and having cuts at all consulting levels, having cuts with all other people who work with us.

With this spend optimization comes the next key, which we have the Effective Asset Management initiative. I think this is also something, which is a very last thing in fact. As you all know, we have been monetizing non-core assets like sale of apartment, sale of some kind of Villa, which you have never used for last 25 years, let's say in Pune, we have some kind of farmland, etc. So those initiatives will keep going on also this year. Also, in our subsidiaries like OHL, we had the sale of hotels in Trivandrum and Vizag and we used those proceeds of the sale to bring out the debt. We will continue to explore those opportunities at IHCL level also. So this year we plan to definitely sell one or the other assets and take it on a managed back or on a lease basis and also minimization of lease costs.

So wherever possible, we have entered into dialogue with the landlords and started getting reduction in leases and some of those places that leases have been reduced and have had a significant impact. And then other places we have to carefully check where we have the right to do so based on the contracts we have. If there is a force majeure clause or not. If there is a force majeure clause that can be invoked, yes, we have the possibility to do so.

Following on with the asset management initiatives, we also have what I already alluded to a part of our being thrift. The T in the R.E.S.E.T is the thrift and financial prudent initiatives, which is obviously, I said reduction in corporate overhead, which has gone down by almost 10% in the last two years despite the increase in two years of almost 12-13% in the stock cost. We have deferred a lot of renovations. We have been spending almost INR400 crores on average per annum on renovations and upgrading our portfolio and we were successful in upgrading a lot of our Vivanta properties to Taj and a lot of Gateway properties to the Vivanta level. And also in terms of raising credit lines, which is very important to have the liquidity as none of us knows how long this crisis would last. We have no intention of increasing debt and living out of debt, but we definitely need to have the liquidity and all the one offs that we have will help us to keep reducing the debt as we have done before. I always give this example, we tend to forget, if we just look at the renovation of Mansingh and we add to it the prepaid lease that we have made, or the deposits that we had to give for the renewal of Lake Palace or when we add up all these things, they have been done from the cash flow generated from the operations. We did not raise any debt and our EBITDA kept rising and that's how net debt to EBITDA went down to 1.69.

Moving on from this slide, I think the best is I hand over now to my colleague, Giridhar Sanjeevi to take you through the details of all our financial performance of Q4 and the full year '19-'20.

Giridhar Sanjeevi: Thank you. Thank you, Puneet. I think I move on to the financial numbers. I think if you look at the Q4, I think we use all the numbers that we declare. For Q4 we had a top line of INR1,001 crores and then we had a profit after tax of INR74 crores. I think what was important to highlight was the January, February and the March impact of COVID. So if you see what had happened up to the end of February, we were pretty much on kind of growing. Of course, this year there were impacts in terms of GDP growth slowing down, and a whole bunch of other factors. But nevertheless, until the end of February, we did grow revenue by 2%. Operating expenses de-grew by minus 4%, which means we are positive EBITDA leverage, which resulted in margin expansion. Finance costs are broadly in line in terms of what we saw. And exceptional items of INR53 crores represented some of the monetization that we did in the month of March, which is all about the Padma Vilas plan, which gave us the INR145 crores, what do you say profit after tax.

March of course, we saw the impact of COVID coming in, which did result in our revenues dropping by 48% as compared to the previous year. Operating expenses reacted less, because we didn't have too much time in terms of reacting in terms of operating expenses, which gave us an EBITDA loss of INR47 crores. And the rest of the lines were kind of consistent to that and we had a profit after tax of 17. So what this slide demonstrates is that till the end of February, we were broadly going in line with what we had planned, and March was the time when there is an impact.

In terms of exceptional items, I think what is worth noting is that beyond the sale of the property, the Padma Vilas property and the gain on sale of property of INR6 crores versus sale of Ginger in Pondicherry. We also sold apartments. We also saw the depreciation of the dollar, which came up in the last quarter, which resulted in a INR20 crore impact in terms of the mark-to-market. So, this is just a slide on the exceptional items for Q4.

If you look at the full year, basically, this is looking at like December and Q4. Effectively as the – let's move to summary slide, the top line was flat at INR4,596 crores. The EBITDA margin expansion happened because operating expenses recover by minus 5%. And then interest costs broadly stayed in line. Exceptional items constituted the sale of non-core assets resulting in a profit after tax of INR354 crores, while this is post Ind AS. Even in a pre Ind AS basis, the PAT was INR393 crores, which represented on a post Ind AS basis a 406% margin expansion. And even on a pre Ind AS basis it represented plus 2.39%, which is what we've always indicated in terms of secular growth in margins.

In terms of consolidated exceptional items, I think pretty much it's the same picture as we saw in the quarter. And I think you can see the full impact of the gain of sale of flats of INR87 crores during the full year.

I think what is very important to highlight is that ever since 2015-16 and then beyond, you've seen the very steady improvement and what is interesting to see is that while the top line moved from INR4,123 crores to INR4,596 crores, which is an improvement of approximately under 15%. I think the EBITDA grew from INR652 crores to INR1,100. And the profit after tax went up from a loss of minus INR230 crores to a profit after tax of INR354 crores. So really speaking, it has been a very concerted effort in terms of working on the revenue reverse, the cost reverse in terms of achieving these results complete.

If I look at the standalone numbers, standalone numbers, once again reflect a similar pattern where again we distinguish between what happened up to the end of February and March separately for Q4. While we reported total revenues of INR754 crores, we did see operating costs of 8%, resulting in some leverage. In fact up to February, there was a positive leverage of 10% in terms of EBITDA. The margin expansion clearly occurred up to the end of February and profit after tax up to the end of February was about INR145 crores. March clearly was a loss of INR53 crores impacted by the drop in top line of 47%.

The standalone exceptional items, I think the only item to note is that like – as always, whatever is the cash loss that Pierre incurs, we provide for it in the standalone to ensure that the investment block does not get bloated. So we had about INR42 crores there. But other than that, it reflected the sale of property, including flats, and the MTM on derivative contracts.

So on a quarterly basis, the standalone numbers were also flat at INR1,878 crores. EBITDA went up by 9%. EBITDA margins went up 2.56% on a post Ind AS basis, and PAT went up to a historical high of INR401. In fact on a pre Ind AS basis, the PAT was INR418 crores and even on a pre Ind AS basis, the margin expansion was 208 basis points, which was completely in line with what we had talked about secular expansion.

On a full year basis, this deck reflects the full year numbers where the revenues are flat. Operating EBITDA margins went up. Finance costs were broadly in line. Exceptional items reflected the sale of property, Forex losses and the provision for Pierre and profit after taxes was plus INR401 crores. You will see on this slide the exceptional items. The only point I want to highlight is that on Pierre, they actually improved. The minus INR32 crores that you see in 2018, '19 was after we boasted income of INR46 crores. So therefore in the prior year the loss of Pierre was INR78 crores, which came down to INR69 crores in terms of cash losses. So there was a concerted improvement on the Pierre position. In fact on the international properties which is UK and US put together, cash profit improved to GBP2 million or $2 million or so. So hence I think overall our international portfolio did better as we kind of always highlight.

I want to spend a minute on some of these standalone revenue metrics actually. Once again, if you look at Q4, I think, as we've always said, in the current – in the last financial year, the RevPAR increase was influenced a lot by the occupancy and less by the ARR. So up to Jan-February for the Q4, the occupancy grew by about 1% or so. The ARR de-grew by 1.5%, giving us a almost flat RevPAR actually. March obviously, was a different story. Occupancy dropped, we protected the ARR and that resulted in a RevPAR growth giving us the overall Q4 position; and I think the strategy here has been just reversed. If you see up to February, RevPAR was driven by occupancy while rates went down. The moment the crisis hit us, we were able to sort of protect ARRs as much as we could. In terms of room revenue, the room revenue growth was 3%. F&B revenue de-grew by 4% up to February and March, of course, was a different story.

For the full year metrics, once again, you see that up to February the occupancy grew by 2.1%, ARR was negative minus 2.3%, giving us just about a percent of RevPAR. March of course as I said that the occupancies were impacted giving us the full year metrics. Room revenue grew by 3%, 3.5% up to February and F&B revenue grew by 1%, which was clearly impacted by March.

In terms of this year, we have discussed here in the Capital Market Day. I think we continue to make efforts in terms of the different cost lines whether it is raw material lines, fuel and power. Payroll cost of course changes because when the top line drops, you get an increase in payroll costs. Other expenditures also went down. But now as we go into reset, there'll be much more work here which will happen as Puneet has highlighted in terms of changing operating losses and driving these even harder actually.

Monetization's, this is just – this continues to be part of strategy, which is the non-core monetization's, whether it is land, residential apartments, simplification, I think all of those will continue. Last year, as you know, we totally monetized about INR211 crores.

On the balance sheet and the liquidity update. I think what is good is that like, I put up a slide in terms of the P&L performance over the last five years. I think the balance sheet performance has also been significantly kind of under focused, whereas the net debt to EBITDA went down from 6.47 to 1.69. And the net debt to equity went down from 1.27 to 0.36. So, I think this is a key measure that we look at very closely and we will continue doing so actually.

In terms of the net debt, the net debt at a consolidated level actually reduced and net debt at a standard level also reduced. You will notice that the liquidity went up here both in standalone and consolidated, but that was because of the strategy in terms of ramping up liquidity as we saw the impact of COVID. The weighted average cost of debt all remain under control as we spoke about the net debt to equity and net debt to EBITDA.

In terms of funding, I think we have been – I think the credibility of Indian Hotels has been very significant. So in the month of March, we drew down the Kotak Mahindra and the Axis Bank loan. And I think what is incredible to see is that we were able to take advantage of the TLTRO operation that the RBI announced, the Long Term Repo Operations. And at a time when people talk about hospitality industry being impacted, we were able to draw unsecured credit lines worth 450 crores, which just speaks to volumes in terms of the credibility that we enjoy.

And the important thing to note is that we have not resorted to any short-term funding. The unsecured loans are at three-year maturity. And in terms of the other loans, the door-to-door maturity is six year. Our credit rating agencies have all been kind of reaffirmed and our borrowings are also covenant-light. So we continue to kind of – sort of make sure that we deal with the financial markets as far as liquidity is concerned in a sensible way. And that's the right thing to do because we need to maintain liquidity, and we're also keeping a close watch on the net debt.

And in fact, one of the things as Puneet said, the monetization will be an important lever that we will – we want to use this year. And any monetization we do, we would like to repay some debt so that while we sort of ramp up liquidity to deal with a crisis, we will also be able to keep the balance sheet held simultaneously. So that's really going to be our approach actually.

With this I kind of come to the end of the presentation and happy to move into question-and-answer. Thank you.

Operator: Sure. Thank you, sir. Participants, if you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal for questions. I would also request everyone to say their name and the company they belong to before asking a question. We will now take our first question.

Sumant: Yeah, hi there. Sumant here from Motilal Oswal. So my question is, post COVID, what are the changes in the domestic market and international market in terms of business dynamics and what are the steps we have taken for the domestic and international market in cost side?

Puneet Chhatwal: Shall I go Giri on this?

Giridhar Sanjeevi: Yeah. Yeah.

Puneet Chhatwal: So Sumant, hope you're well and staying safe. The first is on the international on the cost side. On the international on the cost side, the San Francisco property, the New York property and the London property are the ones which we own. The other contracts which we have are either management contracts or are in a joint venture. The good news in these very bad times is that in the US and in the UK, the government is bailing out the operators very heavily on the cost side. So they are putting in the money. For example, in the UK, up to 80% of your staff cost with a cap of GBP2,500 on a monthly basis is being subsidized for a period of six months. So that is one of the examples. Second example, for example, in UK is the property cost has been waived off for the full financial year. That alone just a property cost in the UK for us with the Buckingham Gate and St James Court is almost GBP2.5

million. So there are things like this that are different market-to-market. We can do detail on an offline thing if you wanted a detail on the market-to-market basis.

Like Dubai, we have management contracts. The new hotel which had just opened, we shut it down, which will reopen in September-October. So we lose the management fees for the period that it is shut. But we have to, as I said, have understanding for the owners, their cash flows also. We've kept only one hotel open which has been there and is very well established in the market in Business Bay, so that one is open. Maldives, we are preparing for a reopening. And Sri Lanka we never shut down the properties, so they're operating at a lower level. When it comes to – on the staffing part of it, of course, there is a serious reduction on the contractual labor, which is a labor of the contractor because if you're not operating at 70-80% occupancy, you also need 50-60% less people to do the same work. So there is a lot of that happening both on the domestic front, but also on the international front, which I would say is on the Indian subcontinent, which is in or around India.

When it comes to other costs, I think Mr Sanjeevi showed you how over the years, not just because of pre-COVID or post-COVID, we have been taking measures to harmonize our cost to become more efficient and to increase our margins. That journey is on and will continue, but actually, in this COVID period gets even accelerated. On the revenue initiatives side, on the domestic front, I think in any country today, the initial business will come back based on the domestic business; and the revenue initiatives that you will hear that we are announcing, the seven initiatives of which two I already told you, they are all based on the domestic market growth. As we don't know whether international travel will start in September or October and that it will come back to its normal level maybe after January of next year. So the reliance has to be on the domestic market, but it is also an opportunity. Now, why is it an opportunity? It is an opportunity because 26 million people were travelling out of India, but those people are not able to travel. And even if 10 million of them are captive for hotel business, some point he needs to get out both on business and on leisure, at least within the country and take their families also out on a holiday. And that's why this drive vacations could be an answer in the short-term versus flying or taking train to a destination.

Sumant: Yeah, so talking about cost in this left-hand side, can you elaborate more on how fixed cost overall percentage term or variable cost percentage term reduced during this pandemic?

Giridhar Sanjeevi: Yeah, I think as I said I think we should look at cost optimization on an overall basis because it is not just one line of cost alone. But I can tell you that if I look forward to just Q1 as we're kind of looking at cost reduction, on the domestic side, our cost reductions will be upwards of 40% and on the international side, we expect it to be upwards of 65% reduction. So that's the overall cost reduction metric in Q1. And we are yet – on some aspects of the cost we are kind of deliberating on how to do it the right way. But even without that, I will say that, that is what we were able to achieve immediately.

Sumant: So is that 40% and 60%, 65% you're talking about it is on overall basis or fixed cost?

Giridhar Sanjeevi: Overall.

Sumant: It is overall.

Giridhar Sanjeevi: And that's the right, so yeah.

Puneet Chhatwal: If I just may add. What this crisis has shown to us is, a lot of fixed costs in a crisis can also become a variable cost; everything doesn't need to be fixed.

Sumant: And any expectation of opening St James and US hotels?

Puneet Chhatwal: Yeah, we think, slow opening in London is anybody's guess either July or August.

Sumant: Okay. And US?

Puneet Chhatwal: US, we don't know because at the moment what is happening in US is a bit risky. So we have to take one step at a time. I don't want to give any kind of a misguiding answer. All this unrest in the US, especially in Midwest is very strong, but you never know when it becomes out of control for New York; but if it stabilizes, yes, we can open in New York.

Puneet Chhatwal: San Francisco will be later. San Francisco will not be now. That state itself they also have this federal system every state decides. So California is a little bit more strict. So that will take a few more months to open.

Sumant: Okay. So Jan, Feb was workout for St James, right or Jan was okay. And also about US business, how was the performance in Jan, Feb or March?

Puneet Chhatwal: The Jan, Feb for US was quite good and so was it for UK also. So it all started slowing down in the US and UK ten days before in India started, 1 March was when we started seeing negative growth. I remember that very well because I was personally in London on those dates. And we had a meeting where we discussed that. The pickup became negative.

Sumant: Okay, thank you so much, sir.

Operator: Thank you, sir. We now take our next question.

Deepika: Hi, sir. This is Deepika from JP Morgan. Hope everyone is doing well. I just had a question on the balance sheet. Sir, given recent Capital Day, is it – what would be your debt levels right now and would you say that could be the peak debt for the year?

Giridhar Sanjeevi: I think the net debt level from INR1,857 crores or so has probably gone to INR2,000 crores. I don't think the net debt has gone beyond this. Now, I think in terms of target for the year, it's hard to say a target at this point of time. I think a lot depends on how the recovery process starts. And as I mentioned, Deepika, I think monetization continues to be a major plan for the year. And on the assumption that we are able to successfully monetize meaningful sum, we will use it to manage the debt level.

Deepika: Got it. So sir, could you – if you – I don't know whether it's too premature, but could you outline what would be your fixed expenses on a monthly or quarterly basis after the cost initiatives that have been taken?

Giridhar Sanjeevi: I think in Q1 itself I will say that the fixed costs would have gone down by at least around INR35 crores to INR40 crores at a minimum I think. I think that is what I would say at this point of time. And I think this will continue – as I said, this is what is estimated at this point of time on a monthly basis, and we have not yet touched a number of other initiatives. So those will kind of even see that happening in the year.

Deepika: Okay. And sir, last question on the payment for Sea Rock land, which you have to do, I think some portion this year, would you be going forward with that?

Giridhar Sanjeevi: Yes, I think the Sea Rock settlement remains a strategy for us. I think it is very important for us to sort of take control of that and I think what so far we have done is that, I mean we have not it kind of completed it, but we do hope to complete it absolutely. And I think any case that payment is staggered to the end of 2020.

Deepika: Got it. Thank you so much.

Operator: Thank you. We take our next question. Participant, your line is open. Please go ahead with your question. If you're on mute, please do press the unmute button. As there's no response, move to the next question.

Kaustav Bubna: Hello.

Operator: Yes, sir. Please go ahead sir.

Kaustav Bubna: Yeah, hi. I'm Kaustav Bubna from Rare Enterprises. So just could you give us some more color on your domestic and international subsidiaries? How have they performed in FY'20 over FY'19 financially and operationally? Could you like go into some major subsidies internationally and domestically and just explain that to us?

Because I feel like in FY'20, your subsidiary, operational performance was better than FY'19. There was a big jump, at least in the nine months of FY'20. So could you explain where this is coming from?

Giridhar Sanjeevi: I think if I look at the – what are the major subsidiaries for us. The biggest subsidiary is Piem Hotel. So Piem Hotels continue to do well. Of course, I think domestic businesses were impacted in the month of March. I think for the full year number Piem will probably do INR400 crores in terms of top line, which was minus 7% in terms of revenue. EBITDA was INR52 crores, EBITDA was minus 30% that is because in Piem we also get a certain dividend from that company. So I think you should factor in for that. And overall that was approximately INR11 crores of growth. So but on a like-for-like basis without the extraordinary dividend that Piem received, I think was broadly fine.

In terms of Roots, Roots top line of INR213 crores, which was a 3% up. I think in terms of EBITDA, it was in positive territory, INR15 crores of EBITDA. PAT was impacted because of the fact of March and we were not able to achieve all the monetization's in the month of March. So, PAT was negative minus 9, which is still an improvement from the previous year's PAT of minus 15. So that is as far as Roots is concerned, the second important subsidiary. On the international side very clearly, between St James Court and US business, there was an overall cash improvement of about $2 million or so. We continued to focus. UK Of course did very well in terms of the improvement in performance. And as far as US is concerned, as I pointed out in my presentation, the losses came down. So therefore, on a cash profit basis – cash impact basis, overall there was a 2 million improvement actually. So I would say that the international entities did well and domestic entities performed in line with the Indian Hotels standalone in terms of the domestic market.

Kaustav Bubna: Okay, great. When you speak about simplifying your corporate structure, and sale of non-core assets, just wanted to understand, I mean, what are you guys thinking is the next steps in simplifying your corporate structure? And are you focusing on simplifying the international portion first, what are the difficulties in doing this that you're facing? And also when it comes to sale of non-core assets, I mean, what are the – I'm sure there are a lot of assets which you plan to sell, but they're probably some difficulties coming up since – if you're – I mean, it's not that you [inaudible] assets, so, could you just speak a little bit about that?

Giridhar Sanjeevi: Yeah. No, I think our simplification strategy has been fairly consistent. We have far too many legal entities. I think and therefore, we need to sort of start touch, what do you say, simplifying the complex legal entity structure. What we have been able to achieve so far are some of the simpler ones. Like last year, we sort of simplified the Taj Madras Flight Kitchen, which was standing separately away from that TajSATS. We kind of ensured that TajSATS takes over. There was another company called Taj Enterprises, which had again significant other shareholder, we kind of once again changed it. So therefore, in terms of shareholding patterns that historically – there have been multiple shareholders in some of these companies, we have simplified that. So that's number one.

As far as the bigger, bigger entity structures are concerned, do we need all these different bigger entities? I think the reality is that as far as Piem and Benares and other hotels are concerned, some of these are listed, as you can imagine, like Benares and in companies like Piem, we have partners who are significant shareholders. My ideal solution is that can we just merge all of these [inaudible] hotels and get the shares in business hotels, that probably is the best solution. But with partners there, it is not the simplest solution. I do believe that the present crisis is putting different stresses on different companies. And maybe that creates an opportunity for some of these mergers as we talked about. I think that is one part of it.

On International side about four years ago, we had clearly simplified in terms of making sure that our international companies come under our desk subsidiary, which is five or four actually. I think no immediate plans in terms of restructuring we have planned, but I think let's see how that goes forward actually. Simplification continues to be an important part of our strategy.

As far as the monetization is concerned, what we have tried to do is that number one has been clearly non-core assets like residential apartments, where our employees used to stay. That is where we had maximum success. We made a profit of some INR87 crores or INR100 crores of sales happened. Next, we looked at our land which we've never used, like whether it is the land in Pune or even development of the Ginger building in, what do you say, hotel that we are talking about in Bombay. That's also a form of making good use of land assets.

The third of course is the sale of hotel assets. So far we only done, which is part of Oriental Hotels, which is in Visakhapatnam and Trivandrum Hotel, which was used to reduce debts there.

Fourth is that are there hotels in the Indian Hotels system that we can dispose of? Of course, yes, and we do also have the platform with GIC, where we are trying to see if we can monetize some assets through the platform. So that work continues.

So clearly you're right, that monetization continues as a key objective. And of course, we have to be sensible because we're not trying to undersell anything. And I think rise on the balance sheet strategy as Deepika had asked, how do you manage, what is your target price and things like that. So monetization will be an important part of strategy to sort of managing the balance sheet. We are certainly not intending to undersell the asset actually. So therefore, we will continue to pursue it with all the discipline that that goes with it.

Kaustav Bubna: Okay, and thanks to that. Thanks for explaining that. Just what's happening with the Sea Rock Hotel, could you just – so once you complete that process of buying out the partner who holds that 15% remaining portion, environmental clearance wise, there was some hold on that land, right. So what's next after that?

Giridhar Sanjeevi: Yeah, so I think you're absolutely correct. We wanted to take charge of our destiny. We wanted to we want to buy an apartment and take control of that and cut out some of the litigations that have been associated with it. And clearly speaking, there are three levels of approvals that we're pursuing. One is the sea hazard, the second is the deep clean and third is PIL which we're trying to eliminate. Our sense is that I think there is a much greater understanding with the government in terms of supporting it. I think so therefore, we believe that for the next couple of years, we should be able to make significant headway. And I think we have also discussed in the past that we are trying to create an alternate access from under the Worli Sea Link access, direct to Taj Lands End. That also intrinsically the government is supportive. So my sense is, over the next couple of years, we do hope to sort of make significant progress on these approvals. We will keep you posted. It's been a long and hard journey on this actually, and I don't know, is there anything else you want to add Puneet on this?

Puneet Chhatwal: No, just that we're very close to finding a solution, but the transaction value is so high that we have to be prudent in doing the right thing. And we have a lot of history on this one. So you have to settle like one step and the next step and the next step and the next step and we are almost now coming to the end of it in terms of solving it. The 15% you mentioned and acquiring that. Then we have to go and get the permissions to build. And I think this is becoming an opportune time, the timing works now in our favor, which worked against us in maybe the last 10, 15 years.

Kaustav Bubna: Great, just if you don't mind last question. So just if you've done some survey, if you have this data; in your domestic hotel, so if you take all your hotels in India, would you know, on average, how much percentage of that – of your client base is international? So how many people are travelling from international destination to come and stay in your domestic hotels?

Puneet Chhatwal: Yeah, it's a good question actually. We don't mind at all, it's a question which has several answers. So let me try. Giri shall I go and try and attempt it?

Giridhar Sanjeevi: Yes.

Puneet Chhatwal: Yes. So we have different brands in different market positionings. If we looked at a Ginger branding, almost 99% of the business is domestic. Then we come to a Vivanta level of branding. I would say almost 80-85% of the people visiting those properties is domestic. When we get to the SeleQtions, I think it is a mixed bag and it's a very small portfolio, only 12 to 15 hotels. So it is not so impactful. When it comes to Taj, the numbers remain the same. And just the international improves from 20 to 25 and then you are on the domestic front at 75. When it comes to the palaces that we have, there the International and the tourism driven business versus only business and MICE and weddings, becomes almost 50%. But the palaces are not that large in size. So I think international business is very important for us because it is high paying. That's how it gets to those percentages, but it's not the biggest volume driver for us. The volume drivers remains in India your domestic MICE business, your domestic wedding business, the domestic business and the leisure segments which drive occupancies and rates. And that is why the growth of domestic business or the rebound for domestic for India is far more important. versus if India was, let's say, a country like Greece or south of Spain or south of Italy, etc. or even south of France.

Kaustav Bubna: Okay, great. Thank you so much for answering. Yeah, thank you so much for answering these questions.

Operator: Thank you, sir. We'll now take our next question.

Amandeep Singh: Hello.

Operator: Yes, sir. Please go ahead.

Amandeep Singh: Yeah. Hi, this is Amandeep Singh from Ambit Capital. Thanks for the opportunity. So sir, firstly, can you help us understand your industry outlook across domestic, international business and leisure including MICE? And how would be the recovery across these segments?

Puneet Chhatwal: I think we did answer this question in various forms. We think domestic is the one which is going to come back faster. International will only come back through the international travel or the repatriation flights bringing back non-resident Indians back to India. Now if they are holding another passport or another card, then they're also counted as international when we count the traffic coming in. So but in the short-term, in the next three to four months, we don't see international travel coming back that strongly. Once we do our Q1 call, I think the visibility will be higher to give that answer. The domestic business wherever the markets are opening up, we're seeing that business is reviving faster than we thought six weeks ago, including the hotels were given the permission to sell or get rid of the liquor stock because there is an expiry date for beer etc. So it went faster than anybody would have thought is possible, at a lower margin because you can only sell it at a MRP. But the sales actually started happening.

So this is the – we started this Hospitality At home, selling hampers, then it worked more than we thought it would work. So there are domestic – this is the thing that domestic is stronger and domestic is far more important. And those potential travelers as I said who are not able to travel abroad are also stuck here. I'm sure they will need to get out whether they go to Goa or Kerala or Bangalore or Rajasthan, that is the one which will come back faster. Also, because some countries might put in – like we have different states saying different things. Some countries might put in protocol for quarantine that people might be discouraged to travel to international destination.

Amandeep Singh: Sure, sir that's helpful. As a follow up to this, how do you expect ARRs to pan out given the higher share of quarantine travelers currently and company's dependence on the luxury segment?

Puneet Chhatwal: Sir, it's a good question. I think, again, this is a very important factor for our industry as we all know, it – like all of you know, it's the second half of the year, so October to March. We are expecting ARRs to bounce back in this period, but now it's the time you take any business you get, right. So if you're getting to open the hotel, because you're taking on quarantine, or you're hosting medical workers, you just do it because it reduces your suffering as long as it is above your – taking care of your cost and you're not out of pocket, you're fine. And that's what not only us, almost all hotel companies are following the same.

Amandeep Singh: Fair enough, sir. And lastly can you guide us with your CapEx plans for next two, three years if possible?

Puneet Chhatwal: So two, three years we can't say. The only good news is I will let Mr Sanjeevi answer the second half of the question is what we are doing is the necessary thing. So we have to finish – for example, the Connaught in Delhi, which is only one month it needs to finish. So we will do that. The second is on the Mansingh. We are renovating Mansingh, so we will have that also. And third is things that we have started like we have started building a microbrewery pub in Bangalore. So we'll finish it and we will open it next month. Giri?

Giridhar Sanjeevi: No. Yeah. No, that's right, I think we are focused on what is the most important at this point of time, everything else has been kind of deferred until we get better clarity. Clearly at this point of time cash conservation is critical. So I don't think we'll be able to answer for two, three years. Because really, if the business recovers, so what we have kind of deferred will go back; like for example, the Ginger, Santa Cruz, while for a few months. And we see better visibility on cash then at this point of course. So I think we'll be very prudent in terms of how we kind of spend money on renovations.

Amandeep Singh: Sure sir, thank you. That's all from my side, and all the very best.

Operator: Thank you, sir. We now take our next question.

Speaker: Hi, this is Achal from HSBC. So I had a couple of questions. The first of all, I wanted to understand. So as you rightly said, you are in cash conservation mode and of course the uncertainty is too high, so what drove you to still go ahead with the dividend payment? And so that was a bit unclear. So if you could please help me on what was the – or why you decided to go ahead with the dividend payment?

Giridhar Sanjeevi: Dividend payment, I think you were just saying why we declared a dividend. Is that what you're asking?

Speaker: Yeah, I mean, exactly. So what was it that drove you to announce the dividend payment when most of the companies are cutting that dividend because of the belief –

Giridhar Sanjeevi: Yeah. We have retail shareholders. And while I can't talk in terms of the future numbers, I think very clearly this year, given the COVID impact in the current financial year, there is going to be a significant impact in our P&L. So therefore, we thought that it is unfair for retail shareholders not to get the dividend – reduced dividends this year and maybe normal dividend in the next year. So we just felt that it is only fair that we kind of maintain the same dividend of 50% that we announced. And this year as you know, there is no dividend distribution tax. So while this – while it took away last year's cash of INR71 crores, this year the cash was about INR59 crores. I think in the overall scheme of things, I think it's very difficult to sort of look at every expense and say was this good or bad. I think we like to take a balanced call on what's the right way of approaching business actions. And we genuinely felt that this is the right thing to do for the shareholders, especially the retail shareholders actually. I think it's okay, fine. Even if you had reduced dividend, we have saved maybe INR10 crores, INR20 crores, that's all, nothing more than that.

Speaker: Right, fair enough. The other thing I also want to understand, so you have given the NCD commitments for the next two to three years, which ranges about 14 billion. So how are you planning to meet those commitments? I mean, are you going to finance and how are you planning to meet those commitments at the moment? I mean, I think you need the finance those right? I mean, so how are you planning to do that?

Giridhar Sanjeevi: What commitments? What commitments you said, NCD?

Speaker: NCDs, nonconvertible debentures you have, and so how are you planning to do that?

Giridhar Sanjeevi: Yeah. Yeah, we're just fine. Those payments are coming up next year. As I said we are very prudent in terms of how we're approaching the financial market for liquidity. We enjoy tremendous trust and reputation with the markets. We are pursuing a monetization strategy. So at this point of time if you ask me, I think they will be fine in terms of being able to meet the commitment next year. I don't think there's an issue at all.

Speaker: Right. Okay. In terms of cost, so I mean, you outline that how you're trying to cut cost. And of course, most of hotels are closed and so you have cut down the cost. But as you start reopening those hotels, the cost will start coming, so how do you see – how the cost would evolve because if you have more cost I mean, fixed% then probably even if you open some hotels, you will have to spare some more cost. So do you think that profitability would suffer in the next few months due to – as you as you open the business or do you think, actually, no, that's not the case?

And secondly, how the cost structure will look like once the – once your business is open fully? And so you must have used some of the costs or of those deliveries – there must have been some structural decline in the cost. So how would you – how will your cost structure would look like once your business opens completely?

Giridhar Sanjeevi: Yeah, thank you for this question. But I think we are making substantial progress in terms of costing. We're looking at it as far as I told you even in the dividend question, it is not one line of cost in terms of to comment on what we are doing. It's about – in the aggregate the way we are approaching – all the different costs we look. And I think some of the structural changes we do is something which is underway and is not something which could be achieved in three months time. So I think the COVID has given us an opportunity to restructure. We already started it as far as Aspiration and that work continues. So my request is that we would be able to give you a better update in the quarter in terms of the progress we've made. I have already outlined to you so many times cost saving that we're expecting [inaudible]. So that will mean next – at the end of Q1, we'll be able to say what more are we bringing. So I think we will have to take it one step at a time in a very sensible fashion. I don't think we can take knee-jerk reactions in terms of cost reduction.

Speaker: Right, okay. And the last one for me if you could please. I just wanted to understand, so now you have given a target that you'll be opening 15 hotels every year. So would you be focusing more on the Ginger brand or also if you please give us sort of a bit of a sense in terms of how the mix would look like?

Giridhar Sanjeevi: Yeah, Puneet, you want to answer it please?

Puneet Chhatwal: Yeah, I think we did not say – we said when we started the Aspiration 2022 that we'll add 15 hotels to our pipeline every year, which is possible because we have so many signed contracts that we end up opening also around 15 going forward. But definitely in terms of number of hotels, the Ginger brand would be definitely ahead. Up till now it has been the Taj and Vivanta and SeleQtions. But going forward in number of hotels it will be Ginger, but in number of rooms it will not be Ginger as Ginger could be smaller properties 60, 80, 120 because in that business model you can still make money in a smaller set of property.

So there are two large Ginger's we have envisaged, one we have announced, one we have not yet announced, which we are not allowed to at the moment as it's in a confidentiality phase. But the one that we have announced is the Santa Cruz and it will take three years to get built and open. That's a 371 room one. But the other the average size of Ginger, if we can achieve above 100 rooms, it's very, very good. So yes, number of hotels because you can have a Ginger, you can have 20, 30 Ginger properties in Mumbai itself. So that's the kind of branding. And I always give an example of some other chains and some other big cities of the world they have sometimes more than hundred hotels among the different brands in one city alone. So of course, India is not in that lifecycle phase in its economy, but if you can – if others can have 100, we can have 10, 15, 20, but different sizes in different areas of the town.

Speaker: Okay, thank you so much.

Puneet Chhatwal: But the total number of rooms will not exceed – let's say Taj Mahal Palace Tower plus Taj Lands End plus Taj Santa Cruz, the number would – those three hotels put together, the three Taj put together would be equal to maybe 10 or 12 Ginger hotels.

Speaker: Right. Perfect. Thank you so much.

Giridhar Sanjeevi: Shall we take one last question, please? And then, of course we can happy to converse offline, so one last question please.

Operator: Okay, sure. We take our last question for today. Participant, your line is open. Please go ahead.

Speaker: Yeah. Hi, this is Vinod here. Am I audible?

Giridhar Sanjeevi: Yes, of course.

Speaker: Hi, this is Vinod from Franklin Templeton. Uncertain times, but does management have any sort of broad expectation about sort of the recovery path for the year both in terms of occupancy and day rates for next say 12 months, 15 months, how could it pan out? And based on that, do we have – I've not fully credited that, but do we have any near term debt payments the next 12 months that that is of concern to us?

Giridhar Sanjeevi: Yeah. No, I think we have not yet kind of given out any guidance in terms of what will happen in the next year or so. I think we have just started simply opening up from the lockdown. And, as you explained for us, October to March, the entire hotel industry is about 65% of the business during this period. So I think we see with our experience in China and if that pattern of recovery happens and we kind of come back to a reasonable level of recovery by October, I think it'll be great. So I guess maybe the next quarter's call, we'll probably be much clearer in terms of how to see the patterns of recovery.

In terms of debt repayments, we only had one major debt repayments this year in the month of – last month, in the month April over INR200 crores, which we have repaid. And there's nothing other than – no other major debt repayment we're expecting in the current year. So we're fine. In any case, as I said, we enjoy huge credibility with institutions. So our ability to refinance and raise better different maturities; and as I said, we have no reliance on short-term debt this point of time. So we don't have concerns on our balance sheet and debt repayment capability at all at this point in time.

Speaker: I have two smaller questions as well if I may. A, based upon your RESET cost program, what could would be the EBITDA breakeven occupancy for you or if I may put cash breakeven EBITDA. What would be the cash breakeven occupancy rates for you?

Giridhar Sanjeevi: Yeah, I think it's a great question, but I think that question is going to be answered if you have – if approach to cost reduction is kind of clinical. I think our approach to cost reduction is much more holistic in terms of our approach. I think in general, I will say that maybe 50% occupancy is what we can predict, but we will work on it. I think – and a lot depends on a recovery of business. I would say 50% cash breakeven is probably a fair answer.

Speaker: Right and lastly, this management contract business which is great lever to pull up margins and growth on asset-light approach; do you think that business would be under greater challenge than our latest asset ownership business? The asset owners will have difficulty in cash flow. So A, is there a risk of losing some of those properties that may or may not come back so easily back to business? And B, growing the inventory management business, can that be also a challenge?

Giridhar Sanjeevi: Yeah, I think –

Puneet Chhatwal: It's a very, very good question, Giri, if I may go first and then you add.

Giridhar Sanjeevi: Yes, of course.

Puneet Chhatwal: It's an excellent question because this is exactly what will happen. So not just with us, but in the industry it will happen. You do – bad times is a test of relationships. And as a part of a legacy hospitality company, as we mentioned before, we have to do the right things and not necessarily be the fastest. So if our owners are not in ethical behavior with the employees or with other things and take unnecessary hasty steps, it does spoil the relationship and maybe we have to walk away from each other, right. And that's what happens if you have a third party contract and you figure out a way. But because of all the goodwill that has been generated around the Taj name becoming the nation's strongest Brand that we delivered for hosting the medical staff, for all the reasons that they have been in the television and newspaper news, there are a lot of people who will also want to partner with us because they are dissatisfied with another client.

So this will definitely happen. It's a consequence of such a market situation that the market is confronted with, but we will not do anything that is not right. For example, it's a liability in terms of company's having valid agreement with another brand. So we will not go and poach them unless they have terminated their relationship and today don't have a brand and are allowed to negotiate with us, only then we will do that. And we hope the rest of the industry will respect the same with us. But there is a natural and normal consequence of this pandemic in an asset-light growth model is that there will be some that we will lose and some that we will again. As long as the gain is higher than the loss and it's more profitable and brand enhancing, then it can be even a good thing. Sorry Giri, you can add.

Giridhar Sanjeevi: No, that's correct, actually. And I think you've answered it. I think that's exactly the case. And of course, some owners beyond ethics, as just Puneet said. Some owners will have – some of the single property owners that have, have their own challenges on leverage. So I think as we saw possible that we see not just for respect for other, there could be more IBC debt cases on single property ownership. So we'll see. That also creates the other opportunities which should come up in the market gives opportunity to look at some acquisitions through the GIC platform as well. So I think yes, we will see some changes, interesting changes in the next one year.

Speaker: If I may, this F&B segment of yours, does that get damaged more structurally in the current environment? I mean, the revival may lag, the revival in the room business, is that a fair assumption to make?

Puneet Chhatwal: No, I don't think so. In the short-term, yes, because of the number of people allowed by the government for functions, like mostly it's limited to 50. So as you said, this too shall pass, doesn't mean that there will be no weddings happening in six months or one year from now for more than 50 people, or no meetings or no conventions. I mean, once – there is a life during COVID then there will be a behavior pattern post-COVID and then there will be an era post-vaccine. And I think we have to treat these phases differently. So of course, in the interim that is affected, that is the truth. But if we are able to launch this kind of home delivery and other food businesses, microbreweries, I think it is a new source of F&B income also. It may not compensate for a 500, 1,000 people wedding, but it is a new line of business. So when that business comes back, this will add on top and improve the F&B revenue. But in the short-term, both room revenue, F&B revenue, other revenue, everything has been affected negatively.

Giridhar Sanjeevi: No, that's correct. And I think one other factor to note is that what we believe will happen is that the high street restaurants will definitely suffer more in terms of the trust factor. And I think that we believe that restaurants in the five star hotels, the bigger hotels would probably benefit because of the perceived trust in terms of social distance and hygiene. So I think let us pan up.

That's all we have for today. Thank you all for your time. And in any case, our teams we're kind of engaged with investors as we go forward. So we're more than happy to do specific investor calls. In fact, some are already being set up in the next couple of weeks. So thank you all for your time.

Puneet Chhatwal: Thanks, everyone. Thank you for joining. We can close the call now.

Giridhar Sanjeevi: Yes.

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