ROYAL ORCHID HOTELS LTD.,

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Date: November 15, 2023

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

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

Dear Sir/Madam,

Re: Transcript of the Earnings Conference Call for the Second Quarter ended September 30, 2023

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed the transcript of the earnings conference call for the Second Quarter ended September 30, 2023 held on November 10, 2023 for your information and records.

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

Thanking You.

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

Royal Orchid Hotels Limited

Amit Jaiswal
Chief Financial Officer

Encl:A/A

Royal Orchid Hotels Limited

Q2 & H1 FY24

POST RESULT CONFERENCE CALL

Management Team

Chander Baljee - Chairman and Managing Director

Philip Logan - Chief Operating Officer

Amit Jaiswal - Chief Financial Officer

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Presentation

Moderator: Ladies and gentlemen, I welcome you all to the Q2 FY '24 Post Earnings Conference Call of Royal Orchid Hotels Limited. Today on the call from the management, we have with us Mr. Chander Baljee, Chairman and Managing Director; Mr. Philip Logan, Chief Operating Officer; and Mr. Amit Jaiswal, Chief Financial Officer.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risks and uncertainties. Also, a reminder that this call is being recorded. I would now request the management to detail us about the performance highlights for the quarter that went by, their growth plans and vision for the coming years, post which, we will open the floor for Q&A. Over to the management team.

Chander Baljee: Good evening, and warm welcome to everyone. Thank you for joining us for the Royal Orchid Hotels Limited earnings conference call for the quarter and financial year 2023-2024. Please note that Q2 FY '24 and the results and press release and investor presentations are available on the exchanges. I hope you have had the opportunity to browse through the highlights of the performance.

In the last financial year, the industry has bounced back very strongly after the COVID. Since April 2023 onwards, we also had seen good results, which are evident from the financial results of the first quarter as well as this quarter. In fact, we have built on the success and have added 12 hotels since April 2023. The company has posted growth because of the strong business model and risk mitigation strategy. We are working to better margins our company has witnessed in the recent past.

Financial highlights for the second quarter ended September '23 on a consolidated basis are as follows. Consolidated earnings from operations was ₹70.08 crores compared to ₹63.17 crores last year, a growth of 11%. This was attributed to increase in ARR and also increase in F&B business. Consolidated EBITDA for Q2 '24 was ₹18.94 crores as compared to ₹20.44 crores in Q2 '23, a decline of 7%. Consolidated PAT before exceptional items for Q2 '24 stood at ₹7.67 crores as compared to ₹9.38 crores in Q2 '23, a decline of 18%.

During the quarter, we have been able to increase the average room rate for Q2 '24, stood at ₹5,087 as compared to ₹4,769 for Q2 '23, a growth of 7%. You must be thinking why this decline of EBITDA of 7% and PAT up 18% during the quarter. The reasons are attributable to increase in employee cost. We'll increase the salaries of our employees in April '23 to control attrition rate, and also minimum wages had been revised by the government. The market had opened up with the competition. There are a lot of opportunity available to the employees. Hence, we had to increase the salary.

Since we have added 12 hotels in the last financial year and 12 hotels in the last six months, we had to strengthen our team. The cost of such ramp up started immediately. However, the additional income and revenues of such newer hotels will take some time to come. The immediate effects on the costs will go a long way to make our company robust and powerful and more profitable in times to come. The employee cost has gone up by nearly ₹95 lakhs. The cost of power and fuel has gone up as government has increased the rate of electricity and gas.

As we know that all hotel HLP cost is one major component of the cost and the increase in cost, the same has gone up by ₹87 lakhs. Since COVID March 2020, we are not focused on maintenance due to the reduction in the revenues. So the last year we are doing well. So the time has come for us to focus and spend some time on the maintenance of our hotels. So we were a little liberal in doing so. This will help our company in the years to come. If we maintain our hotels well, then we'll maximize revenues. There is a net impact of ₹130 lakhs on the financials due to Ind-AS 116, the same is explained in investors presentation further we've added 24 hotels in the last one year and also have another 23 hotels in the pipeline.

We have done some branding excess for the same, which has cost us nearly ₹50 lakhs in the quarter. The company will reap benefit of the same in times to come. The last quarter, we opened our first international hotel for that in the present quarter, we paid the finder's fee of ₹41 lakhs. Please note that all the above contributed to decrease in the cost in comparison to the last year's same quarter.

We are well in line with our vision to operate 100 hotels before the end of the calendar year 2023. And I'm looking forward to opening new hotels in different cities in India and abroad. As we talk, we are operating 95 hotels. We are witnessing RevPAR growth led by higher ARR. We believe that the industry is on a growth path and on the right track, and we will bounce back with better results in the current financial year.

I request all not to get worried with the marginal dip in the profit as we have taken planned and calculated steps and look forward to our long-term goals and targets and the marginal dip has been taken in a calculative way. The same is necessary to achieve the larger long-term goals. The management has set out a strategy to diversify the product offering, provide unique customer experience and work towards a robust balance sheet.

I would like to conclude my opening remarks by saying that we are witnessing major signs of growth for the industry as a whole and which is shown in the overall earnings quality over the next several quarters. Thank you. And now we can throw the floor open for questions.

Question-and-Answer Session

Moderator: Thank you, sir. All those who wish to ask a question, use the option of raise hand. If you have an option, issue of raising hand, you can drop a message on the chat box and we will invite you to ask question. We'll take the first question from Akshay. Akshay, you can unmute and ask your question.

Akshay: Thank you for opportunity. What are our strategies for increasing revenue from food and beverage business?

Chander Baljee: Yes. So what we are doing is right now, we are concentrating a lot on revenue from banquets. Because over the years, banquets did not happen because of COVID. But once it is opened up, I found that there is a huge demand of wedding business and social functions. Besides, of course, corporate functions, which were limited earlier. Now earlier, people were doing through Zoom calls, but they find that they're getting bored and tired of that. So now they all want to meet up and they all want to have conferences. So we have found that there's a huge boost in that.

We are also trying to introduce new menus in some of our hotels, which is modern day menus in our hotels. Our corporate chefs are working towards that. The young, modern children like to have that type of food, not the standard Indian, Chinese, Continental. And now Japanese and the Italian, the Mexican, all the food that we are introducing across the group and so that we can continue to attract people to our restaurants. So we're working towards that, and I'm sure this will give us good benefits in the future also.

Akshay: Okay, so what is the expected growth rate in food and business? Maybe you can give some ballpark number?

Chander Baljee: The expected business every year, we expect a 10% to 15% increase in the business. But overall, the business will increase substantially more because of the addition of newer hotels. So exact figures, I may not be able to tell you now because so many hotels which are coming up. But there is a substantial increase in the percentage of the food and beverage business overall.

Akshay: Okay, thank you sir.

Moderator: Thanks, Akshay. We'll take the next question from the line of Rahul. Rahul, you can unmute and ask your questions.

Rahul: Thank you for taking my questions. Just two, three points. Last quarter, you had mentioned that you had taken, you are going with renovation in your flagship property. And so that's the reason why some of the rooms are off the inventory and corresponding cost also was higher. If you could give us a sense of where were those numbers in this quarter?

Chander Baljee: Well, actually, this quarter, we will not be taking up any blocking any room for renovation. In fact, last quarter, like our Metropole Hotel in Mysore, eight rooms out of the 30 rooms were blocked for renovation, which got ready actually towards the end of October. We're trying to do by end of September, but our projects always get delayed.

So right now, we're going to be just preparing for the further renovation. We are taking up renovation of one floor of Royal Orchid Hotel, but this should be done from in March. And so the balance rooms in Metropole also will be done in the month of March. And another good news is that since we got our Brindavan Garden Hotel lease has been renewed. We are preparing to renovate that hotel also during the lean months next summer. Otherwise, small works will always continue to go on, but we won't be blocking much of inventory in the next two quarters.

Philip Logan: Q1, I think Jaiswal had mentioned that there was maybe roughly ₹2.5 crores, ₹3 crores hit because of inventory going off the market. And there was a ₹2 crore cost hit because of renovation, roughly a ₹5 crore hit. Jaiswal, if you could help us with what the number would be in Q2?

Amit Jaiswal: Yes. See, in the Q2, the increase in the expenses, I have given a separate slide in my investor presentations. So that is there. Apart from that, let me tell you, see, in Q2 also, the core market didn't fare very well because of heavy rains. So there was a marginal hit of roughly around ₹50 lakhs to ₹60 lakhs from market, we had, there was within the revenue. Apart from that, as Mr. Baljee added, few of the hotels, we were doing a bit of renovation in Q1 also. And which has got completed towards the end of Q2. Like Metropole, we did some work. Even in the Flagship hotel also, we had taken up a few rooms for getting our pipeline work and all those things done.

But most of them were got completed now. So Q3 and Q4, we will have the full strength of revenues coming from all our hotels. A little bit of pending thing, we will again do in the lean season in next year because historically, Q3 and Q4 has always been good for the industry. So now we are not taking chance again. A little bit whatever pending, we will take it up in the next year.

Rahul: Right, the second question was on the recent announcement where you bought out in the stakes in the JV, one particular JV. If you could give us a sense of what is till now, was it kind of reported as profit from associates below the line? What will be the impact be in terms of top line and EBITDA now once it comes within the consolidated numbers?

Amit Jaiswal: No. Rahul, let me tell you. See, the subsidiary was Icon Hospitality. That was not reported as associate, that was always reported as subsidiary in the second quarter. Now it will become a 100% subsidiary. And the good news is that, that hotel, which was as you all know, is that Central Bangalore was always a loss-making hotel. Now it has turned into a profit-making hotel. So this decision of ours will get into affecting third and fourth quarter, wherein we will consolidate the complete profit of that hotel.

Rahul: Okay. And just a final, generally question on the industry. You have seen these ARR trends going up even in the Q1, Q2, which are relatively a leaner quarter compared to Q3, Q4. Do you see the ARR trends moving at 8%, 10% higher even in Q3 and Q4?

Amit Jaiswal: See, we have seen the ARR going up by 7% in the Q2. And in Q3 and Q4 in comparison to last year, we are contemplating that around 10% growth will be there in the ARR even in Q3 and Q4.

Rahul: I'll come back for more questions. Thank you.

Moderator: Thanks, Rahul. We will take the next question from Chirag Singhal. Chirag, you can unmute, please.

Chirag Singhal: So firstly, on the guidance, I know that you shared the guidance in the last quarter, but just to again ask you on that. So are we on track to achieve the ₹400 crores top-line guidance that you gave for this year? And also on the room addition, we were looking at some 1,500-odd rooms addition for this year. So could you please confirm on those two points?

Amit Jaiswal: Yeah, as far as the guidance is concerned, that looks a little stretched as of now. Industry does 40% in first half and 60% in the second half. So we were very robust about that ₹400 crores we should be able to do. But I feel now at this stage that we will fall a little bit short of that, maybe around ₹20 crores, ₹25 crores short of ₹400 crores as of now. And this includes our associate, which is the Jaipur Hotel I'm talking about. But yes, it will be a little short of what we have thought in the beginning of the year.

And however, a little cost has gone up. Okay? Because as Mr. Baljee earlier said, that we are investing for the long-term prospect of the company. So we have added 24 hotels since last year. So we need to increase our team, and we have hired some senior management also. Keeping in mind the further growth, almost 20, 22 hotel further is coming. So that cost account starts from the day 1. However, the return on all these work will come only in the next financial year. So that is the thought process we are having, right?

Chirag Singhal: On the room additions, if you can comment on the room additions?

Amit Jaiswal: As for the room addition is concerned, we have already added in this year, we have added around 12 hotels, totalling to a room count of roughly 600 rooms. 600 rooms we have already added, and another seven, eight hotels, definitely, we are opening before March. So that will give us another 500 to 600 rooms. So we had said in the between 1,200 to 1,500 rooms, but 1,200, we will be able to definitely touch. However, we are trying our level best to open as many hotels possible before March.

Chirag Singhal: Understood. And on the ARR front, you already give a trend as to how things are shaping up. On the occupancy front, can you share what the trend is? Like in the JLO, are we around 77%, 78% as we speak?

Amit Jaiswal: No. We will be definitely crossing 75%. Definitely, right now, we are at 73% in Q2. So 75%, we will definitely cross, but let us see, keep our fingers crossed as and when it comes.

Chirag Singhal: Right. And on the managed rooms side, will it be, say, higher than, like, let's say, ballpark 65-odd-percent?

Chander Baljee: Some of the hotels which are stabilized, they do more than that. But some of the hotels which are new, will do less than, that will start with 50%, go up to 60%, 65%. Normally, it takes about six months for a hotel to stabilize. So that is where the little lag may be there. But otherwise, I think we are on the right track.

Chirag Singhal: All right, okay, thank you.

Moderator: Thanks, Chirag. We'll take the next question from Akshay.

Akshay: And what will be your revenue guidance? What standalone entity, except that Jaipur hotel for current year?

Amit Jaiswal: You are asking standalone or you're asking consolidated?

Akshay: Consolidated, but except the Jaipur entity.

Amit Jaiswal: Except the Jaipur entity, I feel that we should be ending up the year around ₹340 crores. We should be able to end around ₹335 crores, ₹340 crores. But it is very difficult to tell now, we have to see how the third and fourth quarter goes because this is the best season for our industry. But let's see.

Akshay: Okay. And you have taken Icon as a fully subsidiary. So how much it will add to your revenue?

Amit Jaiswal: See, our revenue, always we have been consolidating full in the earlier years also because it was a subsidiary of our listed entity. So we were always consolidating the revenue full. Only thing we were taking out the minority interest, which will not be there on the entire profit will come to the listed entity.

Akshay: Okay, and just one point I want to understand, that the industry is growing very high and the growth prospect of Indian hotel industry are looking good. So why we are not going on our own hotels? I am seeing that there is 77%, 78% occupancy in our own hotels. So we cannot further grow from there. And we don't have much debt on our book. So why are we not growing from take up, making our own hotels?

Chander Baljee: No, we are working on even buying our subsidiary was like investment, and which would give us, one is the freedom to renovate and all that because our partners, that are not their core business. So they didn't want to invest on renovation of the hotel. Now we'll be able to take up the renovation of the hotel and increase the revenue substantially, as we had done in the case of our Goa hotel last year. So that's the mix strategy is there.

But now, of course, we are investing in revenue share hotel, where there will be some deposit to be paid. So many other things will have to be done. So we are working on that. That will increase our profitability and turnover. But Greenfield project, we are not planning to take up immediately.

Akshay: Okay. So you are focusing on leased hotels?

Chander Baljee: Yes, revenue share on leased hotels, yes.

Akshay: Okay. So how much hotels, can we expect to add in lease hotels on a revenue share basis?

Chander Baljee: We are actually -- what we're doing is that in the next one year from now, we'll be adding definitely 25 total hotels, out of which three or four hotels would be on revenue share. And balance 20, 25 hotels will be on nine-month contract.

Akshay: Okay, thank you so much.

Moderator: Thanks, Akshay. We'll take the next question from the line of Parag. Parag, you can unmute and ask your question.

Parag: Hi, thank you for this opportunity. So I just have a couple of questions. First one, last quarter, EBITDA was lower as well as this quarter. So what is impacting the overall profitability?

Amit Jaiswal: See, I have given an explanation in my investor presentation. There are four, five points, which is attributed to the marginal reduction in the EBITDA. Okay, if you see our investor presentation that we had, there was an increase in the employee salaries and costs. Okay, that has gone up by almost ₹95 lakhs. We have increased our team, as well as there were minimum wage corrections for the industry as a whole by the government. Plus the cost of power and fuel, the gas and all has gone up in comparison to last year. So that has attributed to around ₹87 lakhs of increase.

Thus, we have invested some money in the brand presence and brand marketing. So which is going to add a lot of value in time to come. The yield from all these expenses will come in the next financial year. So that, the hit we have taken for our longer growth as Mr. Baljee earlier said that for our long targets and longer growth, we need to do this because last year, we could not do anything. We are not sure about how the industry will turn out to be. Now that we are sure that next three, four years is going to be good for the industry. So we are moving and looking forward to that.

Parag: And what is our view on improvement in the profitability and scaling up in the revenue growth, considering that we have started several hotels last year under the management operator route?

Amit Jaiswal: So see, what happens is when the hotel comes up, it takes a little time, six months to 10 months, it takes the time for the hotel to really get into the market and get start yielding results. So whatever hotels we have started, now we will -- going forward, we are going to see the result. And whatever hotels we have started in the current year, those results will really come in the first and second quarter of next year.

Parag: And could you give us an idea about the ROE and ROCE profile of the management operator business versus the lease and owned hotel business? And what percentage of the revenue EBITDA and PAT would be coming from the management of greater model?

Amit Jaiswal: See, as far as management business is concerned, let me tell you, our investment is nil there. Just that whatever we have invested in the infrastructure is the cost. So the ROC in management business is really very high, somewhere around 75% to 80%. But as far as the yield is concerned, from the management business, we are getting a yield of around 40%, 45% which adds to the bottom line of the entire company.

Chander Baljee: The rest would be the lease business and own hotels.

Parag: And if we were to exclude the rooms under renovation, would it be possible to get an idea of the ARR and average occupancy excluding these rooms under renovation? How will the average change in Q3 and Q4 once these are done?

Amit Jaiswal: I request our COO to take up this question.

Philip Logan: I think your question in relation to rooms offline presumes that we're displacing income. So first and foremost, in Q2 and Q1, when we're renovating rooms, that was at a lower demand period. We have now finished that renovation, and have got full inventory in for Q3 and Q4. And as Mr. Baljee said, we will then take that up again in Q1 or post-March, when it starts getting hot, we'll start putting some rooms offline, which would be otherwise not utilized by occupancy.

And the other point that the investors should understand is that during COVID and during 2022, the hotels really were not being renovated because there was neither the staff nor the skills to be able to do it. And it was now time to get the hotels cleaned up and ready for growth. And in fact, in the last six months in my time here, I've seen that all JLO hotels have been undergoing a large cleanup of R&M and preparing ourselves for growth. Remembering that as demand lifts, the quality lift. And as quality lifts, so does demand for price. So you need to provide that quality.

So the renovation or the R&M, and then the taking some rooms offline is really reinforcing or underpinning price moving forward. And it's a simple process of cleaning up the shift so that we can go on for the journey. The growth in the new assets will take time. But as Mr. Baljee said, there's 23 coming online. And I think this company is growing, and we've now got some very clean and very efficient hotels. And the opportunity for growth in food and beverage and rooms is solid.

Parag: So would it be safe to say that with the significant room occupancies around the festive season and the cricket matches, that the Q3 will be our quarter and we will see an inflection in our growth?

Philip Logan: Again, actually, it's like T20 World Cup Cricket, it's a bit like the Bangalore traffic. It's busy in some locations and quite in some other locations. So Dharamsala in some particular nights was running absolutely full and off the dial, and then the next day, it was quiet again. So the World Cup Cricket has had impact in towns across India. But it's been very specific to the matches and very specific to those cities. So if the match is happening in Nagpur, the occupancy in Nagpur is extremely high. But if it's happening in Dharamsala, the occupancy is extremely high. In terms of G20, the same impact.

If your question is in relation to occupancies moving forward, yes, typically, Q3 or the second half is 60% compared to 40% in the first half. We are seeing lift in rates, but it's not solid right across India. India, as you know, is not one homogeneous country. So we have our resorts right now are absolutely booming, because it's actually resort city hotel over Diwali goes quieter. But as soon as Diwali finishes next Tuesday, bang, the city hotels are full again. And resorts, luckily, our resorts, Goa in particular, are seeing some really strong resurgence.

Parag: That's it from my side. Thank you.

Moderator: Thanks, Parag. We'll take the next question from Akshay again.

Akshay: What is your vision for company for next three years, saying '26, '27, what will be your revenue and PAT target?

Chander Baljee: I don't think we'll make any wide guesses here, but I mentioned to you that we are on a track to increase revenues of 25%, 30% per annum. But to give a very firm commitment, we can't say. But I think we should be able to do that.

Amit Jaiswal: No, I can add to Mr. Baljee, it is very difficult to see what will happen two, three years down the line. But definitely, I can tell that we are on a very good track, and there will be substantial growth in next three years to our company. There will be some substantial growth. And similarly, our bottom line also will become very healthy in time to come.

Even in this quarter also, I request you all to see one slide in the investors presentation. That is the cash flow. The cash profit slide is very important to see. Whatever may happen, up and down, if you really look at it, our cash profit has been more than last year's same quarter. Almost same. So around ₹30 crores of cash profit is there in H1 and almost ₹20 crores in Q2. Last year, in the same quarter, our cash profit was ₹18.88. And this quarter, in this stand-alone, it is ₹19.44, whereas in consolidated ₹30 crores. So that is very important for all the investors and our analysts to understand that this cash will give a lot of support and strength to the company to grow in time to come.

Philip Logan: And just to add to that point, I think it's important to understand the growth that's happened since 2022. There's been a significant amount of properties that have come online. And as Mr. Baljee and Mr.

Jaiswal mentioned, the lead time between start-up and delivering on some solid results varies between six and 12 months. So we haven't even seen the growth in the income of the hotels that have come online. And we've announced there's 23 more properties coming online. So if you just extrapolate last year's growth and the 23 properties, it will give you some indication of where that those percentages are coming from.

Akshay: Okay. Thank you so much sir.

Moderator: Thanks, Akshay. We'll take the next question from Chirag Singhal. Chirag, you can go ahead please.

Chirag Singhal: Yeah. So what is the CapEx guidance for this year and next year? And also, let's say, by end of FY '25, how many hotels and rooms will have under our brand?

Chander Baljee: The number of hotels within this next one year, 25 hotels which are already signed. They will come into operations. And they will be probably -- our development team is working towards conversions of some hotels, which we are negotiating. So those, I can't say right now, but those hotels come online very quickly. So it will be definitely within the next one year, we will definitely add about 50 hotels.

Amit Jaiswal: As far as the CapEx is concerned, please understand we have taken the asset-light strategy. Most of our hotels are coming under management route, whether we don't invest anything. It is only what Mr. Baljee said, three, four revenue share or the lease asset, which will come up probably there we will have to invest little money. However, let me tell you, the investment in these revenue share and lease model also are not that heavy, unlike the owned asset. But that will give a lot of boost to our top line.

Chirag Singhal: So you said 25 are already signed, which will come in the next one year. And you are seeing another 25 hotels that you...

Amit Jaiswal: Yes, we are working on signing another 25 further hotels. 25 hotels already we have signed, which will come up in time to come. It takes a little time to start the hotel. But the other 25, we are working.

Chirag Singhal: Right. So that will probably come in the next two years? It won't be online...

Chander Baljee: By the end of next year.

Amit Jaiswal: By end of next financial year.

Chirag Singhal: Okay. So 50 hotels is what you are saying will come by the end of next financial year?

Amit Jaiswal: Yes.

Chirag Singhal: So number of rooms, how many will it add?

Amit Jaiswal: Another 2,000-odd rooms, 2,000-plus rooms.

Chirag Singhal: Okay. All right. And on the CapEx side, like how much CapEx are you guiding for this year and how much for the next year?

Amit Jaiswal: See, our major CapEx is going to come when one of our Goa hotel wherein we are adding, that's an owned property, 100% owned property. There, we are trying to add some 40-odd rooms there. So that will -- CapEx will come upward. That will not come in this financial it may come in next financial year maybe around ₹25 crores. Apart from that, another ₹15 crores to ₹20 crores CapEx in small, small CapEx will be there, which we'll be doing.

Chirag Singhal: Okay. And there was the recent announcement that we have sold a stake in Multi Hotels Limited. So what was the investment?

Amit Jaiswal: No, we have not sold the stake. In fact, we are trying...

Chirag Singhal: Exploring?

Amit Jaiswal: We are trying to sell. We have announced that that property, we're trying to sell. We have kept the investors upgraded that property we are trying to sell. And if we are successful in selling that, somewhere around ₹20 crores of cash will come into the company. We are estimating. We don't know exactly once the deal is done only when the buyer is ready to buy it. But we are desperately trying to sell.

Chirag Singhal: Okay. And what was the gross investments in that?

Amit Jaiswal: We will not make much profit, because the investment was done some time back in 2008, although the investment was quite low ₹8 crores. But if you really take the value of the escalation in the currency. So there will not be much profit, just that some cash flow will come into the company.

Chirag Singhal: So coming back to the CapEx. You are saying that ₹25 crores is the CapEx that will be spent on your own property? And another ₹15 crores, ₹20 crores will be spent on other things?

Philip Logan: Next fiscal year.

Amit Jaiswal: Next fiscal year, not in this.

Moderator: That's it, Chirag?

Chirag Singhal: Yes, that would be. Thanks.

Moderator: Thank you. We'll take the next question from Narendra Gandhi. Narendra, you can unmute please. He seems to be away from the device. We'll take the next question from Rajesh Agarwal. Rajesh, you can unmute please.

Rajesh Agarwal: I take you to the con call of February 2023. At that time, I had asked a question on Goa hotel. So it was expected that at least partially by September, October, it will become operational. Could you please tell me the exact status now where we are?

Chander Baljee: In Goa, the government is working on the CRZ, Coastal Regulation Zone. And that has taken a little time. And they have not yet finalized that. So then we have got the plan ready. We'll be waiting for that regulation to come. The moment the regulation comes, then we'll put in the plans and then go ahead with the approval. And then that is why we have said that the investment will come in the next financial year because this financial year, we'll probably be just getting our approval, and we don't want to start any work in the season. So we will take up the work probably in the month of April next year for the expansion of that hotel.

Rajesh Agarwal: Okay. I'm asking a very depth question. That is simply, what is your any strategy on value creation for the shareholders? You see, Mr. Baljee, it's now almost 18 years old company on the stock exchanges. Investors, heart is they would like to see their wealth growing, their investment growing. After 18 years, 165 is not even 330 today. You see how much value destruction has taken place as far as Royal Orchid is concerned?

And if you look at the other companies, peers, they have grown manifold. Nothing wrong. Past is past, we might have made some wrong estimations. Some decisions which later on did not prove truthful. But today, do we have really any strategy for wealth creation for the investors? Or we are just simply going on one quarter or the other, one quarter or the other. I can tell you, if I take you from the past con calls, you will see it was over promise and gross under delivery. Like I told you Goa, you were very sure that 100%, you have used the word 100%, we will be partially operational in September, October. Okay, things have changed. You say CSR line has changed and all those things that built in. But my thing is that is it not the time to think of the shareholders, at least.

Amit Jaiswal: Mr. Agarwal, I would like to answer to your question. As you said past is past, right? So I will not give any justification for the past. But if you really look at it, shareholders' value from last year to this year has more than doubled. And it will continue to increase as the company is in the right path of performance. Our ROCE, return on capital employed, is the highest in the industry. You can compare the ROCE of our company with any other hotel industry.

So as far as the company's performance is concerned, we are on the right track, and we are looking at the larger picture. As you said that shareholders' value, we are also looking at the shareholders' value only and taking all decisions in and around that. But shareholders' value will only come when we give performance quarter-on-quarter, a good performance, okay, year-on-year a good performance.

So we are confident of giving good performance year-on-year. We are not increasing the liabilities of the company. Instead, we are trying to make the company solid as far as the working and the performance is concerned. We are trying to take calculated calls on all our investments. As you know, Icon, we have done a very calculated call, and it will show you the result in the year-end, how the things have changed. The value of our investment in Icon will totally change in the year-end.

So like that, we are taking all the major steps to increase the value of the wealth of the customer. Please also understand, the promoter itself will have 63% stake in the company. So he will take most care that the value of the balance, 37% investors must grow. And we are on the right track, I can tell you at this moment of time.

Rajesh Agarwal: Basically, my distinct is, everything drills down to what you see. Have you forgotten about the IPO shareholders? 18 years, even your wealth is not doubled, you are talking of one year. And you are talking of three years later on. Indefinitely, things cannot be one year, six months, three months. If something goes up and comes down, this is not wealth creation. Wealth creation is always done when you look at the wealth vis-à-vis in the long past, you took ₹111 crores, ₹112 crores through public issue or IPO or whatever it was.

It's now 18 years. Same capital is there. It's only because the industry stars have improved a little, so share value has improved a little. Otherwise, candidly, you just think of 165 is not even 330 after 18 years. In the past, shareholders suggested so many ideas. They've talked off. But what is there? No idea was implemented. People came. Okay. There can be buyback, there can be splits. There can be so many things, capital raising, preferential capital. Even you can go for some QIPs also.

Like I'll give you one thing, very, very pertinent thing, I will point it out to you. See what happened. In February, one of the shareholders ask you that you have taken approval for the ₹200 crore debentures. And said, what type of rate you are looking after in the market? You said 9%, 9.5% or maximum, 10%. Mr. Jaiswal, candidly speaking, shareholders were looking at it, that one of the third party, related party transaction, the loan was given at 18%. Was it fair? You reduced it to 14% and said it's a good corporate governance. No, it was not a good corporate governance. You are looking for the market at 9% to 10%. And the promoter's company related party transaction has been given at 18%. Tell me candidly...

Amit Jaiswal: I will answer to that, Mr. Agarwal. I will answer to your question. Let me answer before you go to next question. See, as far as that transaction is concerned, it was not in the last financial year. First, it was done when the company's chips were down, when there was a bank liability, okay? And the promoter has to borrow from market to fund the company, okay? That time, when no bank was coming forward to fund the company. That was the time when the promoter had borrowed from the market to pay to the company. Last year...

Rajesh Agarwal: But it was very much. 18% is too higher rate.

Amit Jaiswal: No, no, that is too higher rate, because if you borrow from the market, you get at that rate only. You don't get at 9% if you borrow from market.

Rajesh Agarwal: Today also 14% was very high rate.

Amit Jaiswal: No, that was the cost at which the promoter had borrowed from the market and given the company.

Rajesh Agarwal: No, no, I think of today. Forget about past, today, you are looking at 10%.

Amit Jaiswal: No, no, no.

Rajesh Agarwal: You are looking at 10%. Who will give you debentures for 10%? Tell me. If you are yourself lend at the rate of 14%, even the recent proposal was there at 14%. It was recent proposal. And you said it's a good corporate governance. No, it was not a good corporate governance.

Amit Jaiswal: See, already that decision has been taken by the shareholders. We will be refunding that money to the promoter.

Rajesh Agarwal: Yes, because that proposal got defeated by institutional shareholders. That was very bad. It speaks very bad about the company, that FII has defeated the proposal. Very bad. I'm telling you, let us think soul searching. If you don't think of the shareholders, I'm telling you whatever you do will go waste. I'm a shareholder for the last 18 years. I am holding around 1.2% equity in the company. I am probably one of the largest shareholders of the company.

And I have given you -- see, if you do centralized self-centred approach. I remember, I have never talked about the split in specific. Many shareholders, you have talked about why can't you do split? there's nothing to lose. You never did it. Because we know every competitor is having a face value of ₹1, ₹2. We are having ₹10. You talk about the number one companies, number two companies. Think of what they have done. Three rights came from the Indian hotels at the rate of ₹75. Today, the share is ₹400. You are talking of one year back, and we have doubled. And ROCE, no, not palatable. Think of what the people did in 2006, when they gave money to you at the rate 165. Today, it is not even 300.

It's not for you. You were not there. I was there, Mr. Baljee was there. Let Mr. Baljee do some soul searching. If he doesn't do at this age, I'm telling you, God help shareholders of the company. In spite of that, why I'm telling you, simply because I'm holding such a good chunk of shares. And in spite of that in this open forum, I'm telling that there has been something very seriously wrong. Over promises, under delivery. Over promises, under delivery. If I give you cuttings so many times, numbers, keys, hotels we faltered. We keep on faltering. You keep on telling...

Amit Jaiswal: Okay. Mr. Agarwal...

Moderator: Sorry to interrupt you. Due to shortage of time, we have to take other questions. We'll take one last question, please, if you don't mind. Yes. We'll take the next question from Mr. Ronak Rati you can go ahead and ask your question, please.

Ronak Rati: Yeah. Thank you for the opportunity. I've got probably two questions. One is, what is the debt position as of now? And second question is with regards to the premiumization that is happening in the market, like there is a trend towards the premiumization. Demand for a 4-star 5-star rated property seems to be a lot more than a budget-friendly hotel of 3-star rated. So should we have a strategy in terms of the management contract basis also to go for a -- to look out for better properties instant in terms of association? That's it from my side.

Chander Baljee: We are doing that. See what happens is that we did to become a certain sizable company now that we are approaching 100 hotels, people are beginning to recognize us as a formidable player in the market. So now when we go to a hotel where we are competing with ITC, we're competing with Taj, we're competing other thing. At least they are beginning to talk to us. Earlier, they were not even ready to talk to us because they were thinking that we are a marginal player. Today, we are not a marginal player. We are a very large player in the industry.

In fact, in terms of number ranking, we rank about the ninth in the country amongst all the hotel chains. So people are beginning to talk to us. And we also decided that very small hotels, we are not going to take. This is a mandate given after Phil has joined our company, that we will not take very small hotels. Unless it's a very boutique property, which is a marquee property. Like a palace, like we have got two hotels in Mysore, which are 100 years old, heritage properties, 30 rooms and 24 rooms. And does reasonably well. So we are definitely going to be -- I think what you have said exactly is what we are going to be really doing is to look at hotels, which deliver us much more revenue rather than a very small revenue. We are working towards that also.

Philip Logan: So further to that comment on Mr. Baljee is that it is true that our focus on more upscale product, it does give you brand recall and gives you brand reputation. So as much as we are diversifying across the country in more cities and in more locations. And we're certainly going down lifestyle, historical, religious, down the different verticals. There's no doubt that now owners and investors are actually coming in the front door, who probably wouldn't before. And that's a result of brand reputation and a result of growth.

And I get the question, I can say there's a. I actually get that question asked. Logan, why did you leave the big brands to come to Royal Orchid? And my answer is, India is ready for growth. And again, they've announced 23 openings this coming year. And I am certain it's a snowball effect. And I'm very confident of that. And I can see that both by the applications across my desk now. I have applications from all the major brands. Before, maybe they might not have applied, but now general managers from international brands are setting their CV and saying I'd like to join the group. You see quality attracts quality.

And over time, whilst I understand Mr. Agarwal's frustration, a company built like a Marriott is built over many, many decades. And Mr. Baljee's investment over 53 years has been in the brand, and he stands behind it. And I'm now here to say to you, I believe, very firmly, those who stay with this company on the investment will reap in years to come. And you can say, maybe not today. Well, just watch this space.

Moderator: Thanks, Philip. I was going to actually invite you to give you a closing comment, but you've done quite a bit of that. Mr. Baljee, would you like to add something to that before we end this conversation?

Chander Baljee: Yes. I like to end this conversion by saying that if you already look at it from 2008 up to last year was a turmoil year for the entire hospitality business and the Indian economy also. And so to say that we have not doubled, but there were so many cases where companies have gone down under also. And sold out and gone away. But we have stood by. And we took some really harsh decisions like for example Hyderabad. And we never anticipated that Hyderabad will go to Telangana away during that time. And so we took a big hit during that time.

But still, we took a fast decision of selling it, and the company survived. And otherwise, the company would not have survived. So we've taken hard decisions like some other companies did not take those hard decisions and they went down under. So I think we should, at least we deserve credit for that, that we are now steadied the ship and it's good time for us and let's try to work towards that.

And as Amit had also said, that being the highest shareholder of 63% in the company at my interest aligned with all of you investors. And we'll do everything possible and there is no question of any corporate governance things, we follow things very, very religiously. And it's only because of the exigency and that dire need, the company needed money, that we took personal loans and put it in here, and not because we wanted to make money out of the company. And we still don't. We are taking the money back from the company. And there are better investments available, but we'll continue to take care interest of the company. So don't worry about all that.

Moderator: Pleasure, sir. Thank you so much, and thank you to all the participants for joining on this call. And thank you to management for giving us a valuable time. This brings us to the end of this call. Thank you so much.

Chander Baljee: Thank you.

Amit Jaiswal: Thank you everybody.