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Date: August 12, 2023

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 First Quarter ended June 30, 2023

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 First quarter ended June 30, 2023 held on August 08, 2023 for your information and records.

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

Thanking You.

Yours Faithfully,
For **Royal Orchid Hotels Limited**

Amit Jaiswal
Chief Financial Officer

Encl:A/A

"Royal Orchid Hotels Limited

1QFY24 Earnings Conference Call"

August 08, 2023

MANAGEMENT: **MR. CHANDER K BALJEE – CHAIRMAN AND MANAGING DIRECTOR – ROYAL ORCHID HOTELS LIMITED**
MR. PHILIP LOGAN – CHIEF OPERATING OFFICER – ROYAL ORCHID HOTELS LIMITED
MR. AMIT JAISWAL – CHIEF FINANCIAL OFFICER – ROYAL ORCHID HOTELS LIMITED

MODERATOR: **MR. KARAN KHANNA – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the 1QFY24 Earnings Conference Call of Royal Orchid Hotels Limited hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Karan Khanna from Ambit Capital. Thank you and over to you, Mr. Khanna.

Karan Khanna: Thank you, Michelle. Good evening, everyone. On behalf of Ambit Capital, I welcome you all to the 1QFY24 Earnings Call of Royal Orchid Hotels. From the management team today, we have Mr. Chander Baljee, Chairman and Managing Director; Mr. Philip Logan, Chief Operating Officer; and Mr. Amit Jaiswal, Chief Financial Officer of the company.

I will now hand over the call to the management team for the opening remarks. Post which, we can have the Q&A session. Thank you and over to you, Mr. Baljee.

Chander Baljee: Good evening and warm welcome to everyone. Thank you for joining us for the Royal Orchid Hotels Limited earning conference call for the first quarter and financial year 2023-'24. Please note that 1QFY24 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 the last financial year, the industry has bounced back very strongly after COVID.

From April '22 onwards, we had a robust business which was evident from the financial year of all the 4 quarters in the year '22-'23. We continued the success story in the first quarter of '24 also. In fact we have built on the success, and we did good business in the first quarter. The same is evident in our first quarter results. The company has posted good growth because of its strong business model and effective risk mitigation strategy.

We are working to post better margins than what our company has witnessed in the recent past. The first quarter revenues has been one of the best in the last so many years. Financial highlights for the company for first quarter ended June 30, '23 for the consolidated basis are as follows. The consolidated revenue from operation in Q1 '24 was INR73.72 crores as compared to INR63.44 crores in Q1 '23, a growth of 16%. This was attributed to increase in ARR and also increase in our F&B business.

Consolidated EBITDA for Q1 '24 was INR22.92 crores as compared to INR24.03 crores in Q1 '23, a decline of 5%. Consolidated PAT before exceptional item in Q1 '24 stood at INR10.73 crores as compared to INR11.53 crores in Q1 '23, a decline of 7%. During the quarter, we've been able to increase the average room rate. For Q1 '24, it stood at INR5,227 as compared to INR4,880 for Q1 '23, a growth of 7%.

You must be all wondering why is this marginal decline in EBITDA of 5% and PAT of 7%. The reason for the same are attributable to increase in employee cost. We had to increase the salaries of our employees to control attrition rate. The market had opened up with the competition, there was a lot of opportunity available to the employees and hence we had to increase the salaries substantially. The high cost of power and fuel; as you all know that all hotels HLP cost is one of major components of cost hence the increase in the cost.

Since COVID March 2020, we had not focused on maintenance of the hotel due to reduction in the revenue. Since last year started out well, the time had come to focus and spend more amounts on the maintenance of hotels, so we were little liberal in doing so. This will help our company in years to come. If we maintain our hotels well, then we can maximize our revenues. The repo rate has been increased by RBI several times since September '22 and hence our cost of borrowing has gone up to that extent.

Please note that all the above contributed to increase in the cost in the comparison to last year. We are well in line with our vision to operate 100 hotels before the end of the calendar year 2023 and we're looking forward to opening new hotels in different cities in India and abroad. As we talk, we are operating 94 hotels. During the quarter, we opened 13 hotels with 755 keys. I'm happy to announce that we opened our first international hotel in Sri Lanka. We are witnessing RevPAR growth led by higher ARR.

We believe that the industry has seen its revival and we will bounce back with better results in the current financial year. The management has set out a strategy to diversify its product offerings, provide unique customer experience and work towards a robust balance sheet. I would like to conclude my opening remarks by saying that we are witnessing major kinds of growth for the industry as a whole, which will show up in our overall earnings quality over the next several quarters.

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

Moderator: The first question is from the line of Dhariya Trivedi from DJT Investments.

Dhariya Trivedi: Sir, my question is on the RevPAR growth. The largest player in the industry has reported a RevPAR growth of about 18% and even some of our peers have done a RevPAR growth of 25%. In light of this, how do you see our RevPAR growth of merely 5% and what do you attribute this to?

Amit Jaiswal: Our RevPAR growth has not been 5%. See, our RevPAR last year in the same quarter was INR3,883. That has grown to INR4,123. It is almost 10% growth.

Dhariya Trivedi: Okay. But sir, it's still much lower compared to most hotels.

Amit Jaiswal: Yes, I understand. But you have to understand that last year we were operating at 78% occupancy and this year also we are operating at 78% occupancy. Lot of other chains were operating at 60%, 65% occupancy. See, you can't go beyond 80% occupancy. That is why our RevPAR growth is -- I can tell you only the growth has happened in the ARR. The RevPAR is contributed by 2 components. One is ARR, average rate, and the occupancy. We had reached the optimum level of occupancy last year in the same quarter while lot of other hotel chains if you see their occupancy, they were at 65%, 68% like that.

Dhariya Trivedi: Okay. But sir, the average occupancy in the managed property is still at about 64%, right?

Amit Jaiswal: Yes. See, what happens is managed -- I'll explain that to you. See, if you see our reports, we had opened roughly 15 hotels during COVID and last year also we opened lot of hotels. So when you open a hotel so initially for first 6 months, occupancy may not be up to the optimum level. So the total occupancy of our managed property is comprising of newer hotel as well as the older hotels. However, the older hotels have been doing very well. It's just that the new 15, 20 hotels which we have opened, they still starting to pick up. So that is why the average occupancy of the managed hotels will be little lower than the total occupancies.

Dhariya Trivedi: Okay. And sir, any guidance for the RevPAR growth this year?

Amit Jaiswal: See, RevPAR again let me tell you the occupancy will remain to be 78%, 80%. It can't go beyond that. Whatever the growth in the ARR will be reflected in the RevPAR growth. So ARR, we have already jumped by almost 7% to 10%. So lot of hotels around 12%, some hotels 8%. On an average 7% to 10%. That will be the growth you will be able to see in the quarters to come also.

Dhariya Trivedi: Okay. So roughly between 8% to 10%, right?

Amit Jaiswal: Yes.

Dhariya Trivedi: Okay. And we are still sticking to our guidance of 7,500-odd rooms by the end of the fiscal?

Amit Jaiswal: Absolutely.

Dhariya Trivedi: Okay. And sir, if you can just, please repeat the RevPAR number for this quarter?

Amit Jaiswal: For this quarter, the RevPAR number was INR4,123.

Dhariya Trivedi: This is an average of both the managed as well as the joint -- the new hotels, right?

Amit Jaiswal: That is our hotels. Wherein if you see in our investor presentation, we have given ARR and occupancy. We had given an ARR of INR5,227. So the RevPAR is INR4,123.

Dhariya Trivedi: Right. And similarly for the managed, it would be 39, 40 into 64%. So how you arrived at that 5% growth?

Amit Jaiswal: About INR2,600 will be the managed property RevPAR.

Dhariya Trivedi: Correct. So basically, I arrived at that 5% or 6% by taking an average of both the GLO as well as the managed rooms.

Amit Jaiswal: Yes.

Moderator: The next question is from the line of Rahul Bhangadia: from Lucky Investment Managers.

Rahul Bhangadia: I think you touched upon the cost structure topics a bit in the introductory remarks, but I think some participants got disconnected so I couldn't hear it. But if you could just give us a sense of, how do you see these cost structures because with the RevPAR growth that you saw, the cost structures grew much more; particularly the employee number and some of the other power. What chunk of this you think will kind of continue and what chunk might be transitory? Baljee sir mentioned about being liberal with maintenance. So is that also a part of this cost structure? How do you kind of look at this whole cost structure?

Amit Jaiswal: See, as far as the salary, HLP cost and the interest cost is concerned; that will be more or less same because it doesn't change on month-on-month, but yes, R&M cost will taper down. See last 3 years we have not been able to maintain our hotels well. So once we did well last year so we started spending the money in R&M. That will taper down definitely and there will be some cost efficiencies once we know exactly at what level we are operating and that gets more or less averaged out.

So the cost also will come under a little control. But definitely in this quarter also little bit cost will be there because if we have to move forward and take the company to the different levels, we will have to incur this cost once it stabilizes. But overall in the year end, you will find that the cost effect will not be that much.

Chander Baljee: See, one of the things that happened is that this industry has suffered a lot during COVID, so a lot of people were sent off with either cut in wages or returned back to the industry. So to get people back, we had to give them substantial increases. And this is a universal problem, it's a problem faced by all hotel chains then. So this is why this quarter when the increments came up, they were a little unusual as compared to any other year and this can be verified everywhere, but then we have managed. But now this is not going to be every quarter or every year. This unusual hike in salary will not happen quarter-on-quarter or year-on-year.

Rahul Bhangadia: Okay. And sir, this repair and maintenance cost or what sits in the other expenses in the quarterly numbers? What would be the general quantum or rough approximate quantum that you're spending today and what were you probably spending, let's say, immediately after COVID when things are not so great?

Amit Jaiswal: See, we had a plan of sprucing up all our hotels because a lot of machinery expenses, equipment expenses and all has come, which we have written off in the books, it's not in capex. So those kinds of expenses we have done, changing the pipelines and all. So that had gone into roughly INR3 crores we have spent on that and maybe INR1 crores will go ahead in this quarter. But then that's it, I don't think so any much repair will go on.

Rahul Bhangadia: So just to confirm the INR18-odd crores other expenses that we have reported in the quarter has a INR3 crores number, which is against kind of sprucing up the properties, which will come to INR1 crores next quarter and then probably just kind of slow down after that? So that is one part of it. So given this whole cost structure thing, RevPAR, and the growth that you're seeing, sir, do you think Q2, Q3 or particularly Q3, Q4 can cover up for the slight miss here and kind of make you reach towards your INR400 crores guidance that you had given for the top line for FY '24?

Amit Jaiswal: See, we are in line with that. But see, what happens is generally, hotel industry has been 60-40. First half is 40% and second half is 60%. That's what you have seen in all the years in the past.

In last 15 years' data if you take and if you crunch the data. But this year also we hope that third, fourth quarter will be definitely better than what we are doing in first and second quarter. And as far as our guideline of INR400 crores, yes, it is our target which we are trying to achieve and hopefully with the development and with some new property coming in, we should be able to touch it. Even if we don't, it will not be very far from, I don't think so.

Chander Baljee: See, lot of hotels that we have opened in the last 1 year or so and growth has been actually accelerated. Lot of new hotels have come up so those will start yielding income in these coming months. And we are also having some hotels, which are what we call under revenue share. So although still higher number of hotels are open under management contract, which will not add very much to the top line but will add a lot to the bottom line because the direct overhead expenses are not there. So I feel that yes, we are definitely working hard to get to that figure of INR400 crores but won't be very much off the mark if at all.

Rahul Bhangadia: Okay. And sir, just a final question before I come back in the queue. So Jaiswal-ji mentioned that lot of these new hotels that you have added to the management contracts, they obviously come at a lower occupancy number and the overall average looks a little lower. Give us a sense of, let's say, you would have some hotels which have a legacy now of maybe 3 years or you added them 2 years back, 3 years back. What are the occupancies that those kinds of hotels are reporting?

Amit Jaiswal: Those hotels are doing very well; 75%, 80%, some are 90%, some are 73%. So there if you take off the average, it will be around 75%.

Rahul Bhangadia: So let's say your managed rooms now is about 4,500 rooms you are managing so fair to say that about 2,000 to 2,500 at least would be reporting a 75% kind of occupancy. And the other 2,000 are in the stages where they will kind of scale up and ultimately reach those numbers. But since you very aggressively, the average number might still remain low. Is that the way to look at it?

Amit Jaiswal: Yes.

Moderator: The next question is from the line of Rishith Shah from Nuvama Wealth.

Rishith Shah: So firstly on the employee side so basically, we have kind of added certain rooms on leases as well this quarter so might have kind of added employees as well. So what is the current staff to room ratio that we are looking at and where do you see it settling down in the long term, maybe say a year down the line?

Chander Baljee: See, what happens is that there is no fixed formula for staff to room ratios.

Moderator: Excuse me, sir. Sir, your voice broke. Can you please repeat again?

Chander Baljee: Can you hear me now? See, ours is a very, very heterogeneous group. We have got a hotel which is all sizes of hotels so there's no fixed sort of range for room to staff count. And of course we are trying to maintain a staff of about 1.3 as an overall ratio, but that depends on the size of the hotels which are coming up. If you get a smaller hotel, the ratio goes up and if you have a bigger hotel, the ratio comes down.

If a hotel has large F&B, then the staff ratio goes up. If the hotel has virtually no F&B or very little just a coffee shop, then the staff ratio comes down. But our effort right now is to optimize the staff strength. So we have done that kind of a thing. We have done, as I mentioned, that during the COVID time we did a lot of cross-training and people were put on multitasking. So that has brought down our cost.

We did a lot of rationalizing in the kitchen by using lot of convenience foods, which brought down -- standardized the product, controlled the cost, and brought down the labor. So we've done a lot of work on that. And also what we have done is to keep the cost low of our new hotel, what we've done is had a management training program which started during the COVID period where we trained our head of the department to become general manager for our future hotel.

So 2 things happened. One is that when a guy is moved from 1 hotel as front office manager to another hotel as a General Manager. So the cost of this hotel goes down because an assistant front office manager takes over and in the new hotel also, we have a guy who is our own man who knows our systems and procedures and our standards and he's able to take the opening of the new hotel. So we've done all that and we have a full-fledged college of hotel management which helps us, which is like our training arm of our company and works hand-in-hand in improving the profitability and efficiency of our company.

Rishith Shah: Okay. Secondly, actually I wanted to know or maybe pick your mind on the F&B side. So basically, we have now I mean a kind of chain of around 160 restaurants across our various hotels, which has a good brand name also. And we have been kind of upping up our F&B to room revenue ratio so maybe let's say the last quarter around 63% was the ratio, which is now to around 67%. So I mean what is your outlook or view or how do you want to shape the F&B part of our business and where do you see this ratio going?

Chander Baljee: See, what we are doing is we are focusing on banquet revenue to increase our banquet revenue and that has gone up substantially. There's been a trend over the last couple of years where people have preferred to use hotel than marriage hall for weddings and all that and that notion that wedding halls are much cheaper has definitely vanished because you will find that it's a 1-stop shop and they prefer to come to hotel. So that way, there has been a substantial improvement in the banquet revenue.

Going forward the conference business has bounced back because what's happening is that people who were having virtual meetings are tired of having virtual meetings. So there is what you call a revenge meeting. Earlier it was revenge travel, now it's a revenge meeting. People like to meet. Socially we are social animals. We like to meet and discuss and talk and over a drink also, we like to have coffee or whatever. So that business has gone up substantially and I think it will continue to grow. I think Phil may have a few more comments. Just ask him to.

Philip Logan: Yes. Just in relation to food and beverage, the focus in operations now is the capture rate. So the percentage of in-house guests capturing them for breakfast and then try to encourage them into the bars and restaurants for dinner. And most of the hotels are places to meet so really encouraging house guests to have their meeting of their client at the hotel and that builds a rapport with the hotel and keeps the income and actually increases the yields per room. Overall food and beverage has a very good story to tell and will continue to be so for the reasons that Baljee had mentioned.

Rishith Shah: Right. And lastly, one bookkeeping question. So during the fourth quarter of FY '23, what was the income from managed hotels?

Amit Jaiswal: Fourth quarter, our income from managed hotel was -- 1 second, I'm just checking. It was INR7.4 crores.

Moderator: The next question is from the line of Bharat Gianani: from Money Control.

Bharat Gianani: First, I wanted to ask on the room guidance for the next fiscal of FY '25. What is the kind of -- we know for FY '24 you have stated that you are on track for room count of about 7,500 for FY '24. But for FY '25, what is the guidance on the room count? And given you plan to do some hotels on a revenue sharing basis as well going ahead. So just wanted to understand what is the kind of debt levels you foresee over the next 1 or 2 years? So that would be my questions.

Chander Baljee: We are not planning to spend on our revenue share model. There's a very small capex which is required, which will be met through the internally generated resources. Company is doing well; we have got huge cash pile and that cash pile will be used. Yes, we are planning in the coming -- this year we may start expansion of our resort in Bangalore and our resort in Goa. So once we start that, then there will be some capex, but both those companies are doing quite well on their own.

And I think in the foreseeable future, the debt may not go up because when you start the civil work, you are not spending very much money. The money comes only when you have to do the interiors and the MEP work, which will come only probably the year after this not in this particular year.

So this year we are looking at expansion of at least 2 of our existing properties. We are going to be of course renovating our main hotel Royal Orchid Hotel. Some rooms are going to be renovated, but there is enough internal generation for doing that. So I think we are trying not to increase our -- at least in this year increase our borrowing.

I think we should be able to. And for managed property as it is, you don't require any capex, you don't require any money. We just need to beef up our management team, which we have done. And in fact with Phil joining, that will give a big boost to us and right signals to the investor community as well as our own owners who know that we are beefing up our management team and that's what's going to happen.

Bharat Gianani: Sir, I understand for this year it's pretty clear. But my question was slightly from the next year perspective, FY '25. So what will be the room guidance, the number of rooms that we plan to reach by FY '25 or, let's say, the room addition plan for the next year and debt for the next year? So because as you pointed out.

Amit Jaiswal: Bharat, see, we are in line. Our target is to add at least 1,200 rooms to 1,500 rooms per year. We are already at 5,600 rooms and another 700 rooms will get added -- and 1,000 will get added in this year only. Next year also. Yes. Sorry, so already we are at 5,600 odd rooms. Next year we will be adding around 1,500 rooms. That's our target. So to cross around 8,000 rooms by the end of March '25. That is the target. And as far as the revenue is concerned, we are looking at lot of revenue share opportunities and if any major opportunity comes on our way.

So as you know, as Mr. Baljee explained, that for revenue share also we don't have to invest a lot of money in the hotel. But if we get some major opportunities, then we might if required, if we do not -- if you are not able to do it through our internal accrual so by minor debt, we might take if some good opportunities come. But of course we are not going to own any hotel. It all will be asset…

Bharat Gianani: Got it, sir. So just to clarify by end of this fiscal we are targeting about 7,500 and by end of FY '25 we plan to reach a...?

Amit Jaiswal: No, I think we have gone somewhere wrong. See, right now we are having 5,600 rooms. So we will be crossing 6,500 rooms by this financial year…

Chander Baljee: Are you able to hear it now?

Bharat Gianani: Yes. Now it is very clear.

Amit Jaiswal: See, right now we are at 5,600 rooms. We will be crossing by adding another 1,000 crores by March '24 and by March so maybe 8,000 rooms will be...

Bharat Gianani: No. I got sir's response. 6,500 is what you said for FY '24 and for FY '25, you said about 8,000 or so.

Amit Jaiswal: 8,000 rooms, correct.

Moderator: The next question is from the line of Dhariya Trivedi from DJT Investments.

Dhariya Trivedi: Can you give us some sense on how demand is shaping up for the second quarter especially for the month of July and about a week in the month of August because Q2 is seasonally a weak quarter? So how is the demand shaping up for this quarter?

Chander Baljee: As we had mentioned that in the first 2 quarters, you do 40% of the business; in the second 2 quarters, you'll do 60% of the boss. So I think we are pretty much in line with that, and we are working towards that. So I think the real uptick will come October onwards, but there is nothing to panic right now. Situation is if you see overall this year because due to heavy rains, there was a downturn in the business of our hill stations, beach resort, Goa hotel suffered because of very heavy rain.

I was in Goa for 3 days during this period and I couldn't get out. It was just raining, raining, raining, and raining. In the hill stations for example Shimla, roads are blocked. For the last 1 week, there's no access to Shimla. For Manali, the roads are totally washed away so there's a problem and there is a general fear of people to go to hill stations and also travel. This has been witnessed. So there has been an impact in the month of July due to heavy rains, but we hope now things should settle down and people should start going out once again with a vengeance.

Dhariya Trivedi: Okay. And sir, have we revised our guidance downwards for the room addition? Because I remember earlier you were targeting 7,500 rooms by the end of FY '24 and I heard you saying that we're now targeting about 6,500 rooms. So can you give some clarity on that?

Chander Baljee: See, there must have been some misunderstanding. We are very much on our target whatever we have said earlier and that's why I think -- this connection was little patchy. So we have clarified that we have 5,600 rooms now, we will reach 6,500 rooms by end of this financial year and next year we'll add 1,500 rooms to reach 8,000 rooms by March 2025.

Dhariya Trivedi: Okay. And sir, incrementally what percentage of these...

Moderator: We'll take the next question from the line of Rajesh Agarwal: from Proprietary Advisors.

Rajesh Agarwal: My question is regarding our Goa hotel. 6 months back you told that we are working on it and by October or so a part of that will be operational. Could you please throw some light as to what is the status and development regarding addition of rooms and banquet etcetera?

Chander Baljee: We have made an application to the government for adding the rooms, but as I mentioned and I repeat that getting permissions is a herculean task in any part of the country, particularly in Goa. We have not yet made significant progress in that. In fact so we are hoping that we will try to get our permissions very soon and the moment we get the permission, then I'll be able to give you a correct answer on this. Because permission is 1 thing which is very, very difficult in any part of the country and particularly in Goa.

Rajesh Agarwal: I understand. Correct. That's fair. And could you please throw some light on the capex for our resort at Yelahanka or the INR34 crores acquisition which we are going to do with the Icon Property? How do we wish to move ahead in these 2 properties on capex and ownership?

Amit Jaiswal: Mr. Agarwal, see, Icon Property we hold 51% stake, and we are planning to buy the 49% stake from our partner. The reasoning I had clearly given it that now it is a profit-making unit and with the amount of depreciation coming down, the unit will do lot of profit in the current financial year. In this quarter itself they have done INR1.2 crores of profit. So that is why we took the decision to take it over. And there I had proposed to the shareholders that INR19 crores we have internal accruals. We don't need to take loan for taking over the property.

However, we are taking -- we have proposed to take a short-term loan from the promoter so that we can take over and repay the amount from our internal accrual. That is as far as Icon is concerned. And our resort property, it is in line. We had again there the permission issues. Most probably we are resolving it and we'll be adding 32 cottages there in time to come.

Moderator: The next question is from the line of Narendra from Robo Capital.

Narendra: Just 1 question on the margin side. So this quarter we have seen a dip. So you said in your opening comments that you are looking to expand your margin. So what level are you looking at for this year and maybe next year if you could throw some light on it?

Amit Jaiswal: See, definitely our absolute number of margins will increase in the current financial year. Percentages may come down little bit because we are adding more revenue share hotels where we don't invest any money and it's only the part of the profit which we get as our share because we have to pay out the lease rent also out of that and the margins in revenue share hotel is much lesser than the owned hotels where we take loan and bring of our own. But the absolute EBITDA number and the PAT will definitely grow.

Moderator: The next question is from the line of Sumit Chandwani from Arth Equity.

Sumit Chandwani: I've got couple of questions. One is you have given the guidance that you will be about INR400 crores of revenue this year and about INR120 crores of EBITDA. So are we kind of staying with that guidance?

Amit Jaiswal: Yes, definitely. Maybe little here and there it may happen, but we are definitely on target.

Sumit Chandwani: Got it. The other question was on the loan from the promoters. So the company has a loan of about INR10 crores at 14%. So I just want to understand what's the rationale for that. When do you think you will get a better rate from going to a bank because...

Amit Jaiswal: See, as far as loan from promoter is concerned, they are taken for the purpose when the banks do not fund. It is not for the purpose where banks fund. Like we have rational. We are going ahead for that Icon Hospital takeover. So buying of shares, banks do not fund. We have to go to financial institutions, and we checked with lot of financial institutions for that unsecured loan so there the rate is 16% and above.

Sumit Chandwani: Right. Because this was an extension of the loan. This is not a new loan?

Amit Jaiswal: No, it's not a new loan. It is an extension only. But the purpose for which the loan was taken was unsecured. It was not a secured.

Sumit Chandwani: Even originally, it was unsecured.

Amit Jaiswal: Yes. But however, let me announce that this particular loan was at 18%. That has been -- the promoter has been kind enough to reduce the interest rate from 18% to 14%.

Sumit Chandwani: So when will this loan be repaid, sir?

Amit Jaiswal: We will repay out of our internal accrual. We have taken a timeline of 2 years. Within 2 years as the company generates cash flows, we'll definitely repay it.

Moderator: The next question is from the line of Sakshee Chhabra from Svan Investments.

Sakshee Chhabra: Sir, my first question was on the owned hotel revenue which you have reported in your presentation. Why is it down year-on-year? Last year in the first quarter it was reported at INR21 crores. This year it's reported at INR20 crores. What would be the reason? I mean our ARRs are fine, our occupancies are stable. So what would be the reason for the drop in the revenue for our owned hotels?

Amit Jaiswal: Owned hotel you are talking about, right? So owned hotel what has happened? Owned hotel comprises of a lot of stuff. I'll just give you the breakup. See, last year -- so in owned hotel the reduction from INR21 crores to INR20 crores has happened because of couple of properties were underperforming it.

Sakshee Chhabra: As in we've underperformed in this quarter you're saying?

Amit Jaiswal: Yes, in this quarter.

Sakshee Chhabra: Okay. But what would be the reason for that? Basically you're saying the occupancies have been lower.

Amit Jaiswal: No. See what happened, as I told you guys that we have taken up upliftment of the properties. So we first took the owned hotel and lot of inventory went off. Lot of inventory went off in that renovation purpose.

Sakshee Chhabra: Okay. Understood. So basically, you've renovated some rooms and those rooms, the inventory was not available.

Amit Jaiswal: When you have to spruce up even if you have to paint the room, you have to take out the inventory for at least a week's time. It doesn't get -- overnight it can't be done. So like that, lot of inventory had been where we are not able to sell.

Sakshee Chhabra: Okay. So now going forward in the coming quarters, what is the pending renovation that you will be undertaking?

Amit Jaiswal: No, little bit -- in this quarter little bit it will come. Then post October when the season comes, we want to go and capitalize on the average rates and all. To increase the rates, we have to uplift the rooms and properties.

Sakshee Chhabra: Okay. And with this sort of upliftment, what sort of increase in ARR do you think you can charge? Because I'm sure if you have renovated the rooms, you are basically looking like you...

Amit Jaiswal: As I told in the beginning of the year that we need to increase the ARR, but ARRs are all market driven. If you want to remain into the competition, you need to have good product. We are not very sure about how much will be the ARR increase. We have to see how the season comes forward. But definitely we will be there to capitalize on whatever the market drives.

Sakshee Chhabra: Okay. So most of -- I mean you've renovated most of the hotels?

Amit Jaiswal: Not most of the hotels, some of the hotels. Most of the hotel is not possible.

Sakshee Chhabra: I mean what you had targeted to renovate.

Amit Jaiswal: What was very much required, those we were doing it and it's not renovation. I will not call it because we feel renovation means we got capex. It's just upliftment or sprucing it up.

Moderator: The next question is from the line of Rajiv, an Individual Investor.

Rajiv: I have 2 questions. Mr. Phil Logan, who has came on board as COO, would like to understand a bit about his background and how will he be involved in the company to take it to the next level? And also what are his expertise and are those in line with your vision to professionalize the management?

Chander Baljee: I'll ask Phil to answer the question. But broadly what I'm saying is that there has been a concern all along that who will drive the company to the next level. So we have invited Phil to join us. I have known him for a very long time, and he'll give a brief description of his background and how his vision is to take this company forward.

Philip Logan: So very briefly. I joined the company 9 weeks ago to drive the business in the direction the Board are taking that's to meet our room goals of 1,000 rooms inside this fiscal year and 1,500 in the following year to get to 8,000 by March '25. One of the basic operating tenures is as you expand to try to keep costs down so it will be about operational efficiency and professionalism. My goals having worked with major operator including Accor and Starwood. Background is all in development and in operation.

In fact I spent 12 years in Accor in India between 2004 and 2016 from Novotel HICC opening on January 6, 2005, through to leaving to U.K. Accor in 2016. The goals are very simple: train people, retain people, motivate them, and then promote them. As your company grows, they grow with you. It's that simple.

Rajiv: My next question is what are you doing in terms of ESOPs or other methodologies to retain senior management and key people in your organization?

Chander Baljee: We don't have any ESOP scheme, but going forward we are open to this idea, and we'll see. See, what happened was none of these things we could think of. We had COVID and we had lot of issues. Now we've just come out of it, we want to see how this year pans out. And if this year pans out well, we are open to this idea of giving ESOPs to some of our top people.

Moderator: The next question is from the line of Bharat Gianani: from Moneycontrol.

Bharat Gianani: Just 1 question from my side. What was the income from the management fees last fiscal?

Amit Jaiswal: In last fiscal it was INR24 crores.

Moderator: The next question is from the line of Rajesh Agarwal: from Proprietary Advisors.

Rajesh Agarwal: See, I referred to press release, Chairman's statement is there that 7 hotels are scheduled for opening; Gangtok, MacLeod Ganj, Varanasi, Shogi, Raipur, Gulbarga, and Nellore. Can we expect that by 30th September these 6, 7 hotels will be declared open?

Chander Baljee: Yes. Giving 1- or 2-months margin. Now for example you see Shogi, it's raining like crazy in Madhya Pradesh so doesn't dry up. How will the hotel get ready? We are hoping that it will be ready by now. So barring that, I think we are on track. Whatever we planned that by September, if not, maybe by October end that should be ready. So I think little margin we have to give. And of course most of these hotels under management are mostly project managers are the owners themselves. So there is sometimes a miscalculation that this hotel will get ready next month when you can see that it cannot be ready in 3 months, but you can't say anything.

Rajesh Agarwal: See, Mr. Baljee, this thing is that that magic number of 100; 94 we are operating, another half a dozen we reached. That is your statement also everywhere the company's benchmark is there 100-plus hotels. So definitely that will be a time to celebrate by Royal Orchid that we have reached 100 hotel mark.

Chander Baljee: The only thing I can say is that we are as eager as you as a stakeholder in the company to hit the 100 mark and we had hoped that we would reach by September. But I think it might get stretched by 1 or 2 months maximum. Things are getting ready and so I don't want to now give you a date and then next quarter you hold me to it, but we'll definitely cross very, very soon we'll cross these 100 numbers.

Moderator: The last question for today is from the line of Sushil Churiwala from Vinar Integration.

Sushil Churiwala: I'm coming back with my request for split of our stock because as explained earlier also if you split the stock, it becomes easier for investors to compare with our peers with what is the value of our company. So I would just like to know what is the aversion for management to consider this.

Amit Jaiswal: Yes, split of shares is there on the card. We are also taking expert opinion on that and soon we'll get back to the investors fraternity that what we are going to do. Your point is very well that to compare it with the peers since our share is at a higher sales value. So I understand that. And it is on the card, we are taking expert opinion on that and soon we will come to the market.

Sushil Churiwala: Because I firmly believe it will definitely unlock some value for the shareholders who are with you for a long time.

Amit Jaiswal: Yes, even I'm also on the same page.

Moderator: We'll take 1 more last question from the line of Rahul Bhangadia: from Lucky Investment Managers.

Rahul Bhangadia: Sir, just a question on this we are planning to add let's say another 1,000 this year, 1,500 next year. We all know hotels is a very operationally intensive business. How do you kind of plan to keep the quality controls and all of those things in check as you kind of go ahead on that front?

Philip Logan: Thank you for your question. The answer to the question is you can only manage what you measure. So it's about having operational metrics; whether they be operating staff ratios, whether it be cost control through the business, whether it be purchasing. So it comes down to stringent management systems and measurement and a part of the growth story for Royal Orchid. And streamlining is around consolidation and streamlining of management and making sure that everyone is following the same process. So that's where I come in and my goals are very simple to streamline and process and provide a professional seamless approach, which should deliver the right metrics and therefore the right margins.

Moderator: Ladies and gentlemen, as that was the last question for today. I would now hand over the conference to the management for closing comments. Over to you, sir.

Chander Baljee: Well, thank you very much for everyone for such active participation in this conference call and the response has been overwhelming and we are happy to see that. And we are charged up to provide better revenues, better results in the quarters to come. How do you maintain quality going forward in the service industry?

We are taking active measures and that is what the mandate which has been given to our Chief Operating Officer, Phil Logan, who comes with a lot of international experience to bring some international and best practices to our company so that we can grow faster and faster than even our peers. That is what we will be able to promise, and we'll work hard towards that. That is what I can assure you. Thank you very much.

Moderator: Thank you very much, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of AMBIT Capital, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.