The Indian Hotels Company Limited

IHCL Earnings Call – Q4 & FY 2020/21 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 Q4 and FY 2021 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 participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch tone phone. Please know that this conference has been recorded. At this time, I would like to turn the conference to Mr Puneet Chhatwal. Please go ahead, sir.

Puneet Chhatwal: Good morning everyone. Welcome to the global conference call for our full-year results and Q4 of 2021. I'm not sure if the screen – if the slides are visible, Nitin?

Nitin Bengani: It is, Mr Chhatwal.

Puneet Chhatwal: I am able to see – now, there was some lag happening. Sorry for that everyone. So let me begin with a picture of the Reimagine Chambers launched at Taj Mahal in Delhi. As most of you know, Chambers is a very important private membership club business for us. And very soon within the next six months we'll be launching Chambers also in London. We're already operational in Dubai. So this is something which is really our competitive edge and has been so over the last four to five decades.

Moving on, I think it's very important that we are going to also launch in this very month our Southeast Asia's first all-women managed luxury service residences. That is the Taj Wellington Mews in Chennai. This is just awaiting certain approvals so that it can become operational. And also shows the focus of the management, the continued focus of the management on diversity and how important it is for the progressive nature of our business as well as for the hospitality industry.

There was a key milestone that we achieved. We have now a 200 hotels portfolio in India. So this figures that you see right now are just our India business across our four brands. This does not include our homestay business, that's separate, but this is only related to our four hotel brands. And we have almost 50 hotels in pipeline. And the Taj Wellington Mews Chennai will be the 150th hotel to go into operations on our home territory. And this is a significant milestone. So by far, this makes us the largest hotel operator of India in terms of number of hotels, in terms of number of locations, which is listed in a couple of slides later which I'll show you. In total, our portfolio, including international properties is today at 221 hotels. So 221 hotels total portfolio, 55 hotels approximately in the pipeline, 50 on the domestic front making us one of the most significant player in terms of pipeline having the largest – or the industry leading pipeline I would say.

Moving on another slide which underlines, this fact is done by HVS ANAROCK. They recently came up with a report for the last year, which is the calendar year numbers. And you will see on 2020 on brand signing by number of keys, by number of properties also by brand openings in terms of number of keys and number of properties, Indian hotels has been leading the pack. We signed 21 hotels, totalling 3041 rooms. This is till 31st December, as I said, these are figures of calendar year. And we opened nine hotels, totalling 927 which was way ahead of any other hotel company. In India, except on the opening, the number of properties we had a joint position with The Fern Group.

And how does this look like on the map of India? This shows our pan India footprint, 90 plus locations. So we are both in the depth and the width of the market. And I say depth of the market, it means that in key metro cities, key regions, we almost have a significant presence much larger than anyone, whether it is Delhi or it is Mumbai, or it is a place like

Goa. So we have almost 18 properties operational in Goa today which obviously includes six under our homestay brand, the Ama. So that makes us a player which covers not only two different brands, a Ginger, a Vivanta, a Taj, a Taj Convention Centre, a Holiday Village, and our homestay product, but it also makes us a very important player both for the leisure and the business segment for the conference segment, for mice segment going forward. Globally, we are present in a hundred plus locations and we have 17 international hotels under operation.

Moving on, I think after this brief introduction, the industry has been confronted with an unprecedented challenge. And as you can see RevPAR declines along the world; in Europe has been close to 60%, North America 64%, Middle East and North Africa 56%, in Asia Pacific leading the numbers with more than 71%. And within India also the number is more or less close to 70% when it comes to the decline in RevPAR. And there is a loss in revenue of almost 90,000 crores. There's a 57-59% drop in RevPAR for the country and 30% drop in occupancies, and 18-20% drop in the average rates. This is very, very difficult 14 months that we have in India behind us and has put the entire hospitality space in a very difficult situation.

Having said that, I think the core values and our DNA of Tajness helped us to rise to the occasion. We have Tajness which is the diamond that you see on the screen. This is the pins that we all wear. And this is encompassed by the six Cs, which is the first one being our commitment. Our commitment to the health and well-being of our customers, our commitment to the health and well-being of our associates, our commitment to being positive and also reflects hope. Our compassion, serving the nation, taking care of all of our employees, serving the nation. You would know that in the preceding year we served more than 3 million meals across India, and we hosted 70,000 home nights, and

in certain cases, I would say because of double occupancy, we exceeded 100,000 bed nights. Our creativity. We created during the pandemic new business models, Qmin as a home delivery; Ama, which we had just launched before the pandemic broke out, so it was also a progressing Ama, our innovative campaigns, like four Ds, to which I'll come to in a bit about dream, you drive your discover and delight new destinations. And our acting as an agent of change in new ways of working, our significant focus on corporate overheads and how we were able to contain them. Our culture of Tajness coupled with the culture of collaboration. How will we embrace digital together with Tata digital, having achieved digital opulence 16, 18 months ago, and also collaboration within the Tata group as one IHCL, one Tata and our culture of contribution. This is the first time maybe in the history we contributed our salaries. We went beyond the call of duty to create what we call Taj for family. So the contractual employees who had lost jobs, whether in our associate companies or subsidiary companies who work for our contractors. We take an example of a limousine contractual service, if the limousine drivers went of out jobs, we contributed from our salaries throughout the year to give them through the Taj public service welfare trust an amount equivalent to a maximum of 49,000. That's what is allowed legally. But it helps provide lives and livelihoods to a lot of people and to bridge the gap that they were missing in their lives.

So this is from Tajness, let us got what the management did in terms of pressing the RESET button. This we have shared with you, and I'll go into some detail in this conference call on our revenue growth initiatives which is where the R comes for the RESET. On the revenue growth initiatives, we had business promotions and a complete focus on domestic tourism. Just now I mentioned Qmin and Ama. We launched another brand called ANUKA with TajSATS. With AB InBev, we launched 7Rivers in Bangalore. We launched the Reimagine Chambers. We introduced the Indian Hotels Company

World of Privileges, we relaunched Epicure and a very successful venture with Taj Hospitality at Home. Besides our food and beverage innovations on 7Rivers or other projects, I think reimagining our existing brands was important. And you know, I don't know how many of you noticed before we changed the slide, to the consolidated income level, it added 264 crores. And if we look – we took revenue level, how it impacted the enterprise level, the number was north of 400 crores.

In terms of excellence, we are one of the first companies to come up with Taj, so commitment, restrengthened. In terms of a zero-touch service transformation, in terms of our excellence in, as I mentioned, in providing meals, providing assistance to Taj for families, and also employee-focused initiatives. We did a lot for the health and safety of our employees. We did a lot building the space for the learning and development of our employees. We used the time instead of you know just waiting for the pandemic to be over, whenever hotels were shut, extra learning and development initiatives were forged. Extra one-on-one health, that's what we call it the initiative that was launched where employees could reach out for any kind of help they needed on the personal or professional front.

Moving on order on spend optimisation. That is the S in the RESET. We were very diligent on how the phased reopening of the closed hotels happened. You will all be aware almost 80% of our hotels were shut down, and how we managed the phased reopening not only from a safety and security perspective but also in terms of controlling both variable and fixed costs was something that was done for the first time. Payroll optimization by redeployment of our staff in our new openings in other places with a complete hiring freeze, a reduction in our costs of doing business, creating what we call A1 and cluster operations. A1 is the name of a programme that we launched in – the

same employee doing different jobs in their eight-hour shift. And that makes them more versatile, but also helps you in optimising the staff that is needed to do the same job. And in cluster operations, be defined organisations in places where we have significant presence in terms of having a cluster mancom, in terms of having a cluster that looks after that region and that level of revenue. And also, we leverage our partnerships with companies like Tata Power on solar energy which helped us to optimise our cost. And the cost savings which you will hear in detail from my colleague, Giridhar Sanjeevi, led to a fixed and variable cost reduction at hotel levels of around 420 crores.

With that, I come to the E that stands for effective asset management. I think this was one of the biggest opportunities for companies to relook in to how to manage its assets, how to sweat the assets. We were able to successfully negotiate lease rental waivers and renegotiate our leases. We had the sale of non-core assets, certain assets which we don't need, some of the flats which have been lying empty. We had a few sales in the Q4 especially the sale and manage back of a Ginger property. We restructured the holding of Taj Cape Town today a hundred percent. They're owned by us and we also entered into an agreement for a hundred percent holding in ELEL which is the company where the Searock property sits. So all these initiatives, despite investments led us to another number which is pretty significant, which is 70 crores coming from these initiatives which we were able to effectively implement on the asset management level.

Finally, being thrift and financially prudent, I think the optimisation of corporate overheads, deferment of renovations or unnecessary capex, prudence in our resource allocation, securing funding tie-ups, which was important,but at the same time, creating liquidity and having efficient cash flow management was the initiatives, under being

thrift, and under being financially prudent. Our corporate overhead I'm pleased to say went down 347 crores with the saving of 135 to 212 crores.

So these were some of the RESET initiatives. In the next slide, you'll see them all together for those who would like to download the presentation later, here is a slide where you see them all together. And another one which displays all the four of the excellence, because excellence could not be measured in monetary terms. That's the next slide, which shows that our top line got us 260 crores, our spend optimisation got us 420 crores, our effective asset management 70, and our cost – our thrift and financial prudence got us 135 crores.

Also RESET helps us in the business recovery quarter on quarter basis. We all know what happened in April and May of last year when there was almost a complete lockdown. The industry came on its knees, there was a 7% revenue versus the April of the previous year. And the total for the quarter was at 15%. And the RevPAR came down to 513. This graph very clearly depicts how the industry was beginning to get into a revival mode, leaving the survival mode of Q1 and Q2, and things started becoming okay between 15th November till 15th March, I would say. And Q4, in fact, I actually ended up doing almost 72% of the revenue as a percentage of the previous year's revenue.

So RESET helped us to drive this, drive this faster with a lot of agility and in a prudent fashion. As we move on in terms of the performance across cities, it is very important that in each of these important cities, our performance exceeded that of others coming from the industry. The source of information for this slide is Hotelivate and whether it is Goa where we got to 52% as a percentage of previous year, or if it was Rajasthan, we were very much leading the – the other main cities are lagging behind, but – and very

importantly for the industry, what was lagging behind is Mumbai, Bangalore, Delhi, and NCR, these three cities especially for IHCL are very important in terms of driving the top line growth and driving the EBITDA]. It's not that Goa and Rajasthan are not important but some of our big ships are sitting in this part of the country and their performance as IHCL properties is very important, and we are hoping that these cities will soon be back to a more higher level of business than we have seen in the last financial year.

Moving on, it would be also nice to point out that Ginger and TajSATS did quite well under the circumstances. Ginger for the financial year came to 63% of the revenue of pre-COVID level. F&B revenue in Ginger doubled. Today it has a portfolio of 78 hotels of which 54 are in operation. And Ginger was also EBITDA positive for the last financial year. Similar picture with TajSATS. TajSATS in Q4 increased its market share to over 50%. New airline customers were added during pandemic. Number of flights catered in March '21 was higher than those in March '20. And focus in TajSATS is also getting into non-aviation business. At the beginning, I did mention a brand called ANUKA. For TajSATS over time is expected to get 30% – 20-30% of its revenues or the top line coming from non-aviation business. I think the challenge with flight catering business is that till the international travel does not commence, the business on the domestic front is a low margin business. But having said that, the management has done a good job in getting in Q4 market share which is almost higher than 50%.

Further I just wanted to also mention that we have our focus on scaling up what we have under the umbrella brand of expressions. So Qmin is today operational at 14 cities. We've had approximately 70,000 orders in the previous financial year with a revenue of more than 26 crores. Ama portfolio as on 31st March was 38, including 19 pipeline. Of these, a few have opened a few days ago in Munnar. Chambers has 2000 members.

They want to take it to 4,000 members because we are also adding and increasing the size of Chambers. Anybody who has been to the Taj Mahal Chambers would realise that the size has more than doubled, and in the right timing also because these kinds of outlets are more in demand. 7Rivers has had a very successful launch, and we've been able to – in a span of few months, been able to do a revenue of 4.5 crores. And we plan to scale this up as we mentioned before to 10 to 15 microbreweries over the next five years. Jiva as a spa business has today 70 plus spas. A new one now is now in three locations. That's about your salons, which were previously called Taj salons have been relaunched and rebranded. And we're about to de-link Khazana from Taj. As you see in this slide, it's already delinked. It’s not called Taj Khazana anymore. Going back to what it was called before. And ANUKA, as I mentioned, is another brand on [inaudible] which you'll hear more and more under the umbrella of TajSATS.

Moving on in this kind of a pandemic, what else can we do is we can continuously focus on excellence and on wellbeing. So under the Qmin brand, we recently launched a new campaign called Innergise. It's a special immunity booster menu. And I think this is a subscription model also which you can take for three days or five days. And under this umbrella, we will also be launching the Taj Innergize, the three days, five days, or seven days break with different kinds of wellness offerings, including the food, including the doctor on site, especially in these current times.

Having said that, I think this would be a right place to mention that our focus on excellence and wellbeing is not just to business, but also to our community. We have started resupplying meals. We go live as of tomorrow into hospitals in Mumbai. Then followed by one in Ahmedabad, one in Delhi. And also a third one in Mumbai. Two is the government one Cooper and Sion, and then also Tatal Memorial, one in Ahmedabad

and one in Delhi which will be finalised by the end of the today. And we will also would have attached already 1400 rooms in over 12 hotels in our portfolio to provide extra beds for asymptomatic patients; as you know, the nation is running out of beds, and also having doctors and paramedical staff on duty to help look after the community in an excellent way and to care for their wellbeing.

Moving on from here, I think it would be fair to say that our sustained cost optimisation has brought a serious decline in our fixed expenses per month from 163 to 118. So there is a 28% decline in fixed costs and a 45% decline in total costs. And a lot of this is also coming in the new ways of us doing business, which we also call operational excellence. We've been able to optimise many thanks to our pipeline of a new hotels opening so that people get an opportunity to grow with the brand and with the system. And at the same time, with low occupancies and low levels of business we've been able to redeploy staff. It is important that we have not laid off any permanent employees in our – within our brands in the last 14 months. So redeployments have actually helped people grow. They've provided opportunities both within our hotel business, but also within the larger start-up ecosystem. So our staff to room ratio has dropped from 1.53 to 1.14. Multi-skilling with the A1 and also new ways of driving operational excellence have all helped to achieve this figure. It is also important to sometimes not compare these figures with the industry, because we have certain operations like the Taj safaris, like the Taj palaces, which requires a very different level service, and that should not be only looked from a manning point of view, because we're not just selling a hotel room, there we’re selling a palace experience, we are selling a safari experience. And the kind of revenue that these kinds of properties generate also justify different kinds of manpower ratios.

Moving on, asset management, which I've already mentioned, the 70 crores where it came from, it's 49 crores came to lease cost savings and 21 crores from sale of residential apartments. Further, there was a as mentioned before significant reduction in corporate overheads, that will come on the next slide. We were able to reduce our corporate overhead by 39%, savings of 135 crores. As mentioned before, through redeployments, restructuring and strict prudence in all corporate expenditure and by being very, very frugal.

On some highlights before I hand over to my colleague on the Q4. If you look at quarter by quarter, I mean, quarter one was a complete washout in the last financial year. Quarter two was also almost a washout. And as I said before, Q3 and Q4, the pre-Diwali, the Diwali, the pre-Christmas, New Year, is when we started seeing business come back. And also February was a very strong month. So we do see that Q3 figure was higher than Q1, Q2 together, and definitely Q4 a similar picture. And it also started showing in our EBITDA. In Q1 we had a negative EBITDA of 234 crores which turned positive in Q3 and Q4. So we have had two consecutive quarters on a consolidated level of positive EBITDA growth, despite the fact that our hotels in San Francisco, in London, in New York in Cape Town, et cetera, were shut. So, I think it did give us a little bit ray of hope.

And on a consolidated performance, if the see Q4, we turned EBITDA positive, of course, at a low level. And the revenue also leached of a more decent level than being at 15 or 30% as was the case in Q1, Q2. But if you look at the full year, the EBITDA at console level was negative around 197 crores. And the Profit After Tax at (720); versus a PAT of 354 in the previous financial year. However, when it comes to the standalone performance, I think it is worthwhile noting on standalone we a positive EBITDA of 118 crores, and we almost came close to a PAT – a breakeven in this quarter. And for the full

year also the EBITDA was positive 40 crores in this kind of very difficult circumstances where on an average it would be fair to say that hotels were shocked for six to seven months. In some states they might have opened partially, but I think it would be fair to say that the hotels were shut and there was no relief for the sector that was provided by different state governments or the central government. And we had to manage all these costs on our own and still remain socially responsible citizens and socially responsible company.

Moving on, I think I would now pass on to my colleague Giridhar Sanjeevi to take you through a consolidated financial performance and I'll come back for the summary slide.

Giridhar Sanjeevi: No, thank you. Thank you so much. And I think moving on to some details that Puneet has highlighted. Go to the next slide, please. I think essentially this reflects the quarter-on-quarter progression that we have been able to achieve during the year. As we said, Q1 was a low number 175 crores with very low occupancies, but as the quarters progress, we were able to grow sequentially on top line from 175 crores 626 crores. In terms of EBITDA, as we pointed out, I think was the progression with EBITDA positive we achieved in Q3 and plus through Q4, actually. Our profit before taxes that is also improved from a minus 336 crores to minus 100 crores. And the PAT also improved from minus 280 crores to 91 crores. I think what is important to note is that as these businesses also recovered I think and as the levels of business started coming back up, I think we were able to match cash also well. So I think that was a very positive sign in terms of us being able to manage our debt levels as well, actually.

Moving on. This is just some details around the consolidated reporting P&L. In a sense, we had a total revenue which dropped by about 62%, but I think we continue to the key

focuses as was just dilated by Mr Chhatwal. Number one was that we continued to focus on growth. We did open new hotels. Number two was that we continued to focus on the new initiatives like the Chambers, etc., which were highly profitable businesses. In fact, in Chambers, we managed to do topline of 26 crores in the current – in the financial year as compared to 33 crores in the previous financial year, which means the robustness of a high margin service offering was demonstrated. It also included what do you say in terms of some monetisation, which included one monetization and Ginger for one of the hotels and secondly monetization of some apartments. So those contribute a sale.

On the expenditure line, I think it is very gratifying to see a minus 45% savings in total costs. We will remember that we did about 51% in the first two quarters. And I think despite an increase in activity, which does – in Q3 and Q4, which does result in some variable costs going up, I think we were able to get to a minus 45% in terms of total cost. And of course, I think – and I'll come to it in a minute – the international businesses did much better because of the support from the government which was given by UK in particular. And in US, of course, significant deferreds in terms of cost specialisation also helped in terms of achieving these cost reductions. Finance cost increases were in line with the incremental borrowings. And we have some exceptional items, that I will come to it in a minute, actually, leaving us with a total loss after tax of 720 crores. And during the quarter, I think Q4 was really the quarter with the continued momentum achieving the top line of 615 crores, and eventually loss after tax of 91 crores.

Moving on. In terms of some of the exception items that I want to highlight in Q4. I think in the overall consolidated numbers, I think we have some changes in fair value of derivative contracts, about 25 crores for the full year. These derivative contracts were taken about ten years ago and these expired by July this year. So after July, these lines

will not appear at all. The other one is really speaking the sale of property in Ginger, which is what we kind of realised in 24 crores. There are a couple of items relating to profit on acquisition of Cape Town and exchange gain /loss which was all related to some of the accounting and the exchange moments and especially in the South African brand. On the operating and non-operating revenue, I think we had the sale of residential flats and I spoke about. On the Vivanta Guahati, we managed to get a confirmation on the indirect tax subsidies. I think this will probably over the next couple of years go to about 25 crores. We've not received the money, but the government confirmations came in. In fact, in the previous year on 31st March or so, we've even got a capital subsidy received about 43 crores, so therefore I think that was one great support from the government on some of the new openings that happened. Other than that, I think these were some of the main exceptions in the consolidated financials.

Moving on. On the standalone side, I think we had top line which was about minus 57% for the full year. Cost reductions were at minus 38% as compared to minus 45% in the consolidated reflecting the increased what do you say the cost savings on the international side. We ended up with finally a loss after tax of 525 crores. And during the quarter, I think it was great to see that we continued our EBITDA positivity of 118 crores on a top line of 478 cores. And we had an eventual loss after tax of 50 crores during this quarter.

Moving on, moving on to the exceptional. Yeah, I think on the exceptional side, as you know, I think in terms of some of our international properties, especially the Cape Town in South Africa, we sort of have the practice of charging off the cash loss incurred in these properties to ensure that the investment block does not bloat up. So that is reflected in the full-year numbers in terms of Pierre cash loss of 164 and South Africa of 15. Other

than that, I think we had some sale of residential flats which we discussed, lease and rental concession and some sales tax subsidies in Guwahati.

Move on please. Finally, I think in terms some of these standalone revenue metrics, I think we continue to sort of lead the industry in terms of overall RevPAR performance as was pointed out earlier. Our occupancies continue to steadily go up except for a dip in March with the pandemic hit again which kind of was there in the last week of March actually. And the ARR is also continued to steadily improve during the year. Our room revenues and F&B revenues thanks to all the initiatives and Qmin and all the recent initiatives ended up contributing during the quarter about 478 crores, as we just saw actually. So on – we continue to be focused in terms of market share, in terms of RevPAR leaderships across the network and with our strong presence in the key cities, especially the leisure locations. We were kind of able to dominate and do – and achieve a performance which is better –

Finally, if you move on, on the overall debt position, if you move onto the next slide. I think, as I said, both the December, we have not drawn down any debt at all. In fact, I think the recovery of business helps us significantly. We ended the year with 3,100 crores in terms of net debt. Weighted average cost of debt will continue to be kind of what do you say competitive. In fact, our whole strategy of funding during the pandemic was not based on any short-term debt, because all debt in three-year, six year and nine-year maturities. So that helped. We were even able to get unsecured debt from banks. That is a testimony to the trust that is there in the company and the Tata group, actually. So we continued to manage cash flows very prudently. And this is a number that we track very, very carefully. I now, handle it to Mr Chhatwal for the closing comments.

Puneet Chhatwal: One of the key jobs of the leader is to lead in all possibilities that are within his circle of influence or control. And at the same time continue to navigate the company by managing all probabilities; you know, whether there's an extended lockdown or what happens if this happens. And in doing so in leading possibilities and managing probabilities, our management of – is continuously focused primarily starting in that order, on the safety and the security of all our stakeholders, not just the customers, but our employees, our suppliers, anybody who is linked to our system, but also in the communities that we operate in.

The number two point, despite the pandemic, despite whatever has happened and Taj being in their strongest brand in 2020, we have to always excel because this is a legacy that we have for over 117 years. And there is no compromise in any of our brands, but definitely with Taj, the bar is set higher in excellence standards day after day.

The third thing, which we are very proud of – actually we're proud of all the five, but this was not something we were known for. We were known for safety, we were known for excellence. Today, we're also known for growth. And the growth of our performer portfolio is industry leading today. As you've seen before in the statistics, our pipeline is industry leading pipeline, and we are going to open more rooms and hotels on a very smart strategy, which we have described for you before that our growth is based on the principle of being strategic, margin-enhancing, driven by asset management, built through relationships and on continuous tracking.

Number four is in order to achieve that growth, we have to have a relevant and innovative brand scape. And I think we have not only sharpened our brands that we had before or introduced new brands, we have ventured out into businesses that were not

necessarily associated with us without any kind of upfront capital investment. These are all based on incremental costs, incremental revenue, and incremental EBITDA models.

And finally, the fitness. The fitness is here intended to mean in terms of being fit, in terms of being agile, in terms of being not top heavy or not having too many costs that are not needed or not relevant. The management will stay continuously focused on further driving cost to synergies. It's not just in the last 14 months. I think it is going to be the focus of management – stay fit in terms of having a very prudent business model so that trust is reinforced in our leadership as the leading brands and as the leading hospitality company from India.

Thank you very much. And with that, I would like to open the forum for questions, please.

Operator: Thank you sir. Dear participant, if you would like to ask a question, please signal by pressing star on your telephone keypad. If you're using a speaker phone, 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 state their name and the company they belong to before asking a question. We'll take our first question. Participant, your line is open. Please go ahead.

Sumant: Hi Puneet. Hi Giri. Sumant here from Motilal Oswal. So can you talk about – more about current scenario city-wise and how things are panning out in the key markets?

Puneet Chhatwal: Yes. Sumant, the current scenario was looking quite good till as I said 15th March. There has been a lot of cancellations, so that for 10, 15 days to pick up had become negative. Of the last a week or so, the pickup is again positive, albeit at a low level. However, if we compare this April, for example, which is the month which has gone by to April of last year, I think the difference is significant because the industry is not shut down. There is a difference when you have a complete lockdown and when you're still doing business and doing something. So that's one.

And from our portfolio perspective, I think some of the markets that remain very strong or some that are beginning to open up are important. So Dubai and Maldives for example is still strong. In the current times, that's how you would describe them. And at the same time, you know, other international markets are showing pickup as they have opened up.

On the domestic front, leisure business. From very strong, it is come down to maybe strong, but it's not that it has become weak. It's only business – and as I alluded to in my presentation of one of the slides, our challenge remains Delhi, Mumbai, and Bangaluru, or some other key metros, and otherwise April is definitely significantly a big, big, big improvement on April of last year. Anything you would like to add Giri?

Giridhar Sanjeevi: No, that is correct. Actually, I think I think clearly this April will be much better than last April. And I think the most important thing is whatever numbers we saw in the previous financial year missed the important markets of US and UK because of shutdowns. And I think those are beginning to come back in the US and UK slated to open in the month of May. So I think this year you will definitely see that come through actually. And the

vaccinations also continue at pace. So I think all of those should help is what I would say.

Sumant: Can you talk about the overall percentage of business in the month of April or May compared to say March or February say Q4?

Puneet Chhatwal: I think in March it would be fair to say that in most of the places we exceeded – if we looked at not Q4, just the month of March, we exceeded the top line of the previous year because everything came to a heart on 22nd March with the Janata curfew followed by a lock down on the 24th March. This time, nothing came to a halt, it seemed to slow down. That's a difference. So March actually ended up being better than the previous year March where the impact had just started. So just 8, 10, 12 days of March were so weak that this year March was better. Then the same thing is on April. But the April bounce versus last year, as I said before, is very high because the April came to 7%. Now anything less than 30% for – I mean, anything less than 400% growth on April of last year would be like an underestimation. We don't have the figures but knowing the way the revenue progressed and where the revenues were in April last year is definitely a big improvement. Similarly, going forward unless – which we cannot, nobody can predict – unless there is a big lockdown coming over way, May, and June the show similar trends to May and June of last year. Sorry, Giri over to you.

Giridhar Sanjeevi: That's right. Actually. I think if I amplify on that, I think the – if you see the last year's first quarter numbers, right, about 175 crores in terms of what we achieved and consolidated, I think we ended the last quarter March at 200 crores plus run rate. So I certainly think that despite the pandemic and without the lockdowns and the revival of international business, we should do significantly better than Q1 of last year. In fact, Q2

last year was about 324. I won't be surprised if we achieve those are better numbers actually. So that's the way we are looking at it. So definitely despite the pandemic I think these we have more – we feel hopeful that this year will kind of be significantly better than last year.

Sumant: Last question. The employee expense QOQ declined by 34 crores. What was the key reason for that?

Giridhar Sanjeevi: Employee consul – level – yeah, QOQ declined by 34 crores.

Sumant: QOQ means you said Q3 versus Q4 you're saying – is that what you're saying actually?

Giridhar Sanjeevi: Yes, yes. So I think it's just the continued what do you say two, three things. I think continued work in terms of – I think the voluntary contributions were there, international contributions in terms of the subsidies have continued. And I think all of these have contributed to the continued savings on redeployment. I think we had the three hotels open. I think one was Connaught, the second was Chia Kutir and the third was Ahmedabad. So between these three hotels, we were able to relocate about 115 people or so. And I think all those also helped in bringing down the cost.

And I think the other one was also that there was some severance payments in the US under the trade union rules, which were much lower than this quarter actually. All of those helped in terms of getting that q-on-q to savings actually.

Sumant: Because your subsidiary top line is almost the same level of Q3 in Q4, but loss in subsidiary reduced by 34 crores – 31 crores.

Giridhar Sanjeevi: That is right. So I think that – I think it's the lower evidence in US was clearly one big reason actually, because I think in US what happened was that in the first 180 days of last year, we were allowed to kind of – under the New York union rules, about 85 people – percent of the labour, unionised labour, we were able to kind of not get them to the work. And subsequently when we brought them back, I think we had to pay a certain level of severance actually. And we were also able to restructure some of the manpower costs. US payroll in Q4 was less by 30 crores compared to Q3 actually. And that was one of the biggest reasons why we got the same actually.

Sumant: Thank you.

Operator: Thank you sir. Dear participant, if you find that your question has been answered you may remove yourself from the queue by pressing star two. We'll take our next audio question. Participant, your line is open. Please. Go ahead.

Nihal: Yes. Thank you so much. So this is Nihal Jham from Edelweiss. And so, first of all, I hope everyone is fine and safe both you Puneet and Giri. Two questions from my side. In this slide, you mentioned about the employee to room ratio, and we're seeing a reduction from 1.5 to currently around 1.1. What I just want your thoughts on is that traditionally this is a ratio that has stayed for more or less the last decade. And while I do understand that a lot of efficiencies have come in, but as you mentioned about certain brands like Safari and all, even for a lot of the other portfolio, the service levels do – other than that is something that differentiates a brand. So in that background, do you really expect that these kind of employee to – ratios can sustain or there would be a need to bring those back as business normalises because of the expectation of service levels that are

generally built in with the Taj brand? That would be the first question. I'll just come back up for my second one.

Puneet Chhatwal: Okay, Nihal. I think it's a very interesting you asked. And for this, we have to go back into – before we commenced our journey on Aspiration 2022. If you would recall, I also mentioned on Khazana getting a bit of Taj out it. Over the years, brands do take the approach of getting into – using the backbone, which is the Taj in different brands. So the Gateway Hotel for a lot of people became Taj Gateway. For a lot of people, Vivanta became either Taj Vivanta or Vivanta by Taj. And suddenly you have the brand creep, as they call it, or overlapping of standards and having staffing and some certain kinds of organizations which are more relevant for the Taj brand than for, let's say, a Vivanta. Over and above that, for reasons that must have been relevant and right 10, 15 years ago, some of these hotels were run and operated as Vivanta; like the Taj Mahal Lucknow, or Fort Aguada or Holiday Village or Fisherman's Cove, which had been upgraded back to Taj. So having a clear brand scape on which we have worked diligently over the last three years creates the right differentiation and the right positioning not just of the brands but of the structure and the business model that it brings with it.

Ginger was never mixed with anything of Taj. That's why Ginger stayed on pure – So there was nothing needed to be fixed there. I think we have fixed a lot of it. Actually, you would see a further decline in this ratio going forward as we open more hotels. As we have also worked very hard on our safari model and we do believe that not that it will go up to the ratio, we as management believe that these will be able to either retain or further reduce this room to employee ratio. And not in 12 months from now, when we come back and present our next quarter results.

Nihal: Sure Puneet. That's very helpful. Related to that, I'll just come to my second question. You know, when you took over the back in 2017 – one thing that we've clearly seen change, and whereas focus on in every interaction that we've had is about management contracts, which is clearly visible in terms of the expansion and in the current share. What I would love hearing from you is that as you look back with COVID behind us and a lot of things that have changed, what are the incremental initiatives that you think are going to come up in the next three to four year, or what could be very different with the company? If I were to give to a specific buckets that I can think of is maybe in terms of the mix of brands like potentially Ginger could be a very big part of the portfolio. That is just from that perspective. Second is that we started quite a few initiatives like Qmin and a few others in the last on year. So maybe from these, which are the ones that could really stand out, and anything else that you think you want to highlight?

Puneet Chhatwal: So, another very good question Nihal is the what we call our legacy, our backbone, our wonderful businesses, our traditional businesses, and then we call the new high growth and high opportunity businesses, which are also driven more by digital initiatives than the traditional initiatives. So Ama and Qmin and even a Ginger in terms of its repositioning is going into that group. Unfortunately, because of the pandemic, our efforts were partially slowed down or derailed in terms of the speed, because if there is a lockdown, you can't finish certain things. But we are continuing on the journey. And I personally am convinced that the Indian sub-continent besides stars, which is already very iconic, if we look at a heterogeneous market like India, Ginger in its reimagined avatar is a very big opportunity. So is the homestead business Ama, which within these 14, 16 months, we are very quickly getting close to 50 homestays.

And all of these businesses are really not driven by our investment or capital. The only exception is the flagship Ginger which we had shared with all of you that we're building in Santa Cruz. Now the building is demolished, and I think we are already in the basement works. So that's an exception, but that's also part of our strategic – both strategic investment in the brand as well as our effective asset management because that building was sitting there for 28 years and we had not done anything about it. It took us a few years to get the permission and we are strongly underway. So, yes, the high margin growth will come from the new businesses. Continuous drive on market share improvement on like-for-like performance will come from the businesses we have always factored for. This is a very clear strategy. And the combination of these should give us significant improvement further on our EBITDA margin like we have been to do so in our Aspiration 2022 journey till COVID broke out. That was the model we had before. And that is not being changed. If at all, it has been enhanced through new brands like Qmin or Ama.

Nihal: Sure, Puneet, that's helpful. Maybe next time when you shared the vision exercise, if it could give more details also, that'll be something to look at. Thanks. That's it from my side. And wish you all good luck!

Puneet Chhatwal: So, thanks. Thanks.

Nihal: I just meant from the perspective of in terms of targets, like when we heard the vision 2022 to exercise also a few years back –

Puneet Chhatwal: Sure. I think we'll be outlining that soon once the bad news on the market in terms of what we are all experiencing is over. We have that plan ready, but definitely we are

looking at Ginger being ready soon more than a hundred hotel portfolio. Our ambition on Ama in the short term is to get to our first hundred. We hope to do that in the next 18 months at the most. And Qmin is already present in 14 cities. They did a revenue of – in like nine months or 26 crores, which we give you as a number. We hope to double that revenue this year, for sure, and maybe extend the brand to a few more cities. So that would be the aspiration.

And when we come and present on our next capital market day, we'll give you an outline for the next five-year plan.

Nihal: Sure. Thank you so much. And stay safe. Thank you.

Operator: Thank you. We'll take the next audio question. Participant your line is open, please go ahead.

Kaustav: Yeah. Hi, this is Kaustav from Rare Enterprises. Hi Giri. So I had a few questions. Firstly, you know because of what has happened last year, the leverage on the balance sheet has increased. So just wanted to understand now with what's happening now, you did brief upon this earlier, but what exactly is the situation right now in places like Mumbai, Delhi, and other metros in terms of people coming and staying at your hotels? And I see there is a – there's more fund raising happening – now something a few days ago. So going into FY 22, what impact on debt do we see going further?

Giridhar Sanjeevi: Okay. So I think Kaustav, thank you, I think the net debt, as you know, they ended 3100 crores. And after December last year, we clearly did not grow down anything. Currently between cash in lines, we are about 1000 crores in terms of cash plus lines. So in terms

of liquidity, I don't see a problem. But what you are highlighting is the incremental debt which will happen. And secondly, what is the capital structure plan. Obviously, there are – we are conscious of the capital structure discussions. And I think obviously it's not a question of if, Kaustav, it's a question of when. I think a number of things are being evaluated. And so this is a number that we will continue to track to make sure that the overall net debt kind of stays within what do you say limits. And so that is a big focus for us actually. So watch this space while we come back in terms of what we want to do.

On the second question, I think as Puneet pointed out, I think very clearly the key cities of Mumbai, Delhi and Bangalore are important for us in – because these are the key business hotels. And I think during the pandemic, you did see these hotels kind of do well. You know, if I look at Mumbai it did hit 40% of last year in terms of the quarter-on-quarter performance, Delhi and Bangalore also did similarly. But I think very clearly those businesses have to do much better. Those things cities actually. And we all wait for that is what I was saying. Puneet, you want to add to this?

Puneet Chhatwal: No, I think that's fine Giri. You've answered it.

Kaustav: All right. Also I wanted to understand now that you've completed your hundred percent acquisition of ELEL, could you explain where the first Searock asset lies on your balance sheet and what the full quantity is?

Giridhar Sanjeevi: Yeah, so from financial perspective, I think we have to complete the balance acquisition by end of this year 31st December, when we are due to pay the balance of 175 crores. So that will be paid leaving another 25 crores through, which is for the future. So now obviously what we're trying to do is to think about accelerating the approvals. We

believe, and I believe – to amplify on this, we believe the present government is in a kind of very keen to sort of support us. And we are putting together a master plan in terms of what that place will look like. Clearly what I would say is that irrespective of what we do, I think our intent is not to put incremental capital on top of the 175 crores that we will put at the end of this year. So how we will fund any ongoing construction at the point of time in future is probably through some development partnerships. So those details are yet to be worked out. I think from your perspective, I will say that beyond the 175 crores, there are no plans to kind of put in more capital into that structure.

Kaustav: Giri, my question was more on if I had to look at the balance sheet today and spot the total Searock investment on your balance sheet, where would it be and what would the total amount be on your consol balance sheet?

Giridhar Sanjeevi: Correct. The total amount on the balance sheet will be able to 1,250 crores at this point of time, it'll go up and 175 crores at the end of the year.

Kaustav: Okay. Great. Thank you so much. Thanks.

Operator: We'll take the next audio question. Participant, your line is open. Please go ahead.

Achal: Hello Mr Puneet and hello Mr Giri. This is Achal from HSBC. Thank you for the opportunity. I hope everyone is keeping well. So I had couple of questions. So first of all, on the industry structure at the moment, I think previously you mentioned that the property prices are depressed. And now the gap between the ask and the bid prices are getting narrowed. So now with the fresh weakness in the demand, how do you see, I mean, do you expect more consolidations? Do you think people who are holding the

nerves might come out in the market to sell out the properties? So how do you see the industry structure over the next 12 months?

Puneet Chhatwal: So Achal. Thank you. There are two things that is clear. One, which you have asked and the other one that you have not asked, but I'll add to it. Our interactions with the industry experts are showing that people expect demand to come back even stronger than it came back in the Christmas-New Year time, or during Diwali time. Whenever it comes back, whether it is in two months, three months, or four months, that's anybody's guess, depending on what lies ahead in terms of the pandemic. That's one.

The second is that there is more than more trust in domestic brands globally. Now, whether this is a permanent phenomenon or not, we don't know that, but we have seen that from our own market share reports that we have had in different markets. We've had in certain properties which have been there for a long time a very disproportionate share. So, in times of crisis, people go towards brands. What does that mean going forward for the consolidation?

As the moratoriums are gone and finally, the impact of ECL i.e. emergency credit lines services is gone, this activity will pick up speed because of what I had mentioned to you before, and you mentioned in your question, the gap between what a seller is willing to sell for and a buyer is willing to pay, that gap has narrowed. And that narrow difference in the gap can be overcome through creative solutions of some kind of convertible structures. So definitely M&A will pick up speed in the next three to four months. And whether it is a single asset or it's a small chains or whatever, this consolidation is a fatal complete – it's going to come. It's always been, it's not anything new, but in certain phases it gets accelerated. And if it does, and if something fits with us or with our

portfolio in whatever form, whether it's – we would like to straight through to our strategy of asset-light growth, what we are willing to find creative solutions, to take advantage of this consolidation, provide the right kind of customer base and the revenue levels that are needed through our infrastructure and also at the same time expand our portfolio.

Achal: So Mr Puneet, are you finding this thing – I mean according to your understanding or your discussion not even with industry experts, but are you finding these kinds of opportunities – are you finding these kinds of offers from the hotels to come and acquire them and then so at the right price or at the squeeze price? I mean, are you seeing that kind of thing at the moment, or is it just on the paper at the moment and probably it could happen over the coming months?

Puneet Chhatwal: As I said, as of September, they have been in discussions for the last six, eight, nine months. As I said, there was a lease of life through the moratorium that RBI had. And then there is this ECL GS scheme. But all these are not forever. And eventually in order to find a good business model, people will need to collaborate and need to partner. And we do believe that we are one of the best partners that one can wish for.

Achal: Yeah. Right. Exactly. No, of course. I mean, that is true. That's why I think you have an edge over the other hotels or the other brands. And my second question was about your strategy. In these changing times, what kind of shift do you expect in terms of strategy? Of course, you mentioned about getting the Ginger brand stronger and all, but I mean, so now of course, with the fresh weakness and then the recent challenges in the marriages and all, on the F&B, beyond the room side, what sort of changes should we

expect in terms of strategy and how that could have an impact on your overall profitability?

Puneet Chhatwal: Yeah, I think the real estate hotels are also a class of real estate, right? And we cannot have – there is a something it's as a short-term tactic, which is not a strategy. A hotel ultimately has to function like hotel; whichever category it is, whichever positioning it has. So at some point, this pandemic too shall pass. I mean, what time we don't know but it will pass at some point, and hopefully the worst is either behind us or it's currently happening and not any worst is there to come. Having said that, I think what we have been doing is a very good reflection of how you try to hedge a portfolio against all these kind of unforeseen events. So if you're driving your asset-light based on management contract model, a lot will not change on your top line, but when things become bad, a lot does not change also on your management fee income, right? because if you're getting 6-7% of the total revenue as management fees, and if it drops by – that revenue even drops by 50%, you still get 3.5%, but you're not out of pocket. Right. That's – but at the same time, because management fee is the only thing going into the top line, your top line does not show a very big leaps as would be the case if you own the property.

Second is your focus on new brands and use of digital going forward. Having our own app for Qmin – maybe at some point of time Ama will also be a more digital platform – not today, but at some point of time, we'll work on it once you've reached the first hundred number. It presents a very good opportunity of not being in a traditional capital- and labour-intensive business.

But having said that the most iconic brand that we have is the Taj, which helps us to become the most iconic. And with the addition of these initiatives that we're putting

into place helps us also become the most profitable company. That has been what we said in the Aspiration 2022 we would like to maintain that ultimate goal of being the most iconic, most profitable, the largest hospitality ecosystem that India has produced, largest number of hotels, largest number of destinations across all ends of the market. So that's there. Temporary changes – certain adjusting the sales like having a few more extended stay models in the hotels; having the new, I would say, reimagine business launch [inaudible], having Reimagine Chambers, absolutely the creme de la creme of the country. These are initiatives which are independent of a short-term impacts of a pandemic. These are based on the evolution of the continuously changing customer habits and the customer needs. So I think we'll continue to work on that. It's a – the short term is only you can change is you can control costs. Hope that answers –

Achal: Right? Fair enough. Finally – yeah, no, that's quite helpful. That's very helpful. Thank you for that. Finally, I also wanted to understand about this the Qmin, I mean, it's so – and other business, I think, which you previously talk about is that I think previously you mentioned that the corporates are taking some of your space and converting into the office actually for their employees. I mean, you know – and that sort of business. So now in these kinds of businesses, what kind of growth are you expecting over the next coming weeks? Are they still in the nascent stage or are they – or do you expect some significant growth over the coming years? So, I mean, so if you could please help understand these things,

Puneet Chhatwal: Right? So thank you for this question. Some of these things, as I said before, are based on incremental cost, incremental revenue, and incremental EBITDA models. So if you take Qmin, these are – this is being done through kitchens that already existed, staff that was already there, right? We have our own app. So we are not using a third-party

platform which also dilutes margins. So our margin in Qmin is anywhere north of 50% for the property. And how we structured it internally, that's a different issue.

Same thing as for Ama. All the Amas are in the vicinity of a hotel property that we have. So the hotel general manager and their teams look after those homestays. This not separately staffed today. Of course, at some point of time, Ama will have its own core team of four, five, six or seven people as the brand keeps increasing in its footprint and its size.

So, most of these models, we cannot just look at the top line only. If you do a revenue of say 50 and it gives you a net profit of 25, or like Giri mentioned on Chambers, if you do a meal 26 and it gives you a profit of 20, this becomes your high margin contributors. And over time, they'll also become strong brands. So same as – all these new businesses we're looking at, we're looking at that they should add collectively to our pre-COVID top line level of 10-20%. But when it comes to EBITDA, they should add to definitely more than 20-25%. So, the revenue may not be that big. In the short term, the profitability will be higher. And as we scale them up, then the revenue will start to increase also.

Achal: Right. Fair enough. Sorry, last question. If you could please quick quickly give us an update on the – on your deal with GIC. I mean, you had it, and then there's nothing update on that. So where are we on that, are we thinking about anything or how is happening, or what's happening there?

Puneet Chhatwal: We still have our platform with GIC and we are exploring different opportunities. But as I said, now when the gap grows narrower between the sellers and buyers expectations, maybe more deals are possible. But last 12, 14 months was not the right time, because what is the base you're taking or a discounted cashflow projection for a property? And

when do you assume the recovery comes, that creates on a present value calculation basis a huge gap. Especially when your cap rates are high. If they are low, it's okay. Like in Europe, you're using a 4-5% cap rate is very different than when you use a 12% cap rates, right? So, that gap tends to be much larger. Therefore, I think now it is getting to a good time. And if the current crisis goes away in six to eight weeks, then as of September, we will start seeing more activity on the M&A level.

Achal: Right. Fair enough. Thank you so much. And good luck.

Operator: Thank you. We'll take the next audio question. Participant your line is open. Please go ahead.

Shaleen: Hi Puneet, Giri. Shaleen this side from UBS. Thanks so much for the opportunity. Actually most of my questions have been answered, and just can I get some more information on the international properties of yours considering that they allow better placed better compared to India in terms of the pandemic? So what's what kind of occupancy, etc., you are witnessing there?

Puneet Chhatwal: I will start, maybe Giri you can add in the end. Yeah. So Shaleen, thank you. Occupancies in Maldives and Dubai have been close to 70-80% or even higher. But that's what we're looking at now as we speak. This is – I don't think this is going to change in the short or medium term. When it goes to more than the Western hemisphere, is just to start. New York has come up to 25% occupancy. San Francisco is the same. They're going to open up also a bit more. New York is opening up as of coming Monday restaurants with 70% capacity. So that is a good sign. They would not be opening Broadway, but things are opening up. Cape Town also is seeing activity, although this is the opposite time for Cape

Town. In Cape Town, the best season for Cape Town is between October and March. And one of the things I think we missed out Giri and I to a point when we talk about our debt, a significant number also came through the consolidation of Cape Town. So the numbers that you see, how the debt equity is, so that's a little deviation, but I would have forgotten, so I just I'll just mention that previously it was not consolidated. But now that we are a hundred percent, it got consolidated. Cape Town is also showing very positive signs of recovery. Hopefully, that will hold on.

The rest is really our Sri Lanka business. I think that is also started on a slow pace, but it has started. And I think important for us is London. For month of May, London after New York and San Francisco is very important. London has also always been historically important because it's a very important market for Indians traveling abroad. So unfortunately there is a new – the quarantine rule that came for people traveling from India to London. But I think it's a matter of time once that goes away, we expect London to do very well for us. And has always done well. So we are very, very positive on the business in Dubai, Maldives, London, and carefully optimistic about New York and San Francisco for as well as Cape Town.

Shaleen: That's really helpful Puneet. That's it from my side. Thank you so much.

Operator: Thank you. And we'll take our next audio question. Participant, your line is open. Please go ahead.

Rajesh: Thanks for the opportunity. Rajesh from Banyan Capital. My question is out of this revenue of 626 crores in this quarter, how much of it came from the managed rooms versus the old rooms?

Puneet Chhatwal: So the managed – so consolidated revenue, as you know, we don't consolidate the management revenue rooms, except management fees, it's really the fees. So I think the fees for the current year for the full year – Q4 was about what? I think the total fees for Q4 is about 39 crores or so in Q4. So that was what is the income which would have been included in the total consolidated revenue, 626 crores.

Rajesh: Okay. No, that's a fair point. So maybe you can give EBITDA flows that is more relevant

Giridhar Sanjeevi: No, EBITDA flow through. What happens is that this 39 crores is a combination of two things. One is management fees and the second is reimbursements. So on the reimbursement, it is a part which means we don't make money out of it. And normally the split between base fees and reimbursement is approximately I would say two is to one. So I would say that on the management fee of say 25 crores or so, I would say that – maybe a little less, 20 crores, I would say, plus some of incentives fees would not have been there, I would say the flow through on that would be about 70%. So hence I think the reimbursement flows through as, you know, there is no margin on it, but we save on expenses and on the fees, the flow through is at least a what do you say – overall I would say about 70% is what I would say. So the best answer would be that of 39%, 70% would be the flow through for EBITDA. That is the answer.

Rajesh: Okay. So 70% of – or let's say 40 crores, which are roughly 28 crores will be the EBITDA contribution to 83 crores, right? That's what you're saying?

Giridhar Sanjeevi: That’s right, because you know, on fees, it’s a hundred percent flow-through, and expenditure there is no margin. So net-net, I think it would be about 70% flow through. That's right.

Rajesh: Great. Great. Second question on the debt side. Given the level it is at today, where do you see it peaking out in the next two years?

Giridhar Sanjeevi: Next two, three years, I think it's – to be honest this 3110 included about 290 crores or so which came from the South African consolidation. If I exclude that, between the beginning of the year and end of the year, we effectively added nearly about 1000 - 900 crores or so because of the pandemic. Now, clearly speaking, the increase in this level is not something that we would like to be honest, actually. And hence as I answered, Kaustav, I think liquidity is one part. Liquidity is not a problem. The second is capital structure. And I think the non-capital structure the question is not if, it's a question of when in terms of what steps we take, and clearly we have been very cognizant of what's happening in the market in the last three, four weeks because of the resurgence. So watch the space is what I would say. So definitely it's not a number that we want to go up. If you see the historical numbers, the debt to EBITDA was 5.5 times. And we came down at the end of last year to 1.69. So ideally, we want to get back to those kinds of levels, to be honest, actually. So we’ll see. It'll be a combination, I suppose, of some capital structure changes, some monetisations. Clearly, we pushed back on monetisations last year. We did some, but we couldn't do some of the bigger elements because the pricing was just not right. And we couldn't kind of clearly monetise some of our bigger properties and the pricing that was prevalent in the pandemic. But I think a combination of amortisation and a capital structure changes will ensure that the debt levels are kind of managed. And we do want to get back to – debt equity pre-pandemic

was about 0.4 or something like that, and debt to EBITDA was 1.7. I think those continue to be the targets for us is what I would say.

Rajesh: Okay. Great. And one question Puneet for you. With the tightened focused approach on the various brands on the hotel side, do you still see some white space or you feel you are well-positioned across various segments in the market now?

Puneet Chhatwal: We have put one brand, you know, on the backburner. That's our Gateway I think. It was done quite well, but there was not enough critical mass amongst Gateway and Vivanta. So we decided to go for just one, Vivanta. But because these brands are very clearly defined and very position, if ever through an M&A activity in the next two to three years that came up, we might revive Gateway in one form or the other, which would be a bit lower than Vivanta but higher than Ginger. So there is a little space out there.

Vivanta is on the upscale and Ginger is what we call the lean luxe or you can say, or which a lot of people don't like, but it's commonly used term is the bottom of the pyramid. There is something possible in the mid-scale and that is something we would look into once we're stabilised. We have always had the philosophy let's get a critical mass, let's get the hotels to at least – each of the grants to at least a 50-hotel portfolio. So the day Vivanta is 50, SeleQtions have 50. Then we will think of another space maybe in the mid-scale business.

Rajesh: Got it. Thank you. That's all I had. Much appreciated.

Operator: Thank you. We will take the next audio question. Participant, your line is open. Please go ahead.

Gautam: Thanks. Thanks for giving me the opportunity. This is Gautam from CWC Advisors. Am I audible?

Puneet Chhatwal: Yes.

Gautam: Okay. Puneet, I can I just wanted to understand. FY19, we exited the occupancy of about say 68% on a standalone business. Now, given the business and the leisure portfolio mix we have, and once things normalises, and what we heard from a lot of global players that they expect business to come back to 75% or 80% levels. So one thing about the overall occupancies for the standalone business say once things normalises?

Puneet Chhatwal: Well, I think the important thing here to understand is the cost base has been adjusted in the industry. In general and definitely Indian Hotels has also done its best in adjusting the cost base. So if you get to, I would say, not 75 or 80, a little higher than 80, marginally higher than 80, you should get to similar EBITDA level as was possible before. It's a one time, once in 100 years opportunity that the industry has had to correct its cost base. Giri, would you like to add anything?

Giridhar Sanjeevi: Yeah, I think, yeah, no, I think what I would say is that when you look at us, don't look at just the occupancy and F&B. I think you should look at – one of the things that we are doing is kind of working on the whole ecosystem, which is including the Chambers, the management fee that will accrue, the Qmin and the Amas actually. So, if you see the quality of our top line, it's not just occupancy and F&B actually. And all these other businesses as we have been saying are high margin businesses. So I think I would say that if you look at that in totality is what I would comment there.

Gautam: No, that that's very fair, but I take your point that all the other businesses are – I understand the additional revenue under flow through which would be there through EBITDA. We were just trying to think about how should one think about the occupancy if I have to think about just the standalone part. And the other part I understand.

So broadly, if I take, you still believe that it would be somewhere in the range of 80% of the 70% occupancy, that is there. So, which would be something like almost 63% roughly.

Giridhar Sanjeevi: I think so. What we do talk about is that if we needed 4,500 crores of top line in March 20 to get to an EBITDA of 1100 crores, I think what we really talk about is that can be achieve those kinds of EBITDA or a much lower top line actually. And that's really the burden of management, which means building these additional revenue streams, working on the cost optimisation, lightening the balance sheets. I think all of those come into play. So it's not one single factor.

Gautam: Fair. Thanks a lot. Thanks. That's it from me Yeah,

Operator: There's the last question on the queue, should we take that?

Giridhar Sanjeevi: Yes, we can. And then of course – we'll take the last question, no problem.

Operator: We'll take our next audio question. Participant your line is open. Please go ahead.

Chirag: Hi, this is Chirag from HDFC asset management. I had two questions. One was in terms of what your capex would look like for this year. The second was, if you could share your revenue and EBITDA for this year for London, San Francisco, and Ginger. And sorry, the third question similar to the last participant. Assuming that you can get back to an FY20 occupancy and ARR level, considering the additional revenue measures that you have put in place and cost cutting initiatives, if you could give us a sense compared to that EBITDA how much could the company possibly achieve? Because you've described it a little bit differently that you would – if I got it right, that you could achieve FY20 80% occupancy. So is that understanding correct. So if you could describe it in either of those two ways. Thank you.

Giridhar Sanjeevi: Yeah. No, I think I think let me take up one by one. And I think – I think in terms of the first question was on the capex. So capex in the current year, I think there are three parts to the capex for the current year. I think obviously there's a huge effort in terms of optimising capex, but I would say that two, three things will happen. Number one is that we continue to spend in Mansingh. Number two is that we are putting some effort on the Ginger in Santa Cruz. The third thing is – those are the two main ones in India. And if I look at internationally, we will complete the Chambers renovation in the UK. And in the US, we have to complete the Barney’s Banquet renovation. So these are the four things, which I would say are kind of we are focused on.

Given all the above, I think my sense is that this year we will potentially have an outflow of maybe up 250 crores, that is our current expectation actually because some of the other capexes will get deferred. So, about 250 crores is the capex that we will have been projecting actually. That is number one.

On your second question on international operations. I think as we pointed out, I think this year with the vaccinations pace in both UK and US having been very good, I think there's a lot of confidence in these two markets, and the markets are opening. Both these markets are opening up in terms of domestic travel within these markets for sure; international travel also will pick up albeit at a smaller pace. I think if you saw these standalone Q4 numbers, full year numbers, Chirag, where we saw that the cash loss that we had projected was about 164 and 15 crores in South Africa, totally about 179 is what we had said; our which the US really was 164. This year I think all things going well, given all the efforts we did in terms of renegotiation of leases, etc., and the reduction manpower, my sense is the US losses could come down to less than about 100 crores. Let's say 100 crores on the account of the US actually. UK with recovery of business should be okay. I think it should I think come back – I think the last year was about a couple of million dollars of loss – couple of million pounds of loss. I think that should go away is our expectation.

South Africa is a really small business and Q3 and Q4 are the main quarters. South Africa will probably at best have maybe one or two million dollars, actually. So that is where – that's how we see the international operations, Chirag.

And the third question was really – I think it was a follow through on the previous question. As we said, I think yes, I think we are saying that with recovery of business if we can get back to 80% of the ’19–‘20 levels – in fact, I think before this resurgence of pandemic, I mean let me amplify, I think we should look at ’21–‘22 and ‘22–’23, before the resurgence of pandemic I think we were saying that year should easily be at least 70% of ’19–‘20. So let's see what happens in the next couple of months on the resurgence. And earlier we were expecting ’22–‘23 to be a fully nominated year. My

own sense is that ’22–‘23 will still be. But overall I think within next year or this year or the next, I think coming back to 80% of ’19-’20 is probably a fair number to work on, Chirag.

Chirag: Sure. And just to clarify, what you mentioned at the last participant was if you get back to 80% of earlier revenue levels, you should get back to a similar EBITDA because of cost cutting and other initiatives, is that right

Giridhar Sanjeevi: That is continues to be the target in saying that can we get back to the same 1100 crores of EBITDA. So that remains the target. And I think a lot of it is work in progress, and really the focus is on, as we said, the top lines not just being driven by occupancy and F&B, but also all the new high-margin initiatives and the continued focus in terms of cost optimisation, all of those continue. So our target does remain that actually.

I think more – I think the fair answer to Chirag to this is that that has been the target for the last – ever since the pandemic began. And I think as the quarters go by, I think we will see more certainty around achievement of this numbers, actually. I think we should continue to talk on this every quarter in terms of the progress we made, Chirag, actually.

Chirag: Would it be possible to share the absolute revenue in EBITDA for US, UK and Ginger, just the absolute revenue in EBITDA?

Giridhar Sanjeevi: Sure, sure. About last year?

Chirag: For last year, please.

Giridhar Sanjeevi: Yeah, sure. I think as far as the US is concerned, US was – the revenue was I think around 33 crores in the last year. –

Puneet Chhatwal: Giri, why don't we take that offline with Chirag so that it's more robust.

Giridhar Sanjeevi: Yeah.

Puneet Chhatwal: I will just try to add to what he said. Chirag, we feel clearly confident that around 83-84% of the revenue pre-COVID level, there'd be adjusted cost base and the new businesses that we have done because the high margin we should get to similar level of EBITDA.

Chirag: Perfect. Great. Thank you very much, sir.

Puneet Chhatwal: And the progress will be as Giri said, quarter by quarter we have to see how much close we are getting to that. I think this one already is a very good example in the RESET that we presented, what came from there and how much. Otherwise the situation would have been much worse on both EBITDA and profit level.

Chirag: Yeah, Sure. Yes. Thank you once again.

Giridhar Sanjeevi: Thanks. Thanks Chirag.

Operator: Thank you. This concludes today's question-answer session. I will turn the conference back to the speaker for any additional or closing remarks.

Giridhar Sanjeevi: I thank you all for attending today's call. I think even though it's a Saturday morning I think we are happy for questions and we are available. So please do reach out to me or to my colleagues and we'll be more than happy to do it. And we also do these meetings with different investors. So we'll do all of that actually. So I think we continue to remain optimistic and we continue all our effort as we kind of come out of the pandemic and progress with our plans actually. Thank you.

Puneet Chhatwal: Thank you. Thank you everyone.

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