The Indian Hotels Company Limited

IHCL Earnings Call – Q1 FY 2022/23 Results

Tuesday, 9th August 2022, 13:00 (UTC+05:30)

Management:

Mr. Puneet Chhatwal, Managing Director & CEO

Mr. Giridhar Sanjeevi, Executive Vice President & CFO

Operator: Good day and welcome to the Indian Hotel Company Limited quarter one financial year 2022 - 2023 result. Call being hosted by Mr. Puneet Chhatwal, Managing Director and CEO IHCL and Mr. Giridhar Sanjeevi, EVP and CFO IHCL. As a reminder, all participants will be in the listen only mode and there will be an opportunity for you to ask questions after the presentations concludes. Should you need any assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. At this time, I would like to turn the conference over to Mr. Puneet Chhatwal. Please go ahead, sir.

Puneet Chhatwal: Good afternoon, everyone, and welcome to our Q1 earnings call. Let me start with especially those of you who have downloaded the presentation or have gone through it. Every now and then I'll refer to one or the other slide. But let me start with sharing with you that the dual honour of world's strongest hotel brand for second year in a row, coupled with India strongest brand across all sectors as for brand finance, will make it a very special year for us. Also within India, in the last three years, twice we have been rated the strongest and once the second strongest. So, it's almost a continuation of three years, which makes us feel very happy and pleased. When it comes to the Q1 performance across key financial metrics, we have exceeded the pre COVID performance on all the metrics. The revenue was up comparing it to pre-COVID numbers by 22%, EBITDA is up by 92%, EBITDA margin by 11.4 percent points, profit after tax of Rs. 170 crores against only Rs. 6 crores in 2019-20. Strong free cash flows, almost Rs, 200 crores and net cash positive of Rs. 269 crores. This is the best ever Q1 performance. We only went back to 2010-11, but as you can see from the revenue figures in those years, including if you would have a possibility to see slide for a company or as a business till 19-20, which was our best financial year, the pre-COVID one, we achieved a margin of 19.9%.

We are up 31.3% and before 2019-20 the best we achieved was in year 2011-12 on margin of 13.8%. So, it's a very strong swing, which is the fundamental proof of our change in business model, our focus on new businesses, our investments in our iconic assets to reposition them, and also the kind of mix of properties that we have had. We finished with a robust performance across all brands. All the parameters were up, there is only one which shows the occupancy dip in ginger that is on purpose because the rate increase is significant, close to 34%. But when it comes to total revenue per available room, which means it includes room revenue plus other revenues, we are looking at Taj at around 18% increase in total revenue and in selections and Vivanta as well as ginger, around 30% increase. One thing, which we have been very careful on in the last few years, is the premiumization of our portfolio. So, any business that we enter in new or the ones previously we want that our offering is perceived at premium level in their relative positioning. So, if it is a Qmin QSR or Qmin home delivery, it must be perceived as the best offering. If it is a homestay, it is not only experiential, it also has to be perceived as a premium offering. Same thing for Vivanta and other brands because the backbone of the company was, is and in foreseeable future remains the Taj.

And we want that all of our brands which are associated directly or indirectly with Taj, are perceived as premium brands in their respective segments. We have had industry leading growth on average rates up by 31% and occupancy up by 9%, and the RevPar up by almost 42%. These figures are on the domestic front and based on same store, as we are a high growth company, some of the new properties definitely dilute the amount that we show as absolute amounts, but that is a consequence of high growth and especially in some of the markets, which take time to stabilize. Very good news on Mumbai, Bangalore and Delhi, they are back. They are the three most important metros in India. And if we look at all India, I think there is the trend is very, very positive. On the domestic front, IHCL has outperformed the industry in almost every market. Except for a marginal lag in Rajasthan by two points, but Goa is as high as 167% compared to pre-COVID level and all India is up 142%, but more importantly, Mumbai at 133%, followed by Bengaluru at 122% and Delhi NCR 120%. And these metros are important for us also because we have owned or licensed assets here. We account for those revenues and a change in the revenue numbers there has a significant impact on our portfolio and on our performance.

Also, we are continuing to build capabilities. We continue to invest in digital projects. Our new website is underway, our new mobile app is underway and we have undertaken a very large CRM project and this CRM project became even more relevant because of what you must have heard or seen. The Tata Neu integration, which has enabled us to get 1 million new members in already four months' time and 50% growth in our loyalty base. Our marketing campaigns are very strong and have been very successful, the most successful one being the 4D campaign, the campaign on Taj being the strongest brand, the campaign on She Remains the Taj as well as Dekho Apna Desh. And also, I think we will be launching a series of new campaigns as of tomorrow or day after which you will see as a marketing drive towards the Independence Day and towards propelling growth in all our businesses, especially in the months of August and September. There is a robust growth in signings, openings and pipeline. Managing the pipeline is very, very important to us and our pipeline today of almost 8100 rooms represents 28% of the total portfolio and almost 40% of the operational inventory that is the industry leading pipeline in terms of percentage. And we have had ten signings already in Q1. We expect that we will sign another 15 for the remainder of the year. And we have announced in our press release that we have the letter of awards for four projects, two in Lakshadweep, two in Diu, and we have opened four hotels and the openings are more towards the second half.

So, we'll open another hotel this month and going forward it will increase to 1.5 to 2 openings for the remainder of the financial year, so in line with the guidance that we have given previously in other quarterly meetings. Very interesting for you would also be to note that we envelope India and we cover India and have presence in key strategic international destinations. Today in India, we have crossed more than 100 destinations that are covered to our portfolio. And if we were to include AMA, then the number of destinations would reach to almost 125. So, our Pan-India footprint is stronger and is getting even further stronger as each month in each quarter goes by through our aggressive asset light growth strategy that has been in place. The asset light model is not only driving growth, but it is also helping us find the right balance, which is in line with our AHVAAN 2025 strategy. And that is about delivering profitable growth in a responsible fashion. So, we call it the responsible, profitable growth and our management mix in terms of contracts from the total portfolio is 46%. Our management fee growth in the quarter one was 72% versus 2019-20. So, we are not comparing it to the previous financial year going to the pre-COVID level and there is a 72% increase and that is a proof of our asset light model.

Having said that, we are still investing smartly for long-term growth. Our strategic renovation is now 75% complete at the Taj Mahal Hotel Delhi, also popularly known as the Taj Mansingh, our second Seven Rivers, the microbrewery, together with the House of Nomad, is about to open in the next 3 to 4 weeks at the holiday village in Goa. We continue to pioneer destinations at the statue of Unity we'll be doing a combo hotel with Vivanta and Ginger approximately 350 rooms followed by investing in some of the bungalows. We will do wherever FSI is available to us like we have in Aguada. We'll be adding three homestays there. We will see if we can get permission to add some in exotica and we'll continue to invest in chambers we'll be launching chambers very soon as we have guided before and over the next two years, both in our property in New York as well as at the West End in Bengaluru. Further work has happened on the QSR, which we call the Qminization of ginger. Each of the gingers will have all day dining and that will be branded as Qmin. The first one has already happened in Goa, in the Panjim City, and 10 more projects are underway which should be completed when we do our Q2 Investor call.

Obviously our AHVAAN 2025 strategy has a very strong element of ESG and, as I said, doing business the responsible way or delivering responsible profitable growth. And we get support from paathya. and paathya has those six pillars of excellence that guide us and we've started work on ten heritage sites with UNESCO. We have created eight active skilling centres and we have 9 pilot projects which have been undertaken also with IFC. Our 29% energy is coming from renewable resources. 45 hotels have already installed EV chargers that's a project we have undertaken in collaboration with Tata Power and even during the Assam flooding 57,000 meals under Qmin were delivered for the people who were needy in very remote areas like Silchar, etc. Moving on to the guidance we have given another one in 2025 on performance criteria, as we said, we will deliver over the business cycle 33% EBIDTA margin. We will do new businesses and try to achieve 35% or more EBITDA from new brands and management fees. We'll have a balanced portfolio of 50:50 at the end of the business cycle and we will strive to remain a zero net debt company. When it comes to the portfolio, the guidance that we have provided remains unchanged at 300 plus hotels portfolio over Taj selections Vivanta and Ginger and 500 plus homestays. That makes us believe that AHVAAN 2025 will further our journey to reinforce our status or consolidate our status as South Asia's most iconic and profitable hospitality company, built on the pillars of Taj, which is trust, awareness, joy and the five core values of Tata Group with enablers like Culture Organisation one, Tata Digital Excellence, Sustainability, and our three key initiatives of reimagining new businesses, re-engineering traditional businesses, restructuring our portfolio. So, I think we are on track and our financial performance on all these three metrics that I just mentioned to you will be discussed in detail and presented to you by my colleague Giridhar Sanjeevi, who is our Chief Financial Officer.

Giridhar Sanjeevi: Thank you. I think building on Mr. Chhatwal's presentation, I think fundamentally, I think our strategy of reengineering margins, reimagining brand landscape and restructured portfolio is a very good algorithm which is enabling us to grow profitably and position us very well in this AHVAAN journey. Actually, I think one of the things that we just wanted to touch upon, which keeps coming in questions, is that how has been the different segments of recovery across the past to post the pandemic? We very clearly saw that the domestic leisure recovery was the hardest, but even so, Social events started next. Corporate MICE recovery have started strongly in Q1, which is where you see and corporate FIT recovery, which is where you see Bombay, Delhi, Bangalore coming up. In addition, of course, the garment business in Delhi is also restarted and international travel recovery is expected to start sometime in the Q3 of the current financial year once the visa situation and other things kind of ease up.

in terms of the key highlights we are deliberately touching upon enterprise. Enterprise is nothing but all the hotels, including management contracts. We did Rs. 2,420 crores in terms of top line, which represented 137% growth. And I think if this trend I think what we are trying to do is to see whether at an enterprise level, including management contracts, we could go to a 10,000 crore enterprise top line for the IHCL, which will be the highest ever, actually. So, that is our objective this year. EBITDA again, for the enterprise for 719 crores, which represents a greater margin of 29.7%, and a flow through of 62% on the consolidated, which is what we report to these two externally, I think we had 122% growth with Rs. 1057 crores to Rs. 1293 crores top line. And as we said, this is the best top line in the last ten years. And similarly on EBITDA, it is Rs. 405 crores of EBITDA. And the most important thing is the flow through is 82%, which means for every change of ₹100 on the top line between 19-20 and now, ₹82 came through to the line. Free cash flow positive of Rs.198 crores it is also a very healthy sign.

On standalone, it mirrors the consolidated is 130% growth in standalone with flow through of around 79% and a strong free cash flow positive of Rs. 170 crores. If I look at the different key entities, which is the subsidiaries, I think you will see that U.S.A had generated actually a cash profit while business was at 85% in terms of recovery; it generated a cash profit this year in the quarter. St. James Court is a very strong recovery, around 111% with an EBITDA margin of 37.5% with the strong free cash flow positive. If you move to the next, which is PIEM Hotels, which has the iconic president and Blue Diamond and Lucknow and others, we had 127% growth in top line and EBITDA margin of 28%. Roots Corporation is a very strong story in terms of the transformation. If you notice in the year 2019-20, the EBITDA of Rs. 11 crores on a top line of Rs. 50 crores translates to around 22%. That has now gone up to Rs. 27 crores on a top line of Rs. 70 crore, which represents an EBITDA margin of 41%. This reflects the efforts that we have taken in terms of integrating the Ginger operations with Indian hotel operations. And the most important thing is it is PBT and PAT cash flows positive and free cash flow positive. Banaras Hotels, this has generated one of the highest EBITDAs of 46% with 169% growth in business and is is free cash flow positive.

While we have not given the associate companies in this presentation, I can only tell you that the associate companies have also driven strong growth with free cash flow positive. Now, the important thing is with all the focus on new businesses, we are now seeing the revenue contribution from the new businesses as compared to the pre-pandemic business has gone up from 9% to 14% and the EBITDA contribution has gone up from 18% to 22%. Very strong focus on cost, continuing the fixed cost as a percentage of revenue has come down as compared to the pre-pandemic period. So while the business has come back to 122% of the pre-pandemic levels, in fact, earlier conversations, if you all recollect we were talking about business coming back to the pre-pandemic levels and us to continue saving costs, here despite business coming back to 122% of the pre-pandemic levels, we continue to drive cost focus in terms of fixed costs. Variable costs, again, have sort of come down. Fundamentally, what the message here is that despite inflation, we have been able to take price increases on F&B and therefore make sure that the variable costs as a percentage of revenue is kind of maintained. Corporate overheads as a percentage of revenue has also been strongly maintained at 5.5% percent in this current quarter, down from 7.8%.

In terms of the productivity initiatives, I think if you look at payroll expenses, it is 27.8% of the revenue versus 35.1% in a pre-COVID level. So, payroll expenses are definitely being kind of control. The raw material cost, as I just explained, lower as a percentage of F&B revenue. We despite inflation, we have been able to take the price increases, fuel, power and light, we have continued to work in terms of renewable sourcing and also energy efficiency in terms of consumption of the hotels. So, both are helping us to manage the fuel power and like overall efficiencies we just saw has been significant in terms of corporate overheads as a percentage of revenue. Marketing effectiveness sustained, the marketing spends have gone up, rightly so, in terms of the growth in business, but we are smartly working on effectiveness. In terms of the consolidated P&L movement, this is just a waterfall chart. The detailed charts are at the end which are there in the annexures for you to look at, we had Rs. 1293 crores. And I think what is the core message in this slide is that the EBITDA at the bottom chart shows the difference between the variants from 2019- 20 the EBITDA at Rs. 194 crores represents 11.4% improvement and an 80% plus flow through the PBT at Rs. 203 crores is an increase. There is increase as compared to the pre-pandemic level . The profit after tax at Rs. 170 Crore is a significant improvement growth as compared to Rs. 6 crores in the pre-pandemic period.

So all in all, a very strong improvement in terms of consolidated performance. Similarly, in terms of the EBITDA margins, you will see the improvement across same store, which has been significant in. And if you see the new hotels, Ginger, Qmin, Ama, The Chambers, all of these are meaningfully now contributing to the growth in EBITDA. In terms of free cash flow generation, this continues to be a very strong focus area with Rs. 198 crores of free cash flow generation. We began with Rs. 2082 crores of cash. The cash from operations was positive at Rs. 350 crores nearly. We repaid debt of Rs. 964 crores and a closing balance at a consolidated level of Rs. 1276 Crore. The free cash flow of Rs. 198 crores. Similarly, in standalone performance, it mirrors the consolidated performance with Rs. 142 crores of EBITDA at Twelve and a half percent improvement in EBITDA with a 75% plus flow through and a patPAT of Rs. 147 crores, which represents Rs. 125 crores improvement over the pre-pandemic period. So, we come to the end of this presentation. There's a lot of data on the annexures which you can look at. So, if you have data questions, our suggestion is that you can look at the annexure if there is anything else. We will see what we can answer. Otherwise, feel free to reach out to us after the call. Thank you. We are open for questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We will pause for just a moment to allow everyone an opportunity to signal for question. I will also request everyone to say their name and the company they belong to before asking a question. We will take our first question. Your line is open. Please go ahead.

Nihal Jham: Yes, sir, thank you so much. This is Nihal Jham from Edelweiss, and congratulations for the strong performance. So, three questions from my side, starting off with the first one. Just wanted to get a sense that, you know, the kind of strong trends that we've seen in the first quarter where we've exceeded the increase in Q3 quarter in general. Are they continuing at such a strong pace?

Puneet Chhatwal: Yes, Nihal, they are continuing. You see and this is for you and anybody else listening here. Q3 is been traditionally the strongest quarter and we see no change in that going forward. Q4 is a second strongest quarter and Q1 has always been the third. So July, August, September quarter, which is the Q2, is always ranked number four for us in terms of revenue. But I think even if we look at it, it should come very close to the Q1 performance. There will not be a very big variance for what we know today from the month that has gone by. That is the month of July and the performance till eighth of August versus and also the pickup and the business on the books. So, definitely the trend continues, despite the fact that some of these months are very strong holiday periods and also that there is less business activity versus in Q1. We had the IPL, we had many other things happening, the opening up of the air traffic after the end of March. So, there was a certain momentum, but we are not seeing any change or drop in momentum.

Nihal Jham: That's wonderful news. The second question was related to that, if we bifurcate the business as usual segment between business and leisure and there has been a strong improvement in rates versus pre-COVID. So, how is the absorption being and how do you see this continuing? Because that in a way becomes critical for our occupancies also to sustain. Specifically, if I look at the leisure segment, I think our rates are 60% higher than pre-COVID. So, does the comparison with other international destinations as things are opening up maybe put a stop to this rate sustaining? And similarly for the business segment, how do you see this absorption being taken by the corporates and the transient culture in general?

Punnet Chhatwal: I have a different, we have a different opinion here, I think very important and critical, as I mentioned in my comments in the presentation was that for us, Delhi, Mumbai, Bengaluru is very important. And, we said it in the last investor call for Q4 of the full year results was the day these three metros come back, you will see a significant swing in business so, I think, yes, there is a strong occupancy improvement in the business segment. And up till now the business segment has been more or less very strongly driven by occupancy versus rate. And when I say this, I'm comparing it to the pre-COVID. So, it's maybe for us it's a difference of 12 or 13% over a two-year period. That's not a big increase, it's a very nominal and normal increase, I think critically is the leisure segment and leisure the rates have gone up. Now having an analogy saying that when other destinations and international things open up, then leisure will go down. I don't think that is correct.

I think there is a change that happens whenever the world goes through any kind of significant event. And I think the demand for leisure that whatever you want to do, do it now and don't leave it for like, you know, I'll go in a holiday two years from now, three years from now, extended vacations, they have not happened. Further I mentioned to some of your colleagues and I'll mention here also all these results that you are seeing is also without much international traffic. That segment in terms of inbound tourism is still more or less missing. And, that for us has been a very important segment, especially for our leisure and palaces and safaris. So, those properties are not yet benefiting from the inbound tourism coming from other countries as well as towards the end of this calendar year, December onwards, there will be the G20 which will start and I think that should further give a boost to the room nights and also to the rates going forward.

Nihal Jham: That's very helpful sir, I have just one last question that on Ginger, could you highlight that other than the rate improvement, any other initiatives that led to this significant improvement in profitability? And if it's possible for you to give the AHVAAN target even for Ginger?

Puneet Chhatwal: But we have not yet done that, giving separate targets for different brands in hotels we have given only for the portfolio. So, we have said Ginger will have 125 hotels and homestays for example will have 500, and Taj will cross the 100 hotel portfolio. So, that is what we have given, but not a target broken down by brand. But it would be fair to assume that in key metro cities, Ginger would definitely perform EBITDA margins of 55% plus, and in others it would be around 40 to 45% as we continue to enhance that portfolio that re-imagined Ginger as we continue to add Qmin QSR restaurants. I think the total revenue per available room in Ginger should improve and also in the positioning of the brand, it will get a lot of help with the combination and the combined power of Ginger and Qmin.

Nihal Jham: Understood sir, I wish you all the best. Thank you so much.

Puneet Chhatwal: Thank you.

Operator: We will take our next question. Your line is open. Please go ahead.

Achal: Hi. This is Achal from HSBC. So, I had a couple of questions, actually. So, first of all, I just wanted to understand the impact from high priced Air tickets. So Air, tickets have become very expensive and that has actually halted the air traffic growth. Do you think that could be a kind of a potential challenge for you or do you think that could be a boon for your earnings, assuming people would start spending less and less on the planes and more in the hotels, and that would actually push earnings for you. So what do you think?

Puneet Chhatwal: It's a very interesting question Achal it makes me smile and it makes me also think. So it's a different kind of analogy. We never thought like that. I think what we have seen because of our diverse portfolio and the needs and demands of the job, we end up traveling a lot. Despite the increase in air travel on a domestic front, all flights have been full and we are seeing the same thing on international routes, even though there are challenges in getting the baggage and the baggage delivery and every day you read something new from Australia to Heathrow to Amsterdam to Frankfurt on what all is happening. So, I think travel remains a fundamental need and whether people spend on travel or staying in hotels or it's also a fundamental business need, you cannot do all business virtually because at some point you have to build the relationship capital. So, I personally feel I don't think increasing costs of airline tickets is going to reduce the spending in hotels or because of that, people will not travel and the additional disposable income will be consumed in hotels, but some of it in a very small fraction might even be true. That's why it made me smile.

Achal: Yeah. No, I mean. Yeah, right. I mean, it's an interesting question, but I mean, you know, from the corporate side, of course, I don't see any impact because the corporate people are least price sensitive or they don't care that there is 10,000, 20,000. It is more or more to do with the leisure demand because if I'm a leisure traveller, of course, you know, and I have a budget in hand. So, if I used to spend like 50,000 on the flight and 50,000 on the hotel, now if I need to spend same, I just choose the same destination probably. I end up spending 75,000 on flight and then and left out with very less for the hotels. So, that was my question from the leisure side.

Puneet Chhatwal: I understand if you're a family of four and you've gone through COVID, you get used to sitting in the car and driving because that way that's Rs. 75 thousand four becomes three lakhs. Then you save on that three lakhs and you spend it on accommodation and dining, etc. and, you know, other kind of leisure options. But that is going to be a permanent trend. It's not going to replace the air travel. Rather compliment it for additional extended weekends and breaks, which we are also witnessing. What happened to be, let's say in Mumbai, somebody driving off to Nasik or Lonavala or Mahabaleshwar elsewhere on an extended weekend when everything was shut, is now becoming a normal trend. So it's people doing it and with the improvement and the spending the government is incurring on building better quality infrastructure is only going to increase the demand for this kind of vacations.

Achal: Perfect. That's interesting, second question I wanted to understand about your relation with Tata Group, but in terms of Tata Neu as well as well as in terms of Tata's increasing airlines, you know, aviation business. So, what kind of relation are you building there and what kind of benefits we expect from your synergies with Tata group.

Puneet Chhatwal: Well, one of the big advantages of being part of such a conglomerate is to have synergies within the group companies. And Tata Neu as we have shared, we were the first member to join this Tata Neu platform much before any other company decided to, and we are very happy with it. Of course it's very new and it was launched only on 7th of April, so it has to reach that maturity phase. It's in the infancy start-up phase and I think at a mature level the potential is significant and we have a very good relationship and at the moment already our source of revenue through the app platform of Tata Neu has almost doubled. We have reached 18% of our revenues are coming from that source. So all in all we are very pleased. The same is collaboration with the airlines. Of course we already had a collaboration with AirAsia or Vistara or we do meals for them you know, the flight kitchen business only thing is it's going to get stronger and stronger as time goes by.

Achal: Right. My next question is I wanted to understand about the inbound international tourism, which has been a significant which used to generate significant amount of revenue for IHCL. Now, of course, you are expecting the recovery by Q3. So with that, what kind of jump or improvement you are expecting to your occupancy levels and ARR? And which cities do you expect the potential for the growth from that?

Puneet Chhatwal: See, pre-COVID, let's say 15% of our total business for the year was coming from inbound tourisms in the second half, a lot of that on some of our palaces, etc. We're getting more than 50% of the revenue was coming from international sources. We expect that to come back and we'll have a change in the, it's more like a channel shift from a domestic and from an OTA, you might have more through travel agents and through other sources of international business. So, that's channel shift that happens. It only helps you become more, you know, let's put it this way, a more solid, stable, less volatile in terms of the sources of business because you have so many more sources. So, at the moment, we are missing that. It's very marginal, it's a very small amount that is there. It's not zero because it has started. However, we have a long way to go. And as my colleague Mr. Sanjeevi was mentioning, we are expecting towards the middle of Q3, around November for this business to pick up.

That's what we feel is the most likely outcome today. And this activity will pick up and it will actually help drive demand in a very solid way in places like the state of Rajasthan, Delhi, NCR, Mumbai, Goa and some of the other spiritual and other destinations. Because the international, you know, is also having a significant share of people of Indian origin living abroad who come back to visit families who have not had a chance to see families for two years, but because their nationality has changed or the passport is different, they are also counted as international arrivals. So, I think we should start seeing a lot of that happening. I think the values around end of October 24 or so, from Diwali onwards, it should start.

Achal: Okay. My last my last question and a very small question. Do you have any update on Sea rock you want to share, please?

Giridhar Sanjeevi: First look, I think we are working on designs at this point of time so that we are ready with the design in parallel. Of course, conversations are going on in terms of accelerating the approvals. So, I think we have to you know, we will update as and when there is a better advice on this.

Achal: Okay. Thank you so much and wish you good luck.

Puneet Chhatwal: Thank you Achal.

Operator: We will take our next question. Your line is open. Please go ahead.

Vikas: Yeah. Hey, thanks for the opportunity and congrats on strong Q1. This is Vikas from Antique. my First question is a margin EBITDA of 11.4 percentage points compared to pre COVID, which is largely embedded in payroll and other expenses, is it possible to highlight what contributed to this sharp decline in other expenses. Maybe if you can give or maybe talk about the average margin of second half is normally double of margin in first half. And I do understand there's a softening of demand in first half of this time. But actually, do we expect margin in second half to do much better this time as well? Or do you think that pricing increases the challenge for second half?

Puneet Chhatwal: Vikas apologies, you know, your call was very I mean, the line was very unclear. The only question which I understood, I think maybe we can take it offline with you is our own margins in first half versus margins in the second half. Of course, margins in second half should be theoretically higher than the first half. Why? Because the rates are higher, the activity is higher and it happens in like that in Q3 and Q4. So, save for any geopolitical tensions, any kind of new waves of COVID or anything like this. That is the likely outcome and we think at this point of time, we don't see anything coming in that way.

Giridhar Sanjeevi: And I think your first question was more on costs, if I'm not mistaken, as to how they're becoming. But that, as we have explained, I think we continue to focus. You've seen the focus on fixed costs in the I think variable costs is more a function of inflation and how we are able to pass on the price increases and we have payroll expenses continues to be a strong focus area. I think nothing I mean, it's an ongoing effort in terms of making sure that we don't kind of relax, focus on this. I think nothing more than that.

Vikas I hope my line is clear now I've taken out the headsets.

Puneet Chhatwal: Yeah, now it's much clearer.

Vikas: Yeah. Just coming back to, you know margins matter what I was trying to say that you Pre COVID and if you look at five, seven years, it's true. Second half margins are normally double of first half margins because they can now be very, very strong. Now, you know, if that actually, you know, we continue to think that margins are in second half is going to be better than first half. So, we might end up achieving 33%, one target this year only. But is it fair to assume that this year margin has a lot of pent up factor and we may see some challenge in FY 24 that then will come back to achieving our margins targeting by FY 25. Is it a fair assumption?

Puneet Chhatwal: Not really no, I don't think that is accurate because I think we can take it up in detail when you have time. You see we have a lot of increase as we have shown in the management fee income with the corporate overhead having gone down from 7.8% of total revenue to 5.5%, although the number of hotels in operation and the total portfolio has gone up. So, that's one example of with so many management contracts that that when they add to the management fees. And our management fees compared to 19-20 went up by 72%. So, the flow through on that incremental thing is very high, same as on our new businesses, that there is a strong impact because of those additions and double is not the right way to calculate. I think the way the industry worked was always, it's okay if you don't do well in first half, the second half will make up for it. We have given up that and we say every day we have to work and stay focused, optimize the costs and increase the revenue and market share as much as possible so that, you know, those kind of assumptions, that margin in first half is half of the margin in the second half that's gone. That will not be the case. There will be an improvement. Of course, there will be an increase, but it will not be the way it used to be, because even for us, on an average, if we take out a pre-COVID year, the 1920 and we took the ten preceding years, our average margin was not even 13%. So, of course you are right then in Q3, Q4, it was 26%. But that's a change in the business model. There's the change in the way we invest, there's the change in the way we upgrade assets. That's a change in the way we've launched and introduced new brands. It's a change in thinking of doing food and beverage and Ginger, which we never did, which was outsourced. I hope that answers my second question.

Vikas: My second question is on you highlighted in the presentation that when I said for Rajasthan, we did much better compared with the industry. But can you explain the stark difference in southern cities like Hyderabad and Bangalore, where we have to perform much better, you know, compared to the flat pitch growth for the industry. Hyderabad is up 40% was you know one of kind of even there or it's just the sheer outperformance because of being such a brand.

Puneet Chhatwal: Because you might have forgotten when you asked the same question last call also. So, I'm sure you are following up these cities for one or the other reason quite strongly, but it is good, you have a good point there. We have certain initiatives in place and it's a very good example. You know, the Fisherman's Cove in Chennai, the Taj Connemara in Chennai were upgraded and relaunched, but then came COVID. So, the way they are driving business during COVID and now is very different than what the performance was before. Hyderabad is the same thing. A lot of Taj Krishna has been renovated, so it has also gone up, but having said that, we did have certain movements which was a good collaboration effort with Vistara in providing quarantine accommodation to workers which were going to Singapore. And we had some of those movements and that will always keep happening as a one off today in south of India, tomorrow in east or north. That's the power of collaboration and having strong partners.

Vikas: sure Sir and that's it for the rest of the year, thank you.

Puneet Chhatwal: Thank you.

Operator: We will take our next question. Your line is open. Please go ahead.

Amandeep Singh: Thanks for the opportunity; this is Amandeep Singh from Ambit Capital, Sir firstly on the Management Contracts. So, you have already reached management contracts 46% in terms of overall portfolio Verses AHVAAN Target of 50% , [Inaudible]. In that context can you help us understand how many to sign out? What do you need to achieve that and when do you expect bonuses? And consequently, do you also plan to reach their full year guidance. Just trying to understand that it's.

Puneet Chhatwal: See, we said we will continue to invest smartly. So, for every investment that we make, we will need 7 to 8 management contracts to find that balance. So, if we did five or six company owned or leased hotels, or if we did let's say ten, we need another 40 management contracts at a minimum, but maybe up to even 60. So, you find that balance in the portfolio. So, I think that is an important messaging. So, we should not stop investing completely because some of the destinations which we are built as a company in the past have worked very well for us. Goa being one of the best examples, Kerala being the other one. And again, we did a great job in Andaman and Havelock and then came COVID when we opened. So, hopefully once all this is over, that will take off. And now, as we showed in the presentation or in our comments or management commentary, we are looking at the Statue of Unity. We are looking at Lakshadweep, which could be the most important leisure destination in the world with its pristine beaches and the kind of experience one can have there. So, but these things take time. It will be like a development over 3 to 4 years. And that's why our guidance also on AHVAAN 2025 is also 3 to 4 years' period. And in the end, all these parameters have to balance themselves.

Giridhar Sanjeevi: And that guidance is also being largely 50-50 partnership.

Amandeep Singh: That's really helpful I ask one on international business, so free pockets like USA has recovery in terms of RevPar, but EBITDA configuration has been better So, can you help us understand something down here and this can be extended to say or what have you? And lastly, have you specifically on the recovering occupancy, USA.

Puneet Chhatwal: Recovering occupancy in on US so, I think we have mentioned in the last few quarterly presentations, we used the COVID time to renegotiate our lease in New York. And also we invested in a new hall. So, we reduced the size of the large banqueting space in the U.S. and we have built in a new hall out there will be adding also a chambers private membership club in Pierre. And by doing so, we were able to give a part of the area that we had leased separately from another landlord that was the adjoining building of Barney's. So, that brought down our lease obligation of a number of employees, the cost of utilities, heating, lighting, you know, all that stuff. So, that is definitely something we did which waters around 3 million now because the hall was not available as it was undergoing renovation, we lost some market share. We hope to recoup that. And, that's one thing in New York. In San Francisco, we will be introducing the Bombay Brasserie instead of the current restaurant, which is there. It's a small property. It was profitable pre-COVID. And so, that will take our Bombay Brasserie presence to San Francisco, Cape town, Dubai and London. So, I think that's our plan on the U.S. but we also expect positive news in Cape Town. This part of the year is, you know, it's off season for Cape Town. The summer in Cape Town starts as of October, October to March. It's the stronger period and you'll recall also during COVID, we acquired 100% shareholding in Cape Town. And so, now those revenues, etc., should start reflecting in our top line strongly as of Q3 of this year.

Amandeep Singh: That is very helpful

Puneet Chhatwal: We can take next question.

Operator: We will take our next question. Your line is open. Please go ahead.

Amandeep Singh: Thank you for the opportunity. I have only one question. We have an associate company called Oriental Hotels. So is it not wise to merge that company into the Indian hotels? It will be a win-win for all the stakeholders. What is the management team view on the subject?

Giridhar Sanjeevi: It's an associate company. We are partners in that company and we are not the only shareholders. We have in general stated that simplification of structure remains our key objective. So, we'll see what happens.

Amandeep Singh: Okay. And one small question on Qmin, we have a 100 crore of revenue. So what is the potential of this business over the next 3 to 5 years? That's it. Thank you.

Puneet Sanjeevi: See, we expect if every Ginger hotel gets Qmin and Ginger goes to a portfolio of 125 and let's say almost 90 hotels in operation plus already 10-11 QSRs we have in Qmin, the Qmin QSR itself would be almost 100 restaurants. So, there is a revenue at an enterprise level. And at a consolidated level, the consolidated level will only get the fees from those restaurants and also the home delivery. So, we are looking at enterprise revenue of Qmin going to 100 crore plus on an annual basis in 2 to 3 years from now.

Speaker: Okay. All the very best for the coming quarter, sir. Thank you.

Puneet Chhatwal: Thank you.

Operator: We will take our next question. Your line is open. Please go ahead.

Sumant: Hi sir, Sumant from Motilal Oswal. So going by the data you're giving in the PPT, the U.S. and U.K. market, we have seen a significant improvement in ARR, but occupancy is lower. So are we going towards a hub and for our positioning for the higher ARR and lower occupancy? That’s it.

Puneet Chhatwal: As we said, we missed out on some opportunities in the U.S. because of the renovation of the banquet hall. Some of those events we could not host as it was before COVID and also the trade off on the rate side is important because some of the cost structures have changed. So we have to go for higher rate, higher margin business. In the U.K. it depends some of the events that shifted, you know, pre COVID 19, there was some very big events happening in London which also happened this year with the Queen centenary. So, you know, July, I can tell you in U.K. has been the strongest month ever in the history of that hotel, so we never reached the revenue level that we have reached. So, this is like a three month only one quarter. So, sometimes things shift between June and July. But all in all, we can say that if we add July, then it looks very different. And if we add even July to our current first quarter results, it's the trajectory is in the same direction as well as for what we have presented to you for the overall as well as for U.K.

Sumant: Okay. Now going by the EBITDA PIEM and Benaras Hotel is a three, 3 to 4x. It's only when we see the standalone is 2x. So, any other changes apart from cost side four Benaras and PM hotels?

Giridhar Sanjeevi: I think that Benaras is fundamentally, as you know, that the palace has been doing very well. And I think even the Taj Benaras has been doing excellently with I mean, it's a small it's a small company. And so, the cost management is very, very efficient in a small company. As far as PIEM is concerned once again, I think again it's a well-managed small company and I think if you see the key properties that are all kicking in. One is Lucknow performance improvement significantly as the President Nashik has done very well for pre-COVID, as well as post-COVID, M.G. Road and Bangalore in particular, has improved significantly after the seven rivers is opened up. Actually, Amritsar is now doing very well. So I think these are very property specific. And these will continue to certainly.

Sumant: Okay. Thank you so much.

Operator: We will take our next question. Your line is open. Please go ahead.

Bharat Sheth: Hi. So, thanks for the opportunity and congratulations on a good set of numbers. This Bharat Seth from Quest. So, we said in presentation we have shown 8000 rooms in the pipeline. So can we have some kind of a break up between owned licence and the brand was also.

Giridhar Sanjeevi: Can we take that question offline? We have the data. So, if you reach out to my colleague Ashok or Rupesh, we should be able to give you that data.

Bharat Sheth: Okay. Sure. Sure. Next question. In this new business which are driving our margin expansion. So, we have the top line has contributed 9 to 14% and EBIDTA contribution is moved up from 18 to 22%. So, how do we see over the next three years this scenario in view of whatever business we are driving and how much additional margin can it really contribute to the company?

Puneet Chhatwal: I think we will be reporting on quarter-by-quarter progress. So, I think there was a strong echo. So, I think we should keep seeing improvement like you're seeing here from 9 to 14 or 18 to 22. You can add similar numbers should be possible going forward if not more.

Bharat Sheth t: Over three years then?

Puneet Chhatwal: Yes. Yes.

Bharat Sheth: And how much overall it can help us to improve our EBITDA for the company.

Giridhar Sanjeevi: We have guided that the new business should have an EBITDA of more than 35%, and that is important to our ambition of 33% that give guidance. So, we do expect new businesses to do better than 35%

Bharat Sheth: Okay. Thank you and all the best sir.

Operator: We'll take our next question. Your line is open. Please go ahead.

Kaustubh: Yeah. Good afternoon, sir. Thanks for the opportunity. Congrats for a good set of numbers and again, thanks for the elaborated presentation. So, my question is again on the international properties. You just mentioned in one of your previous answers that in domestic market you are not seeing any impact of increase in the airfare prices or the general inflationary environment. You are seeing good demand in the domestic market on international front, what is your view because of this inflationary pressure in some of your global markets like U.S. and U.K, do you expect it will have any impact on theroom demand or you expect that travel will continue and the occupancies will remain firm in the coming quarters?

Giridhar Sanjeevi: No. I think as far as the international market is concerned, I think the factors which are now becoming important is not inflation. I think it's things like the airport difficulties in Heathrow as an example. I think those are the factors which kind of can impact the short term places like in Europe, actually in the U.S, I think New York remains a very strong leisure market. There is not this one, for instance, you have this September, the United Nations General Assembly happening. So therefore, there will be a New York has always been a very resilient market. And hence, I think I don't see inflation in particular to be a factor which will impact any of the international business events. In fact, this is one of those businesses which is which has some element of recession proof element inflation proofing in it because of the ability to drive prices purely based on demand supply.

Kaustubh: This is Kaustubh from Sharekhan. My second question is on the supply front. So, we are seeing opportunities in the domestic market and we have seen that for the last two years the demand has been strong, especially after the COVID risk has receded. So in terms of supply, what is your view like? Should we expect the room supply constraints the opportunities what have opened in the domestic market should improve in the coming years and we should expect some of the brands to enter in collaboration with some of the domestic hotels in India, and they should lead to even supply of rooms to increase in the coming years.

Giridhar Sanjeevi: So, I think if you have seen our earlier presentations, I think what we are seeing is that the growth in demand is going to be much better than growth in supply over the next two or three years. In fact, industry estimate, if I remember the numbers right, has been about demand at around six and a half percent and supply around 5% or so. Therefore, I think so that position is likely to continue over the next two or three years. I think fundamentally financing of individual standalone hotel projects still remains a challenge. And when you talk of 5% supply constraints, this is at an overall industry level but if you take properties like the Taj category, then I think it could even be you know, it could even be tighter actually. Therefore, I think over the next two or three years, we do expect the supply situation to continue to be constrained and that should help business.

Kaustubh: All right, sir. Thank you. Thanks for the opportunity and all the best for your future quarters.

Giridhar Sanjeevi: Yes. And I think we'll take one more question. And thereafter, if others if you have missed out or any other questions to be asked, I think you do reach out to Ashok, Rupesh or myself Giridhar, and then we can take your questions. So one last question.

Operator: Okay, we will take our next question. Your line is open. Please go ahead.

Nimish: Hi. This is Nimish from RSPN Ventures. Thanks for the opportunity. I just wanted to ask how you are looking for the ama stays going forward and what is the profitability or what is the EBITDA levels at present.

Giridhar Sanjeevi: So I think as we have always guided, I think the business is in an Asset lite model where we charge 15% in terms of fees and 3% in terms of pass through marketing. So it's an 18% cost. So of that 18%, if you take 3% off, which is your marketing costs, the rest of us are also our model of Ama's is close proximity to existing properties. So, our operating costs of management are very low actually. Hence on our Ama business, on the 18% cost, I would say that about 60-65% should be the flow through that we should get. So, that's the kind of margin that we're expecting on Ama on the 18% fees that we charge.

Nimish: Okay. One more thing is as the offices are now opening up and the things are opening up. So whether we are adding like I think 40 homestays now, so whether there is a demand of this or how you are looking for it.

Giridhar: Ama continue to be in demand because I think fundamentally, I think as we have always stated, I think the pattern of holiday travel has changed. People are driving to destinations. The pandemic and domestic travel has gone up with them. And the Indians have discovered India in terms of travel and hence I think the demand on Ama will not go down. So we expect, in fact, our ambition is to go to 500 Ama on the assumption that these are viable places in terms of travel. And hence, we expect the demand for Ama has to continue to be robust. Of course, these Ama businesses are not 360 per day businesses, but I think I think we do expect demand for Ama's to be robust.

Nimish: Okay. Thank you. Thank you so much for the opportunity.

Giridhar Sanjeevi: Thank you. Thank you all for participating in the call today. Please don't hesitate to reach out to us for any further questions. Thank you very much for all your support.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.