

July 23, 2024

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Sub: Transcript of the IHCL Earnings Call for the quarter ended June 30, 2024

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 ended June 30, 2024 held on July 19, 2024.

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

https://investor.ihcltata.com/files/IHCL_Analyst_Earnings_Call_Transcript-Q1_FY_2024-25.pdf

You are requested to kindly take the same on record.

Yours Sincerely,

BEEJAL DESAI (F3320)
Executive Vice President
Corporate Affairs & Company Secretary (Group)



“The Indian Hotels Company Limited
Q1 '24-'25 Earnings Conference Call”

July 19, 2024



**MANAGEMENT: MR. PUNEET CHHATWAL – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – THE INDIAN HOTELS
COMPANY LIMITED
MR. ANKUR DALWANI – EXECUTIVE VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER – THE INDIAN
HOTELS COMPANY LIMITED**

Moderator:

Ladies and gentlemen, good evening and welcome to The Indian Hotels Company Limited Earnings Conference Call for the quarter ended 30th June 2024. On the call we have with us Mr. Puneet Chhatwal, Managing Director and CEO, IHCL and Mr. Ankur Dalwani, EVP and CFO, IHCL.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand this conference over to Mr. Puneet Chhatwal. Thank you and over to you, sir.

Puneet Chhatwal:

Good evening everyone and thank you for joining our global conference call for Q1 '24-'25. We remain focused on delivering superior performance on the back of our strong brand equity and continued industry leadership. Let me take you through what I feel are the top 10 remarks that we want to make in this call. Number one, Taj was rated world's strongest hotel brand and India's strongest brand and we are very delighted to inform you that this has been done by the Brand Finance and this is the third time in the last 4 years Taj has been rated as world's strongest hotel brand and the fourth time is India's strongest brand across all sectors.

Therefore, Taj has truly positioned itself as the crown jewel of India and is also running the flags high for Indian hospitality on the global stage. We are extremely grateful to our loyal patrons and dedicated colleagues who have played an integral role in making Taj the epitome of hospitality and luxury.

With that, I move on to the second important point. This is the ninth consecutive quarter of record performance. The third Q1 in a row which is our best Q1 and that this performance has continued for us, pleases us to announce this to you. Our enterprise revenue crossed the milestone of INR3,000 crores in Q1 growing 7% year-on-year. Our consolidated revenue grew 5% year-on-year to INR1,596 crores, EBITDA grew 8% year-on-year to INR496 crores yielding EBITDA margin expansion of 70 basis points to 31%.

More importantly, our bottom line that is our PAT grew by 12% to INR248 crores. Our operating revenue and EBITDA showcased stronger growth at 6% and 10% respectively resulting in 100 basis points margin expansion over the last year. On a standalone basis, we continue to deliver strong performance with revenues growing 4% year-on-year to INR972 crores and EBITDA margin expanding by 160 basis points to 37.8%. Our standalone PAT margin stood at a healthy 21.5%.

Number three, IHCL outperformed the industry despite temporary headwinds. The Indian hospitality sector faced multiple headwinds in Q1 ranging from an election period with the resulting code of conduct to extreme heat wave to fewer wedding dates as per the dates, the way they have fallen this year. However, IHCL's strong brand equity, customer trust and focus on performance helped us to be resilient and outperform the industry in all key markets driving a RevPAR premium well above the industry average in the domestic market.

Number four which is very much related to the point number three. The structural tailwinds are intact. That's the most important factor is that we believe that these headwinds were temporary and the long-term structural tailwinds for the sector are still intact. India continues to showcase strong GDP growth which when combined with a favorable demographic dividend is driving higher disposable incomes and increasing affinity for travel.

The government's continued focus on infrastructure with the Noida and Navi Mumbai Airports expected to open next year. And the new convention centers like the Bharat Mandapam should boost MICE business going forward. With 12 more auspicious dates in July '24 to March '25 compared to same period last year, Indian weddings are expected to stage a strong comeback. The demand-supply mismatch is expected to continue in the coming years, not just in the coming quarters, but in the coming years, with industry experts expecting a 10% growth in demand versus a muted 6% growth in supply.

Number five, which is very important for us is our portfolio growth. We continue to demonstrate industry-leading growth with 16 hotels signed and 6 hotels opened in Q1 '24-25. More importantly, with 224 hotels operational and more than 100 hotels in our pipeline, we have crossed the milestone of 325-plus hotels portfolio. We are pleased to announce our entry into the new segment of Taj Branded Residences with the first one coming soon in Chennai. This is a very lucrative market segment in India with over INR22,000 crores of aggregate market value today and showcasing double-digit growth year-on-year. This helps IHCL further diversify our revenue streams and leverage the strong brand equity of Taj.

Number six, an interesting development, which we have been guiding that is on our new brands and reimagined businesses. IHCL's new business is comprised of Ginger, Qmin and Ama Stays and Trails continue to showcase strong growth at 37% year-on-year. Ginger grew 45% year-on-year enabled by the stellar performance of the flagship Ginger Mumbai Airport Hotel as well as a strong growth in food and beverage revenues driven by cuminization of Ginger hotels.

Most of you would recall we took a strategic decision that the all-day dining restaurants of all Ginger Hotels will be rebranded to Qmin. The reimagined brands of TajSATS and chambers also showed a strong double-digit growth. TajSATS continues to maintain market leadership with a share of 59%, retaining an EBITDA margin of 24%. This 24% in the sector that TajSATS is operating in is considered an industry-leading margin globally.

IHCL will also introduce, as we mentioned in the last call, the reimagined gateway in Q2 of this year. Gateway will be a full-service hotel offering in the upscale and maybe even in some cases, up to upper upscale segment. The brand rollout will commence with a portfolio of 15 hotels, and we aim to scale it to 100 hotels by 2030.

Number seven, the very important factor for us, the management fee growth through capital-light strategy. As we've been communicating for the last 5-plus years, we have had a change in our business model, and we've tried to position ourselves in a more balanced manner of capital-heavy and capital-light portfolio. Our capital light, not like-for-like growth has helped us grow our management fees by 17% from INR98 crores last year to INR114 crores in Q1 '24/'25. We expect this growth in management fees to sustain with higher flow-throughs to the EBITDA.

Number eight is looking ahead to the remaining year. The industry has bounced back in July from the temporary headwinds faced in Q1. Destinations like Goa, Rajasthan, Kerala, which were impacted by heat wave are now seeing growth backed by pent-up demand and key markets like Mumbai and Delhi are benefiting from resumption of economic and MICE activity. We expect a double-digit growth in FY '24, '25, as we have also guided previously. And with an expected 20% revenue growth, 20% plus, I would say, revenue growth in July based on business on the books as on July 17.

Overall, we remain confident to be able to deliver on our guidance for the full financial year backed by IHCL's diversified and not like-for-like revenue growth and the tailwinds for the industry. We should not forget we still have another 19 hotels to open which will add further to not like-for-like growth with the 6 that we have opened in Q1. And actually, we did open 1 hotel a few days ago in Patna, the Taj in Patna. So that makes it 7 hotels already opened with 18 more to go till 31st of March.

Number nine is our focus on digital initiatives and brand and revenue-enhancing capex. We launched our new tajhotels.com website which has been well received and helped drive 150 basis points higher contribution from the website in Q1 this year compared to the same time last year. We continue to benefit from the Tata Neu Loyalty Program with 5.5 million members today 37% of our enterprise level revenue was generated by loyalty customers in Quarter 1.

Our balance sheet continues to be healthy. That's the point #10, on our balance sheet is healthy. Our free cash flows have tripled in Q1 at INR146 crores when compared with INR47 crores last year. Our gross cash reserves stand at close to INR2,100 crores, enabling us to reinvest in brand and revenue-enhancing capex through upgradation, expansions as well as investment in new Greenfield projects. Some of the hotels with renovations ongoing were St. James in London, President in Mumbai, Taj Holiday Village in Goa and Jai Mahal Palace in Jaipur. We are about to finish the renovation in our subsidiary that is Taj Malabar in Cochin, which is an absolutely brand-enhancing property for us in that part of India.

While this all refreshes our properties in the long run, in short term, we did face temporary revenue displacements, but that's a trend, which will continue because investing continuously in an iconic brand, especially the Taj which is our major today -- as a major source of revenue as well as income is absolutely critical. Spends on IT and digital initiatives like the implementation of new ERP system and property management system continued during the quarter. We continue to evaluate several inorganic opportunities but will take a disciplined view about such opportunities, coupled with prudent action.

Finally, Paathya that's our ESG plus program, we continue to stay focused on achieving our stated goals under the ESG+ program, Paathya. IHCL now uses 37% energy from renewable sources, and has installed 343 EV charging stations across 142 locations in India. Continuing our journey of eliminating single-use plastics, IHCL has installed 46 bottling plants and achieved 42% recycling of water used in Q1. IHCL also partners and operates 35 skill centers today across 15 states in India and the last one opened a few days ago in Bhubaneswar.

Key corporate actions and closing remarks. One is on TajSATS, the Board of IHCL has approved certain changes to the shareholders' agreement of TajSATS Limited, which allow IHCL to consolidate TajSATS as a subsidiary in its consolidated accounts. The consolidation is expected to be effective on 1st, August 2024. This will further diversify IHCL's consolidated revenues and EBITDA.

Second, on simplification in order to simplify our operating model and holding structure, it is proposed to combine business of TIHL with St. James Hotels London through a share swap and simultaneous business transfer agreement. The transaction is expected to complete in Q3 post closing formalities.

In summary, we expect to deliver double-digit top line growth with sustained margins and continued portfolio growth with a target to open 25 hotels in FY '25. Our new businesses will continue to grow at over 30% over the coming years. Our focus also remains on evolving our brandscape and strengthening our competitive advantages with prudent capital allocation and strategic opportunities. Thank you so much for your attention and we now open the floor for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: Puneet, can you talk about Taj Branded Residents more? What are our plans and how are we going to do more launch in more cities?

Puneet Chhatwal: Yes Sumant Taj Branded Residences is 123 residences with another 225-plus hotels over -- 235 rooms, I said hotels, over 23 floors a very iconic building in structure in Chennai. I think the good thing is we have not -- we've done long stay with Taj Wellington Mews, but we have not done the branded residences concept.

Basically, we get a brand fee because the Taj name is used in the sale of the flats and as well as we'll be providing service to the apartment owners when the property is up and running. That means they could use our gym, they could use our pool, they could use our restaurants, and we would provide also housekeeping services, which will be common to all.

So I think in a nutshell, this is our first venture in this kind of market space. And we will evaluate more opportunities because this is a global trend. It's been something very common in the Western Hemisphere for over two, three decades. But I think it's slowly gaining also traction and importance on the Indian subcontinent.

Sumant Kumar: Okay. Can you talk about -- you were talking about July recovery in the business. So can you talk about how the ARR is going to grow in the month of July or August, considering the pent-up demand you are talking about in some market, because the market was -- because heat wave and due to general election? So have you seen some pent-up demand? Can you talk about that? And how is the ARR growth?

Puneet Chhatwal: As I said, Sumant, that the trend till 17th of July, I would have said 18th, but there was some disturbance, as you know, in the technology today globally, not just for us or our company. So

till 17th of July, what we've seen is north of -- it would be fair to say north of 23%, 24% increase in the top line, but assuming that there were certain special events like in Mumbai, even if we were to normalize that for the remaining 2 weeks, it would be fair to say that a 20% growth in top line is very, very visible.

Now almost similar amount is coming through rooms and a similar amount is coming through food and beverage. And in the rooms part, obviously, it is driven more by rates so that we can expect this to be -- in my opinion, I think this will be a historic July.

Sumant Kumar: So do you think it is going to sustain in August because there is a pent up demand in July? Double-digit growth.

Puneet Chhatwal: Every day is not a Sunday. I think what it does is it helps you start the quarter on a very good note. And we've got a very good opening. August is also trending well. September is usually a good month. So I see personally what I mentioned in my opening remarks, me and my colleagues, we have debated and discussed and researched it, in length our discussions and in detail, and we see no reason why we should not have a double-digit growth for this financial year without accounting for TajSATS as of August. If we add that, it would be a much bigger number.

Sumant Kumar: Okay. Thank you so much.

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

Prateek Kumar: Good evening sir. My first question is on the first quarter performance of moderation because of external factors, is this like such kind of massive event happens because your occupancy...

Puneet Chhatwal: Prateek, you're not clearly audible. Prateek you are breaking up.

Prateek Kumar: So I was asking regarding -- because your occupancy seems to be like flattish maybe slightly better year-on-year. So in such kind of environment like what you saw for various macro factors the business was impacted. So industry has to like sort of induce customers to come on board by not taking a growth and still want to maintain the balance on occupancy. So how do we think about managing occupancy versus pricing in such kind of like sort of slow environment what we saw in Q1?

Puneet Chhatwal: Prateek, I have a different opinion on this. I think what we have uploaded, you will see that we have occupancy averaging around 76% on the domestic front. In certain markets, it is in 80s like Goa, Mumbai, Delhi, in certain, it is very close to 80 like Bangalore and Kolkata and Chennai is between 75%, 78%.

And it's places which are seasonal, like Rajasthan, you don't expect very high occupancy, let's say, Jaisalmer, Jodhpur, these -- they tend to get very hot in the summer months. And you will see much higher occupancy in Rajasthan in between October and March, right? So it is not flattish. It is holding and being resilient at a very high level, is what I would say, because there was this sector, like if you look back 3, 4, 5 years ago, it was struggling to be even in mid-60s in occupancy.

So going above that number is -- and maintaining that number is good. I think more important is how are we able to increase rates in markets which are lagging behind. That is the key. And there, some of the markets, like, let's say, because of less MICE activity because of elections, some of the markets suffered on that front. But as I said earlier, a few times, the first 17 days of July are showing a very strong recovery in our business on the books for the next 6 weeks is showing very, very strong demand versus the same period last year.

Prateek Kumar:

Right. Sir, my question was actually, I understand that the occupancies are very strong. So highly on strong occupancy, we should be able to take a good rate hike also. But my question was that, in order to at least have that kind of occupancy which you had last year, like hoteliers management would have to like sort of induce customers by not having so high rates, and that's why the RevPAR gets impact in this quarter. And next quarter, maybe the occupancy automatically is improving, and that's why the rates also -- I mean no inducement actually is required from the hotel manager side?

Puneet Chhatwal:

Let us take this offline because I'm not able to follow, really when your occupancy reaches 75% plus, your ability to charge becomes higher. That is why the rates are where they are and have improved. In the short-term headwinds that we had because of less MICE, because of less weddings, there was a certain impact, but those wedding dates moved to July. So that's why we are having extraordinary July.

So a year has 365 days. And we are only in the fourth month and you start seeing that these changes start leveling out. So I think it will be a strong recovery in July so that you will see both the rate and occupancy improving by a significant level.

Ankur Dalwani:

Yes. And I think if you look at the data we've put out here, if you look at Slide 23, it actually gives the RevPAR by brand. And within that, we actually made the statement that if you want to adjust it for MICE which is what we were just referring to that, that's the segment which was weak in this quarter as expected, we would have actually done a very healthy double-digit RevPAR growth on overall domestic -- on overall domestic sector segment as particularly for Taj and particularly for the Taj City Hotels, the business hotels, which is where the bulk of the domestic revenue also comes from.

Prateek Kumar:

Right. Okay. Sir that makes sense, sir. My second question is on like expected new capacity additions. So we have like, in the past year like heard or read about like a lot of international players wanting to scale up their presence in India, obviously, including domestic players. Is this something different versus what we saw in terms of wanting to grow in India because India is a attractive market versus what you saw in previous cycle, which was followed by a very high capacity growth or is it something new which we are witnessing this time?

Ankur Dalwani:

We are hearing definitely a lot of announcements, Prateek, and I think the proof of the pudding is in eating it. If you see the actual additions on the ground, they still seem to be muted. Q1 is of course just 1 quarter. But if you look at quarter 1, the increase in the supply stock is about 1.4%.

And if you look at the big markets, it's even lower than that. So I think it's good to see announcements, but I think to really get them to certify as to operating hotels on the ground, for

all the challenges, which we have talked in the past. It's not an easy thing. So I think supply catching over demand is not a very imminent thing, which doesn't seem to be happening in the next 2 to 3 years.

Puneet Chhatwal:

There is a -- another answer to this would be -- just forget hotels. I don't think there is any sector where any global major is not focusing on India as a market. For a variety of reasons that we need, whether it's GDP growth or its stability or it's the rest of the world is lagging behind or maybe a slowdown elsewhere. I think there's a lot of focus the way we have to look at it is a bit more with a science and an art. If there are going to be 100 new airports that come up as an example, let's say, 50 new airports, then they will also get some hotel supply. Then if there is going to be a renaissance of train stations, there's going to be such a growth in Tier 2, Tier 3 cities.

When people announce the hotels we have to see the pipeline is it coming in the existing top 10 markets or is it coming in 10 new markets. And then once you adjust that pipeline, the supply growth in established and good markets which are very important for publicly listed company like us is pretty much muted is the right word. Does that help answer

Prateek Kumar:

Yes absolutely sir. This is all my questions. Thank you.

Moderator:

Thank you. We have the next question from the line of Shaleen from UBS. Please go ahead.

Shaleen Kumar:

So might be a little long question sorry about that. So given Puneet your July comment, it seems like it's most likely more of a blip in the 1Q. Can I get some sense on ARR growth also, you gave us some sense on the revenue growth. But can we get some sense on ARR growth? That's first part. Should I continue with the second one?

Puneet Chhatwal:

Yes. Continue your question, Shaleen.

Shaleen Kumar:

Yes. So now typically, 2Q is the weakest seasonally. The way you guys have started, probably 2Q might be better than 1Q this time. I would like to understand how should I think about the cost also, because some of the costs like hikes have also taken for you in 2Q. But if you guys are doing -- if you will have such a strong 2Q coming in, we should expect a much stronger margin than right? Is that the right understanding?

Puneet Chhatwal:

On your assessment, Shaleen on Q2, basically, you have answered it what I would have answered. So you have answered for me. So Q2 will be stronger than Q1, maybe it's the best ever Q2 that the sector would have seen. At least July and part of August, we can already see, because half of July is behind us and the other half, we have pretty much the security. So we know that.

Then if you obviously have business driven very strongly by at least even at 50% is driven by rooms and a lot of it is driven by weddings, which also had good margins, then your margin should be better than July. Now where it would be in 1 month from now or in September, it's a bit too early to say.

But with whatever we know today, Q2 should come out stronger than at least for the first time since I have been giving the statement or at the same level as Q1 has been. Because there is always -- the way it works is Q3 is the best quarter. Q4 is the second best Q1 the third and Q2 has lacked behind, but at this time it could be a very close finish if or maybe even Q2 could be higher than Q1. It all depends in the next 10, 15 days on the pickup.

Shaleen Kumar: Just an addition when we'll be thinking about Q2 cost, in past 2 years there was some element of catch-up because we have not spent on probably some part of repair maintenance and some part of marketing. There was a catch-up happened in the past 2 years on a Q2 or on the salary levels, etc. So we saw a certain amount of growth year-on-year.

Is assumption -- is my assumption right here that we will not see similar kind of growth in the cost item this time, because it's mostly inflation-driven rather than some catch-up driven? Is that the right assumption?

Ankur Dalwani: I think on the cost side, as you see on Q1, we've actually managed costs quite tightly. And that comes you through the operating EBITDA margin as well. I think as we focused in the quarter, I think the few things will come back as business comes back, we will see some correction or increase in the payroll cost. Also a payroll cycle will get impacted. So -- but the overall number, as you see right now in Q1 was 29.7%. For the year, we normally do 26.5% to 27%. I think we'll be in the same sort of range for payroll.

Similarly, for some of the other big items like raw material costs, we are in the year, this quarter was low because we are low banqueting. Because of the business not being there on the banqueting side, we benefited. I think this will kind of normalize. So I think on the cost side, there would be a few efficiency drivers, which we're going to sort of deploy, but it's not that it's going to be dramatically lower than the last year in terms of percentage of revenue. There would be some areas where we can benefit, and that's something which we're actually very actively working on right now. But I can talk about that more a bit more detail maybe in the next quarter.

Shaleen Kumar: So the last bit, so Puneet comment on 50% of revenue coming from rooms, given the occupancy are mostly the same. So ARR growth is like close to double digit for July? Is that fair assumption again?

Puneet Chhatwal: For July - let me just check with my colleagues.

Ankur Dalwani: Why don't we come back to you on that?

Puneet Chhatwal: We can come back to you, but Shaleen it's a good healthy growth versus July of last year. It cannot all come through occupancy because occupancies are so high. So when we get our revenue and pick up, I have the absolute numbers in my mind, but not ARR for every city and every business.

Shaleen Kumar: No worry sir. This is enough. This is helpful. Great sir. Thank you so much. That's it from my side.

Puneet Chhatwal: Thank you.

- Moderator:** Thank you. The next question is from the line of Achal Kumar from HSBC. Please go ahead.
- Achal Kumar:** So my first question is about your guidance in terms of you're guiding 10% increase in revenue despite the fact that in the mid of the year, you will start consolidating case. So I mean, it would be helpful if you could please give us a bit of a color as in how you think -- I mean, what is it that making 10% growth looks quite significantly low. But -- and then especially given that TajSATS will be...
- Puneet Chhatwal:** No, Achal, sorry to interrupt. This 10% is without TajSATS. I said that in my opening remarks. Guidance that we have given for the full year of double-digit growth, could be 10%, could be 11%, could be 12%, but definitely north of 10%. That does not include the consolidated figures of TajSATS those from August to March.
- Achal Kumar:** Right. And then I mean I know it's difficult, but is it possible for you to give a bit of a color when you say 10% growth? I mean you must have taken some assumptions, of course which you have your own calculations, but what is it that is going to come from the room addition? What is going to come from the cumination or Ginger whatever it is? And then what is it that you're expecting to come from higher occupancy and ARR? So I mean a bit of a color or a bit of a breakup of that 10% would really helpful if you can, please?
- Puneet Chhatwal:** See what we said and we will see a bit of it on the presentation is the new businesses and the reimagined business. The new businesses will continue to grow North of 30% to 35%. That's what we've guided. That's Ginger, Ama, and Qmin with very high EBITDA margins. And the reimagined businesses which is TajSATS and chambers will continue their journey also of 15% to 20% growth. Anybody's guess where it would be, but with very high flow-through.
- So that is one important new component that is coming in and the rest comes in from our traditional business that is a Taj, Vivanta, SeleQtions and the reimagined gateway that will be launched. Not to forget Achal and you followed us for -- since we announced aspiration 2022 that our management fee income will also keep growing at a CAGR of almost 15%.
- Ankur Dalwani:** Other levers would include revenues from chambers etc which has also grown nicely in this quarter.
- Achal Kumar:** Sure. That's helpful. My second question is about the trends, Puneet. So basically, recently I have been talking to some of the hotels and then some of the hoteliers, looks like while the gap between the weekend and the weekdays was squeezed when people are working from home and they started clubbing work with leisure and all.
- But now, of course, things are changing rapidly and looks like now the gap has been increased with the weekdays are probably less occupied than the weekends. And then while people are still spending and they'll try to find any opportunity for the long weekend and they go and stay, I mean.
- So how do you see the trend at Taj and maybe different -- maybe within the Taj or different segments? And do you see that having a bit of impact because if the gap squeezes, then of course

the weekdays would be probably more like -- so how do you see the trend with different Taj segments? And then probably, how do you see the impact on the business?

Puneet Chhatwal:

I think it's fair to say that so much of work from home is becoming like a thing of the past. It's not happening the way it used to. So people could be working out of Goa, from the hotel. So I don't see that as a big issue. Important is that some of our trophy assets in the key markets like Mumbai, Delhi, et cetera, as I mentioned while answering the question that was raised earlier by your colleague from Jefferies.

Most of those key markets are performing at a very high occupancy levels. So it doesn't matter whether the occupancy is coming on a weekend or a weekday. Your ability to charge goes up if you are operating at north of 75% occupancy. So I think there the sector has demonstrated resilience definitely for us.

But I hope your comment about everything going back to what it was holds true because that would mean a significant increase in foreign tourist arrivals, because outbound from India has started. But the foreign tourist arrivals, the real foreign tourists, I'm not talking about the NRIs, is still lagging behind. And that is an important segment for our palaces and our iconic assets. So we are hoping that, that will start becoming more normal as of October or November of this year.

But up until now, we have seen more of that in terms of business travel. But I can tell you that there are a lot of queries for delegations from heads of states, et cetera planning to visit in the second half of this year that we're getting in our hotels.

Ankur Dalwani:

Achal, with the kind of occupancies which we just talked about, that would mean that even the weekends are not like the reasonably healthy occupancies. So I think whether these are because of the our hotels where they're located, the way they're positioned, they're one would like to open resorts, especially the ones in Bombay and Bangalore and Delhi.

Achal Kumar:

That's interesting. And my final question is about the different markets. I mean, especially, I think I was reading some of the reports, which says that the rentals in Bangalore has started falling off. And I think, of course, home rental. So do you see any kind of changes? I mean, of course, IT corridor is quite important.

But do you see any changes in particular in Bangalore market, but in any other market in terms of how the business was doing? And now is there any change or do you see there's no change? I mean, probably the reports are more about the home rentals and that has no impact on the hotel? So how do you see in terms of -- if you talk about some of the key markets for you?

Ankur Dalwani:

No, I think if you look at the data which we have on the Slide 37, it shows your RevPAR by cities and Bangalore in particular has actually been one of the stronger cities grown by 10% RevPAR which has really been on the back of higher ARR etc. So I think every real estate market will have their own dynamics, residential in Bangalore was -- had gone to a different status here and there that is how that is correcting.

But I think in general, the GCC has remained strong and therefore which is actually the key driver for our demand for our hotels. And of course, the general business activity which is kind of doing fine except for the blip we had a slowdown we had in the month of May and June. So I think there is no such structural trend we are seeing as far as the ARR is correcting etc especially for the big cities where we operate in.

Achal Kumar: Okay. Perfect. Thank you so much.

Moderator: Thank you. The next question is from the line of Sumit Kumar from JM Financial Institutional Securities. Please go ahead.

Sumit Kumar: Hi good evening. My question is on the portfolio pipeline. If you look at FY '26 and '27 combined, particularly for Taj in the managed hotels segment, you had roughly around 2800 to 2900 rooms coming through. So there are 3 parts to this, one is, are you sort of under riding on the fee growth because it looks like almost 30% being added in the Taj portfolio alone.

Second is what is the distribution of these hotels? Do you think this substantial pipeline will affect or cannibalize the existing business? And what is the status of this pipeline? Are they all on track to come by time lines?

Puneet Chhatwal: We have been guiding very carefully on the pipeline, and that's why we are so close to year-on-year in terms of what we said we will open. So what we said, we opened last year also. We said we'll open 20, we opened 20 hotels. This year, we said we'll open 25. We remain confident that we will open the 25 hotels. Now -- so the pipeline is pretty much managed, controlled and extremely tracked and extremely accurate.

Now comes to your question on cannibalization. There's no cannibalization. Suppose we opened last year the Taj Trees, in Bombay, in Vikhroli and we opened Ginger in Santa Cruz Airport. I don't think it cannibalizes the Taj Santa Cruz or it cannibalize the Ginger Andheri, Mahakali or Teli Gali or Ginger in Goregaon.

These are all different markets within a large metro. But we're also entering new markets, like as I said we opened 2 days ago Taj in Patna. That's the capital of Bihar. And in every state capital, we want to have a Taj, we are missing only a few with the exception of maybe Northeast. Maybe that market is not yet ready for Taj. It's more for a Gateway or Vivanta. So I don't think there is cannibalization of that part.

The other thing what you said is when hotels open, these 2,800, 2,900-odd rooms don't all open on 1st of April. They come during the course of the year, and there is a certain start-up period. It takes 100 days to 120 days for a hotel to stabilize. And then to reach its normal operating level, it can take 2 years, it can take 3 years in some cases. You open and then you have to close like we opened in Gangtok.

And after 10 days, there was a landslide and the occupancy fell to 0% then the hotel went and shorter and was doing like phenomenally well. And another 10 days ago, there was another landslide. So sometimes, some of these new properties are also taking a bit longer until the

infrastructure also catches up. Chia Kutir on the other hand, in the similar market has never had an issue. Since day 1, when it opened, it's been like a home run.

So I think the way to look at it is that when you add these rooms or the number of hotels in your modelling that you do or the way you project is you have to take it as operational fully after first year because not everything, as I said, will open on 1st of April. Things also open in the month of February or in the month of March.

Ankur Dalwani:

Just to add there, this is a very well-distributed pipeline between the top markets and the newer locations, which we were alluding earlier in the call. So almost half of the pipeline would actually be or may be 45% would be outside across major markets and the top 8 cities of India. So where effectively you are kind of creating a destination or there are 1 or 2 hotels we were adding to the third hotel around there. So it also creates its own demand. Some of these still would not create their own demand. So I don't think there's any risk of cannibalization when the pipeline comes online.

Sumit Kumar:

Sure sir. That's very helpful. Thank you and all the best.

Moderator:

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

Karan Khanna:

Hi. Thanks for the opportunity. Just a couple of questions. Firstly, if you were to dissect this double-digit growth aspiration that you have for rest of FY '25 further. How do you see the trends as far as the leisure and the business markets are concerned for the rest of FY '25? And with so many visa-free and well-priced destinies now available to Indian passports, do you see outbound tourism potentially cannibalizing domestic tourism as well as for the rest of FY '25?

Puneet Chhatwal:

For us, the double-digit growth has almost become like a standard. It's not aspirational. So just if we take a normal inflation increase plus the not like-for-like growth, we should get that double-digit number easily. It's not some kind of very, very difficult task out there unless something was to go wrong in a market like it went with the COVID or some event, which is beyond our reasonable control.

Whether it comes from domestic or it comes from international. I think the way the market moved in our sector, the most important factor still remains is, are we in an oversupplied market or is demand outpacing supply. So at the moment, the key markets that we have demand is outpacing supply. People are spending still money on leisure. Goa still remains a favorite destination. If you even look despite the heat wave at the RevPAR of Q1, it's the highest in Goa and not in Mumbai or Delhi. So there is -- and Goa is lower than last year and still the highest.

So I think it shows that the markets have also stabilized and improved over the years. And the important thing is some new markets that will be coming and becoming more and more attractive for us, that will be the interesting watch. And if we would be presenting one slide on the top 10 or will we be adding another 10 because of the brand scale that has changed in many markets, may be very interesting for Ginger.

We recently opened Ginger in Nagpur and it's off to a flying start. So it's as good a start as we've had with Ginger in Santa Cruz. Is Nagpur on our list of the markets that we showed to you, the answer is no. So I think as these quarters and time goes by, we will also keep evolving this data that we share with you, which also sometimes surprises us, because we -- when we entered with Ginger in Nagpur, we knew it was a good market. But if it could be that good, I don't think we expected that either from day 1.

Ankur Dalwani:

And just to add to that if you look at our inventory mix was operational and our revenue mix, a large portion of that is actually city revenues which is really the big cities where people if they want to come to the city it is not that they will instead of coming to Bombay or they'll say I'll go to Bangkok or any other Asian city, holiday cities.

So those markets are basically meant for not necessarily only for leisure. They are transit hubs. They are meant for business interactions, they are meant for MICE activity. And those markets will continue to remain robust in spite of what has happened on outbound tourism. And if you look at last year's number, outbound tourism did exceed pre COVID numbers, but we were not impacted by that.

Puneet Chhatwal:

The other thing is what kind of hotels are also opening which is on our own balance sheet. So we are opening the Taj at Cochin International Airport in November this year. That's absolutely on track and on time. I think these are -- and then we will open in Kevadia two of the company-owned properties and we have large property has already gone under construction. The ground stone -- a ground breaking ceremony has been done at the Bangalore International Airport for 750 rooms with the combo hotel of Vivanta and Ginger.

So I think that is some of those things which are very interesting for our portfolio and a lot of renovation happened because it's the right time to do the renovation in Q1. As I said Jai Mahal is a lease for us and that means we get the benefit of the entire revenue. It makes a lot of money, although everybody loves Rambagh for its iconic status. But Jai Mahal has always made 4 times more money for us as a company than the Rambagh made.

There was 30 rooms which were taken out and put under the renovation in Jai Mahal. And all this is now slowly coming back into operation. And Malabar the property is almost done, but not fully done. It will be middle of August when it will be fully done which has had an impact on OHL results, but as a brand it has an impact on everything including our presence in the city of Cochin.

Karan Khanna:

Sure. Thanks for the detailed clarification. My second question is on the FTA front. As we understand bulk of the 10 million FTAs that you've seen in CY '19 people of Indian origin with foreign passports and most of the genuine foreign tourists, I think that's understandably a much lower number. So what are the trends that you're seeing in terms of the recovery as far as this segment of the FTA recovery is concerned?

Puneet Chhatwal:

Karan, we mentioned that we are hoping as of October that real recovery will be soon. Also last year, the numbers were a bit weak because of India being the host country for the G20. So we had a lot of those one-off. I think we have to adjust for that statistics, not just the NRIs coming

in, but also a lot of people came because of G20. But the good news for the sector and its resilience is that without World Cup Cricket or without G20, we are still -- and all those one-off events, which everybody spoke about last year, we are still in line or above last year.

Ankur Dalwani: Also the flight connectivity goes up. I mean the cities are still getting connected. They're still not back to pre-COVID level. While the 2 airline groups have ordered planes they should get them on the ground. And as they come start coming up more and more direct flights between Europe and different cities of India will actually start making a lot of FTAs come in. But that's one of the biggest factor while deciding which destination to go to.

Karan Khanna: Sure. And then last question, any meaningful expectations from the upcoming budget, which you think could potentially surprise the industry positively as you understand that the 18% SFB tax seems to be a bit burdensome, and hence, the industry is logging for lower rates?

Puneet Chhatwal: It will be whatever comes, we will take if something comes. Let's just hope for the best. We don't want to speculate our results call and not for the budget.

Karan Khanna: Great. Thanks and all the best.

Puneet Chhatwal: Thank you.

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

Prateek Kumar: Yes. Thank you for the opportunity. I have a couple of follow-up questions. Firstly on - can you comment on like this recently there was this UP government some tweaks in bylaws which said which we read about there like there can be like some 200,000 more hotel rooms can be expected because on the expected land area per hotel. Is this something which we are also looking at closely? Or how should we see it?

Puneet Chhatwal: Prateek, I hope India has only 200,000 branded rooms. If we can start getting 200 in UP branded rooms, I mean I don't know what -- who spoke about that. But the total branded room supply in India is equal to that of Dubai and Singapore put together. We trying to get 200,000 rooms in one state.

Prateek Kumar: Yes. I also said it so -- but I don't know that statement said so. Maybe for the mix of branded plus non branded?

Puneet Chhatwal: No, but maybe somebody just mixed a 0 here or there. It's a typo or something like this. I wish we could grow at that kind of speed. It will be good for the sector and not concentrated in the market. If we could get 200,000 in entire India, and we had our fair share of 10%, 20%, then we would be adding 20,000, 30,000 rooms. Just total number of rooms today, right, in operation.

Prateek Kumar: Yes, exactly. That felt like a very large number. Yes. But okay. And second, just a curious question, regarding the wedding family -- Ambani family wedding this month in the city. Did that result into like all-time high rates higher than December rate or quarter 3 rates for the

industry or is it something very similar to mega events which you saw last year as well? And similarly higher rates for the sector in Mumbai particularly?

Puneet Chhatwal: Yes. Definitely, Mumbai benefited from a large event. And while you were chatting, we just Google, you are right, that there is actually an online statement which says 200,000 rooms in UP. So I'm sorry, I was not trying to be cynical, but it's not realistic. So it's -- for me, if it happens, very good, wonderful. I don't think it's going to happen that fast. But it does not say by which year. The only thing that article, which I just glanced through it, it does not mention the year. So if it's 200,000 rooms by India at 2047, maybe it's a possibility. And Mumbai did very well in that one-off event as a city as you ask so that we can confirm.

Ankur Dalwani: Just that these events need not be one-offs there are hopefully larger and bigger weddings which are going to happen in the year. And the good part is that we have 12 more nights which is what we mentioned earlier in the call so June, July to March. And so every quarter is actually positive from previously -- from previous quarter of last year.

Puneet Chhatwal: No, sorry. I mean, this -- what Ankur meant is the same quarter of last year in terms of having 12 more wedding dates distributed over the remaining 9 quarters.

Prateek Kumar: Okay. Great. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Rahul Jain from PhillipCapital. Please go ahead.

Rahul Jain: Good evening sir. I have a couple of questions from my side. First question is on the New York market given that our entity has definitely seen a growth in Q1 and even the EBITDA margin has improved. Could you throw some light on the performance of the recoveries in that market, particularly?

Puneet Chhatwal: Rahul, very good question. Yes, we have seen better performance in New York and San Francisco is still lagging behind, but we believe this is a short-term trend, another 6, 8 months post elections in U.S. will be fine. But as I mentioned in my opening remarks, I will also add here that St. James Court, London which always has done very well for us.

We had some renovations ongoing there, but also U.K. had elections on 4th of July. So a lot of the activity had gone down. So we are hoping that as of now for this quarter because every time during Wimbledon, it's all doing very well. So that's what a benchmark. Now that Wimbledon is over, let's see how London starts recovering with the new government in place. At a very high level, we thought that we don't do well. We are only talking -- still talking about 32% EBITDA margin in first quarter in London.

So let's see how that evolves. We remain cautiously optimistic on London. We will be very prudent in New York, the market where we are not able to do much in San Francisco, but thank god it's not a lease. We own the property and it's debt free. So we don't get hit as much as we would have got it if it was a lease like peers in New York is.

Rahul Jain: Understood. Sir, my second question is regarding the TajSATS pitching to be opened near the Noida Airport. When will that come into operation?

- Puneet Chhatwal:** By March 25. I mean between March to June of next year.
- Ankur Dalwani:** Basically it'll come along with -- when the airport is operational, which is expected sometime towards the end of second half -- end of first half around June May-June.
- Rahul Jain:** Okay. Got it. And sir question three from my side is on a structural basis when we look at management fees that IHCL earns which is between 5% to 7% of the hotel revenue. On a structural basis in the long term, do you see that us negotiating better fees going forward? And what is the scope of this on the upside in the long term?
- Puneet Chhatwal:** Well, long term anything could be the answer, but what we had guided under Ahvaan we should achieve that easily Ahvaan 2025 we should achieve that 600-plus number this year which would have been several hundred percentage points increase over the last 3, 4, 5 years. So I think that 600 for sure is in there.
- Rahul Jain:** Got it sir. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, we'll now take one last question which will be from the line of Achal Kumar from HSBC. Please go ahead.
- Achal Kumar:** Thank you so much for giving another opportunity. In terms of your loyalty program I just wanted to understand if you analyze the profile and the passengers. So if you could give us a bit of a color in terms of how many passengers, how many customers are repetitive customers? And do you have a sort of a profiling in terms of X percentage of people or X amount of people stay at least 10x?
- So similar to what the airline does, so knowing your customer better. So do you have that kind of profiling for your loyalty members and if you could give us a bit of color on that, please?
- Puneet Chhatwal:** No, we are trying to get there Achal. As you know this number for us before joining Tata Neu was a little bit around 2 million. And it's already almost grown to almost triple the size. But within that, I think we had some great successes and some not such great successes. But I think the evolution of the whole program for us has been phenomenal, because the expense, the investment is going in from Tata Digital. We are just a great supporter in the first founding member, and we remain cautiously optimistic that this will keep improving.
- Now the loyalty-led revenue on what you said in terms of repeat members which came from that is around 32% is the figure we have where we say that it's really a repeat customer in terms of revenue that we get. But this number is only going to keep improving. As the Tata Neu platform matures which is not even 2.5 years in operation. I think another year or so, it will mature by then.
- And then we can take the full-year benefit. But whenever you want offline, if you come we will have you sit with our loyalty experts. And they can give you all exactly where it comes from, what is loyalty led, how much is coming from the app, how much is coming because it's a loyalty customer. So how many are still very much into Taj inner circle and how much revenue is generated by just platinum and gold members versus copper, which is the lowest tier. So we can

get you all that information, you can visit us 1 day in the office or we can have a call organized for you.

Ankur Dalwani: I think also just to add overall the Tata Neu platform has almost 80 million to 100 million customers. So the potential to expand on this number is actually pretty large.

Achal Kumar: Absolutely. No. I mean I'm actually a bit -- I have a big faith or big hopes because I know that how powerful loyalty programs can be especially from the airline it's a very big thing, but anyway yes sure we can take offline. Thank you so much and wish good luck.

Puneet Chhatwal: Thank you.

Ankur Dalwani: Thank you.

Moderator: Thank you. I would now like to hand the conference over to Mr. Puneet Chhatwal for closing comments. Over to you, sir.

Puneet Chhatwal: Thank you everyone for joining the call, and thank you for all your questions. On behalf of my colleagues CFO, Ankur Dalwani and myself we look forward to interacting with you in-person or offline over the next months and definitely at the latest by the next call at the end of quarter 2 results. Thank you very much. Have a wonderful evening and a great weekend ahead preferably at a Taj or any of our other properties. Thank you.

Moderator: Thank you. On behalf of The Indian Hotels Company Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.