October 31, 2023

National Stock Exchange of India Limited
Exchange Plaza
Bandra Kurla Complex,
Bandra (East),
Mumbai 400 051.
Scrip Code: CHALET

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai 400 001.
Scrip Code: 542399

Dear Sir / Madam,

Subject: Transcript of the Earnings Call in respect of the Unaudited Financial Results for the quarter and six months ended September 30, 2023

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), please find attached herewith the transcript of the Earnings Call held by the Company on October 25, 2023, in respect of the Unaudited Financial Results for the quarter and six months ended September 30, 2023.

Further, pursuant to the provisions of Regulation 46 of the Listing Regulations, the aforesaid transcript will also be disclosed on the website of the Company i.e. www.chalethotels.com.

Request you to take the same on record.

Thanking You.

Yours faithfully,
For Chalet Hotels Limited
CHRISTABELLE BERNADETTE BAPTISTA
Digitally signed by CHRISTABELLE BERNADETTE BAPTISTA
Date: 2023.10.31 19:24:52 +05'30'
Christabelle Baptista
Company Secretary and Compliance Officer

Enclosed: As above

"Chalet Hotels Limited Q2 FY '24 Earnings Conference Call"

October 25, 2023

MANAGEMENT: **MR. SANJAY SETHI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**
MR. MILIND WADEKAR – CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day, and welcome to the Chalet Hotels Q2 FY '24 Earnings Conference Call.

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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjay Sethi – MD and CEO, Chalet Hotels Limited. Thank you and over to you, sir.

Sanjay Sethi: Thank you, Ziko. Good evening, ladies and gentlemen. Thank you for joining us for Chalet Hotels Earnings Call for the quarter ended September '23.

Despite some global concerns, macroeconomic environment for India remains robust. Recent GDP forecast upgrades by rating agencies for India reiterate the same. Air traffic loads have been favorable with very strong domestic travel and a robust pickup in international passenger loads, which are now touching pre-COVID levels. The number of direct flights between India and US are expected to increase to 82 which is a 28% higher than its previous peak. This will further enhance international inbound traffic.

The global hospitality industry is also seeing persistence in RevPAR growth. India too continues to record strong ARR and RevPAR growth in almost all major cities.

For Chalet, Q2 shaped up as expected with a healthy performance in the quarter. Our portfolio occupancy was resilient at 73% for the quarter with an average room rate of Rs. 9,610. Average room rate grew by 21%. RevPAR for the quarter grew 25% year-on-year to Rs. 7,034.

For the quarter, the Hospitality division recorded revenue of Rs. 2.8 billion and EBITDA of Rs. 1.2 billion marking a 27% growth in revenue and a 45% increase in EBITDA when compared to the corresponding quarter of FY '23.

Driven by strong average room rates, the flow through in the portfolio has been very good resulting in margin expansion as compared to Q2 of last year. Our consolidated revenue reached Rs. 3.2 billion with an EBITDA of Rs. 1.3 billion reflecting a growth of 27% in revenue and 48% in EBITDA on the same quarter of compared to previous year.

For the first half of FY '24, hospitality revenue was at Rs. 6 billion with an EBITDA of Rs. 2.3 billion, which is an improvement of 32% over the same period last year. A reminder here that the second half of the year is seasonally better than the first half.

Our employee to room ratios continues to reflect a high level of productivity at 0.97. This ratio includes both permanent and contract employees. It also includes employees for the newly added rooms at Novotel Pune which were launched in October.

Some key updates on our project front. For residential project, Raheja Vivarea at Koramangala, Bangaluru, we received for that project the OC for four towers. We had a total of 238 unsold residential units in that project. I am happy to update that as of October sales have commenced and we have sold five units till date.

We also went live with the additional 88 rooms at Novotel Pune on 4th of October taking the hotel inventory of that hotel to 311 rooms. The initial response on the new rooms is extremely positive.

The renovation of the Dukes Retreat, Lonavala has commenced. The work will be undertaken in two phases with approximately half the existing rooms being closed for renovation. These rooms will be back live in Q1 FY '25. The remaining rooms will be taken off for renovation in phase 2 with the total project completing in Q3 of FY '25. At that point in time, we expect to have a little under 150 rooms at that resort.

Work for the new hotel at Delhi Airport commenced last month and we expect to commission this landmark hotel for Chalet before the end of FY '26.

For our Airoli Hotel, we have been able to re-engineer the project to make it more ROCE efficient. It is now proposed as a warm shell lease to us. Our CAPEX will hence be back ended and lower than envisaged earlier. The project is expected to commence mid FY '25.

Our first tenants have moved into the CIGNUS Bangalore Tower 1 in August. Leasing activity has been a little bit mixed bag over there and in Powai and though deal closure has been slower than expected, the recent leasing trends in the key cities instill confidence in leasing trajectory going forward. And the same is true for the Office Tower in Mumbai also.

We have multiple ESG initiatives underway. Please do refer to the presentation for more details and we updated some of them. So, please do go through that section.

Our focus on employee well-being continues to be recognized and for the fourth consecutive year, the company has been listed in India's best workplaces for women in 2023, midsize companies top 50 by the Great Place to Work, India.

Ladies and gentlemen, I am excited about what we have achieved in the past few quarters. I am even more excited about leveraging the current industry momentum and marrying it with the strength of our balance sheet to take the next big leap at Chalet Hotels.

Allow me to close this statement with my very best wishes for the festive season ahead for you and your dear ones. I will now hand over to Milind for him to take you through some of the finer details of the financials of the company.

Milind Wadekar: Thank you, Sanjay. Good evening, ladies and gentlemen.

We had a very good start in the first two quarters of this financial year. ADR for the quarter under discussion was at Rs 9,610 and was up by 21% over the same period last year and which is also higher than full year FY '23 ADR of Rs 9,169. The first two quarters are seasonally slower. We are confident the rates, revenue and margins will improve further in the second half of the current financial year.

To give you some flavor, in FY '23, hospitality business reported daily revenue of more than Rs.50 million that is Rs 5 crores for 3 days, while in the current financial year, we have already had 5 days recording more than Rs 50 million daily revenue over the last 2 months indicative of stronger second half.

In the hospitality segment, revenue grew by 27% year-on-year to Rs 2.8 billion for the quarter ended September '23 led by strong RevPAR growth. We saw healthy growth across our portfolio and geographic locations, especially Bengaluru, which was the last market to recover.

Reported hospitality EBITDA for the quarter was at Rs 1,179 million with EBITDA growth of 45% year-on-year. The margins for the quarter were at 41.4%, which is an expansion of 500 basis points over the last year, contributed by controlled variable costs leading to higher flowthrough.

Consolidated revenue for the quarter was at Rs 3.2 billion, a growth of 27% year-on-year. Consolidated EBITDA was at Rs 1.3 billion for quarter two FY '24. EBITDA margins were at 40.7%, up 6 percentage points over the same period last year.

During the first 6 months, the company spent Rs 2 billion on CAPEX, out of which Rs 1.5 billion was made out of internal accruals. Post this, the net debt of the company increased by Rs 0.6 billion from March '23. Out of the net debt of Rs 25 billion, around half is allocable to capital work in progress and assets not yet operationalized leaving the company at healthy leverage and return ratios on invested capital.

The cost of finance as of September '23 was at 8.67%. The company has CAPEX plan of around Rs 9 billion for next 18 months for the announced project, which will be largely funded through internal accruals. The details of the projects are included in our Investor Presentation. The company has available lines of credit and undrawn overdraft limits of Rs 5.7 billion.

Lastly, a quick update on the residential project at Bengaluru. The construction work is in full swing. We have received occupation certificates for four wings out of nine buildings nearing completion.

As mentioned by Sanjay, we began sales from October '23 and have sold five flats comprising 25,135 sq feet, which is more than 21% of unsold area of the four wings for which OC have been received. There is no change in the total preference share subscription from promoters. Additionally, Rs. 1,000 million is taken as interest free loan as of September '23.

With this, let me open the floor for questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Archana Gude from IDBI Capital. Please go ahead.

Archana Gude: I have three questions. Sir, starting with this ICC World Cup matches, so how has been the response for the hotels we are present in Bangalore, Pune, Mumbai and Hyderabad and some color on advanced booking and ADR thereof would be helpful?

Sanjay Sethi: So, Archana, thank you for your question. Number one, we will not be speaking about advanced bookings for the coming months because we don't give forward-looking data. As far as the ICC World Cup is concerned, we get the bookings as they come in. There is no specific team or anything staying with our hotels. So, whatever we get is potential visitors who are coming for the World Cup events and matches.

But there is no way to keep track of that. In any case, I don't expect that to be a very large number for any hotel in the city. To begin with, it's a one day or one-and-a-half-day sort of a stay. Number two, most of the visitors for the matches are locals of the city. And number three, unless you have a team staying with you, we don't have any block booking coming in at one shot.

Archana Gude: So, my second question is to our notes to account point number six. So, can you help me understand the implications of this Supreme Court judgment and its impact on the operations of Four Points by Sheraton Navi Mumbai?

Milind Wadekar: Archana, Milind this side. See, we don't expect unfavorable judgment coming in, and we have given notes in our financial statement our WDV (Written Down Value) of project is around Rs. 43 crore, and that's assets we are putting at risk if there is unfavorable judgment.

Archana Gude: And so lastly, sir, you spoke about this CIGNUS Whitefield and Powai the demand has been not as what we expected. So, is that like how we should relate that? Is that there is a higher supply or kind of the demand is subdued and we wait for further clarity about the overall, the tenant occupying the space and the rates everything?

Sanjay Sethi: So, Archana, we have seen some traction, in fact, fairly decent traction build up on the Bangalore one and we do expect at least the new tower that we built to be completely leased out over the next few months. We are not so concerned about that. There is a smaller building of 300 odd thousand square feet which is the old Inorbit Mall. We haven't seen any LOI or closure on that one.

However, we do have a few people who want to take up the whole space at one shot. So, while I don't want to fall into the trap of committing to closing that out in the near future, let's just wait and watch. I am pretty confident that we will be good in Bangalore.

Powai, we have taken a conscious call not to rush the leasing, especially if the rates that we have targeted are not being met, and it's a question of closing that first anchor tenant. As soon as we do that, we are pretty sure that others will follow.

There were two improvement projects that were connected with this particular leasing activity. One was beautification of the road leading up from L&T Junction to our hotel or the plot where the office is, and the second was the road widening. Both have been approved by the BMC. Work has started on the beautification of the road on the main road and then leading up to our gate. On the expansion site, it is BMC that has to execute it. We will wait for their start of the execution. Once that happens, we will see the access to the road to the site improve significantly.

The other thing that's happening is the significant amount of Metro work happening around the approach for this particular site. That's also expected to conclude at least the physical work in the near future and whenever that sort of concludes and the Metro line opens, accessibility improves significantly also. But more importantly, we are pretty confident that in the next few weeks, we will see some signings happening in Powai too.

Moderator: Thank you. Our next question is from the line of Karan Khanna from Ambit Capital. Please go ahead.

Karan Khanna: So, Sanjay, my first question in the absence of meaningful recovery on the FTA front, how confident are you about see a double digit growth in the room rates over the next couple of years or to put it another way, what according to you will trigger a faster recovery in the FTA growth and accordingly, because of that, how much do you think could that contribute to the room rate growth in addition to the double digit that you have been talking about?

Sanjay Sethi: Hi, Karan. I continue to have a view that we will grow at least a double-digit rate growth for the next couple of years. We are seeing more than that pan out already in the subsequent quarters after I spoke about it a couple of quarters back, and we see no reason why that should be, that view will change in any way.

In terms of FTAs, our foreign tourist arrivals, we do expect that starting post Diwali, we will see a significant uptick on the foreign tourist arrivals. As I mentioned earlier, the Air India connectivity to Western East Coast of US from Bangalore and Mumbai, both these destinations is going to help significantly. Direct connectivity to other international destinations from Hyderabad is already helping Hyderabad City. So, between these three cities, we expect foreign tourist arrivals to grow in the second half of this year.

Karan Khanna: And my second question, Sanjay, is on Novotel Pune. With the launch of 88 room, addition of 88 rooms at Novotel, what sort of ARRs are you looking at for this inventory because I believe this is more premium? And second, by when do you expect the hotel occupancy to ramp up for this inventory?

Sanjay Sethi: So, we are already seeing an occupancy ramp up happening on that hotel in Novotel and after we opened those new rooms, there is a clear interest, clear sort of positive feedback that we are getting on those new rooms. I hope you have had a chance to look at the presentation. You will see a picture of that Novotel room. It's very attractive, very contemporary, very modern, and so we are expecting occupancy in that hotel to in spite of 40% inventory addition to continue to be in the high 60 to 70% in the next few weeks and then it will start climbing up from there.

Karan Khanna: And lastly, could you elaborate more on the key terms and conditions relating to the leasing of hotel structure from Mindspace REIT and for development of the Airoli Hotel? And what will be the revenue share or the lease payments? How will that be structured with the REIT?

Sanjay Sethi: So, I will not share the details as yet. Mindspace Business Park is still due to have its board meetings. We let them sort of get that out of the way and get the approval so that then we will share the details, but as an overall overview from the numbers that we have both teams seem to have come to agree on. The returns look extremely healthy for both sides. So, it becomes a win-win situation.

From our perspective, we get because office floors coming at on the lower floors, 12 floors of office in addition to the 6 parking floors. So, typically, the hotel will actually start from the 19th floor. That's your primary public area for the start of the hotel and then we will have about 11 floors of rooms above that. So, the views are going to be stunning. So, views are actually improving by putting the going down the structure. Returns get more efficient for both parties and from our perspective because the CAPEX is back ended as it will be a warm shell lease, we expect this to be value accretive for us. Milind, would you like to add anything to this?

Milind Wadekar: Karan, Milind here. See, this is Group company transactions, and the leasing rates are determined at arm's length and are benchmarked against prevailing lease rentals in that micro market.

Moderator: Thank you. Our next question is from the line of Vikas Ahuja from Antique Stock Broking Limited. Please go ahead.

Vikas Ahuja: One question I have is regarding, if I heard you clearly, I mean, correctly, you said that the World Cup impact on revenues is few here and there, but it's not very meaningful what initially I think many of the especially the media and all world were speculating that it's going to bring a meaningful revenue. But it's more like because we didn't have any contract with any of the teams. So, it's very marginal on that front. I mean, is that the right statement?

Sanjay Sethi: So, Vikas, look at it like this. I think we have maintained right from the beginning that; you know, one-off events never have any major impact on the overall business that we have. I continue to maintain that and as far as we are concerned, we have purposely strayed away from any contractual business in the World Cup with the teams because it comes at a low rate and because the city tends to get maybe sold out or near sold out on account of various events that happen in the city. The other hotels anyway get the benefit of displaced business, which typically will come to us if we stay away from the groups at a higher price, and I think that's what is helping our average room rates.

Again, even if you look at my past statements, I have said one-off events are not what Chalet as a strategy banks on. We look at large impact events that happen which then give spin-off business for the subsequent months. Even in G20. I said G20, whatever benefit we are getting is great, but going forward, I see a longer-term impact of G20 because that will open up new business relationships with various other countries or new industries in those countries, and I see long-term benefit coming out of that for the coming years.

So, I continue to maintain that one-off event is not something that excites us. We will do what the right thing is as far as revenue management is concerned for that hotel. We focus more on more steady and broad-based business.

Vikas Ahuja: And my second question is, if I look at the hospitality revenue breakup, the contribution of food and beverages, it continues to go down even if I compare Q-on-Q and Y-on-Y basis. Can you explain that, is it addition because of addition of something or why?

Sanjay Sethi: Yes, that's how you would see it there, but I think what's missing is that the room rates have grown so phenomenally, that the share of F&B to rooms seems to be lower, but really, whilst we think that some of the hotels could have done slightly better on F&B, especially on the banquet side, we think it's just the real strong push on the room revenue that is looking F&B is underplayed which may not be the case actually.

We see a strong H2 coming ahead of us with the weddings going forward. The other small element, in fact, one of my colleagues just highlighted is that the Hyderabad second hotel that we have opened will always have a slightly lower F&B contribution because that's sort of a, as you know, with a single client we booked it for 3 years, but then the RevPARs are just so high that F&B in comparison will always look lower.

Vikas Ahuja: And my final question is regarding DIAL property. So, you have said that those 390 keys are going to come in FY '26. So, I think it's going to be the end of the year, right? And is there possible to maybe give some rough estimates around what internally the RevPAR or pricing or occupancy we are working with? That's my last question.

Sanjay Sethi: Because I am afraid, I won't be able to give you specific numbers on that because as I said we don't give out advanced numbers but expect the occupancies to be extremely high and rates to be as per competing market rates in the micro market of Aerocity. So, expect those rates for the upper upscale segment and expect higher occupancies actually in this particular hotel because of its specific location next to Terminal 3.

Vikas Ahuja: But we are confident these 390 rooms will come by FY '26 and will not go to FY '27.

Sanjay Sethi: As of now, I have no reason to believe it is not going to come by end of FY '26. The work has started, and when we look at the plan versus execution, we are going on track.

Moderator: Thank you. Our next question is from the line of Jinesh Joshi from Prabhudas Lilladher Private Limited. Please go ahead.

Jinesh Joshi: Sir, I have a question on our Bangalore asset, these 0.66 million square feet of area that is under the process of being leased out. So, can you share how much have we leased out so far and what is the incremental benefit that has come through?

Sanjay Sethi: So, Jinesh, thank you for the question. We have 2 lakh square foot leased out, and we have got a couple of closing conversations happening on others.

Jinesh Joshi: And secondly, with respect to our debt, I think in the past calls, we had highlighted that some portion of our debt will be converted into lease rental discounting, and if I look at our interest expense this time around and I compare that with what it was in March, we have seen some reduction come through. So, has any of our debt got converted into LRD?

Milind Wadekar: Jinesh, Milind here. So, LRD, conversion of loans into LRD will be a continuous process. I mean, as leasing traction improves, we will convert more and more loans into LRD. The small increase in our average cost of finance is on account of MCLR reset by a few of our lenders, and we expect it will normalize in one or two months.

Jinesh Joshi: So, basically, LRD benefit is yet to come through.

Sanjay Sethi: Is yet to come. Yes, you are right. Is yet to come.

Jinesh Joshi: One last question from my side. I think this got addressed earlier, but, I mean, it was not pretty clear in terms of understanding. So, this new arrangement that has come up with respect to the development of hotel in Airoli, basically, how will this change the P&L dynamics for us? And will it also entail any reduction in CAPEX outgo because now instead of purchasing the land, I think we are going out for a lease option? So, if you can just throw some light on how the P&L will look different for this hotel because of this new arrangement?

Sanjay Sethi: Yes, Jinesh, Sanjay here. So, quickly, two things will change on the upfront capital cost or the cost that we incur right at the beginning. One is that the acquisition cost of the land will be zero, will not be there. And number two, because it's a warm shell lease, the warm shell will now be built by the landlords which in this case is the Mindspace Business Park, and therefore we expect your denominator in a ROCE to go down significantly. We continue to have a positive outlook on the market in that area, which will continue to see good occupancies and good average room rates. So, we expect the ROCE to be very sound on this particular asset. So, two takeaways. CAPEX costs significantly lower, ROCE is improving.

Milind Wadekar: Jinesh, from P&L perspective, few more impacts. I mean, my CAPEX is going down. So, my depreciation will be lower in this format. My interest on borrowed capital will be lower. So, it will be more EPS accretive.

Jinesh Joshi: Got that. One small clarification. In the press release, we have stated that the investment required for this hotel will now be 160 crores. So, what was the original CAPEX that we were planning to incur?

Sanjay Sethi: I think it was a Rs 290 odd crore. I mean, don't hold me to the number but around that range, but earlier it was a 260-room project. It is now 280 or 270, 280 odd rooms. The cost as you saw has come down from 280 where we were 290 earlier to now the number that you have on the sheet in front of you.

Moderator: Thank you. our next question is from the line of Santosh Sinha from Emkay Global. Please go ahead.

Santosh Sinha: So, my question is regarding occupancy. If I look at the other segment, excluding Mumbai, occupancy has increased in this quarter versus last quarter. So, what has driven this sudden increase in occupancy? And my second question is regarding the share of international versus Q1. What I can see is that there is a decline quarter-on-quarter in share of international tourists or guests as such. So, what has driven this decline actually in Q2?

Sanjay Sethi: So, two answers to this. First one, that occupancy has improved because we also opened a second hotel in the month of June at Hyderabad where the occupancy is 100%. So, it will take the blended occupancy up slightly.

On your second question about international, quarter 2 is traditionally the lowest quarter in terms of international travel into India. So, this is not unusual. It is following the normal cycles, quarterly cycles of mix of Indian and international travel.

I think the other thing Santosh, just to complete that answer, is that we also let go of a few crews which are low paying business at JW Sahar, and we let go of a significant amount of rooms over there in favor of higher paying guests. So, therefore, there was some drop, marginal drop in the foreign occupancy at that hotel also.

Moderator: Thank you. Our next question is from the line of Himanshu Shah from Dolat Capital. Please go ahead.

Himanshu Shah: Sir, in Mumbai market, micro market, lot of the supply is coming up which is expected in this calendar year as well as in the next calendar year, and Mumbai is one of our key markets with a significant revenue contribution. So, what is giving us confidence of double digit ARR growth in this backdrop of increased room supply?

Sanjay Sethi: So, Himanshu, I don't think too much of supply is coming in. If you really look at Mumbai for the last six, seven years, there is no new supply that's coming at all. Whatever new that's coming in, I will count three hotels on that front. One is the Fairmont that's being developed at the airport which will be in direct competition with us. That's going to come up with as per the latest now numbers that I hear around 500 rooms as again 700 envisaged earlier. That will, to the best of my knowledge, is going to open in the last quarter of next year. That's the assessment that we have, but that's 500 rooms coming on a base of six, seven, 8,000 rooms. So, it's not a major jump in the supply.

The second hotel that is going to open is the Ritz-Carlton in Worli, which again is a luxury hotel. Not a very large hotel, but it's in Worli, which is not the micro market that we get our business from.

The third hotel which has opened recently was the Taj at Vikhroli, which is I am told a very nice hotel. I haven't seen it yet, but then again not humongous supply. So, I don't see that a troubling given the size of the market is so deep and so big. That will get some business from the same micro markets that we get business for Four Points Sheraton Vashi and for The Westin Powai. So, we will get new some business going there, but I believe the demand is growing at a far higher pace than the supply coming in. So, we believe that the rates will continue to grow in double digits at least for the next two years.

Himanshu Shah: So, even Aurika is also coming up, which is also a big hotel, 670 rooms. That is also in our market, maybe a notch below us, but shouldn't that also have an impact?

Sanjay Sethi: From a category perspective, it doesn't come in the same category as our JW Sahar. That's where the location is. It's in the Airport District, and the JW Sahar is not one notch above. It's several notches above. I have gone and seen that hotel. Very fine hotel, but it will remain at the higher end of probably that company's portfolio, but from our perspective, the JW Marriott is positioned very, very differently than our hotel, and if they do well, and I am sure they will do well with high occupancies and high rates, it will only help us push our rates further up.

Moderator: Thank you. Our next question is from the line of Aishwarya Agarwal from Nippon. Please go ahead.

Aishwarya Agarwal: Sanjay, sir, I heard you, you were talking about double digit growth in ARR, and you expect this trend to continue for few years. So, that's a very good thing to happen. Having said that all, I understand that the current rates are high and the supply side not much of response because the IRR on the new hotels are still not that healthy that people are infused to invest.

Barring these two things, if I want to have a view that this ARR growth will continue in the double digit for a couple of years, I don't get more insights or more colors into it. So, the conviction level on that kind of growth remains a bit low. So, if you can share some data points which probably can help us to improve our conviction and then maybe to look at what are the key things to look for to have that kind of confidence the way you have?

Sanjay Sethi: Thank you, Aishwarya. Look, I think the trajectory of growth for India is a trend line that you should follow. It is driven by the gap in the demand and supply side of the business. On the supply side, I am going to address that first. I agree that you yourself mentioned there may not be too many investors on account of IRRs coming out of an industry like this unless you are sitting on land which exists with you, or you have opportunities to partner with someone who can bring in land at a low cost for you. That's one.

But besides that, I think the key thing that, key item that's giving me a lot more confidence is because the supply takes time to come. See, we have visibility on all the announced supply across the country, right. And the supply doesn't come overnight.

We are in a brick-and-mortar business. Someone has to build those hotels. The typical lead time for building a hotel from announcement could range from 3 years to 7, 8 years, and that's why my confidence of the next couple of years for sure, and I think that we have got at least a very strong positive sort of run for at least four years, which is the minimum times new supply which is going to be announced sometime in future will come into play. So, that's my thesis on the supply.

And if you really break down the supply that's coming in into various buckets of Tier-1 cities, Tier-2 and Tier-3 cities, and then break it up into leisure and non- leisure locations, you will realize the barriers to entry in Tier-1 cities are actually affecting supply growth in Tier-1 quite dramatically. And if you were to look at the last five, six years and the future five, six years, you will find that the CAGR on supply in Tier-1 cities is far lower than what we are projecting at a countrywide level also. I will see and we do expect leisure to grow a little more aggressively than business hotels, especially in Tier-1. So, that's one, the supply side.

Coming to the demand side, look, the Indian business traveler is on the move in a very, very strong way. Unlike early comments by a lot of experts and consultants that this could be pent up demand, pent up demand doesn't last for four quarters. And therefore, we don't believe this is pent up demand. This is actually institutionalized demand growth that's happening, and it will continue to grow at a reasonable pace.

The foreign business travel is still not back at its peak. It will come back once the air connectivity and the seat availability of international connections improves, and it will improve because international carriers are very keen to come to India seeing the growth in India. Everyone wants a pie from India, and they will come back and get their flights in.

Today, there are two, couple of hindrances. One, the Russia-Ukraine war has taken longer than we all expected it to take, and therefore the direct route over the North Pole is not available for airlines that at some point of time they will have to say, listen, we don't want to miss the India story, and therefore we will take a slightly longer route even if it means taking the flight seats making them a little more expensive. So, that's the demand side. I see domestic demand and international demand growing.

The other big-ticket item that we expect to help us is the MICE and the wedding business, and we are now hitting the season where MICE and wedding will start taking shape for quarter 3 and quarter 4 for all of us, and I am pretty confident that you will be surprised with the quantum of MICE and weddings that we are going to see across India going forward. So, on all segments, we see significant growth happening.

Aishwarya Agarwal: So, that's a very detailed answer, sir, but in this also I have two more questions. One is the supply side and what you said is I completely agree, because those things are very much measurable, and we know what is happening there. But on the demand side, there is a price elasticity, and I don't know how much it will work against us going forward as the rates goes up, because we are talking about couple of years of the double-digit growth. And on the high base, if you keep on adding double digit growth, the base, it becomes very large, and with that into context.

Sanjay Sethi: So, Aishwarya, you please look at what rates we are talking about, right. I am not here referring to the expensive Rs. 25,000, Rs. 30,000 rates that you are seeing in Goas and Jaipurs or the Shimlas of the world for limited time of the year. I am talking about regular average room rates in the cities that we operate in or business cities which we don't operate in. There even if you look at Mumbai today, what's a Mumbai average room rate for 5-star deluxe hotel? $130? $140? By which global standards is $130 or $140 high? It's not, and therefore, the pricing elasticity that we are speaking about has a lot more headroom from here onwards to where we think it can potentially go.

So, if you are going to be adding another $15 a year on our room rates, on average room rates, I don't think it's going to be too much from a price elasticity perspective. I do expect global travelers who are paying upwards of $250 a night in other gateway cities will continue to travel even if our price is $200, and $200 is still roughly around 55% from where we are today.

Aishwarya Agarwal: That's a valid point. The second question I have, sir, in this context that how are we gazing the MICE activity and the marriage versus previous year? Do we see higher intensity of these two things in this year versus previous year?

Sanjay Sethi: Continues to be strong across India and not just our portfolio. We see a strong MICE and wedding segment and growing year-on-year. We also expect a lot of industry events to happen over the next 6 months. We have already seen government coming in very aggressively and strongly on promoting tourism, and MICE tourism is one of the key segments they are trying to promote, and also the infrastructure development that's happening across our cities is going to support MICE growth extensively for us.

I want to give two examples here. One, look at what happened to MICE business in India when the Convention Center opened in BKC. It turned around for those six months in a year the MICE intensity in the city. With Delhi now getting two convention centers opened up now in the recent weeks only, we see that activity to pick up immensely in that city. We are seeing similar opportunities coming up, convention centers in Jaipur, Bengaluru and in Hyderabad. So, we see all this pushing MICE business quite aggressively and add to that the air connectivity that is improving across the country. It is clearly a very positive outlook for MICE.

Aishwarya Agarwal: And one more last question. In context of Indian corporates, see, one is the foreign corporates traveling India and they see the numbers in the dollar per day, whereas if we talk about the Indian corporates who look at the numbers in INR, and they are a bit more cost cautious also. So, I know that Chalet has large part of revenue coming from the foreign travelers, but when it comes to Indian corporate and their travel expenses, and there if I apply the price elasticity, so I guess your guess will be better than my guess, if you guide on that?

Sanjay Sethi: I think all Indian corporates are - and it's important to sort of explain this. When I say Indian corporates or when you say Indian corporates and foreign corporates, it's not just the foreign passport holders, right? When you talk about foreign corporate, it includes the Indians, Indian passport holders who live in India but work with MNCs having similar global budgets.

So, don't look at 30%, 38% as the only contribution coming from global contracts MNCs. It's closer to about 75 odd percent of the total business comes from global MNCs including the ones who live in India, and their budgets for travel are northwards of $250. The balance Indian corporates - because given that they realize that there is going to be a crunch on the rooms availability - have in the last one year increased their travel budget significantly. We believe they will continue to do so for the next couple of years.

Moderator: Thank you. Ladies and gentlemen, that was the last question of our question-and-answer session. As there are no further questions, I would like to hand the conference over to Mr. Sanjay Sethi for closing comments.

Sanjay Sethi: Thank you, again. And ladies and gentlemen, thank you for this time that you spent with us. So, in conclusion, I would like to say that we are again extremely excited about the future for the hotel industry going forward, and Chalet is looking forward to work with the industry in the next big steps for us. Thank you.

Moderator: Thank you. On behalf of Chalet Hotels, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.