



“Asia’s Pioneering Hospitality Chain of
Environmentally Sensitive 5 Star Hotels & Resorts”

6th February 2024

To,
Listing Department
Bombay Stock Exchange Limited
PhirozeJeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.

To,
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra –KurlaComplex,
Bandra (E), Mumbai – 400 051

Code: 526668
ISIN: INE967C01018

Symbol: KAMATHOTEL

Sub: Submission of Transcript of Q3 FY’24 Earnings Conference Call held on 31st January 2024

Dear Sir / Madam,

In accordance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith a transcript of Q3 FY’24 Earnings Conference call of Kamat Hotels (India) Limited with various Investors and Analysts held on Wednesday, 31st January, 2024 at 5:00 p.m. IST.

The aforesaid information is also available on the website of the Company at the weblink www.khil.com.

Kindly take the same on your record.

Thanking you,

Yours faithfully,

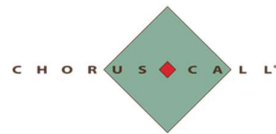
For Kamat Hotels (India) Limited

Nikhil Singh
Company Secretary & Compliance Officer

Encl a/a.



“Kamat Hotels India Limited
Q3 FY’24 Earnings Conference Call”
January 31, 2024



**MANAGEMENT: MR. VISHAL VITHAL KAMAT – EXECUTIVE DIRECTOR
– KAMAT HOTELS INDIA LIMITED
Ms. SMITA NANDA – CHIEF FINANCIAL OFFICER –
KAMAT HOTELS INDIA LIMITED
MR. NIKHIL SINGH – COMPANY SECRETARY AND
COMPLIANCE OFFICER – KAMAT HOTELS INDIA
LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to the Kamat Hotels India Limited Q3 FY24 earnings call. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on-date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

Joining us on the call today are: Mr. Vishal Vithal Kamat, Executive Director, Ms. Smita Nanda, Chief Financial Officer, Mr. Nikhil Singh, Company Secretary and Compliance Officer.

As a reminder all participant's line 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 touch tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vishal Vithal Kamat, Executive Director of Kamat Hotels India Ltd. Thank you and over to you sir.

Vishal Kamat:

Thank you very much. Namaskar everyone. I am very delighted to have you all on our third quarter and nine months FY24 earnings call. This is the second call that we are doing and I am very glad with the kind of interest that we have received. I would like to generally update about what has been happening. One is basically that the quarter has gone well and it continues to do well as we can see in the coming times.

We have done some very interesting things, one of them being a JDA which is a joint development between two parties at our Puri Hotel. Till this time due to Corona and cyclone Fani we were unable to fully take the advantage of the property that we have at Shri Jagannath Puriji, near the temple.

But now we have entered into a JDA which will be basically to make a beautiful heritage 5 Star luxury hotel and currently having 120 keys, but it might be a little more also based on certain finalities. But it will be more only not less than 120. And the best part is, it is in continuing with our ethos of being without taking debt. So, there is an infusion by an investor of equity into the company to do the JDA and subsequent details I will share later on.

I am also very happy to share that this is the first quarter of fully having brand IRA which is now in Mumbai, Bhubaneswar, Nashik and Sambhaji Nagar and soon opening in Noida, Ayodhya and other places. And the company has seen a significant boost in ARR which I will further highlight on with this new brand.

With that we are also very pleased that we have opened our first hotel of Kamat Hotels India Limited in a long time in Jamnagar, the Orchid Jamnagar and we are also very pleased to be associated and of the big event that is coming in Jamnagar that is the wedding that is to take place and that's how you know that's a very prestigious moment for us. So, the Orchid Jamnagar along with that we opened the Sambhaji Nagar, so that's also something we will take up ahead.

With that our other things are on target. I will take it now to Smitaji, our CFO madam who recently got a very nice article which I think you can also share subsequently as one of India's leading women CFOs, in the top 10 list.

So, we are very proud that the ethos of my grandfather and father to have such able members, regardless of their background and anything else on pure calibre and I think Smita ma'am has been instrumental in the way that Kamat Hotels has turned around in the last one year.

So, I hand it over to you Smitaji.

Smita Nanda:

Thank you Vishal sir and Namaskar everyone. First of all, I would like to thank you all my investor shareholders for supporting us in our thick and thin times. Secondly on the financial part, we just wanted to inform you that as we have committed we have reduced our debt from INR298 crores to INR172.5 crores by selling one of the hotels and again we have leased back the same hotel.

On the basis of that we are on the same fees, EBITDA is affected, but we are very much sure and confident in going further, we will maintain the same EBITDA on Q4 basis as well as on year-on-year basis. On consolidated basis the revenue of Q3 FY24 were up by 3% year-on-year and stood at INR86 crores. This was due to the improvement in ARR or Annual Room Revenue across all our properties.

EBITDA stood at INR26 crores down by 22% year-on-year basis largely due to 3-4 major items. One is the revision in salary, additional hiring of employees for new properties that is Jamnagar, Sambhaji Nagar, Noida, Ayodhya. Also, there has been an increase in lease rentals for the 5 properties that is Jamnagar, Sambhaji Nagar, IRA Mumbai, Shimla and Manali along with the operational expenses towards IRA Nashik, which we have upgraded fully and it was up by 50% year-on-year basis. The PBT for Q3 FY24 is standing at INR42 crores due to exceptional income earned out of sale of IRA Mumbai.

On the 9-month basis revenue, stood at INR220 crores up by 2% year-on-year basis. EBITDA was down by 17% year-on-year basis because of the infusion of new properties, as well as new employees and is standing at INR68 crores, while the EBITDA margin was at 31%. PAT stood at INR43 crores.

With this, we can now open the floor for questions. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gunit Singh from CCIPL. Please go ahead.

Gunit Singh:

Hi sir. Thank you for this opportunity. So, I would just like to start off with the topline and bottom line first of all. So, the performance in terms of topline has been very poor. I mean year-on-year basis. If you look at our competitors, for example, like Chalet Hotels, their topline grew by about 30%, while ours has grown by about 3%. So, I mean there is not any significant growth there.

Moderator:

Gunit sir, your audio is not clear. Can you repeat the question?

- Vishal Kamat:** We can hear him.. I got his question. Please let him continue.
- Gunit Singh:** And in terms of bottom line as well, if we look at the profits before tax, excluding the one-time exceptional item, it has fallen by more than 100%. So, I mean I would just like to understand the opinion of the management on this?
- Vishal Kamat:** Okay. I didn't get actually what fell 100%. Can you please tell again which is that line which you are claiming has fallen 100%?
- Gunit Singh:** Profit before tax, excluding the exceptional item.
- Vishal Kamat:** Okay. we have got that. Let me answer this first question which is a valid question. Your question is very valid that there is no growth. But it is also that we have always claimed as a company that this year the performance will be flat.
- If I have to compare myself to anybody else, it will be prudent to compare myself next year. The reason being that, next year is the actual year were whatever efforts we have taken this year will start maturing. For example, the new hotel Jamnagar, Orchid Hotel Jamnagar has opened on 1st of December.
- So, it will take time for the business to increase there. The new hotel of ours, which is Sambhaji Nagar, the IRA by Orchid Sambhaji Nagar has just opened on 15th of December and hence it will take time for that revenue to come in. Similarly, the new hotel IRA by Orchid Nashik has done touchwood exceedingly well. IRA ARR's have shot up considerably.
- For example, in Nashik we were getting earlier in our same hotel INR2,000 to INR2,200 ARR. That has shot up to INR3,600 to INR4,000 on an average minimum. And on a quarterly basis, it has come to INR3,700.
- Same way, in the case of IRA Mumbai, our IRA Mumbai has gone up by 16% YoY. And also, in the case of Sambhaji Nagar, a brand new hotel IRA Mumbai, we are getting an ADR of INR4,700. So, IRA is a brand which has picked up. And again, as new hotels will add, touchwood, thanks to Ayodhya with the IRA by Orchid opening in February, that also revenue will come.
- But again, its benefit will not come in the quarter of four. Its benefit will start coming fully in the quarter of one of next year's financial again. So as you have said rightly, because we were a stagnant company till last year, we were more concerned about cleaning up our balance sheet, coming out of financial problems, which, touchwood, today Smitaji has just now explained, from a company where we were in real challenges, today we have come to a point where our EBITDA to our debt ratio is 1:1.3.
- So, if that is the kind of situation we have come to, and with all these efforts which we are taking, the Orchid Dehradun, the Orchid Chandigarh, the Orchid, so many which are there in our list and presentation, which I will take up ahead, so you will find our top line growing. We have always given the same guidance, which I will stick to, is that this year will be flat. And

flattish, with a minimal growth in terms of our top line. And yes, the EBITDA which has fallen, has fallen due to various reasons.

So that I will share it again. One is basically that things which were earlier interest have now become a lease rental. So today, if today my EBITDA would have been better by around INR4 crores, if my lease rental of IRA by Orchid, Mumbai would not have come as per index in my rental, and would have gone in my interest pay to my lender. But what have we done?

Instead of that, we have saved INR6 crores worth of interest, and hence we are only paying INR4 crores worth of lease rental. So that's why my EBITDA may have gone down, but my overall cash flow and this thing is improved. Same way, if I look at other lease rentals which have come into play, those like Sambhaji Nagar, like Jamnagar, their rentals also are there.

So, it's a gestation period, and in a hotel, initial few months are always there. So, we will get more than our fair share of return once these properties are full on steam, like what we have seen right now. Similarly, our many things we have done, repairs and maintenance, which are by the way, not after the profit, but before the EBITDA.

So that also has already been captured. We take all that so what you actually see as EBITDA is liquid cash. It is not an accounting thing; it is liquid cash. So, all our expenses of repairs to buildings and whatever we have done, that also has been gone there. And then there are other things also, like whatever to expand, you have to pay commissions to expand, you have to pay various fees. So, we have all those expenses also which are part and has affected our EBITDA.

And that is but factual, and like we have given a guidance, based on that guidance only it is. So, whatever we have said, it is that. If that is flattish, it is because we have said it is flattish. So, I hope that answers your question, sir.

Gunit Singh: Yes, sir. I appreciate the initiatives that you have taken. But in the previous discussions, we had discussed an EBITDA of about INR100 crores in FY'24.

Vishal Kamat: Yes, it will come INR100 crores, I am still standing by it. The year is not over. The year is not over, sir, and we have three months, or rather two months left. It is not fair of me to speak about this quarter. But I am sticking to what I have said of INR100 crores EBITDA. We have given that guidance.

Gunit Singh: To achieve that INR100 crores EBITDA, we would need to achieve about INR32 crores to INR35 crores EBITDA in the last quarter. Do you think that is realistic?

Vishal Kamat: Sir, in fairness to others also, I have answered your question that we will achieve. You can question me in the next quarter. But I am telling you that we will achieve INR100 crores.

Gunit Singh: Great, sir. And sir, last question. Can you please discuss the other expenses? What components go in that, because they have increased from around INR26 crores to INR31 crores? And also, the finance cost, other expenses and the finance cost. Because we -- as per the previous discussion, we were expecting about INR6 crores interest cost in quarterly going on from Q3 onwards. So, can we please discuss these two components?

- Vishal Kamat:** Yes, sir. So basically, sir, the finance cost is based on the deal of our transaction happening in October. So, because of that, it has not come down fully. Ideally, if it would have happened for the full quarter, I would have got the benefit of the finance cost for the full quarter. But unfortunately, or whatever it happened in the month of October end-ish. So, because of that, the finance cost has to be calculated based on one month full being paid on INR300 crores as compared to now for INR172 crores. And that is why you find that mismatch. But it is as per accounting.
- Gunit Singh:** All right, sir. And should we expect this to go down to INR6 crores Q4 onwards?
- Vishal Kamat:** It will be based on now, sir, INR172.5 crores. Our interest outgo for this quarter coming will be based on a complete quarter getting the benefit of INR172.5 crores as our debt.
- Gunit Singh:** And, sir, should we expect the other expenses to continue in this range? Or was this quarter a bit higher on that front?
- Vishal Kamat:** Sir, any expenses which have happened recently in the last quarter are based on basically, just as we have had an extraordinary profit because of the extraordinary event that has happened. So, there is no further sale of any asset or anything on play. So, we will not have any expenses related like that in relation to these things.
- So, whatever we find the higher EBITDA down, it will not be there in the subsequent. It will be based on normal business working. So, we will not find that any extraordinary expenses coming around or anything like that.
- Gunit Singh:** All right, sir. Got it. That's all from my side. I will come back in the queue. Thank you.
- Vishal Kamat:** Thank you, sir.
- Moderator:** Thank you very much. The next question is from the line of Runit Kapoor from Systematix Share. Please go ahead.
- Runit Kapoor:** Hello, sir. Thanks for the opportunity. So, first of all, congratulations on the Mahodadhi Palace expansion. Sir, I wanted to know like post expansion, like what would be your stake in the new hotel?
- Vishal Kamat:** Our stake will be, sir, 51%.
- Runit Kapoor:** 51%. And so, it will be accounted as a JV, like you will convert this subsidiary into a JV?
- Vishal Kamat:** Correct, sir.
- Runit Kapoor:** Okay. And in a recent article where it mentioned regarding Ayodhya, you have plans to expand to three hotels. So, is it an initial planning stage or like an advanced stage regarding that?
- Vishal Kamat:** One is in very much advanced stage. Two are in mid-stage.

- Runit Kapoor:** Okay.
- Vishal Kamat:** But one is in very much advanced stage where we are very hopeful that if that happens, because as you must have all read, we expected that 80,000 to 90,000 people will come per day. Unfortunately and fortunately, that 5 lakh people are coming a day. I say unfortunately because the infrastructure is not able to cope with the demand.
- So, whatever we bring and whatever we come in the next three to five years is all under capacity. That is why I say unfortunate because so many devotees want to come. People are willing to pay very handsomely, but they are not able to get the facility.
- So that's why I say unfortunate. I wish that the nation was more prepared to see this fantastic thing. Even my own family is upset that they have not been able to go because the hotel is not ready. So, I feel their point.
- Runit Kapoor:** Okay. And few other questions.
- Vishal Kamat:** Sir, if you don't mind, sir. Let's give someone else a chance. We'll come back to it.
- Runit Kapoor:** Sure.
- Moderator:** Thank you very much. The next question is from the line of Shubham Rane from Green Portfolio. Please go ahead.
- Shubham Rane:** Hello. Am I audible?
- Moderator:** Yes, sir.
- Shubham Rane:** Namaskar, sir. I am Shubham from Green Portfolio. Sir, first question is regarding leisure. As in the last call, management discussed that our company predominantly operates in leisure business.
- Moderator:** Shubham, sir, you are not audible.
- Shubham Rane:** Is it echoing?
- Shubham Rane:** Is it okay now?
- Management:** There is echo. Sir, your voice is echoing.
- Shubham Rane:** Okay. Just a minute. Is it okay now?
- Management:** Yes.
- Shubham Rane:** Hello.
- Moderator:** Yes.
- Shubham Rane:** Am I audible, sir? Is the line working?

- Moderator:** No, sir. Still not. Can you disconnect and rejoin again, please, sir?
- Shubham Rane:** Yes.
- Moderator:** The next question is from the line of Amey from Banyan Capital. Please go ahead.
- Amey:** Yes. Thank you for the opportunity. On these two or three more hotels in Ayodhya, can you throw some light as to how big these hotels will be and what are the ARR's that you are targeting?
- Vishal Kamat:** So, sir, this is a 50-room hotel in Ayodhya. It's a lease model. And we expect this to do anywhere between 7,000 to 10,000 is the thing. Though I don't think we'll be doing –since it's a new hotel, we need to see the Saturday-Sunday, the weekend business. But we assume this to be doing anywhere between 7,000 to 10,000 in a comfortable range.
- We don't believe as Kamath Group to take over advantage, even if we have because we should be able to get a happy customer and repeat customer. And a lot of our customers are basically groups, like various travel agents, large travel agents, who we do tie-up with across India.
- So, we would not like to so, we like to while get our premium, we would not like to create a situation which gives a bad taste. So, keeping the market in mind and keeping our equation as a whole in mind, we will make sure that while we make money also, it's fair on the overall scenario. So, that's why I would say 7 to 10, maybe it might go up also, but that depends.
- Amey:** And sir, two more hotels you talked about which are in the mid-state. So, any colour on how big these hotels will be?
- Vishal Kamat:** I'm sorry, sir. You want me to speak about the various hotels?
- Amey:** No, no. The other two hotels in Ayodhya that Mr. Vittal Kamath spoke about in the interview.
- Vishal Kamat:** Yes, sir.
- Amey:** In Ayodhya, in Ayodhya. Correct.
- Vishal Kamat:** Sir, we have not formally signed with them. Okay. So, once we formally sign with them, it would be more prudent on me to speak on that. One is at the verge, but again, at the verge is not done till it is done. So, till it is not an agreement, it would not be correct on me to comment on that in more detail.
- Amey:** So, these all will be leased hotels, right?
- Vishal Kamat:** Leased. Sir, as a group, we have been focusing on lease itself. And lease has been the main thing, because even if you see in this JV, we did not look at deploying any more liability on the company. It's a win-win perspective. There are a few more opportunities like this because many people want our management. Many people want our experience.

But we are very clear that we would not like to participate with any loans or any borrowings. And people are willing to actually. In fact, you will hear of more such JVs happening in the future where our sweat equity, our brand equity is leveraged rather than money. Because there are others who have money, but they don't have the right partner or maybe they find us as the right partner. So, more such will come in the future, sir.

Amey: Sure, sir. Just two more questions. One is on the Mahodadhi Palace Hotel.

Moderator: Amey, can you please join the queue for further questions?

Amey: Sure.

Moderator: Yes. Thank you. The next question is from the line of Dhruv Aggarwal from Niveshaay Investment Advisors. Please go ahead.

Dhruv Aggarwal: Yes. Hi, sir. Thank you for the opportunity. So, starting from the hospitality industry itself, right now, everyone in the industry is trying to add their room capacity either by adding additional queues in the same hotel or by constructing new hotels in order to cater to the demand that they are searching.

So, don't you think in coming 2-3 years, there will be excess supply of rooms? So, can you give some colour on how would be the demand and supply growth in coming 2-3 years going ahead from now?

Vishal Kamat: That's a very good question and it's a very pertinent question, especially for a multi-state company like ours. It's a challenge in certain markets where too many people are putting up a lot of property not by doing a proper study, but by going on the basis of the feeling corona. At that time, when there was work from home, school from home, everything from home, a lot of resorts and leisure destinations especially had a superlative boom.

Best example is even within a city like Mumbai, at that time due to corona, the IPL was only between Mumbai and Pune. And because the Orchid Hotel Mumbai, Ira by Orchid Mumbai and Orchid Hotel Pune, all three are situated and we have almost 1,000 rooms between them, 900 rooms between us and them, we benefited greatly. But now IPL again this year was all over India and again this year it will be all over India.

So, we will benefit limitedly, we will benefit reasonably. Same way in different markets, we are very careful where are we entering. Leisure markets, we are not bullish on, we are looking at every opportunity. Today if I keep getting calls for say like a Jim corbett, I will basically only take a property opportunity where my company does not have to overextend itself.

We may not even go for a lease, we may go for a management. So, every unit we are taking, we are assessing the local market. We could have grown much faster than we are growing, but we are not interested in a wanton expansion. We are interested in a qualitative expansion that adds to our bottom line.

It may be patiently adding to our bottom line, as rightly pointed out by our colleague before, who asked a question that your bottom line, top line hasn't grown. That's because this year's seeds we have planted will give us fruits next year. So, same way we will grow, but we will grow with EBITDA in mind. We will grow with qualitative experiences in mind.

We don't want to, like some of the hotel companies have done exceedingly well in adding number of rooms. But their qualitative index is something that they as a management need to see. We are very happy in basically us having as Kamat's quality and at the same time profitability.

Both I want, I don't want only one or the other. So, that's why we will grow with our limited manner in whatever we are doing. But we will make sure that our shareholders and our customers are very importantly happy. So, that's how basically you are right that they could be.

But then there are some markets like Mumbai, Delhi, Bangalore, some markets where there will be no matter how many rooms come, there will not be that much of an issue because those markets are booming that way. Those markets have an innate demand in themselves.

Just as today in Mumbai, some large hotel players have started some very large hotels. But they haven't moved the needle for anybody. In fact, their needle has gone up, I assume. So, why? Because Mumbai as a city has that kind of appeal and has that kind of demand. And that's why we are again very careful.

Dehradun, why did we take Dehradun? Because Dehradun is the city of the present, not even the future. As a state capital, the government is taking lots of efforts over there also. Jamnagar, having Reliance, having Naira, having HPCL, it is on the single road that goes to Dwarka, that goes to Somnath, from there you can go. So, basically there is a strategic value, not just a, you know, we are getting this opportunity, so let's take it.

So, whatever we have taken is taken with a thought that what is our future outlook of the next 10 years rather than a short-term, let's just add rooms. So, we haven't, we could have, especially since we are giving lease, we could have signed up 50 lease, 25 lease. The company doesn't have a shortage of funds. But the company is very prudent with its funds to see which is the hotel, how is it going to add value.

Why did we take Orchid Toyam as a management and not a lease? Because we did find great potential in Orchid Toyam, which is going to come up at Pune in the next few months. It's a luxury property, 21 rooms, all villa, which we are looking at an ARR of anywhere between 15,000 to 20,000.

But why did we not go for lease? Because while there is great opportunity, it is too small for the company to really justify a good ROI. So, we told the owner, if you really want us as Orchid brand, will you consider a management contract?

We offered the owner and the owner was more than happy to take our management as compared to going away from our normal trend of lease. Because we wanted to capture the

opportunity, but we know based on our company overheads, overall, 21 rooms is not viable for us. So, that's why we took a management call.

So, this I hope answers your question of what is the future outlook. Everyone needs to see case to case and what is our outlook on that. Thank you.

Dhruv Agarwal: Yes. Thanks for this insightful information, sir. And sir, second question would be, what kind of EBITDA margin guidance will you expect, sir, in coming, say, financial year '26 or '27? Like, what would be your guidance on that, sir?

Vishal Kamat: This year, we have, based on whatever guidance we gave last quarter, that we will achieve our INR100 crores EBITDA. We will achieve that target on a consolidated basis. We may exceed that also, but let's just stick to 100.

Dhruv Agarwal: I agree, sir. Like, I'm asking for the financial year '26 or '27. Like, what kind of EBITDA margins we can expect, sir? Like what is the range?

Vishal Kamat: I'm sorry. I misheard. I'm sorry about that. The audio gets a little fumbled in between. We expect to do an EBITDA of next financial year. I think we have given a broad guidance of 35% of our top line, which we estimate to be around INR400 CR. Based on that, you can calculate at around 140.

Dhruv Agarwal: Okay. It will be for financial year 2025. I'm sorry, sir. For financial year 2026 or 2027, any broad range that you can give, sir?

Vishal Kamat: You mean to say next to next year?

Dhruv Agarwal: Yes.

Vishal Kamat: Next to next year, sir, I don't have anything with me right now. One second. I don't have it. I'll not give you some bogus numbers. If we have it written down only, I will tell you. I know that next year, we have a target of around 400 top line. That's why, based on that, as a 30%-35%, it comes to around 120,000 to 140,000 range. That's why I could give you that fair answer.

Let me get back and maybe at this coming quarter end, I can share with you. We will take out that. Thank you, sir.

Dhruv Agarwal: Sure, sir. One more question related to that...

Moderator: Dhruv Sir, can you re-join the queue?

Dhruv Agarwal: Yes, sure.

Moderator: Thank you, sir. The next question is from the line of Dhruvesh Sanghvi from Prospero Tree. Please go ahead.

Dhruvesh Sanghvi: Am I audible, sir?

Vishal Kamat: Yes, yes. Namaskar

Dhruvesh Sanghvi: Yes. Namaskar, Vishal ji. First of all, it has been a super turnaround. So, congratulations to you and the entire team. And secondly, more than the near-term numbers, what should be the strategy of the company now, in the sense that now you are completely free after a decade, in your mind. You were always very aggressive in the past.

And now you have been saying that you will not be stupidly aggressive, but be very careful for the deploying of the funds. But with the kind of tailwinds and the overall bullishness in India, from that perspective, what are your thoughts on where we will be in the next three-four years in terms of the number of rooms, number of hotels?

Vishal Kamat: Sir, thank you. I really appreciate this turnaround would not have happened if it wasn't for our team. As I mentioned before the start also, people like Smita ji have taken it really and burnt the midnight oil is an understatement. And apart from that, I also, I am grateful to all my past bankers, whether they were from ERC, whether they were from the banking, because they also gave us a lot of support during Corona.

Sir, my father always used to tell one dialogue when our family problem was on. He used to say that, you know, one of my uncles who did nothing for him. So, I asked my father, I said, Papa, this uncle did nothing. He said, sometimes when no one does anything, you need the most support. Because you don't sometimes want somebody breathing down your neck.

And that's basically what our bankers did. They supported us by being patient. And we were able to finish the Corona storm. And after that, I'm grateful to our existing lenders who came together and did it. So, it's a really a big group effort. And then people like you, many of who are on call, and I do know some people personally, because I can see the names.

It's your patience over the last many -- more than decade that you all have observed us. Saying all that, you are right that aggression is part of Kamat, but at the same time, the lessons of the past are very, very important. We are definitely growing, as you can see. But we are not just because we are sitting with a good cash flow and EBITDA.

We are not just signing up anywhere and everywhere. We are very, very particular what we are taking. And we will grow. And the main target also, side-by-side, you will notice, is that we are sticking to our commitment, which we have said from all this time, to come net positive. And working towards reducing our loans even further, while growing.

So, this 172 figure, it will come further down over a period of time. We will be using our cash flows very judiciously. And the main reason for that, actually, to be very frank, sir, is because it is better for us to today grow slowly, nicely, conservatively, and keep money in hand, so that when the right time, some opportunities come, that time we are ready to take those opportunities.

There is no reason for us today in this very bullish market to overload our balance sheet. And rather than that, keep our balance sheet light. Keep cash in hand also, because there are

opportunities which are going to come. Not all hospitality players on the surface, everyone looks great. But deep down, even now, not all hospitality players are still very good.

And just because now the next two-three years look bullish, or the next five years look bullish, doesn't mean that I will not get my turn to grow exponentially at the right time. So, it is better that we be prudent in our approach today. And in terms of growth, definitely, sir, you can see that we are talking about 33% growth next year as of now.

We might even exceed that if we get more sign-ups, which obviously we are doing. So, in terms of number of rooms, number of keys, definitely today we are at approximately 2,000. Over the next five years, in the same manner in which we are growing, we should do 4,000, 5,000 keys. But like I said, number game is not the key. A qualitative number game is definitely the key.

Dhruvesh Sanghvi: Fair enough. Thank you. And that's all I got.

Vishal Kamat: Thank you, sir.

Dhruvesh Sanghvi: Hello, if I may, one more. Sorry. Hello, can I?

Vishal Kamat: Yes, yes, please. Your second question.

Dhruvesh Sanghvi: Just one thought was there. I think I heard your brother and father talking about the other Kamat's Group areas. Would you like to just clarify like how big is the Kamat restaurant business? And I know it has no connection to this, but I'm just thinking from an angle that you have such good experience in running food chains also.

So, like just to understand the size that you have achieved in that area, maybe in terms of revenues or something, a ballpark. And how are the skillset beneficial to this hotels business where you can use the food business learning's and improve your -- because a lot of people find it difficult to run good restaurants within hotels.

Vishal Kamat: So firstly, I'd like to clarify that my father did not speak with my brother. My father would have spoken with Chairman and Managing Director of Kamat Hotel India Limited, which has nothing to do with any other family members. I'll just complete.

Dhruvesh Sanghvi: I think -you heard it wrong. I was saying that on the YouTube, there are a couple of videos of your father and a couple of videos of your brother. So, I was just trying and I just was searching about Kamat and I landed up there. I was coming from that reference.

Vishal Kamat: Sir, it would have been nice if you had seen my video as well.

Dhruvesh Sanghvi: Sir, I have seen yours, but I have met you. I'm sorry. I did not say that.

Vishal Kamat: Jokes apart, Dr. Kamat would have obviously spoken about restaurantering because at heart, as Kamat, we are hardcore restaurateur. Very nicely, correctly put by you that many hoteliers don't bother much about the restaurant because the margin per se is more in the rooms. But we believe, just like some other famous chains are there who are known for their food.

And then automatically people go and stay with them. We believe that if we give a great experience overall, then you will enjoy overall. So, you do a function, your daughter is getting married, there is a function in your house, you want to eat good food, then automatically you take my rooms also. So, food is very critical, we believe.

But then there are other chains who don't - they have their own idea on the rooms, which is fine for them. Everybody, sir, has their own business model. We are basically, I as Executive Director of Kamat Hotels India Limited has only one job of this hotel company. I am only and only focused, as is my father as Chairman, focused on our, whatever comes within the Kamat Hotel purview.

So, I do not know, because I have not invested even one minute in any other of our other family related business, because they have nothing to do with me. I am solely responsible for this and I will be able to answer. But in your general perspective of F&B, we are touchwood doing very well. We are doing exceedingly well in our banqueting at the Orchid, Pune.

We are doing exceedingly well in Orchid, Mumbai. This last month we did a record sale -- I will not mention the figure, but I can tell you that we did a record sale in banquets in the Orchid, Mumbai, which has been the highest ever. Considering that the Orchid Mumbai is having only maximum capacity of 600 to 800 people, which is today in Mumbai a very small capacity, but we have 14 halls, all small and big combined.

But they are not of very large capacity and yet we did a record sale. So, we had a very nice celebration with our team. So, F&B is very important and it continues to remain important to us. The Orchid, Jamnagar can do 3,000 people, 2,000 to 3,000 people event. That is basically why we have taken that. So same way many of our other places wherever we have, we are focused on F&B as a group.

So, it does affect your EBITDA by the way. If you are an all room hotel, you technically can have a much higher EBITDA. But we are here for a holistic guest fulfilment of need and experience. So that's why we keep the focus on the F&B.

Dhruvesh Sanghvi:

Thank you. Thank you, sir.

Vishal Kamat:

Thank you.

Moderator:

Thank you very much. The next question is from the line of Vivek Gautam from GS Investment. Please go ahead.

Vivek Gautam:

Thanks for the opportunity sir. Basically, just wanted to know when the entire sector is booming and every company is coming out with great set of numbers in the hotel sector. Why our growth has been so poor and how has been the occupancy rate and what are the plans for us to improve it? And Kamat has gone through some very bad times in the past. And what has been the key learning's of it and how are we planning to cope up with it sir?

Vishal Kamat:

Sir, I have already answered this question without repeating too much about it. We did -we have always communicated this year will be flat. So, whatever is our numbers is what we have

already communicated. We have never said this year we will do great bonanza of growth. Because we have been very honest and transparent in our guidance.

So, we have said we will be flat and we will be flat only. This year we will be flat. Next quarter also to tell you in advance, we will be having a very marginal growth. It will not be an extraordinary growth. Not in sync with probably what you are expecting from us which you should expect but next year, not this year.

So, if I have to tell you in terms of growth, we have done fair amount of growth in this tough market of Mumbai also where there's a heavy competition. Yet we have had a significant growth of 8% in our ARR in Mumbai, in our Orchid Mumbai. We've had a 14% growth in ARR year-on-year in IRA by Orchid.

And on a quarter-on-quarter we've had a 20% growth in ARR. And if I have to compare on a nine-month basis, we've had a 17% growth in ARR after converting it from its previous brand to IRA by Orchid Mumbai. So, on a holistic basis, in fact if you see, if I share with you, I am very happy to say that we have a 14% average ARR growth across the group.

And that's what I said, we are very much focused on qualitative customers because of what's the – see why you need, firstly let me explain you why we are after higher ARR. Higher ARR is not just because of higher revenue. It's also because higher ARR leads to a different kind of spending of a clientele.

If you are having a higher ARR customer, he is more dispensed towards spending in your other outlets. A lower ARR customer tends to bring his own F&B. A higher spending ARR customer tends to use your own hotel's F&B. That is basically why hotels aspire for a better ARR or average room rate because the indirect benefits of that customer's mindset are more than a lower ADR customer.

This is a fact. This is the main point that why we aspire for a higher ARR. It is the same reason why we do not allow online travel agents to buy the hotel for couponing because of exactly this reason. When a lower ARR comes in because the customer pays low, though the hotel may be getting his higher rates from the online agency, that customer comes and complains, your tea is expensive, your food is expensive, your hotel is not good.

But that's because he is used to spending lower. And when he comes to a higher category hotel, he does not have the ability of his mindset to spend in your other ancillaries. So, this higher ARR has actually helped transcend into the improved F&B services or rather say improved F&B revenue.

So that is basically what we have seen and what we have been focusing on. So, we have, as I said sir, continued to do as per our guidance. Thank you.

Vivek Gautam:

Sir, what is this ED issue? And as it was mentioned in the note to the account, the ED issue you have submitted some amount, some amount is pending and the write-off to your Pune Hotel Subsidiary.

Vishal Kamat:

No, no sir, nothing to do with Pune or anything. I think you are mixing up the points. Let me clarify for you sir. The ED issue has nothing to do with Pune. It is based on basically 2012 when we were in financial strain. Obviously, we were trying to sell many hotels. At that particular time, one of the persons came to us in 2013 and said, I would like to purchase your hotel.

That time at approximately INR35 crores, a transaction was struck. But that person had to give a deposit which was a deposit which would be non-refundable if he backs out. And based on that, he gave a INR3 crores deposit. There were many things which happened in the middle. I will shortcut that.

And eventually that person did not show up to consummate this transaction. So, when we did not come to consummate this transaction in 2014, as per accounting standards, we have taken it in our balance sheet also. And that's how this INR3 crores was forfeited. Though the company got INR3 crores, the company did not benefit because the company wanted to sell this asset and pay off the loan which it was having against it.

But unfortunately, because of that, it did not happen and went NPA. Cut to 2000 and now recent times when this ED investigation was on, we subsequently learnt why this gentleman disappeared was because he was part of a chit fund company. And this chit fund company basically once was cracked down on. Obviously, this man went incommunicado and other things.

And that's how basically the so the ED said that because firstly the ED investigated us. And they thought that we are also an accomplice or a hand in glove. But their investigations proved that we are not an accomplice and that is why we were never charge sheeted the company. I am very happy to tell you, we are not charge sheeted, we are not an accused.

We are just one of the people mentioned in their transactional list. And in that transactional list, it is said that this INR3 crores which was in advance given to us should be returned because the deal was not consummated. We and our legal opinion was very clear that ours was a legitimate transaction.

You have investigated us in full detail and found that it is a legitimate transaction. And based on that, this is -- as proceeds of crime is always basically, there is some quid pro quo. But if it's a genuine legitimate transaction, then it is not a proceeds of crime. There are enough rulings on this.

And unfortunately, in the case of ED, obviously the tribunal always first favours that and then eventually you will go and you will get the justice in the higher courts. But the lower courts are always going to be favourable to the department. Okay, we understand that. And basically, based on that, there was a mistake, based on that mistake of calculating and other things, this whole thing became a INR15 crores thing, which by the way, we have not given to ED.

We have deposited in Bombay High Court, which will eventually INR3 crores will be kept still and the balance will come back to the company. But it's a matter of due process of law. So, this is in a nutshell, I have given you what is the thing. So, neither anywhere, we are charge

sheeted, neither anywhere is anybody been called an accused or anything like that. So, it's a genuine business transaction.

Unfortunately, today in India, not only us, but every single hotel company, wherever people from various cheat funds have stayed, those people have got either notice to produce documents and even other people whose ever have done any kind of business with them. So, it is something we have to live with as part of doing business. There's no point in me saying anything on it.

But the good part is that natural justice will prevail. It's only about delayed, not denied.

Vivek Gautam: Nicely explained, sir. And the subsidiary companies went through a very bad time with COVID. And now the turnaround is happening and hopefully the future is looking like good.

Vishal Kamat: Thank you, sir. Thank you. I'm very proud of our team. And next year you will be very happy. And I'm sure you only will give us the pat on the back for the excellent percentage growth. Thank you, sir.

Vivek Gautam: Thank you very much, sir.

Moderator: Thank you very much. The next question is from the line of Manoj Shrof from Kiva Advisor. Please go ahead.

Manoj Shrof: Hi, sir. Thank you for the opportunity. I had two questions. One was in the notes to account. There's the NCDs that we had raised of INR297 crores. In that it says the money was used for the company. As well as there was also some amount used to the company belonging to the promoters.

If you can just share that amount, as well as another question was the operating expenses. Maybe it is already asked that was there a special one-off in this quarter in the operating expenses? And that should change from the next quarter. And if I can just squeeze one, that if given our EBITDA, can we look at a net debt-free company in the next two years?

Vishal Kamat: So, sir, firstly, I think I can assure you that the entire INR297 crores which was there has gone towards repayment of the Kamat Hotels India Limited. And the promoter has not got any money, not promoter entities have got any money from that. It has entirely gone into the restructuring and the repayment of our lenders.

That I can assure you. So, I think what you might be referring to is that there are promoters who have got warrants along with the investors. And that basically the promoter is infusing capital into the company. So, it is not that the promoter has got anything. The promoter does not need anything. Our whole soul and focus was basically to turn down the company.

And all that money has gone into that. So, if you have anything particular you want to highlight, you can please email it to smita.nanda@khil.com. And we can also or you can send it to cs@khil.com. We can check that because I can assure you that the info of yours is not

accurate. Maybe some misreading or a misinterpretation. And sir, second question, what was your thing in short?

Manoj Shrof: Second was that given our EBITDA, can we be net debt positive or net cash in the next 2 years? At the end of next 2 years?

Vishal Kamat: So, we sir intend to be net positive by latest next year. Not even in 2 years from now. Because if our guidance, more than our guidance, if we beat our guidance, we will within the next not even 1 year, we should be net positive. So, it is a matter of basically now putting our efforts in the right place and resulting into that. So, I think what your expectation from us of 2 years will more than comfortably be achieved.

Manoj Shrof: Excellent. Sir, in the operating expense point, was there a special one-off in this quarter? Because the operating leverage did not really play out because our top line was flattish. I guess that was because of the IRA hotel sale on a like-to-like basis. But I think as you mentioned, the like-to-like ARR growth was 8%, 10%. So maybe just because of the like-to-like. So, if you can share the like-to-like ARR growth, maybe if you want? And but more so the operating expenses, was there an exceptional in this quarter?

Vishal Kamat: So, sir, basically the growth like I mentioned of IRA by Orchid Mumbai was 17% on a year-on-year 9-month basis, okay. And this is also considering that IRA by Orchid was only converted on 1st of July. So only 6 months of that actually is the main growth of IRA by Orchid in terms of its brand change and upgradation.

And if I have to say broadly, in terms of the overall perspective, we found that after us doing it in July, there has been a significant jump. The preceding months of July, if I was to compare July to July, that is July '23 to July '22, there was an 18% to 19% jump, 18.5% jump in your July figures. There was a 26% jump in our August ARR. There was a 15.1% jump in our September figure. And in our October, there was a 28.6% jump.

So holistically if you see, our overall ARR jump after converting to IRA, month-on-month, if I was to compare to month-on-month, has been exceedingly well appreciated by the customers in the market. And that is basically what reflection we see. So, I think that answers your question, right?

Manoj Shrof: So, the operating expense, is there an exceptional item in this quarter's operating expenses?

Vishal Kamat: See not of sale of asset. You only answered that the sale of ERA was the exceptional item, sir.

Manoj Shrof: No, no. The operating expenses, can you say any amount was exceptional operating expenses?

Smita Nanda: No, there is no exceptional operating expenses mentioned or accounted for, for this quarter or last year.

Manoj Shrof: Okay. Why I was asking about the ARR for the consolidated company because our top-line growth was 2.8%. So, I was saying that IRA must have been there. So, if you know, if you can share in the presentation or if you can share now, what was the ARR of X IRA, all the hotels?

Vishal Kamat: Sir, in our investor presentation in detail, there is one page, on page 6 is there, sir, of our presentation, is one where we've shown the brand launch and the ADR growth of Bhubaneswar IRA by ORCHID conversion, of Mumbai IRA by ORCHID conversion, of Nasik also. Nasik actually, we had a double whammy in the case of Nasik. One is that the company spent approximately INR2 crores. On top of that, the company had an EBITDA burden of approximately, for three months, of approximately INR1.5 CR. So, we have that also double whammy in our, this thing.

One of the reasons our EBITDA has gone down is because of this conversion, which was majorly there in this month of, in these three months, which shut. So that's why, given which was not IRA, which was earlier Kamfotel Hotel, was having a profit. But here we did not fire any staff. We relocated them and all our expenses were on. So that's why we did have a double whammy of capex, opex, and routine, your normal hotel expenses.

But the turnaround of that, like I said, the growth in ARR from 2,200 to 3700, 3600, 4,000 is the average it is going. That jump has been fantastic. So that shows confidence that the customers have in the brand and they've seen it. So that all is there in our presentation, page 6 onwards, page 7, and various pages. So, you can see that.

Manoj Shrof: It's important. I'll take it offline with them. Thank you so much and wish you all the best. And we can see the Orchid back to its former glory.

Vishal Kamat: Thank you so much. Thank you, sir.

Manoj Shrof: All the best.

Moderator: Thank you very much. The next question is from the line of Trisha Kansara from Molecule. Please go ahead.

Trisha Kansara: Hello. Thank you for giving me this opportunity, sir. So, my first question was regarding the recent agreement that you signed with Constrict Hospitality. So, you mentioned that you own 51% of the joint venture that has been formed. But my question is regarding the infusion. So, in the first place, Constrict will invest around INR26 crores. But I wanted to know about the infusion in the second phase. You mentioned the amount, which is INR47 crores. But how will this infusion pan out? Will there be any infusion from Kamat's end or the entire infusion will come from the other parties? That is my first question.

Runit Kapoor: And your second question?

Trisha Kansara: Yes. So, my second question is regarding warrants. So when can we expect the remaining amount of warrants to come? Yes. These are my two questions.

Vishal Kamat: So, the first question is basically very easy. That we basically are getting this infusion based on which there will be a banquet hall, very large banquet hall. There will be four restaurants. And there will be 33 rooms active. And there will be a lot of internal accruals generated from this. In the 18 months to 24 months, the hotel will take for the second phase of INR47 crores.

So initially there will be internal accruals generated by the company, by this entity, Mahodadhi Palace, of which Kamat Hotel is 51% owner. This internal accrual will be utilized to reduce that 47 down. And the balance subsequent which is there will be a mix of loan and equity infusion to be jointly discussed when that time comes.

So, we have kept that open-ended whereby both might either we may put our own equity based on whatever if equity is not too much required. Or we may take a loan on that entity because it will be a standalone serviceable entity. We don't foresee it to be a very large requirement because the things which I mentioned to you itself will generate a fantastic EBITDA from operations. So that's basically the idea.

Sorry, your warrants question. So, your warrants basically madam, the warrants are due in the next July '24. So, the warrants are due July '24. So, we will have to probably be patient and wait till July '24. Because that's as per whatever time as per SEBI guidelines.

Trisha Kansara: Okay, thank you.

Vishal Kamat: Thank you. Thank you.

Moderator: Thank you very much. Thank you. Due to time constraint, that was the last question. I would now like to hand the conference over to Mr. Vishal Vithal Kamat for closing comments.

Vishal Kamat: We are very grateful for all of your patient hearing. We would like to continue to answer any queries you may have. You can please feel free to contact us directly at Mr. Nikhil Singh or Smita Nandaji or us. But especially many of you know our EY team and they will also be very happy. They know more than me at times because they are more involved. So, they will be more prudent in answering whatever questions you have. And we look forward to your continued support and blessings. Thank you everyone. Thank you. Namaskar.

Moderator: On behalf of Kamat Hotels India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line. Thank you.