October 31, 2023

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Bandra (E)
Mumbai 400 051
Scrip Code: INDHOTEL

Sub: Transcript of the IHCL Earnings Call for the quarter and half year ended September 30, 2023

Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the IHCL Earnings Call for the quarter and half year ended September 30, 2023 held on October 27, 2023.

The above information is also available on the website of the Company at:

https://investor.ihcltata.com/files/IHCL_Analyst_Earnings_Call_Transcript-Q2_FY_2023-24.pdf

You are requested to kindly take the same on record.

Yours sincerely,

BEEJAL AKSHAYKUMAR DESAI Digitally signed by BEEJAL AKSHAYKUMAR DESAI Date: 2023.10.31 11:43:55 +05'30'

BEEJAL DESAI
Executive Vice President
Corporate Affairs & Company Secretary (Group)

Encl: a/a

"The Indian Hotels Company Limited Q2 FY23-24 Earnings Conference Call"

October 27, 2023

MANAGEMENT: **MR. PUNEET CHHATWAL – MANAGING DIRECTOR & CEO, THE INDIAN HOTELS COMPANY LIMITED**
MR. GIRIDHAR SANJEEVI – EVP & CFO, THE INDIAN HOTELS COMPANY LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Indian Hotels Company Limited Earnings Conference call for Q2 FY23-24.

On the call we have with us, Mr. Puneet Chhatwal - Managing Director & 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 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. Puneet Chhatwal. Thank you and over to you, Mr. Chhatwal.

Puneet Chhatwal: Good evening, everyone, and thank you for joining our Global Conference Call for Q2 23-24. We have outlined 6 key themes for the call today, and we will walk you through each of these in succession.

The first one is the India story. Let me begin with the Indian growth story, which continues to remain intact. India's per capita GDP is expected to more than doubled in the next 10 years, leading to a surge in disposable income driving higher discretionary spends, which will directly benefit the travel and tourism sector. Moreover, we have recently heard through various sources in the government of the aspiration of 7 in 7 or 7 trillion economy in 7 years, which is a kind of a possibility that has been talked about by various, as I said, dignitaries and journalists as well as consulting houses. I think the hospitality industry presents a significant potential for market penetration with just 0.1 branded room inventory per 1000 people as against a global average of 2.2. With the current surge in demand and a tepid growth in supply, the ongoing cycle is likely to continue in the near to midterm.

According to Hotelivate report in the next 5 years, hotel demand is expected to grow at a CAGR of 8% to 10%, while the supply growth is projected to grow at just 5% to 6% annually. The nature of the supplies under development is also predominantly in the non-luxury segment with close to three-fourths of the supply coming up in tier 2 and tier 3 cities. The robust growth in demand is on the back of a structural shift in consumer's behavioral mindset. This coupled with various other factors like government's push for infrastructure and short-term domestic triggers like the G20, like the ICC Cricket World Cup and MICE are further boosting domestic demand.

The second theme is, IHCL continues to deliver on quarter after quarter as a record and this Q2 is our best ever Q2 and we are very pleased to share that our record performance in Q2 makes it the sixth consecutive quarter of best ever performance. Our consolidated revenue grew by 18% year-on-year to Rs. 1,481 crores and our EBITDA grew 26% year-on-year to Rs. 402 crores, yielding EBITDA margin of 27.2%. Our bottom line grew by 37% to Rs. 167 crores and we are happy to report that our consolidated PAT for the first half of this financial year stands at Rs. 389 crores, which surpassed the highest pre-COVID full year PAT of Rs. 370 crores in 2006-

2007. On a standalone basis, IHCL has delivered a growth of 23% in revenues to Rs. 949 crores with EBITDA of Rs. 330 crores, up 39% from last year. On standalone EBITDA margin, we reported 34.7% in Q2 FY23-24, which marks an expansion of 4.1% points over last year.

The third theme we have is asset management, which is driving the operating leverage. We as management have focused very strongly on asset management initiatives as 50% of our portfolio is considered asset heavy. This is a great opportunity by developing and by executing on comprehensive asset management. We have been able to focus on enhancing the performance of our existing hotels through strategic interventions and continuous upgrade of our product. Just as a reminder, our strategy that we have outlined both under aspiration 2022 as well as Ahvaan 2025 with the ultimate objective of being the most iconic and most profitable hospitality company from South Asia, it is important for us to keep focused on asset management initiatives. Our big machines are firing on all cylinders, achieving strong growth over the previous year and I am very happy to report that Taj Mahal New Delhi, popularly known as Taj Mansingh is back in our portfolio with the bank. It did miss full renovation completion for the first 6 weeks of this financial year, but it has been now performing very well on a daily basis.

The next theme that I would come to the fourth one is our portfolio growth. Our growth momentum continued during the quarter. In the last quarter, we signed 6 new hotels and opened 3 new hotels. During the quarter, we signed 3 Taj Hotels in international market, one as an operating lease in Frankfurt and two hotels in Bhutan. So far, in the current financial year till date, we have signed 18 new hotels and opened 9. Our new hotels opened last quarter include Taj the Trees in Vikhroli in Mumbai, Taj Guras Kutir in Gangtok and Wow Crest IHCL SeleQtions in Indore. We will maintain this space and are well placed as we have communicated and as we have guided in the past to open at a minimum of 20 hotels in this financial year. Our diverse brandscape enables us to be present in every geography, in every segment and at every price point, creating new itineraries and offerings thus giving us greater degrees of freedom and resilience in our portfolio.

The next theme is the diversification of our topline. My colleague, Giridhar Sanjeevi, our CFO often talks about the importance of the diversification of topline and with our new brands and businesses as well as our asset light growth we have embarked on a journey of this diversification. As we enter the next phase of growth, we are reorganizing the 3 brands or better said we have already reorganized Ginger, Qmin and Ama under a dedicated vertical of new businesses, which is being headed by Ms. Deepika Rao - Executive Vice president and Member of Executive Committee.

Our new businesses vertical clocked in a GMV of Rs. 240 crores in the first half of 23-24. Enterprise revenue of Ginger exceeded Rs. 100 crores with 24% growth over the previous year and continued reporting healthy EBITDAR margins at 37% in Q2. With a proven and profitable business model, Ginger is very well geared to scale up at a fast pace. Our Qmin and Ama brands have established a strong customer connect and continued to scale up. The Qminazation of

Ginger that we have started with the all day dining has now scaled up quite well and we have almost 40 Qmin branded outlets which functioned as all day dining.

Taj SATS continues to be a great success story for us. Yesterday, we signed a new concession agreement for the service and the outlet in Noida International Airport, which should start operations by the end of next year. Taj SATS has recorded its best ever Q2 performance with revenues of Rs. 213 crores and an industry-leading EBITDA margin of 24.4%, which comes on the back of 9 percentage point margin expansion over the last year. With almost 60% market share, Taj SATS continues to lead the Indian Airline catering segment. Also, we are looking at further scaling up Taj SATS' operations besides Noida in other locations and we are very pleased that we started operations at the MOPA airport in Goa and that is beginning to stabilize also well.

Finally, I have to say there are two issues that come as themes, that are investments, investment in our brands, assets and capabilities and investing in Paathya. In line with our objectives of long-term value creation for all stakeholders, we continue to invest in our brands, assets and capabilities. We have recently launched the refurbished chambers, the private membership club at Taj Lands End and yesterday opened the chambers at Taj Western in Bengaluru. Our flagship Ginger Hotel near Mumbai Airport is nearing its completion. We have guided that we should have opened Ginger already a few weeks ago, but we remain very confident that in the next 2-3 weeks, this flagship and a Trophy Ginger will be opening its doors. We have also re-imagined them, scaled up our food and beverage brands. We launched a new concept in Taj Mahal Delhi called the Captain's Cellar, which is one of its kinds contemporary wine bar concept or as they call it in the West, a wonderful and one of its kind Vinothek.

After receiving tremendous response in Delhi, we launched Loya in Taj West End in Bengaluru as well. Similarly, House of Ming, which opened its doors at St. James Court in London less than a quarter ago, is already trending as the number sixth restaurant in London as per TripAdvisor ranking. That takes me to invest in Paathya, staying true to our ethos of doing business the responsible way, our ESG plus program Paathya has achieved significant milestone so far. IHCL now uses 37% energy from renewable sources and has installed 335 EV charging stations across 142 locations in India. Continuing our journey of eliminating single use plastic, IHCL installed 27 bottling plants and achieved 47% recycling of water that is used. We are well on track to deliver our 2030 ESG targets.

Finally, simplification – that is the buyout of minority shareholding in Piem Hotels. Before concluding the call, we would like to update you that the Board has approved subject to shareholders and other regulatory approvals the buyout of additional shareholding of approximately 7% in Piem Hotels by way of a combination of share swap as well as cash. IHCL currently has 51.6% stake in Piem Hotels which will increase to 58.6% post the proposed transaction. This will help us further simplify our holding structure. As always, we continue to stay focused on executing our Ahvaan 2025 strategy and that focus has helped us win a lot of accolades also which are not mentioned in the speech, but they range from being rated as the TripAdvisor Best Hotel of the world, that is the Rambagh Palace celebrating 50 years of Rambagh next month as well as getting rated with Conde Nast Umaid Bhawan Palace as the number one hotel and further awards with Conde Nast and Travel and Leisure, and Golden Peacock as well as CNBC, ICICI Lombard that you can all have a look as a part of our press release. Thank you so much for your attention. We now open the floor for questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Binay from Morgan Stanley. Please go ahead.

Binay: Just two questions, firstly on the international side, we have seen the EBITDA down on a Y-o-Y basis, any comments on that, how should we see that playing out? Secondly, on the domestic side, I believe this is the time that we start to renegotiate our corporate contract for the following year, so any lead through about what kind of RevPAR growth are we sort of looking at as we are looking into 2024?

Puneet Chhatwal: I think let us take a step back and not look at just the corporate. I think the RevPAR growth numbers are in high double digits, driven still mainly by rates, which should help in the profitability on the domestic front. So, I think we are very pleased to see that and with all our renovation efforts that are going in, we are seeing a huge shift in as I mentioned before, Taj Mansingh, as we speak we have shut down Malabar, we just have opened in a soft opening phase, Usha Kiran Palace in Gwalior and whatever we renovate and comes back in its new avatar or new style usually is showing at least a doubling of revenue, but the RevPAR growth remains very strong and the business on the books is very strong, the first 26 days of October have been very strong and we expect this trend to continue. The very important what you touched upon is international. On the international front, as you read yourself here in the news, there are challenges in San Francisco and it may take almost another 3 to 5 quarters for San Francisco to get back to where it used to be, not as a hotel market, but with all the other things that have happened in that market from a macroeconomic perspective and a social perspective. And unfortunately both UK with our presence in London, which is doing very well, but it could do much better than what it is doing and also New York, which is not still back to the pre-COVID level, but the inflation has increased the cost. So, there are certain challenges, but we as management looked at as our hidden upside potential going forward because if they were to come back the way it used to be pre-COVID plus 10% to account for the inflation and as well as if London was to come back and with all the investments that we have made in our asset in London in terms of renovations, in terms of adding the spa, in terms of adding the chambers, in terms of adding house opening, in terms of adding the all day dining there and doing a lot of work in the Courtyard, I think we look at it as an upside potential that we have, but yes, Cape Town is doing fine, Dubai is doing fine, Maldives is a bit soft, Sri Lanka is on the way up, so all in all it is good, Lusaka is doing very well for us, so I think it is just really New York, San Francisco and a upside potential in London, which we are looking forward to and that will hopefully change when we present Q3 and Q4 results in the next quarters.

Binay: Just lastly, any comments on any inflationary pressures that you are seeing in the system crop up? I saw that your staff cost is up 18%, but still lagging revenue growth, but anything apart from that that you would call out could be sort of headwind to watch from a margin trajectory next year?

Puneet Chhatwal: Not really. I think, as I said, we are seeing very strong business momentum and we are also seeing very strong not like for like growth for us. I think important is as we have guided since our capital market day and in the previous quarters that we are making investments in our future, be it through comprehensive asset management, so the more you invest, the more you displace, when you displace and when things come back, it just takes time and that is one, but is taking care of not just the short term, we are taking care of the mid and the long term, our brandscape for the company as well as our investment in new businesses. So, as I mentioned under Deepika Rao, we have created a new organization because when we went through a pandemic, people were double-hatting and doing Ama or Qmin or other things on the side, but now there is a dedicated, focused organization with its own marketing, with its own finance, with its own sales, with its own revenue management in these three new business verticals under the leadership of Deepika Rao and of course that is an investment in our future and as we have said this quarter we have guided a bit more on Ginger, as of next quarter we will do more on Qmin, the following quarter we will guide more on Ama and we will start reporting more comprehensively also on the new businesses.

Giridhar Sanjeevi: And just one other comment Binay is that if you look at the segmental growth, F&B revenue growth has been about 10% or so in the second quarter. We expect that to pick up as we go along. So, we don't see any stresses because of inflation, as you pointed out, we don't see stresses at this point of time.

Binay: And just on the occupancy, right, like in the last call, you mentioned that Goa is now 365 day destination again in Q2, we see very good occupancy level and this question has come to you many times in the past also that where can occupancy go to, so any comments on that?

Giridhar Sanjeevi: Number one is that you have seen that this standalone occupancy went up to 75% financially. We have seen that data in annexure actually and if you combine it, there are two-three factors which could aid in occupancy. Number one, I would say the whole supply demand thing and you saw the chart which showed that most of the supply is actually coming not in the key metros, but in the outside of the key metros actually. So, that itself means that existing micro markets and key metros should be well protected and should benefit from rising occupancy. Secondly, all the demand factors like for instance FTA, foreign travel visitors, all that should help. So, my own sense is that occupancy could still go up a little bit actually. However, I think as we have always been saying on the profitability Binay I think in the key metros, one thing we have always mentioned in the key metros in anywhere in the world, whether it is Singapore or Hong Kong or anywhere else, the hotels generally tend to do an occupancy in excess of 75%, 75% is typically we see like in Bombay you see 85% occupancy. So, occupancies tend to be around 75% plus actually and rest of this what really happens is that asset management helps in terms of driving profitability actually and an asset management has really helped for instance in Taj Lands End in the recent past has been running as effectively 99% to 100% occupancy on several days negative in terms of what you say oversold dates actually and that has fundamentally happened because the shape of the hotel currently is completely different from what it was about 18 months ago in terms of all the efforts taken, in terms of renovation, whether it is the theater, the chamber, the business lounge, the gymnasium and all of that actually. So, I think so therefore there are levers available beyond just supply demand in terms of driving occupancy section.

Moderator: Thank you. The next question is from the line of Achal Kumar from HSBC. Please go ahead.

Achal Kunar: So, I had a couple of questions actually, so first of all, I just want to understand on this mix wherein you said that lot of capacity growth will be coming in non-luxury tier 2, tier 3 segment, so since the capacity growth will be coming there, do you expect there is the potential risk of a pressure on the pricing in those tier 2, tier 3 cities non-luxury segment or do you see the demand growth will actually change the supply growth and hence you don't see any pressure and that means effectively the overall average ARR on the system should decline because if the mix is trending towards non-luxury segment then the ARR should decline, so how do you see that impact of the mix and how do you see the growth?

Puneet Chhatwal: Achal, on the lighter notify answer, it seems that if you are always looking for reasons to reduce the rates and we are hoteliers, we are always looking at reasons to increase the rate. There is less supply coming into Mumbai or Delhi or Bengaluru and the demand remains strong and the occupancy increases, our ability to charge as a sector to get Taj of which brand, whichever maybe we talk about should be normally higher because the new supply is coming in tier 2 or tier 3 cities, right, so not like they are not 10 or 20 hotels coming into Mumbai, they are not 10 or 20 hotels coming into Delhi and if you have large event halls like a Jio, like Bharat Mandapam in Pragati Maidan or like Yashobhoomi in Dwarka in Delhi. Even if you have one event which is going to host 2000, 3000, 5000 people in a single hall and half of them need accommodation, the city will be sold out. So, I think there is a structural change that is happening and it may not bring in results tomorrow because some of these events need to be booked 9 months, 15 months, 18 months in advance, but today we have that infrastructure available and these metros will benefit significantly and if new supply additions have to come, they will take 3 to 5 years to get added and by that time the demand "in theory" should grow faster in these cities than the supply would.

Giridhar Sanjeevi: And I don't know whether you picked up the other statistics that we have put up on slide 13, which Hotelivate says that 65% of the share of luxury pipeline is with Taj actually.

Achal Kumar: Yes, I saw that actually, I was coming to slide 13, it was a different slide, but slide 13, you have shown you presented about the ARR occupancy and RevPAR in Q2 in different segments, Taj, SeleQtion, Vivanta and Ginger, so while ARRs were up sharply 8%, 11% in Taj, SeleQtion, Vivanta, it was up only 1% in Ginger, so just to understand the reason of such a low growth in Ginger, was it underlying trend that the prices are not going up in Ginger or is it strategically sort of you were holding prices in Ginger as to inflate the occupancy level because occupancy in Ginger was significantly high, so is it a normal trend that pricing in Ginger may not go up sharply, what is going on there, just wanted to understand the sort of background there please if you could help?

Puneet Chhatwal: Thank you for pointing that out. It is an interesting one. See, Ginger, we have moved now 70% of Ginger portfolio has brought, renovated and repositioned and when the hotel is undergoing renovation or the inventory is not available, you don't see that change in the rate, but as we get into Q3, Q4 and Q1 in the next 9-12 months, you will see a significant increase in that rate and we did that. We did also, as I told you, Qmin rebranding and because of that, once the work is finished, they happen, you reopen the inventory, then you start seeing the impact and actually the growth in Ginger as a percentage going forward, we feel will be much higher than what you are seeing here. Here, you are seeing 14% RevPAR growth. You could see that number easily cross 20 going forward. So, because of the change in the business mix and the model which does not happen overtime, it has taken time and still 30% of the portfolio needs to be done, so maybe it will not be 100, it will be 90% or 85% in the next few quarters, but that will start showing results.

Achal Kumar: The other thing, I wanted to understand about the demand trend, so basically we recently initiated on US Hotel industry and we found that the COVID impact is still there, there is a lot of bleisure demand as we call it business plus leisure, so how do you see the trend in India, do you see the COVID driven trend has completely gone or you still see bleisure demand, the people taking multiple short trips, so just wanted to understand the mix, is it how you see, now in Q2, but going forward, how do you see the demand trend please?

Puneet Chhatwal: Achal, when you have events, whether it is a Black Swan or another major event like COVID, there are certain things that change forever and I have given this example in the few quarters before also, if from 1.4 billion people in India, only 5% is relevant for our sector. When you are talking about 70 million people and from that 70 million, if only 10% that means 7 million have changed their behavior pattern forever. That means they are now doing what you are calling bleisure combining business and leisure and spending 5 extra nights in hotels in a year, then you have 35 million room nights, which was not there before from the same people in a year. So, that is the kind of change that is not just relevant for India. If you look at the hospitality sector in general across the globe, the recovery has been led by domestic and these partial reasons could be risk of travel, visas, whatever else was there, but there is another reason or in India Dekho Apna Desh**,** the other reason is that these are incremental room nights which were not happening before, where people were not comfortable driving themselves, they always needed somebody to drive them. Now they get into the car and drive and the numbers that I have taken is like very small base. This base in reality could be much higher.

Achal Kumar: My last question is around your strategy towards international, I think you recently invested in Netherland, you recently invested something in Germany, so are you strategically looking at the international markets or you remain opportunistic wherever you see the growth and potential, you just invest there and what kind of impact, international market, of course you have been facing difficulties in US, UK is doing pretty well, so overall how do you expect, don't you think the investment in the international market could actually be a bit of a challenge initially maybe until you really settle down there?

Puneet Chhatwal: I fully agree with you. I don't disagree with you, but we have not invested in international market. We announced our hotel in Frankfurt, the investment comes from someone else, we are just signing and operating lease, which means we are just going to pay a rent, spending some money on the Taj brand like Chambers etc., but it pays itself faster than we think. So, our investments will be very much India centric. We do not have any strategic intent to invest in international markets on our own money, but we are very open to signing management contracts. We signed management contract in Riyadh for over 250th Hotel, in Berea Gate, we signed recently 2 contracts in Bhutan on management contract. Before that, we signed 2 management contracts in Dhaka because in the Indian subcontinent, even Dhaka is very important to us for both Taj and Vivanta, but international, we will be very selective and we are very focused with Taj brand. We will keep doing 1 or maximum 2 hotels per annum, but preferably on a management contract basis and if it is a Western Hemisphere using other peoples institutional capital on an operating lease basis where we might end up just paying for the investments in the brand or in the up trade, which is a very nominal in a small amount, we end up doing that even in India. Our investments in the short and medium term if we do very selectively will be in our own hometown and not outside. See, Achal, everyone is looking to invest in India. It would be foolish of us to go and invest outside.

Moderator: Thank you. The next question is from the line of Nihal Mahesh Jham from Nuvama. Please go ahead.

Nihal Mahesh Jham: My first question was that, you keep giving this data of the premium that our properties have been able to achieve over and above the industry, which has only increased versus pre-COVID, if I do ask you say within a specific city, what are the factors that is giving us the better pricing?

Puneet Chhatwal: Nihal, there are various factors, it depends from city to city, but generally speaking one could say your ability to charge is higher if the city is going through a very high occupancy and it is sold out and you know that for several years, Taj especially, which is the backbone of our company, still with other businesses being relatively either in the infancy or of growth phase, Taj commands the premium because it is India's strongest brand across all sectors and it has been rated for 3 years now among the world's strongest hotel brands. So, if the occupancy levels are high and healthy, your ability to charge is higher and we are seeing that across our portfolio in a very strong way. As Giri just now mentioned, it is not just a hotel or demand coming because the occupancy size, it is your ability to charge because of the new spa in Lands End, it is your ability to charge because we have opened a theater in the non-revenue generating space which can do previews, but people can also book it to watch cricket matches. We have completely redone the chambers out there. We have done a new lounge for our club floor there. So, all these things put together help you to charge, but of course, they also cost money and they also cost displacement as I mentioned before, but our investments in our iconic assets and our asset management initiatives are definitely showing a very big jump for us in absolute amounts. If you go and look at the historic performance of Indian hotels, let us say for last 10-15 years on Q1 and Q2, you will see that the difference is like massive in terms of performance and that is because of all these investments that are happening is not just you are able to charge a premium. You are able to charge a premium for a variety of reasons.

Nihal Mahesh Jham: Second question was Mr. Giri alluded to it, any specific reason this quarter there was a divergence between how room and F&B worked, and would that normalize in the coming quarters?

Giridhar Sanjeevi: I think it should be because F&B, you know the wedding dates are all in this quarter. So, I think that is one of the reasons why F&B was a bit more muted actually and in general I think on the longer term basis, I think there is significantly more opportunity in F&B, so you will see some of our efforts in F&B kind of paying off as we go forward.

Nihal Mahesh Jham: Final question was on, we see that we are obviously increasing your stake in one of the subsidies that we have considering JVs and associates that we currently own, is there a long term plan to maybe increase the stake or make it a full subsidy like we did with Ginger in the future?

Giridhar Sanjeevi: Obviously, those plans have been there, the intentions are there Nihal as we have always said. I think these things are not easy to come by. So, we use every opportunity which comes, whether small or big, to consolidate like in this case we have an opportunity to take out 7% because those people wanted an exit. So, anybody wanting an exit, we will definitely use the opportunity to do. I mean this is something that we are always on the ball in terms of driving. So, let us see where we get.

Puneet Chhatwal: And our cashes that we have built up, we are today having already, at the end of the quarter Rs. 1,400 crore approximately cash, which keeps increasing every month. So, we don't always have to just do share swap, we can also buy, we can have inorganic growth, we can have simplification, we can have consolidation, we have all possible opportunities now available to us because we have no debt and we also have cash results.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: Sir, my question was on, you have mentioned in your presentation about the impact of events is lesser now because the overall impact is only 0.5 to 1% because of G20 or World Cup on an year-on-year basis, we get a lot of questions that what after FY24 into FY25 in terms of event, so overall, because the impact is only very minuscule as it what it appears so, it is business as usual like for FY25 for the hotel industry, right?

Puneet Chhatwal: We agree with you, Prateek. We not only agree with you, we strongly endorse that the hotel sector is very well positioned and all these things that you are hearing as a one off now will become almost like a habit going forward, so it doesn't matter as you know it will be again, whether it is a Hockey World Cup or it is a Cricket World Cup or it is us bidding for Olympics or these things will just keep happening. You become the fifth largest economy, you have the ambition or aspiration to become third, so all other things, including costs including revenues, including events, all come with it. It will not be just GDP comes; it will be a combined impact of all these things happening.

Prateek Kumar: Do you think it generally does include the cyclicality of the sector or will it still remain like a deeply technical sector when the downturn comes, which is still like 10 years away, but this is something which, like reduces the cyclicality?

Puneet Chhatwal: This cyclicality in the sector will always remain and we have to differentiate here on the domestic versus international front. In the domestic front because there is still so much to be done and India is expected to grow at a certain rate on GDP, the cyclicality impact should be lower than what we have witnessed in the past or alternatively the length of the cycle will start changing. Also, the way we have articulated our strategy is that we have had new businesses as well as not like for like growth based on asset light model that should help us as Indian hotels to mitigate to a great extent cyclicality going forward. So, I think today, when we were last time hit, we were at 17% EBITDA and we gave a guidance of 25% EBITDA margin. Today, we are giving a guidance of 33 and if you are hit at 33 and your EBITDA margin drops by half, you are at what we would have been in 17%-18%. That is the change in the business model and the change in our portfolio mix and the change in addressing all the customer touch points with different brands. Does that answer or you are looking for something else?

Prateek Kumar: My next question is on international markets, so while you are looking at like management contracts or new models in international markets, while some of the markets impacted by global macro or other reasons, so that is the downside in international markets, impacts such in these markets because now incrementally we are only looking at management contracts, so the take rates also are like sort of lower in the market because of problems there?

Puneet Chhatwal: Not really, Prateek. It is not our strategy to own single assets in international markets, it is not a part of our strategy. If we were to take sliver equity or key money or spend some money in renovation to secure a long-term contract, we are happy to do that. That is like a very small amount that we talk about, but in fact hotel investments are anti-cyclical, so if the markets are down, the kind of prices you get today, you would not get otherwise, but we would use our partners in India and outside of India to help us do that growth, then us investing into assets that kind of capital, we don't want to block.

Prateek Kumar: So, I was asking adding the take rates which should be very similar what they are like have in India at 5% to 7%, so even in a down market we should have a similar take rate?

Giridhar Sanjeevi: The management fees are generally quite healthy. In fact, if you see the management fees that we are from Dubai and all that very good actually and these are long-term contracts and so I think we don't compromise on take rates for the sake of getting a contract, it is not possible actually, it is not possible. We can't do that.

Prateek Kumar: And my last question is on RevPAR growths obviously first half have been like very strong in terms of your year-on-year performance, so second-half we are getting in I think three phase because last year second-half was major records, which we had so likely double digit should continue right, as you say that RevPAR growth remains strong in the year?

Giridhar Sanjeevi: Yes, I think so. In fact, you have seen the chart that we have presented on slide 54, which shows how the RevPAR growth is about 15% in second quarter. Normally, we do see that 30% jump between Q2 to Q3 and we have business is pretty strong at this point of time. So, I don't see a problem in the overall double-digit RevPAR for the current year, not at all.

Moderator: Thank you. The next question is from the line of Lavanya from UBS. Please go ahead.

Shaleen: It is Shaleen again. So, to Giri, I was asking that you guys have 75% occupancy levels in a weak quarter and most likely we will end the year with higher than this occupancy, so at what occupancy level do you think that you will start thinking about changing your customer mix and probably we will see more of, right now also it is going good, but the idea here is that, the question we get is that how much ARR can improve from here, so where the mix is right now and where the mix can go of our customer, so any thought on near to medium term?

Puneet Chhatwal: See, it is the double digit growth. If we look at standalone, the ARR is increased by 18% and on the enterprise also by 11%. That is very healthy and RevPAR increases of like 28% on standalone and 16% on enterprise level at domestic market, right. So, we have just discussed this before this call on a very different issue and we are not seeing any change. We are seeing this trend continuing on the domestic front. There are some challenges on the international front, but on the domestic front, Mumbai is very strong, Delhi is very strong, Goa is very strong. So, all your top ten markets in India are extremely strong and what we tend to forget Shaleen is we have been very successfully able to mitigate the impact of Nipah virus or all the landslides and flooding in Uttarakhand as well as in Gangtok, etc., so there has been a lot of disruption that happened, but you don't see that when you look at the consolidated picture, which shows that some of your markets are extremely strong in terms of occupancy and if your occupancy increases your ability to charge increases, your more sold out dates when you had a very high occupancy dates and that is when you start charging more and more and we don't think about customer mix or change at a certain level of occupancy. We think about that and our revenue managers have to think about that at least 5 to 6 times a day, if not every 2 hours, this is just a part and parcel of the business.

Giridhar Sanjeevi: And if I just build on that, Shaleen**,** I think if you look at slide 68 of our presentation, 59% and that number has actually been going up. There were not 59 pre-pandemics, it was about 52 or so. So, the transient mix will keep going up. Also remember the fact that it is not ADS and GDS. It is also about how we are investing in loyalty and all that. All that is transient, so transient proportion will keep going up. That is number one. Number two, corporate is 12% and that is deliberately so. We have discouraged a number of small corporates from getting into long-term contracts and we have actually asked them to book on the web actually, which means that we are treating them like a transient and third as you know, we have spoken about it where we have changed the corporate contract from a fixed rate to partially to a rate which is linked to that ARR actually which means it is 25% of bar and things like that. So, those kinds of steps we anyway continue to take and beyond it of course as Puneet said the revenue management kicks in, you don't need the MICE because they are not really give you F&B but also rooms. So, all of those we do, you do need the Crew because they give you base occupancy. So, hence I think transient will continue to be a very important part of what drives the rates are actually and that will continue to be a very important mix element in our business actually.

Shaleen: So, I think that is what I was looking for that besides the room increase, you have a lever in terms of changing your customer mix that will inherently change or increase your ARR and that is why you guys are already?

Giridhar Sanjeevi: We have been doing it Shaleen**.**

Shaleen: So, second question, so when I look at your P&L right now, I think you guys can generate Rs. 1,200 to Rs. 1,400 crores of cash flow, free CAPEX after maintenance CAPEX and that probably can grow at 15% CAGR for next, let us say 4-5 years, so that would give you something like Rs. 8,000 crore kind of cash over next 5-year time period and if let us say take Rs. 2.5 crore per room kind of a number, right. so you guys can add anything around 3000 to 3500 rooms in a luxury segment and you can correct my calculation in terms of my CAPEX per room if it is low, but so on the current domestic own room, which effectively means you can increase your capacity by 60% odd, my challenge is how are you going to do that, right, are you thinking about some inorganic actively or start looking for the land parcel because gestation period itself would be like 3-4 years?

Giridhar Sanjeevi: No, I think you are right, Shaleen. There is definitely cash generation and the utilization of the cash and capital allocation is very important thing and if you look at what we are currently doing, we are definitely doing Greenfield projects, whether it is Lakshadweep or Gujarat and other places and some of these places we are not buying land. It is all lease actually which means you are not really buying land that is number one. So, Greenfields will continue to be an important part of how we will expand organically through adding capacity. That is number one. As far as the inorganic is concerned, we continue to look at opportunities Shaleen, as we have always pointed out, I think the NCLT has been a very difficult way in terms of hotel properties so far actually. So, we will have to do some bilateral transactions and we continue to look at, we have got a very good business development team which kind of looks at all of this and I think that ultimately what is important is not just the opportunity, but also to make sure that we pay the right price as well actually, so organic growth through Greenfield, whether it is using extra FSI available in lands to sort of build, all of those we will do Shaleen actually, I think and you are absolutely right that these take 3-4 years to come. It is not as if it comes overnight. Inorganic is important to be able to like we talk of conversions in management contracts like Cidade Goa coming on stream one fine day, I think inorganic will actually give us immediate capacity, but we are on the lookout where we continue to sort of look at those opportunities provided the value, these are value accretive actually.

Moderator: Thank you. The next question is from the line of Rajiv Bharati from DAM Capital. Please go ahead.

Rajiv Bharati: Sir, my question is on slide number 69, so you have seen the Crew business growing by 50% and earlier the contribution used to be close to 3% pre-COVID if I am not wrong and now it is close to 2% now, so my question is, in terms of sensitivity of the rates which you are increasing on each segment, which is the bottom 3 segments in terms of more sensitive, if you take the rates little higher, probably we will be seeing a dropout?

Puneet Chhatwal: No, I think the Crew will always be a segment which will be there in a different number of hotels actually because revenue management is about base occupancy, which can come from Crew, it can come from lower rated corporates and things like that and then the rest of it, the revenue management will push up rates actually. So, these are all elements of our business. You can't charge what you say the highest rate for every segment and every segment has a role to play actually. So, things like Crew will certainly continue to play a certain role in every hotel.

Rajiv Bharati: My question is on the slide you have shown a 50% tab, which the contribution there?

Puneet Chhatwal: Yes, don't look at that 50%, our Crew share of revenue is 2%, yes.

Rajiv Bharati: My question is on the sensitivity of this segment, in terms of let us say increasing rates and they will shift to a probably lower category hotel?

Puneet Chhatwal: I think the Crew business, these businesses come at a certain rate for sure actually and they are lower rate for sure and sensitivity of the Crew rate, I don't know because these are all contracts that you enter into within Air India or Vistara and all of those actually and these are fairly long-term contracts and there are standard ways in which people operate, there are no sensitivities saying that if I increase the rate, Crew will go away. If we don't want Crew in a hotel, we do that also. There are some hotels where we say what, we don't want Crew and we will shift them to another hotel in the same city because the good news is that we have multiple hotels in the same city. I think that is the call that we can take, but I don't think we worry about sensitivity of rates to Crew business in that sense. We don't think like that.

Rajiv Bharati: And on slide 22, you have shown the operating leverage in some of your key hotels, but when we go to let us say slide 61 to 63, where you have given subsidiary wise performance and particularly for Piem, Roots and Oriental, we don't see the similar operating leverage layout in terms of the swing in EBITDA versus the swing in the topline?

Puneet Chhatwal: Let me explain that. There are a few hotels in Piem which have been under renovation. I explained that in earlier points about displacement. So, Nasik is undergoing extensive refurbishment, so that it can get upgraded to Taj and Tajview in Agra has just finished some refurbishment and it has come back into operation and you will start seeing that impact of operating leverage. Two hotels out of a total of 6 or 7, they create a big impact, but it is going to be positive, but maybe by the time they come back, we take also Blue Diamond in Pune, which is a part of that portfolio also under renovation. So, there is some work to be done. As I said, we will keep investing in our assets and we are very happy with the way Tajview Agra has turned out in Piem and we are really looking forward to completing the renovation on Nasik and starting the one with Blue Diamond.

Moderator: Thank you. The next question is from the line of Jaiveer Shekhawat from Ambit Capital. Please go ahead.

Jaiveer Shekhawat: Sir, my first question is relating to Taj SATS, now given that it has been growing at a very fast clip and you also have plans of increasing operations to other locations as well, from an annual revenue run rate of roughly about Rs. 800-Rs. 900 crores, where do you see that over the next 3 years?

Puneet Chhatwal: Yes, we think that this 800-900 could easily grow by another 30% to 40% mainly dependent not just on airline traffic is the non-aviation business which we are considering in the new kitchen especially outside of the airport zone for cost efficiency reasons and we do believe that Taj SATS is very well positioned to go beyond 1000 in the next financial year and far beyond 1000 in the following year.

Giridhar Sanjeevi: There are number of drivers here, I think number one as we talked about the increase in the number of airports and obviously these great opportunities in terms of expanding the business. Secondly, what is also happening is that earlier if there is a problem at the airport route as an example, airlines used to cater from different caterers, one in Jaipur and one in Bombay, now you see on many of those routes, there is catering from only one city, which means there is reverse catering which means in the Bombay-Jaipur flight, the food for the Jaipur-Bombay also goes from Bombay. So, those are also happening in smaller vendors in some destinations are also not being used by airlines is the second one, the third is the non-aviation as Puneet pointed out, fourth is the whole synergy to Air India and Vistara and all which should come in terms of developing. I think there are a number of different levers that are there which can help to grow both the topline and the bottomline in this business actually.

Jaiveer Shekhawat: And sir, what would be the current share of non-aviation business in the overall Taj SATS revenues?

Puneet Chhatwal: It is less than 10% at the moment, but our aspiration is to grow it to more than 20 over the next 3 to 5 years.

Jaiveer Shekhawat: And similarly in relation to your management fee guidance as well, now given that again growth has been pretty remarkable on that side as well, where would your guidance stand as against what you have guided for about Rs. 550 crores by FY26 on the Ahvaan?

Giridhar Sanjeevi: I think we will come back from the capital market.

Puneet Chhatwal: Capital market, they will guide you more on management fees, but we have 80 contracts in pipeline. If you take out 5 or 6 that are owned and maybe another 5 that might be leased, the rest is all management. So, the management fee income will keep growing.

Jaiveer Shekhawat: And sir, lastly on your Ginger property as well, one in terms of your renovation, what kind of a benefit are you expecting once you are done with the renovation and will we still see some benefit during the second half? And also on your Santacruz property and what is going to be a pricing strategy there?

Puneet Chhatwal: Which property are you seeing in Delhi?

Jaiveer Shekhawat: No, Ginger Santacruz.

Puneet Chhatwal: Ginger Santacruz, it is our trophy asset for that Ginger brand. We do believe that in 3 years of operation it should reach Rs. 100 crores in revenue because that is what the market is for that 371 rooms and it is a very fairly large property. If you are Mumbai based and you drive by, then one sees the impact it has. We are waiting for some licenses and some cleaning up of the facade and access road and as and when that happens or whether it takes 2 weeks, 3 weeks, 4 weeks, but the opening is imminent, it will definitely open in very much foreseeable future, I would say the foreseeable future is limited to weeks and not to months.

Jaiveer Shekhawat: Any comment on the renovation side of it? What kind of benefit should we expect in the second half? And then overall, what kind of benefit should we expect after renovation in terms of rates that you charge in your Ginger portfolio, any indication there?

Puneet Chhatwal: For Ginger as a portfolio for renovation, we are the Ginger, what we are seeing on the Lean Lux as we call it, the Lean Lux hotels in almost all cities get north of 3,000 and in Mumbai and all they even get much higher rate. So, Ginger Santacruz should operate north of Rs. 6,500, Rs. 7,000 stabilized rate. So, it depends on the city, it depends on the size of the property, but we are no longer into that category the way this brand was launched at Rs. 999 or the cheap kind of hotel. This is functional hotel that provides all possible services except for swimming pool and those kinds of additions, but you will have all day dine-in restaurant, the F&B, when we started the Ginger brand was outsourced. So, actually just the name is old, everything else is just new about Ginger. We have insourced the food and beverage, we have added meeting rooms and just be patient with us for a few weeks, we would like to invite you for the opening of Ginger in Santacruz, all of you.

Moderator: Thank you. The next question is from the line of Anuj Upadhay from Investec. Please go ahead.

Anuj Upadhay: Sir, two questions, one is on your initial remarks where you mentioned that the US hotel businesses have been underperforming, likely expected to remain stable or turn out to be a better performer after 5 to 6 quarter from here on, so exactly what gives us this confidence of this turn around kind of a thing, is there anything happening or going to happen at a maximum level in the US or there is some change in strategy from our end that would lead to stabilization of the hotel?

Puneet Chhatwal: There is a very good performance we had in San Francisco pre-COVID, we had turned it profitable. It is zero debt. We own the asset. It is a relatively small size property in the middle of town, Union Square which is a great location, but the market changed. So, I don't think there is any issue in San Francisco in the mid and long term. It is a short term that city is suffering for the variety of reasons which have nothing to do just with hospitality, its own macroeconomic thing as I said. New York is New York. New York, London, Paris these are the top lodging markets of the world and we do see that there is a change and a shift that will come there and that keeps happening. These kinds of markets with one event in New York over G20 kind, (UNGLA) the United Nations General Assembly in the month of September and the whole revenue base change is there. So, all we need is a few more events like that which will come, which will happen and that will drive the change that New York is seeing. Also, the dollar has become very expensive, so travel to New York is not booming as much as it used to boom, when the dollar was weaker, so all these things play out, but I don't think anything is permanent forever, so I am not here to predict currency rates, but definitely certain things have a short-term impact and it is very important for our brand to be in New York and London and that is what differentiates us. That is what gives us the strength of playing on the same pitch as many other equivalent or important international brands in this segment play on the global arena. You have to be in the top lodging markets of the world.

Anuj Upadhay: Second on the capital allocation, I know you have already answered this, what you have mentioned is that we have multiple options as of now for the allocation like enhancing stake across few JVs or subsidiaries, inorganic growth renovations, so looking for assets which are under SARFAESI. Barring this, do we have any other concrete plan or we have covered almost everything on today? Or is there any change in strategy to have 55-45 manage and own property? Are we going back to having more of an owned or managed property? Just curious to know where exactly do we plan to allocate these particular kinds of liquid fund, which we have as on date?

Puneet Chhatwal: We are we have given that guidance under Ahvaan 2025, there is no change. Only thing is as and when we achieve the targets, the old might marginally decrease because of the growth in the managed portfolio, but because we are iconic and we have some of these great assets, we can't just either sell them or get out of them. Actually, they do provide us, as we said, the absolute amount of profitability is coming from these iconic assets. Like Giri just now mentioned with Lands End the way it has been performing Taj Mahal Palace in South Mumbai or now the way Taj Mansingh or Taj Palace is doing in Delhi, so we are very pleased with that. We will keep these kind of assets. Today, it represents on a total portfolio including hotels under development around 50:50, but in operation still the asset heavy side of the portfolio is higher, but with more and more openings of rooms and hotels under management contracts, we hope to have a balanced portfolio within the next 12 to 15 months in operation. We have it when we include the pipeline and going forward maybe the own part of the portfolio will become let us say 45 and the manage will become 55 because with the Ginger we want to be more in operating leases, which is also considered as owned. Technically, leased hotel is also owned hotel. So, I think very carefully, we will manage this mix and the mix that gives us the best of absolute return, but also helps us to be a margin enhancing company.

Anuj Upadhay: And lastly, any update on the Sea Rock?

Puneet Chhatwal: Yes, we have submitted the plans and we are waiting to hear. So, as and when we know we will update and if needed, we will have a separate call, but yes, we have submitted plans online now for the development.

Moderator: Thank you. The next question is from the line of Pavas Pethia from Birla Mutual Fund. Please go ahead.

Pavas Pethia: I have two questions, one is regarding this branded supply, if I look at your slide 7 where there you are saying that 5% to 6% CAGR of growth, but if I look at the growth plans of peers, everybody is talking about double digit management contract growth, so how is this fresh supply coming for you guys when the physical asset creation is limited?

Puneet Chhatwal: We have given that guidance, we remain quite bullish that as of this month or next month, you can say we will be opening 1.8 hotels a month. We have 80 hotels in pipeline. If we even stopped signing any new contracts today, we would be opening 20 hotels every 12 months for the next

36 months which means 60 hotels to open. So, I think on that side our pipeline is very strong and very healthy and we expect to keep growing.

Pavas Pethia: I understand your supply graph, I have seen that you are almost doubling your management contract, but my question is the fresh supply is not coming, how you are kind of ending up with the disproportionate share of the supply growth?

Giridhar Sanjeevi: What we are saying is that we have not said that supply is not coming, I think we have said that there is a certain pattern we are seeing in terms of growth and eventually I think funding will start and funding has started and eventually in the next 3-4 years, the new supply should emerge. New supply takes time and bear in mind that management contracts are not signed when the property is fully ready. Management contracts were signed when the owner is kind of trying to start the design process actually and we get a share at that stage itself. So, if you look at slide 76, where we talk of the number of inventories per year, you will see 3000 rooms per year is what we have said, we will open, and it is because these contracts have been signed today which we will open say in 2027. So, we are signing at Greenfield before the project probably gets off the ground actually.

Pavas Pethia: And secondly, continuing with the Shaleen question, you are currently when you sign a management contract, you only capture one-fifth or one-sixth of the potential EBITDA, why not grow and say you have the cash flows, you have the balance sheet in effect creation or acquiring some of these contracts? What you want me to do?

Puneet Chhatwal: We would consider any options that come. We are today as we said, well positioned. We don't have debt and we have cash reserves to do whatever makes sense. So, as you said, is being aggressive, makes sense on the domestic front, we will be aggressive, if it makes sense to invest in a few more Ginger properties, we will invest in it. If it makes sense to have an iconic Taj, we would do so like we are doing in Lakshadweep, we are building 2 Taj properties in line with the history of the company, we built Goa, we built Kerala, we built Andaman, so we are also building now Lakshadweep will be world class resorts. These are small, may be like total of 150 keys both of them put together or 175, but that part will happen and it takes time to build results, takes 3 to 5 years to get into such remote locations and build the place, but once it is built and ready, then it will be fine, but it is aggressive. If you are not aggressive you will not go to these places.

Moderator: Thank you. The next question is from the line of Saurabh Patwa from Quest Investment Advisors. Please go ahead.

Saurabh Patwa: Sir, just wanted to understand your thoughts on when we get into a new CAPEX or renovation, what kind of return ratios we target?

Puneet Chhatwal: So, I think fundamentally, we look at the normal WACC, I think we look at our normal WACC normally in this industry we take about 11.5% WACC and as long as the return continues to be above that, we are fine in our renovations. Generally, there is absolutely no problem because of renovations, what we are doing is an existing property, we are innovating for better returns. On Greenfield, in general 11.5% WACC is good, and we make sure that we earn better than that. So, there is no problem.

Saurabh Patwa: Sir, just wanted to understand, would you be able to share our ROCE for properties in India and properties outside India?

Giridhar Sanjeevi: If you look at our capital market-based presentation, if you look at it last May, please look at it on the website, we have clearly given the return on capital employed for domestic assets and the international assets. So, you can pick it up from there.

Moderator: Thank you. The last question is from the line of Nikhil Agrawal from VT Capital. Please go ahead.

Nikhil Agrawal: Sir, my question was on the debt side, you have reduced your debt to quite a significant extent in the first half, but your finance costs have not reduced, so was it because you paid your debt towards the flag end of the quarter or is there any other element?

Puneet Chhatwal: No, that is wrong. It is just accounting.

Giridhar Sanjeevi: I think you are getting confused with the interest on lease capitalization, so I think it is nothing else actually. Otherwise, the finance cost is actually negative. So, I think when you say finance cost on the P&L use, those includes the cost on lease capital.

Puneet Chhatwal: IndAS accounting standard, which change what goes above and what goes below where we don't have any debt.

Nikhil Agrawal: And sir, lastly, you said Q3 would also be a double-digit growth year-on-year given that last year Q3 was your highest ever quarter, so you are confident of getting the double digit growth in quarter 3 as well?

Puneet Chhatwal: See, Q3 is always the best quarter, was not last year. If we go back in the history, Q3 would always come out to be the best quarter and as we mentioned before, given the business on the books that we have for the month of November already, because the visibility is short and the 26 days that we have had of October, there is nothing that makes us believe that we should not have similar kind of growth that we have witnessed last year, year-on-year basis, if not higher. We even think it could be higher.

Nikhil Agrawal: Thank you, sir.

Puneet Chhatwal: Thank you, everyone. Thank you everyone who joined the call. Thank you for asking the questions that you did. For any other queries, please feel free to reach out to us in our corporate office, our Investor Relations team and we really look forward to talking to all of you at the end of next quarter and our very best wishes for the upcoming festive season and hopefully use all our hotels, all our brands and Taj properties and spend all your moneys in our restaurants. Thank you for joining. Thank you very much.

Moderator: Thank you very much. On behalf of The Indian Hotels Company Limited, that concludes this conference. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.