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Date: June 08, 2024

To,
The Manager,
Department of Corporate Services,
Bombay Stock Exchange Limited
Floor 25, P. J. Towers,
Dalal Street,
Mumbai – 400 001
BSE Scrip Code: 532699

To,
The Manager,
Department of Corporate Services,
National Stock Exchange of India Limited,
Exchange Plaza, Plot no. C/1, G Block
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051
NSE Scrip Symbol: ROHLTD

Dear Sir/Madam,

Re: Transcript of the Earnings Conference Call for the Fourth Quarter and year ended March 31, 2024

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed the transcript of the earnings conference call for the fourth quarter and year ended March 31, 2024 held on June 05, 2024 for your information and records.

The above information is also available on the website of the Company www.royalorchidhotels.com.

Thanking You.

Yours Faithfully,

For Royal Orchid Hotels Limited


Amit Jaiswal
Chief Financial Officer



Encl: As above



Royal Orchid Hotels Ltd

Q4 & FY24

POST EARNINGS CONFERENCE CALL

June 5, 2024 03:30 PM IST

Management Team

Mr. Chander K. Baljee - Chairman & Managing Director

Mr. Philip Logan - Chief Operating Officer

Mr. Amit Jaiswal - Chief Financial Officer

Mr. Arjun Baljee - President

Mr. Keshav Baljee - Non Executive Director

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Vinay Pandit:

Ladies and gentlemen, I welcome you all to the Q4 and FY'24 Post Earnings Conference Call of Royal Orchid Hotels Limited. Today on the call from the management, we have with us Mr. Chander K. Baljee, Chairman and Managing Director; Mr. Philip Logan, Chief Operating Officer; Mr. Amit Jaiswal, Chief Financial Officer; and we also have with us for the first time, Mr. Arjun Baljee.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risks and uncertainties. Also a reminder that this call is being recorded.

I would now request the management to detail us about the business and performance highlights for the quarter and the year that went by, and the growth plans and vision for the coming year, post which we will open the floor for Q&A. Over to you, sir.

Chander K. Baljee:

Good afternoon, and a warm welcome to everyone. Thank you for joining us for the Royal Orchid Hotels Limited earnings conference call for the fourth quarter and annual results for the financial year '23-'24.

Please note that Q4 '24 and the annual results, press release and investor presentation are available on the exchanges. I hope you had the opportunity to browse through the highlights of the performance. In this financial year, we have seen good business, which is evidenced from the financial results of this quarter and for the full financial year '23-'24.

In fact, we have built on the success and have added three hotels with 131 keys in Q4 '24, and we have added 1,170 keys since April '23. The company is growing with a strong business model, mix of owned and leased hotels and managed hotels and effective risk mitigation strategy. We are working to post better margins than what our company has witnessed in the recent past.

Financial highlights for the company on the fourth quarter and for the year ended 31st March '24 on a stand-alone basis are as follows. Stand-alone: Stand-alone income for '23-'24 was ₹198.29 crores as compared to ₹176.62 crores in '22-'23, a growth of 12%. Stand-alone EBITDA for '23-'24 was ₹63.05 crores as compared to ₹61.85 crores in '22-'23, an increase of 2%. Stand-alone PAT before exceptional items for '23-'24 stood at ₹24.62 crores as compared to ₹28.17 crores in '23-'24, a decrease of 13%.

Consolidated: Consolidated income for '23-'24 was ₹312.7 crores as compared to ₹279.6 crores in '22-'23, a growth of 12%. Consolidated

EBITDA for '23-'24 was ₹95.16 crores as compared to ₹98.03 crores, a decrease of 3%. Consolidated PAT for '23-'24 stood at ₹50.83 crores as compared to ₹49.23 crores in '22-'23, an increase of 3%.

I would like to highlight certain points before I give the explanation for our performance. The return on capital employed for the year '23-'24 stands at 20%, which is one of the highest in the industry. The company has reported an increase of consolidated PAT by 27% for the Q4 in comparison to Q4 of last financial year. The company has also got a tax benefit from the acquisition of 100% stake in Icon Hospitality at a cost of ₹34 crores. This resulted in reducing the overall tax cost of the company by getting a deferred tax asset.

The company's EPS remains strong at ₹17.68 per share and there is a reduction in the consolidated debt by 29%. Royal Orchid is a dividend-paying company. In the current year, we have proposed a final dividend of 25%. The company has added 1,057 rooms under management and 113 rooms under revenue share in the last financial year.

We will add approximately 1,500 rooms under management and 400 rooms under revenue share lease in the current financial year. Now I understand that you must be thinking that while the consolidated income of the company has grown by 12%, but why the consolidated EBITDA has decreased by 3% and PAT has grown only by 3%. As you see, the company is growing, has to support the above growth, the company was required to increase its bandwidths of operation, for which it is required to increase its workforce in different regions, which the company did.

The cost of the above started immediately where the revenue for the same will come in times to come. For this, the company incurred additional cost of ₹2.05 crores. This is a prime reason for cost escalation, which should be seen as investment for future growth. In the last four years, the company's assets could not be maintained refurbished due to COVID and uncertainty, which followed looming around the industry.

Since the company did good revenues and profit in the financial year '22-'23, hence the company took up the same in the current year and started refurbishment required in the phased manner to maintain standards, which cannot be called CapEx in nature. The same resulted in a double hit, reduction in occupancy due to approximately we lost about ₹2.2 crores, and increase in the repair and maintenance cost of ₹2.31 crores, but the same were necessary to remain in competition.

You can see the Slide 27 of the investor presentation, we have given workings of the Ind AS calculations. You will find that our profit without Ind AS adjustment are ₹56.73 crores instead of ₹50.83 crores with Ind AS adjustments. These Ind AS adjustments need to be done, as per accounting standard, however they are not cash in nature. Hence, you will find that the company has got a very good cash profits. The management has set out a strategy to diversify its product offering, provide unique customer experience and work towards a robust balance sheet.

I would like to conclude my opening remarks by saying that our company is doing very well. And in the long run, we will be a company to reckon with. We will be opening a new hotel with 300 rooms in Mumbai during the year as we are looking to get new hotels under revenue share. We have a strong good capital deployment strategy, which will make our company very strong, and we will produce very good financial results as we move ahead during the current financial year.

Thank you. And now we can throw the floor open for questions.

Moderator:

Thank you. All those who wish to ask a question may use the option of raise hand. In case there is a problem at your end, you can put the questions in the chat or putting a request in the chat and we'll invite you to ask a question. We'll just wait for the question queue to assemble.

We'll take the first question from Rahul Bhangadia. Rahul, you can go ahead, please.

Rahul Bhangadia:

Thank you for taking my question. You already kind of laid out the answers for some of the questions that we had within the presentation, and I'm really happy that you have kind of put out some more data also in the presentation, which helps us get some perspective on the ARR's and occupancies. So given that data and the explanation that you just gave out on the repair CapEx, which is not necessarily a CapEx, but had to go through the P&L. All of those numbers were in a particular quarter or broadly spread out through the year? I'm asking this because this particular discussion probably also happened in the Q1 or Q2 call. So I'm just trying to understand whether this was spread out or concentrated in one or two quarters.

Amit Jaiswal:

Rahul, it was primarily spread out. It started sometime in Q2, and it has continued in Q4 also.

Rahul Bhangadia:

So this roughly ₹2 crores, ₹2.5 crores hit on the revenue and ₹2 crores, ₹2.5 crores hit on the cost line because of the repairs has got distributed over the year?

- Amit Jaiswal:** Yes. And also the increase in the employee cost also.
- Rahul Bhangadia:** But that would have been more to do with the future growth that we want, right?
- Amit Jaiswal:** No, no. But the cost is coming in the P&L right now.
- Rahul Bhangadia:** That is sure. That is okay.
- Amit Jaiswal:** So basically, our cost has gone up. To that extent, the revenues have got hit.
- Rahul Bhangadia:** Okay. And would that be the primary reason, by your Bangalore occupancy this year is lower than FY'23?
- Amit Jaiswal:** A little lower as compared to earlier years, because some of the Bangalore hotels, we have been doing the refurbishment, getting some rooms down and not selling. That's why the occupancies have got hit.
- Rahul Bhangadia:** Because we have seen FY'23 was 76%. Now we are at 69%. So that's a reasonable 10% drop in the occupancy itself?
- Amit Jaiswal:** Yes.
- Rahul Bhangadia:** And that is entirely due to the refurbishment is what you're saying?
- Amit Jaiswal:** Yes.
- Rahul Bhangadia:** So now if you could give us a sense of what will be the steady-state margins we are talking about because, as you said, we've incurred this cost. Are we through with the refurbishing? Is that something that we can take away?
- Amit Jaiswal:** No. Some is still pending. Because see, what happens in a running hotel, if you have to do refurbishment, it is a little difficult and time-consuming job, which cannot be done immediately. Like in our Mysore Hotel, we are doing it three, three rooms at a time. Similarly, in our flagship also, we are doing a few rooms, like 10, 10 rooms at a time. You cannot close down the hotel. So it's going on. Some part will come in the current year also. But we are seeing a growth in the ARR's as such. And the occupancy in the current year may not be hit that much, maybe a couple of percentages, you will get it.
- Rahul Bhangadia:** So we are left with some part of it. Let's say, last year, we ended up to incurring this full cost of about ₹7 crores, ₹8 crores. This year, we'll have another ₹2 crores, ₹3 crores hit or...?

Amit Jaiswal: Yes, absolutely.

Rahul Bhangadia: Okay. So coming back to the basic question of what is incurring for all these costs and all, maybe some nature one-off? What is the EBITDA margin if the accounting for Ind AS we are looking for? Last year, we were in that 35% to 38% range. This year, we are much lower. So what is it that we are looking for both in terms of top line growth this year and the margins that we're looking for?

Amit Jaiswal: See, in the current year, there will be a growth as far as the top line is concerned. So we are looking at somewhere around ₹370 crores to ₹380 crores in the current year, the top line growth. And EBITDA growth will be around ₹10 crores to ₹15 crores of EBITDA.

Rahul Bhangadia: Okay. So this year also, then it looks like the cost structures will be growing faster than the top line.

Amit Jaiswal: A little. It will be affected. But '25-'26 will be definitely variable.

Rahul Bhangadia: And what would be the primary driver of the cost increasing higher than the revenue because some part of the employee cost would have already accounted for it?

Amit Jaiswal: No, most part of the employee cost has been accounted, but we will incur certain R&M costs. See, Rahul that last four years, we have not touched any of our hotel post, since COVID started in 2019-'20. So next five, six years we have to run the hotel and be competitive in the market. We'll have to do all the hotels in phased manner. So that is why I am doing.

Arjun Baljee: Rahul, if I could just add, if you look at opening a hotel, let's say, we opened Mumbai hypothetically towards the end of this year, you will start hiring a full team towards the middle of this year. So you will have between three and six months of a ramp-up of the team, right? And you'll have at least three months with no revenue, right? So these are kind of taking a start-up cost towards the hotel. And then from day one, the hotel isn't going to be at the desired level of occupancy. Hence, what as Mr. Jaiswal was saying that '25-'26 is when you'll see the impacts of, say, the Mumbai asset.

And I'm just limiting my discussion right now, the answer just to Mumbai to give you an example. So that is a significant revenue driver that we have currently, and it will kind of be a flagship of sorts. But '25-'26, you'll see that hotels performance come in, but all the costs will be stabilised by the time that hotel actually starts producing the number that it needs to.

Rahul Bhangadia: Okay. But just one more before I come back to the queue. If you could give us a sense of this exact Mumbai hotel, what are the dynamics here? What is the deal we have to get signed, what is the top line that we're looking from here in a steady-state?

Amit Jaiswal: See, the top line would be anywhere between ₹100 crores to ₹120 crores that we are envisaging. And as far as dynamics is concerned, we have to pay a monthly rental, which is more or less fixed for five years of Bangalore rent would be around ₹36 Cr.

Rahul Bhangadia: And this, ₹100 crores, ₹120 crores top line will be at what? 70%, 75% occupancy?

Amit Jaiswal: 80% occupancy. If it is 75%, we will do around ₹105 crores to ₹110 crores. If it touches 80%, we will do ₹120 Cr. That's how the scenario will be. But Bombay, most of the hotel does well, above 75% occupancy. So we are hopeful that we should be doing above 75% occupancy.

Rahul Bhangadia: And besides these rental, what are the costs that we are kind of going to take up on our books besides the rental?

Amit Jaiswal: See, it would be only the rental cost plus maybe a little bit of finance cost may come ₹2 crores, ₹3 crores of finance cost may come. Otherwise, there is no...

Rahul Bhangadia: So the management cost has been taken up by the owners?

Amit Jaiswal: No, no, no, it's not management, it is on rent. So the entire...

Rahul Bhangadia: So that's why I asked. Since the hotel running itself will need people and power and everything else, that's why I asked.

Arjun Baljee: Correct. And that's exactly what we're saying that the P&L of the Mumbai hotel, the P&L belongs to us, right? We will pay rent to the landlord for the shell on the building. The asset will open towards the end of this calendar year. And hence, as I said earlier that works are already on at full swing and starting the middle of this year, we will start hiring people and start incurring operating costs.

Hence, what Mr. Jaiswal has said that we will see a little pressure on the cost side, going to your statement of cost outpacing revenue because the revenue is yet to come. But that hotel in itself is -- if you're looking at between ₹100 crores, ₹120 crores top line, that should be in our books '25-'26.

Philip Logan: And just to further that, in isolation, we're talking about the hotel in isolation. I think it can't be understated by opening a 300 room hotel

at T2 Mumbai. The billboard effect of that hotel will give recognition to the brand on a great perspective. So it's important to see a stand-alone, but also important to understand, while there will be costs in the front, there also the benefit will be that people walking out of the airport will know that's where we are located, and that can't be understated.

Rahul Bhangadia: Sure. Absolutely. Yeah. My question was more related to besides the ₹36 crores cost. Let's say, ₹120 crores [Hindi Language] [0:18:46]. What is the other costs? So what is the EBITDA or the operating profits that you're expecting at the site level is what I have asked?

Amit Jaiswal: See, we will be getting an EBITDA of around ₹15 crores to ₹20 crores. The operating margins will be somewhere around 50% and when this cost goes. So around ₹15 crores, ₹20 crores, so definitely will be.

Rahul Bhangadia: ₹15 crores, ₹20 crores for?

Amit Jaiswal: For the whole year.

Rahul Bhangadia: For the whole year of operation at that site. Great. Thank you very much. I'll come back.

Moderator: Thanks Rahul. We'll take the next question from Sakshee Chhabra. Sakshee, you can go ahead.

Sakshee Chhabra: Hi, so my first question was, I wanted to just understand that the occupancy in the Mumbai segment also was down to 68% from 79% last year. So what was the reason for that?

Amit Jaiswal: What we have given in our presentation, the Mumbai, that is primarily our one Navi Mumbai hotel only that numbers are there. Because right now, we don't have our owned JLO hotel in Mumbai, it's under management. So there that hotel also was under renovation in last year. Some part of it had gone in renovation, that's why the occupancy was down, but the entire number doesn't lead to our P&L.

Sakshee Chhabra: Sure. My second question was that whenever we do refurbishing, like now especially in the Bangalore hotel. So to what extent do you think we will be able to increase the ARR?

Amit Jaiswal: No. See, this refurbishment may not give us an increase in the ARR, because we are not spending heavy CapEx. It's not that we are breaking down the room and doing it. We are just doing a spruce up of the hotel, maybe like changing a little bit of maybe television, painting, polishing, uplifting the beds, those kind of -- very light

expenses. Because if we go for renovation, then it will cost a lot of CapEx for us.

Sakshee Chhabra: Got it. Okay. And the Navi Mumbai hotel that we would be opening. So what is the range of the ARR you are expecting over there?

Amit Jaiswal: We are looking at an ARR of anywhere between ₹8,000 to ₹9,000.

Sakshee Chhabra: ₹8,000 to ₹9,000. Okay. All right. Thank you.

Moderator: Thank you, Sakshee. We'll take the next question from Rishabh Shah. Rishabh, you can go ahead.

Rishabh Shah: Yes, thank you for the opportunity. And good afternoon. Drilling a little deeper on the renovation of the refurbishment part. So when we say we incurred an expense of around ₹2.2 Cr that just a clarity if that is for the quarter or for the full-year?

Amit Jaiswal: No, that is for the full-year, not for the quarter.

Rishabh Shah: Full year. Okay. So if you can help me with the count of the rooms that would have been refurbished over here?

Amit Jaiswal: Roughly say around 100 rooms we would have done.

Rishabh Shah: 100 rooms. And what would be the average kind of period that is required to refurbish the room so...?

Amit Jaiswal: One room if we take, it takes at least 10 days to do little bit spruce up.

Rishabh Shah: That's not a major hit on the occupancy?

Amit Jaiswal: No, it gets hit. See, 10 hotels 10 rooms are taken and it is not there for 15, 20 days, so the occupancy definitely gets hit.

Rishabh Shah: Right. And a similar kind of number we are expecting for FY'25 as well, right?

Amit Jaiswal: Somewhat.

Rishabh Shah: Okay. And lastly, so we have kind of seen heavy additions in the 5-star space of late, and it is in line with what we had envisaged also. So any further, I mean, any strategy to concentrate more on that space? Or we'll kind of be spread out across 4-stars, 3-stars and 5-stars?

Chander K. Baljee: So the major expansion will be in the mid-market space, but yes, this hotel in Mumbai will be 5-star, hotel in Bangalore is 5-star. Then we got Jaipur hotel and Goa hotel, which are 5-star. And there are two managed hotels, which are 5-stars. One is in Western Ghats, Belagavi and one is in Ambala. So wherever there is a possibility we will take that. And we are in discussion with one or two other properties also, which will become 5-star with a little bit of upgradation and all that. So I think there will be a gradual, but the major thrust is 4-star and 3-star. That will be the major thrust even in the future.

Rishabh Shah: Right. Got it. I'll fall back in the queue. Thanks for the answers. Thank you.

Moderator: Thank you, Rishabh. We'll take the next question from Kishori. Kishori you can go ahead, please.

Kishori Kadam: [Technical Difficulty] [0:24:13] quite detailed and comprehensive this thing. So I would like to congratulate you for the efforts taken in the preparation and transparency in presenting the data points. My first question is once the key hotels are back to full working conditions post renovation, what will the company level ARR and RevPAR move towards?

Amit Jaiswal: See, if you really look at our ARR, okay, I would like to see our slides, which we have given. So we have done an ARR of ₹5,673 as far as the JLO hotels whose numbers get consolidated, okay? And last year, our ARR was ₹5,370, okay? So there is a growth of almost ₹300, which is around 6%, 7%. So it has grown. So in the current year also, we are looking at growing the ARR by around 4% to 5% in the current year also.

Kishori Kadam: My second question is anything firmed up on the new brand name under which your new 5-star hotels will be launched?

Chander K. Baljee: See, we are actively working on the brand architecture and because we have grown so rapidly that people are sometimes getting confused between the sub-brands. See we are Regenta, Regenta Central, Regenta Place, Regenta Inn. So there's a little confusion there in the minds of the customer. So for the 5-star hotels, there's going to be a brand which will be launched once our Bombay hotel opens. So we will be launching it with a new brand. And we are also looking at a brand in the smart basic category, which will eventually, we won't call it a budget hotel, but it will be really catering to the millennial crowd who are very tech savvy, they want a minimalistic decor, but everything very convenient. So that is also being launched. So these two things will happen this year.

Kishori Kadam: Okay. My third question will be, what will be the Ind AS impact on depreciation and interest in FY'25 than FY'26 post Mumbai hotel coming up?

Amit Jaiswal: Exactly that Kishori, we are also looking at the Ind AS impact. There will be definitely Ind AS impact. But right now, it is very difficult to calculate because it all depends when the hotels open. Till the hotel is not opening, it is very difficult to calculate the Ind AS impact. However, in coming quarters, we will be definitely giving a guidance as far as the impact of Ind AS is concerned. But if you really look at it, the company is doing good cash profit, and it will continue to do.

Kishori Kadam: Thank you.

Moderator: Thank you, Kishori. We'll take the next question from Chirag Singhal. Chirag, you can go ahead please. Chirag?

Chirag Singhal: Yeah, I just had one question regarding the refurbishments. So you have mentioned that there was a revenue hit to the tune of ₹2.2 crores. Then there was an increase in employee expense of ₹2 crores and repair and maintenance of ₹2.3 crores. So employee benefit and repair and maintenance is understood. So what was the loss of profitability? So as far as I can see, there will be two types of hit to the bottom line, right? First will be the loss of profitability and second will be the expense, which is kind of a one-off during the year. So ₹4.3-odd crores is the expense, which would have return profitability. What was the loss of profitability because we lost some revenues during the quarter?

Amit Jaiswal: See, any refurbishment when you do, that room is not available to be sold. So it hits the occupancy the immediate and it results in decline of the revenue. What revenue we would have done, it has declined partially to that extent. Plus, the expense, what we do for the refurbishment, it gets -- hits the P&L. So there is a double hit always because of this. And that is why you are seeing the cost has gone up and profit margins have come down a bit.

Chander K. Baljee: See, for example, in Mysore, we have taken out the renovation of our Metropole hotel. So in April, we started -- we blocked eight rooms out of 30 rooms for renovation. And the rooms are now ready. As of today, the rooms have been released. So the revenue will start today. But last three months, we lost revenue plus the cost we've incurred on renovation. So this way, depending on the situation, we decide the timing of the renovation, then there is a little dip also. But irrespective of that some revenue hit will come and the cost in any case will come.

Chirag Singhal: Understood. Okay. So broadly, just to reconfirm, ₹4.5-odd crores is what was direct hit to the profitability because there was increase in employee expense as well as there was some repair and maintenance. And then there was some loss of profitability on the ₹2.2 crores...?

Amit Jaiswal: Yes. You are right, you are right.

Chirag Singhal: And I just wanted to reconfirm on the guidance for FY '25. So for FY '25, how much such refurbishment expense you are seeing?

Amit Jaiswal: See, FY '25 right now, telling is very difficult because as and when it comes, however, there will be some refurbishment costs in FY '25 also and not CapEx. I'm talking of refurbishment and not CapEx somewhere around ₹2 crores to ₹3 crores, it will come.

Chirag Singhal: Okay, thanks. Thanks, that would be from my end.

Moderator: Thanks, Chirag. We'll take one question from the chat box. Mr. Yash Dantewadia. You can unmute and ask your questions.

Yash Dantewadia: Yeah, hi. So just wanted an update on the CapEx of Goa and Bangalore, which you said will be done by March '25. Can you also give some understanding on the multi-hotel sale? And also what is the PBT guidance for this financial year? Would you be able to give that with the Bombay impact that you're saying will come, right, because your costs will go up, revenue won't show up?

And the Goa and the Bangalore CapEx, that is the proper CapEx, right? So that's also going to impact the numbers. So could you just give a PBT guidance for -- PBT, I don't want the EBITDA, I want the PBT guidance for FY '25.

Amit Jaiswal: See, as far as CapEx of Goa and Bangalore one is concerned, that is not going to hit our P&L. Definitely, they will get capitalised because we are adding additional facility in the hotel. Goa, it may not come this year. It may come next year. However, the Bangalore one, definitely additional 28 rooms will be added that will come here. It's not going to hit the P&L.

So as far as the PBT guidance is concerned, let me tell you, a big number depends on the opening of the Mumbai hotel, okay? So if the hotel starts operations from first of January, we are hoping, but works -- how the project work goes, the host of factor on which it depends. However, if it comes in the first week of January. So we are looking at a growth of roughly 15% on the PBT.

Yash Dantewadia: Yeah. So this Goa CapEx is basically getting delayed. Is that what you're saying?

Amit Jaiswal: Yes. It may get delayed because still, we have not got the plan sanction. So once the plan sanction comes, then only the work -- we will float, start the work. And suppose if the plan sanction comes immediately in a month's time, we may start. And suppose if the plan sanction comes sometime in the mid of September, October, then we might like to -- we'll take a call then and there, the committee will take a call, but we might like to delay it for three, four months because Goa, the peak season is November, December, Jan.

Yash Dantewadia: Also what I understand is corporate spending went down, right, in quarter 4? So how do you see this coming back post elections? Do you see a comeback in corporate spending? Because I do know that a lot of corporate meetings got delayed to post elections. So could you talk about quarter 2? Quarter 1, I know it's now going to be great from what I understand. But could you talk more about quarter 2? And do you think corporate spending is going to come back because I'm sure you're having a lot of conversations with corporate companies, right?

Amit Jaiswal: Yes. Corporate companies, we are hoping that after the elections, it will definitely come back. So second quarter, a lot of corporate bookings, we already have started seeing it. Basically, the postponement of all the meetings which were scheduled in April and May, because of the election they have got postponed. So from quarter 2 onwards, we will see the change and the increase in the occupancies.

Philip Logan: It's been not specific to one sector, pharma, banking, agro, IT have been the corporate segments that have been largely affected in this first quarter related to election and other activity. But certainly, forward group bookings are suggesting that it's going to be pent-up demand. So Q2, you'll see corporate travel coming back and definitely from those four segments.

Yash Dantewadia: How do you see the ARR trend for the rest of the financial year?

Amit Jaiswal: See generally, the ARR increases in third and fourth quarter. This year, we got hit a little bit in the month of March, because of the elections announced and planned and all those things. But this year, we see a growth in the ARR by 4%, 5% definitely.

Yash Dantewadia: Also, you were talking about smart hotels, right? Could you tell me if that's something you would invest in? Or would that be something you would manage because that's something I really want to

understand. Because I really think the aggression of the company has gone down quite significantly, right? That's what the managed property suggests, but I'm hoping that the management team growing, right? I mean, the new person, I think Chander K. Baljee's son has come into the Board, too. So are we going to see some aggression coming back on the owned property side of Royal Orchid in the smart category?

Amit Jaiswal:

Mr. Yash, both sons of Mr. Chander K. Baljee. Mr. Arjun Baljee is here in physical, he is sitting here with us. And also his second son, Mr. Keshav Baljee also is there on the call. So I would like both of them to kindly speak up.

Yash Dantewadia:

Yeah. That would be great to hear from them.

Arjun Baljee:

Yash, Arjun here. If we look at where we're spending money today, the company's funds are going predominantly towards the larger assets, be it Mumbai or a couple of more hotels are in the higher category, right, where the return on capital that we're measuring ourselves with, the return on capital employed will be very high, right? That's kind of the metric that we are looking at where we spend the dollar.

As far as the smart hotel and the high growth category is concerned, we've got a bunch of hotels in our portfolio that are in the 3-ish star space which can easily be bucketed into a new brand, and that then has a life of its own, if I want to put it that way, right? But what we're currently defining is that how is that hotel product different from anything out there, right? How are we going to redefine, lower the value price category per se right, in order to cater to the younger demographic of the country. It's not necessarily business. It is business, leisure or whatever that may be, say, the 25 to 40 traveller, how do you create a new smarter concept for them?

There are ideas. There are some test cases that we're in the middle of doing. There's a lot of technology that's going in. And we'll have a working prototype fairly soon. And then it's a question of conversions of a vast number of the hotels we have so that the kind of costs come down, the revenues go up. And we'll see how we can grow that through a management/ -- yeah, I think the management route kind of be the best way to go.

Chander K. Baljee:

We are also looking at the Gurgaon hotel as the smart. So we are working towards that. A lot of brand architecture is being good. So these are all work in progress right now. I think maybe by the next quarter, we'll have more clarity and we'll give you more clarity on that.

Amit Jaiswal: Mr. Keshav Baljee, would you like to speak?

Keshav Baljee: Yeah, sure. I am audible, Amit?

Amit Jaiswal: Yes, yes.

Keshav Baljee: Okay, wonderful. No, I think just answering the question on aggression. I think in terms of management contracts, definitely, we've been very aggressive and we have added a record number of rooms in the last couple of years. If you look at what we were pre-pandemic to what we are now, there's a sea change. We've crossed over 100 hotels.

That is the good time for us to stop and pause and also look and see what is the mix that we want for a good growth going forward. So what happens is we now have a good fee-based income coming because of management contracts, and this is going to stand us in good stead even in downturns in the future.

So that allows us to build a lot of resilience into our business model. And the second part about it also is that we do have a reasonable pipeline of revenue share companies, hotels coming up, which will add to the top line. And I think the point is not lost in all of us that this is a good time for us to capitalise on the fact that we have built out the rails from a management perspective. So it's a good time for us to also capitalise and take more properties provided that they are suiting our brand, and then they are also remunerative as well.

So I think we don't want to be overly aggressive and take any undue risks. But I think we are being not cautious, but we are being reasonably aggressive when it comes to growing the brand. I think in the coming quarters as these new properties, which have already been outlined opened up, you will find that the revenue will also -- the top line will also grow in a meaningful fashion. Thank you.

Yash Dantewadia: Yeah. So just a follow-up on that. Basically, let's say, in the next two years, you are managing/revenue sharing/owning approximately 150 properties, right? So your understanding of ARRs, geographies, RevPAR, occupancies, everything will grow significantly because you'll have a lot of data to add on, right?

So will you be able to use this data and try to build the owned property thing again, like owned property space, because that's what other companies are doing, right, like Lemon Tree. They're using the data of understanding by managing properties, by leasing properties, and they're trying to build their own properties to where they see a high profitably, high ROCE generation, right? My

question is, will you be able to do that? And are you looking to do that?

Arjun Baljee:

Yes. Just to get back to what I said earlier. I think the game is on return on capital, right? And if you look at, say, some of the other competitors, they've got a very clear asset-owning entity within themselves that is then funded by private equity or whatever that may be. And then you've got -- so there are very clear OpCo/PropCo structures and things like that within entities.

Now would we do that? On a here and now basis with where we are, I think we've got our hands full with respect to spending the money that we have, right, and the debt that we're able to get, right, in a judicious manner, to grow using the revenue share model right across the Board. Does one necessarily need to acquire and own the asset? Well, you're not valuing the need for the underlying land value, right? So I think our focus being return on capital and EBITDA growth.

Keshav Baljee:

Just to add to that, what Arjun said is that you also talked about data just to inform we obviously are launching a revamp loyalty programme. So if you have over 100-plus hotels in the system, the data is going to be very valuable. And that is going to be one of the key assets we will build not only the fact that we are populated across the country, but also having that data. So that is going to be a key aspect.

And yes, I don't think while we look at what the competitors do, et cetera, I think we have -- while we originally, now original day started off as an asset-heavy company, we took a conscious call of being asset-light. And I think that has helped the ROCEs in a very good way and also helped the resilience of the business model.

And I think at this point, we are quite asset-light, where we do have some revenue shares increasing our top line. And then we do have a good amount of management contracts, which like I said increases the resilience. And our core holdings continue the same. So we do have some owned hotels which continue.

Yash Dantewadia:

Also on the multi-hotel sales side, I didn't get an update on that, if - that would just be my last question. I'll come back in the queue.

Chander K. Baljee:

Yeah. We have been actively looking for a buyer, and as I've been mentioning over the last so many quarters. But we have not yet been able to conclude anything. But the last couple of months, there are at least some enquiries coming in.

Just like in the hotel sector in India, there was nobody ready to give a loan to hotel sector. There were nobody ready to invest in the hotel sector. And now suddenly, the last few months, there are a large number of people. In fact, banks are coming to us that take the money and interest rates were 16% at one time, have gone down to 9% and there's plenty of money available without us having to visit the bank.

So similarly, the situation is improving. There are enquiries coming in. But exact thing I can't tell you, like even in our case of our Powai hotel transaction took a long time, but then it did happen because we stuck to our price, we didn't want to sell it at a desperate price, so we are also sticking to our price there. And I think at the moment we get it, it should happen very soon. I can only say that.

Yash Dantewadia: Thank you for taking all my questions. I will come back into the queue.

Moderator: Thanks, Yash. We'll take our next question from Rajiv. Rajiv, you can go ahead.

Rajiv Gaonkar: Thank you for the opportunity. I just have one question. What are our plans on banqueting side? Since that one area we don't seem to be focused on?

Chander K. Baljee: See, what we've done is, we've identified about 20 hotels in our portfolio, where there is large banqueting space and there's a big potential for weddings in those deals. So we have now started marketing those hotels to the rent management companies. We have printed brochures for that. We are putting a separate tab port in the website for that, and we are going aggressively on banquets. We have done pretty well as far as weddings are concerned.

Our hotels are very good, and we are proud of the food that we serve. Because see in banqueting, food is very important. We are -- basically, our origins are good food in hotels and restaurants. So I think that has been a strength for us. I think we'll continue to do that. And this year, we are aggressively marketing it. And I think all our hotels -- 20 hotels will do very well. And we also have a booking software on metaverse we have, which is also a game changer in the way we take bookings, the way the offering that we give to our guests or so.

And a unique thing called honeymoon package where if somebody has a wedding in one of our hotels, then he gets a free honeymoon in some of our holiday destinations, where we have got a large number, today, we have a large number of holiday destinations. We have got hill stations, we have got wildlife destination, we have got

beach destination, we have got heritage properties. So this diverse portfolio of this thing is there. And so we're going to work with the wedding hotels and this holiday destination to make a very good offering to the customers.

Rajiv Gaonkar: Thank you so much.

Moderator: We'll take the next question from Sarvesh. Sarvesh, you can go ahead please. Sarvesh Gupta?

Sarvesh Gupta: If I look into your performance for the quarter as well as for the full-year, it seems to be pretty -- the growth rates have been much more low compared to the industry and compared to many of your peers who are also listed. So and that is even after adjusting some of these one-offs that you spoke about, the revenue opportunity loss plus the repair cost.

So is it because of the segment that you cater to that is not coming out? Or is it because of the mix of business and leisure that you have in your portfolio? So somehow your portfolio seems to be not firing as much as what we have seen amongst your peers. And I couldn't understand why it should happen.

Chander K. Baljee: There is no really peer comparison. Because if you compare any two hotel companies with us, the mix is very, very different. If a company has a large number of owned hotels and in the upside -- upturn of the economy, that give you much more revenue and profits. Like in our hotels also what we call JLO hotels, joint venture leased and owned hotels, right? When there's an upside, then you'll get much more than what you'll get.

We have a large number of managed hotels, where the upside will come only in small measures. So there can't be really a peer comparison. But as our CFO mentioned that if you see ROCE, there we are better than the peers. So that is what is required to be seen also and not just that, okay, so and so hotels have done much better in terms of revenue. If he's got a larger mix of owned hotel, then his revenue growth will be much more than our revenue growth because ours is largely managed hotels.

Sarvesh Gupta: In the managed hotel, which is what you have been growing mostly with in the recent times, do you have any inflation-linked contracts or these are like contracts which will have the same fee for many years?

Arjun Baljee: They are percentage-based contracts, so it's a percentage of top line, percentage of middle line, that's what your -- these management

contracts are based on. So if ARR goes up, revenue goes up, then we earn more.

Philip Logan: And I think it must be seen that Royal Orchid post-COVID, the number of hotels has doubled. And the number of hotels we've taken in the last 12 months and the pipeline that's been announced. These hotels take three, six, 12 months to get to a level of stability. So income is future and then linked to a percentage growth of the revenue. So over the longer course, it adds up.

Sarvesh Gupta: Understood. And I understood the Mumbai piece, but I think you have also announced a large property in Surat. So what will be the numbers that can flow from there?

Chander K. Baljee: That is a managed property. It's a 288-room property, out of which one-third is right now operational. So we will be getting the fee only from that. And the owners are targeting that in six months' time, they will add another 90 rooms to the inventory. And in 12 months' time, it will be totally 288 rooms. So it will be -- our fee will come out of that. And so there can't be a very significant improvement in the top line. But whatever top line we get from that flows down to the bottom line because there are no additional costs involved.

Sarvesh Gupta: Understood. Thank you and all the best.

Vinay Pandit: Thank you. Anybody else who wishes to ask a question may use the option of raise hand. Since there are no further questions, I would request you to give your closing comments.

Chander K. Baljee: Thank you very much, all of you for joining us this afternoon. And this is a good time for us to look forward to a very, very good time in the days to come, election being over and a stable government in place. I think things are going to be looking very well. We were just waiting for that. Market was also waiting for that. And I think with our growth in the next 12 months, I would like to see [Technical Difficulty] [0:53:54] really good times to come and thank you very much for joining us. Look forward to seeing you in the next quarter.

Vinay Pandit: Thank you. And thank you to all the participants for joining on the call, and thank you to the management for giving us the valuable time. This brings us to the end of today's conference call. Thank you so much.

Amit Jaiswal: Thank you very much.

Philip Logan: Thank you.

Keshav Baljee: Thank you.