



**The Indian Hotels Company Limited**  
**IHCL Earnings Call – Q3 FY 2022/23 Results**  
**Tuesday, 31st January 2023, 07:00 pm**

**Management :**

**Mr. Puneet Chhatwal, Managing Director & CEO**

**Mr. Giridhar Sanjeevi, Executive Vice President & CFO**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Indian Hotels Company Limited Q3 FY 22-23 Earnings Call, being hosted by Mr. Puneet Chhatwal, Managing Director and CEO, IHCL; and Mr. Giridhar Sanjeevi, EVP and CFO, IHCL. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the call concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

At this time, I would like to hand the conference over to Mr. Puneet Chhatwal. Thank you, and over to you, sir.

**Puneet Chhatwal:**

Good evening, everyone. Thank you for joining late in the evening. We are very pleased to report our Q3 results with a record level on all key parameters, revenue, EBITDA, EBITDA margin, PAT, strong free cash flows and being net cash positive as we have communicated. I'm just hoping that everyone had a chance to look at the presentation because that has been uploaded, so I would not be going in that sequence. So, I'll just pick up some key messages and the first of those is that as we informed post Q2 results, that Q2 is the weakest quarter in the year, and Q3 is the strongest. You can see the difference between Q2 and Q3, the 27% margin has become 37.6%. And Q4 is traditionally the second-strongest quarter of the year. And with the month of Jan gone by almost tonight, we see the momentum continuing. We have a fair idea and depth of the business on the books and the pick up the way it is coming. The outlook is very strong, albeit it is all built mostly on domestic because foreign inbound is still lagging behind '19-20 numbers. And a lot of events which are happening this year, including G20, including World Cup Cricket, should further boost the demand or provide the necessary buffer should there be any form of headwinds coming from anywhere.

One of the key highlights of the PAT this year or most of the numbers that we have, they are the highest ever even when compared to our best full year number. So, the Rs. 383 crore PAT for this year surpasses the best ever financial year in the history of the company. And we think that after 3 consecutive record quarters, the Q1 was a record, Q2 is the record, Q3 is a record, we see no reason at this point of time as management of the company why Q4 should be any different.

We're seeing strong weddings business, we're seeing strong conference business pickup, and we are also witnessing very good leisure demand, which is holding. People thought it was pent up in Q1 or in Q2, but I don't think after 9 months of the COVID wave, we can still keep calling it pent-up demand. And I think there is a permanent shift in the way the customer behavior is impacted in combining more business with leisure or taking more extended weekends by driving to a destination and working out of there.

I think also in the presentation, year-on-year for the quarter as well as for the 9 months, the chart clearly shows that we are as a sector on the right track. I think the sector is doing very well. And within that sector, we being the largest hospitality ecosystem, serving the needs of the consumers, both on the ground and in the air, we stand in a very good position to take advantage

through our diverse portfolio of over 125 plus destinations, excluding our home stay business to cater to the needs of all segments.

I think the other positive news is that there are green shoots of recovery in international travel. Our MICE business is beginning to come back. And we have seen already 7 events of G20 that alone Taj has hosted. So, I think that momentum is going to only accelerate going forward. And very pleased to report that I think we are of the belief that we have industry-leading RevPAR growth, we have industry-leading brands in all the segments and the portfolio growth.

In the calendar year, we've signed more than 30 new agreements and added 14 hotels, which open alone in this financial year and 17 for the calendar year. We also feel we'll end this financial year anywhere between 17 to 18 hotels as we have consistently communicated about 1.5 hotels opening a month and almost 2 to 2.5 hotels as a signing per month.

Travel is coming back. Of course, foreign travel is not as strong as it used to be, but domestic has been very strong, especially in the month of December. And demand will continue to outpace supply. See, supply growth will remain constrained for a variety of reasons what we've all experienced in the last 2 years. And the demand will grow, but also even if new supply is coming, there a lot of new destinations that are coming in the country alone with the government's focus on infrastructure, on building new airports, that will bring in some supply. But what we have to see is how does the supply in each of the markets, which are very important and critical for, let's say, a company like us with Mumbai, Delhi, Goa, Rajasthan, Bengaluru to name a few, these are very important markets for us. How is the supply in these markets? And I think there, the supply levels are lagging far behind in terms of the demand. And that we start seeing the difference in the average rates or the ability for the brands to charge.

Moving forward, I think on our hotels in pipeline, which I think is also an industry-leading pipeline, we have a smaller base though there, it is correct, but our pipeline of number of rooms is almost 35% of the total portfolio on operations, and we expect to open more than 40 hotels in the next 2 years or 2.5 years. And 70% of our pipeline is management contracts. There are a few leases for Ginger, which we have communicated that model on a low revenue, but that small percentage of fees doesn't make sense. And more importantly, we are now reaching certain milestones with certain brands. So, Taj is today at a portfolio of 95 hotels. It has 75 in operation, 20 in pipeline, so it's getting close to 100. Ginger has 85, also getting close to 100. amā, our home stay has already reached 108. So, I think the scale in each of these individual brands is very critical, and we hope to be giving the similar news on selections and Vivanta reaching 50 hotels in each of these respective brands and platforms in the next 3 to 4 quarters.

Some of our openings we have shared with you on the investor presentation. But under Ahvaan 2025, we guided that we will have a 50:50 balance portfolio, and we are well in that range to almost 46% to 48% on the management contracts and the remaining on the leased or own portfolio. But very important is that also today Taj and the rest of non-Taj portfolio is almost 50:50. And that is very, very healthy. Although Taj is our strong jewel, Taj is the one that has

always been driving revenue and profitability, but it is nice to see other businesses grow and start contributing because they have flow through and their margin is higher.

When it comes to in terms of EBITDA split, of course, Taj takes more than 3/4 of the EBITDA at an enterprise level. And if we took it at a standalone level, the number is maybe 10% lower. So, important, we thought we must share this time is our growth in our flagship brand. And we didn't share this in the last 4- 5 years because this was work-in-progress. Five years ago, we had 31 hotels under Taj brand in operation. And today, we have 75, that's a 2.5x growth. We regulated or better said, we used all the tools available to us under asset management to upgrade a lot of our assets totaling almost 24 to Taj that includes the Holiday Village, the Fort Aguada, the Fisherman's Cove, the Taj Mahal in Lucknow, and they were brought back to their old glory. And then we opened 20 new hotels. Our portfolio in terms of number of rooms also doubled from 5,500 rooms to 11,000 rooms. And the percentage to enterprise level were renewed system-wide because of our management contract-driven asset-light growth, it went from 52% to almost 70% to which I just alluded.

Similar nice story we have with Ginger. Ginger has a revenue of Rs. 225 crores. But the 9-month margin has gone up to 40% and 50% of the Ginger, reimagine, Ginger is in the Lean Luxe portfolio. And Ginger has now also gone live in this month on Tata Neu, and we expect it to benefit from that. All other new brands, Qmin 25 stores, amā, I already spoke to you about it. The Qminization of Ginger, almost 18 hotels Ginger branded properties will have an all-day dining called Qmin, 9 have already converted, 9 others are getting converted before the end of March, taking our total then of Qmin restaurants as quick service restaurants, 25 today to almost 35 before the end of this financial year.

Other than that, I think some of the key drivers of our revenue, I think 70% of the growth is coming from existing hotels, some from new hotels, some from new and reimaged brands and very, very marginal or a small amount from a nonoperating income, all as an exceptional item.

Okay, Giri, says I should continue, so I'll continue. Key markets for us. Every market, we are performing better than the pre-COVID level, which is leading also to margin expansion. Goa has been a star performer for us, that is definitely the case. Also, Mumbai is doing very, very well. Even January was very strong for Mumbai. Our occupancy in Business hotels in Q3 went up to 77%, Leisure to 65%, Palaces was at 57% and Ginger hit 61%. But more important is if you look in the presentation at the rate, the Leisure portfolio commanded a rate of almost Rs. 17,000 and the Palaces at Rs. 46,500, and the Business getting close to Rs. 10,000. So, I think these are some very significant increases in rates, and we all know that the increase in rate leads to higher flow-through and conversion.

On international portfolio also, we have done quite well. U.S. was positive. U.K. has been positive, Maldives was good. Dubai was very good. And also, Sri Lanka is beginning to come back to almost 50% occupancy level. So, there is no cash burn happening in Sri Lanka. In terms of domestic versus international operations, the way we report, I think if we were to add a line on our reporting on income from international contracts and management business or to add it

back to the international portfolio, then you'll see that even the international portfolio is almost at 22% EBITDA margin. So, that is extremely positive. Very important is the control on the cost.

If you see the fixed cost as a percentage of revenue, in Q3, it went down to 28%. Payroll costs went down to 24%. A lot of you asked this question last time in the Q2, what happened to payroll? Is the cost getting inflated? What kind of salary increases are there? And we said this is just a weaker quarter where you're seeing that increase and the salary raises that we give at a certain time of the year, which has had an impact, but you will see the difference in Q3 and now, I'm sure you're able to see that difference. And we are very happy to see that our corporate overhead as a percentage of revenue has gone below 5%, which was always 7%, 8%, 5, 6, 7 years ago.

Our 9-month management fee growth surpasses highest ever full year management fees, so same story. Our Q3 management fee has grown by 86% up. We remain confident that this income will keep growing. And in 2025, we will exceed the guidance that we have given. Chambers remains a very important source of our profitability because the flow-through is larger than 80%. Very happy to report that the Chambers in Bengaluru at Taj West End is going to commence work. We're adding also a new spa in West End and we're also adding newly launched Indian restaurant called Loya, the concept also bringing it to West End and then to Taj Lands End and finally to Taj Mahal Palace, Colaba over the next 12 - 14 months.

Drivers of margin expansion remain existing hotels, why again, asset management. We have renovated a lot. We have done a lot of innovative concepts in existing hotels. We have added a lot of new hotels on management fee basis. We have the new businesses of Ginger, Qmin, amā, which also add to the margin, so does the Chambers and that eventually is the reason why a 9-month comparison of 24-plus percentage EBITDA has gone to 32.1%. And most of you would remember that we had given a guidance of 33% under Ahvaan 2025. We see no reason why we should not achieve that given our growth momentum, given the strength of our pipeline, given our momentum in openings and also our continuous effort on asset management.

With that, we would like to open for questions. The rest of the information is in the investor pack. And for any questions off-line, we'll make ourselves available. So, please feel free to contact us. Thank you very much.

**Moderator:** Will now begin the question-and-answer session. The first question is from the line of Prateek Kumar from Jefferies. Please go ahead.

**Prateek Kumar:** My first question is on occupancies, so occupancies versus pricing. So, it seems the occupancies have been like largely stable versus like the COVID period, but pricing is like 25% range higher since the COVID period. So, like what may be like sort of explains this? Is this like a difference in transient demand mix, which I also saw is like 8% higher versus pre-COVID period? Or how are we looking at it?

**Giridhar Sanjeevi:** As we have always said, I think it's a combination of factors. So, number one is that the demand continues to be very strong. Consumption patterns are strong here. So, hence, that is explaining why the occupancy is strong and with supply constraints that is clearly showing up in at least all the key metros. And we have been able to sort of ensure that we kind of continue to maximize price realization. So, we believe, and as Puneet said in the beginning, we see the continued momentum even in this quarter so far. So, I think we will continue to see strong occupancy and price growth. And if you see the price growth also, I think while the leisure price average has been around Rs. 17,000, the business is still at around Rs. 9,000 or so. And we have always been maintaining that the potential for business to grow is still significantly there. So, there's no reason to believe that both occupancy and price growth will continue.

And you asked the question in terms of transient growth. Clearly, the transient growth has been very strong actually. Our corporate dependency also, if you notice has been around 7% and 11% or so. So, which means we are not big on corporates and there also we have explained, Prateek, in the past that as part of the rate renegotiation cycle, we have changed the principles wherein for many of the corporates, it is not a fixed rate that we negotiate for the year, but the rate of the bar, which means that it's a variable rate, which was both ways, both for customers as well as for us actually. And of course, all the other segments in terms of MICE and leisure groups, all that is kind of coming back. So, there's nothing which indicates that there is a kind of slackening of both occupancy and rate drivers, Prateek, actually.

**Prateek Kumar:** My second question is on management fees. So, the management fees has been now running very strong and with many more hotels coming on management fees. So, would you look to revise Rs. 400 crore guidance for FY '26 or 2025, which we have?

**Giridhar Sanjeevi:** So, what we will do on this, Prateek, is that we normally do this around the Capital Markets Day. Last year, we did the Capital Markets Day after our first quarter results. Maybe around that time, once the year has ended, we will take stock of all the guidance that we have given, and we'll come back in terms of the revised guidance, wherever appropriate actually. And that's what I would say. But you're right that the management fee for 9 months has been about Rs. 276 crore. So, it's a very strong growth and driven clearly by the portfolio growth as well as by the underlying performance. So, we'll come back on the guidance. At this point in time, we are not changing the core guidance that has happened as part of Ahvaan 25 actually.

**Moderator:** The next question is from the line of Achal Kumar from HSBC. Please go ahead.

**Achal Kumar:** So, I have a couple of questions, please. First of all, of course, on the EBITDA margin, so you already reported 32.5% and Puneet said that there is no reason we should not be able to achieve 33%. Now of course, the question is that if you're already at 32.1%, how do you see the EBITDA margin bridge from here to FY '26. I mean, don't you see significant potential upside to your long-term margin given that anyway this year, you had G20 meetings and then World Cricket Cup is there and then you're collaborating with Tata Group. So, all that, how do you see the margin bridge going into FY '26?

My second question is on G20 meeting. So, you already mentioned that some of the meetings are already happening at multiple places and again, from the last time I repeat my question. So, I guess it could be slightly easy for you to quantify the benefits now. So, could you appreciate your thoughts in terms of how much the G20 meetings should accelerate the occupancy and ARR for the industry and for you? And how is that divided into sort of room revenue and MICE because I understand all the G20 meetings are sort of they do have room revenue as well as a big event afterwards. And finally, my last question is on your collaboration with the Tata Group, but of course, not only in terms of Tata Neu, but also in terms of Tata Group's aviation business. So, how do you see the benefits for IHCL? Thank you.

**Giridhar Sanjeevi:**

Taking one by one. Achal, thank you for your questions. I think on the margin guidance, as I said, we'll come back on the guidance on margin. I think 33% is a very decent margin for service industry. But more specifically, if you ask me what are the triggers, and that's exactly what your questions were. I think if I look at the triggers for margin, it's the diversification in top line that we have in terms of some Greenfields that we will build, seeing growth in management contracts, the growth in chambers, the growth in management fees and the growth that we are beginning to exhibit, I mean getting on both the other businesses that we have. So, I think the diversification of top line on high-margin businesses is something which is there. And we are very clear that every new business that we do will have to be, what do you say, get us a margin above 35%. Otherwise, you will not be able to get your 33% margin. So, I think we are confident of our strategy and execution on all of these drivers. And on the cost, you saw the productivity coming through. So, we will work on it and we see no reason why the margin should not go up, but a little patience still at Capital Market Day in terms of the guidance on these parameters, I think let the year end is what I would say on the margins.

The second thing is that as far as I mean the G20 is concerned, we were very happy to report that we have done a number of events in the run up starting with Andaman's, Lake Palace to Delhi to Bombay to Chennai now. So, I think in terms of the share of voice that we have is clearly very strong and we lead that actually. And the real business is yet to emerge because the main event is September-October. And we are yet to see the follow-ons in terms of the business delegations and all which happened, G20 follow-on business delegation. So, this will emerge. I think that is the second point. And we will talk about it separately as well on this. But we see that strong momentum.

And the last point you had was on the aviation business. Absolutely, I think on the collaboration with both Tata Neu as well as the airline businesses, I think it is developing well. We have a slide which talks about the growth of the loyalty membership base. So, the total loyalty revenues have gone up significantly I think at Rs. 1,500 crores. So, basically, what that means is that the incremental people have used our hotels at least once, of which the loyalty earning revenue has been about Rs. 800 crores or so. So, I think this is something that will continue to develop and with new brands also joining like Titan as an example, so that has continued to develop.

On the airline partnerships, so that is clearly developing. And you have seen the Taj Sats numbers in terms of the leadership that we have demonstrated. In fact, the 9-month numbers for Taj Sats

are very strong. I think Rs. 443 crores have been the top line for Taj Sats and with a very strong EBITDA. So, you will see Taj Sats continuing to do well. So, I think all good. Do you want to comment?

**Puneet Chhatwal:**

No, I think the outlook, as we said, is very strong. And if the rates keep increasing, the margins will automatically increase. I think that is the key. And we are very blessed with the Indian subcontinent because here the F&B part of the business is very strong also. And we are seeing a lot of demand for a lot more buoyancy in the wedding segment and events, a lot more events happening and a lot more people participating, and that is really driving that non-rooms revenue. And those kind of businesses are also high margin. So, I think the restaurants is not as high as the event and conference and wedding segment. So, I think as far as management is concerned, today, what we know, what we see, what we have as business on the books, we feel the going is robust. It will stay strong. And with certain other events, one-off like just now we had World Cup Hockey, we catered to the teams in Rourkela and Bhubaneswar.

As Giri mentioned, we have already hosted 7 events of G20. We also did the catering for the India Pavilion in Davos and Switzerland for the World Economic Forum. So, there are a lot of activity going on and all that, eventually, everything adds up. And I think it's going to stay like that. There's nothing that suggests unless there is another COVID or something else that happens, which is beyond anybody's reasonable control or vision. But also, we have to invest. We have the most iconic portfolio. And our strategy is in whichever segment we are present, we have to be the most premium brand in that segment. So, it's not just the percentage only that 33 should become maybe 35 and 35 should become 36. It's finding the right balance of the top line, of the absolute amount of EBITDA and having a healthy margin. So, if there was a downturn, we are better hedged and we are less volatile despite being in the hotel sector.

**Achal Kumar:**

I have a couple more questions but I'll come in the queue, in case there's time later on.

**Moderator:**

The next question is from the line of Binay Singh from Morgan Stanley. Please go ahead.

**Binay Singh:**

Two questions. In the past, you've often talked about inflationary pressures that the business is facing, which clearly, you've managed quite well. Standing today, what are the key inflationary pressures that you are seeing now? Anything you would like to call out on? That is one. The second is you guys have extensive industry experience. This is a cycle high margin than the industry is making. So, when do you think capacity growth starts to kick start? There will be a time period by the time it comes in, but how do you see capacity growth incrementally? When does it start to kickstart so that we see some bit of equation of demand/supply matching?

**Puneet Chhatwal:**

If I was to quote Mr. Mandeep Lamba, he did a session recently, is this the beginning of HVS ANAROCK. As one of the examples, he said was is this the beginning of a 5-year upcycle which is going to compensate for last 15 years, right? I'm not sure, but this is what he said, right? All I know is that no matter what capacity comes, we tend to forget. Listen, what has happened in Mumbai. There is a very big conference center, which has come up in BKC. What is happening in Pragati Maidan in Delhi, there is a huge convention hall that has been built for the G20. What



is happening in Dwarka and Delhi, there's a big convention center coming up there, these facilities, as infrastructure were not available. When now they are available, big events will also come. So, I think that is one. But I already gave in the introduction, the post-COVID consumer behavior that is changing.

The third is our focus on each of the brands with the comprehensive brand management strategy, which we have always communicated consistently. And finally, not starting any new businesses, which do not provide less than 35% margin, then we'd rather focus on what we have existing. So, I think the culmination of this will help us drive top line, will help us drive absolute EBITDA, PBT, PAT and still maintain a very healthy margin. But we have to keep investing in our portfolio. Like we have done, even in the last 3 years or 4 years, despite COVID being there, we have to invest because we have these iconic assets. And as communicated before, staying the most iconic but also most profitable company, we cannot ignore the iconic element.

**Binay Singh:** That is definitely there. Anything on the inflation, any cost items in there because their inflationary pressure is like coming up.

**Puneet Chhatwal:** I think the inflation has softened. It's not going up the same way as it had gone up like 3, 4, 5, 6 months ago. So, we are able to mitigate the inflation impact. I think actually inflation in some ways is good to drive the average rates. So, that also helps if the dollar has strengthened so much, and the foreign travel wants to come back. And if they can stay in the Taj at Rs. 15,000, it's \$180. And when we go to New York, we have to pay \$1,000, including in the Pierre. So, I think there is a positive and a negative to it. But I personally believe save for any geopolitical factors, save for any black swan event, I think the demand will keep growing, the spend, as I mentioned earlier, on infrastructure will help the sector. And we are very well positioned because we're addressing all consumer segments and we are addressing all businesses. So, only a black swan event can stop, but otherwise, something will always keep doing well.

**Giridhar Sanjeevi:** In fact, Binay, if I remember, right, it was a Morgan Stanley report which talked about real estate being a hedge against inflation actually. I think if there is only one area where I think costs are going up it's probably the project construction cost actually. I think that has certainly gone up. But otherwise, ability to pass on price increases has not at least so far been a problem for this. And bear in mind that let's see what happens tomorrow on the budget because the it's a pre-election year, the infrastructure spending push, whether there will be anything like MSP increase that happened in 2019, I think some of those also should give fillip. So, overall, if you look at our presentation, the macroeconomic factors in terms of the growth of the country, the consumption trends, the budget, the pre-election year and then the hospitality demand supply, all of it, I think, is in the right place actually. And it's also secular. It's not just the key city. It's kind of growing across the hinterland as well. So, I think I think all are good, Binay, at this point of time.

**Binay Singh:** It looks very impressive across all parameters.

**Moderator:** The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

**Sumant Kumar:** So, my question is related to the key markets like Goa and we have seen a significant improvement in ARR. But when we come to the occupancy level compared to pre-pandemic Q3 '19, we are still lower than pre-pandemic. And also, the other observation is from the Palaces and Leisure destination, the occupancy is lower. So, are we targeting higher ARR? Or what are the key reasons where the occupancy is lower in the palaces, leisure destination and market like Goa, and even we have seen the Delhi and NCR occupancy is lower compared to pre-pandemic.

**Puneet Chhatwal:** See, there is no reason for us to target lower occupancy. We had 35 rooms which were renovated and were shut in Taj Holiday Village, which were not available for sale, especially on the sold-out days. They were not there, but they have now come back. In this quarter, they are back. So, that's one of the reasons. But when you take out inventory temporarily, if it's less than 1 year, you don't reduce the room count, right, because that's how it works in the professional circles where we share data.

Now when it comes to the RevPAR is what we should look at and the average rate, if you will. The RevPAR is almost having an increase of 45%. So, it's good to have the ability to charge higher rate. And sometimes the change in channel mix makes that happen. So, 19-20, Sumant, the amount of international charters coming in to Goa was very high. Now it's getting back there in terms of international business, slowly it's picking up. But when your channel mix changes, then you rather have FITs, transient or leisure groups, which are not like kind of charter business. Charter business is you cannot charge the same pricing. So, I think there is a little bit and there is a marginal adjustment about 83% versus 80% occupancy. So, that's not such a big difference. The big difference is Rs. 14,000 rate versus Rs. 21,000. So, there's a 50% increase in rate. And that's what has driven the profitability in Goa.

**Sumant Kumar:** Can you throw some light on U.S. and U.K. occupancy, when we can expect the normal level of occupancy what we had in Q3 FY '19?

**Puneet Chhatwal:** That's a very good question. So, both these markets are not at the level that they should be. Occupancy in U.K. was around 84% in '19. And this time, it was around 71%. But okay, there was an increase in the rate. So, the RevPAR again increases, but not good enough. And U.S. still has to recover on the occupancy front, the rate we are doing fine. And why I said it's a good question, is that upside from U.S., U.K. and Cape Town, which we now own 100% is expected, what we are seeing is performing better than '19 at least for the month of Jan. And the outlook for February and March remains the same, that it is expected to perform better.

**Sumant Kumar:** So, can we expect in FY '24, we can reach at the pre-pandemic level or close to pre-pandemic level?

**Puneet Chhatwal:** I think it will be to pre-pandemic or even higher, marginally higher.

**Giridhar Sanjeevi:** Yes, because I think if I look at the U.S. as an example, we invested in banquets and we were able to open the banquets only post June, which means we did not have the benefit of a full banquet revenue in the U.S. actually. So, there's no reason why we should not go back to the

pre-pandemic level in the next financial year. I think U.K., while, of course, the challenges in Europe are there. I think the strong Indian business, some of the domestic business and the U.S. business, will certainly help actually. All of these will help in terms of driving UK up. These are our 2 important markets. And as Puneet said, Cape Town is also coming out strongly. I think they've been the last to recover, but I think this is a big season, and they should also do well. So, I think 2023, '24 should see us go back closer to the pre-pandemic unless there are geopolitical, economic factors, which impact actually is what I would say.

**Moderator:** The next question is from the line of Nihal Jham from Nuvama. Please go ahead.

**Nihal Jham:** Sir, my first question was on the contract change that you've done in the corporate business, does that incrementally reduce the number of room nights that the segment ends up getting? Or does it get rate parity between the corporate and transient segment more or less? How would it end up changing the business mix or the ARR realization in the future?

**Giridhar Sanjeevi:** So, I think what we have done in terms of some of the rate negotiations is a positive thing. Earlier on, when we had a fixed rate with corporates, we would have restrictions in terms of the number of room nights that we would give in busy seasons. But when you change the mix to a rate of the best available rate, what happens is that you will be able to offer better flexibility to the corporates also. And it's a much more dynamic rate now. And hence, I think it's good in terms of driving not just satisfaction to corporates but also the profitability.

And secondly, what we have also been doing is that in many cases, we have allowed corporates to be use the transient rule and not necessarily through negotiations, especially the smaller corporates actually. So, when you say transient business is at 58%, I think it does include some of the smaller corporates as well. So, overall, I think we continue to have focused strategies vis-à-vis the different segments, actually. So, I think all good is what I would say. In fact, we are the first to change this dynamic pricing for corporates actually, and they're also seeing value here.

**Nihal Jham:** The second question is on the foreign guest part. For our India business, what would be the current share of foreign guest versus pre-COVID if, in case you'd have that number available?

**Giridhar Sanjeevi:** I think it is yet to develop. I think as we've always clarified, I think it has been slow. I think it's not just because of Visa difficulties, but because of other reasons as well. We expect it to come back now starting next year. Generally, what we have seen is that the foreign customer, and when I say foreign it's also Indians who are staying abroad, we have seen about 15%, 20% are the pure foreigners. And the Indians who are Indian NRIs, I think that constitutes another 15%. So, historically, it's been about 35%. It's not come back to the full 35%. So, you will see that as an opportunity going forward in the current year.

**Nihal Jham:** So, just 1 last question was that in the current environment with the kind of demand-supply situation that you see, ideally what is the long-term pricing that you believe in this sector or you would want to take in the coming years?

**Giridhar Sanjeevi:** Long-term pricing, I think, as we said, see, there is tactical pricing and long-term pricing. Long-term pricing, you'll have to look at the long-term factors, the economic growth, the consumption trends, the pre-election years, the budgets tomorrow. I think a lot of the long-term prognosis in terms of consumption, demand, supply, overall demand, demand is surprising actually, continues to be very strong. So, long-term price trends definitely are on the way up is what we believe. And relatively speaking also, I think we are still business pricing at Rs. 9,900 is what, \$120 actually. And as we said, in the U.S. it's about \$800, \$900. Singapore, Thailand, all these places are much higher actually. So, I don't see any problem in long-term pricing trends being much stronger actually.

**Moderator:** The next question is from the line of Karan Khanna from AMBIT Capital. Please go ahead.

**Karan Khanna:** Just a couple of questions from my side. Firstly, if you could talk about the home stays business, where we are seeing a lot of competitive intensity that's increasing from international brands. Wherein Marriott recently announced their plans to add around 500 premium homes under their brand, Homes & Villas by Marriott Bonvoy. So, how does this affect your proposed 500 home stays and even the contracts or the negotiations with your partners in this business, if you could talk about that, that's number one.

Second, on the overall distressed asset acquisition opportunity, being the largest and perhaps the oldest hotel chain in the country, if you could talk about how you're looking at this space given your balance sheet? Any meaningful opportunities that you're seeing here? I think that would be great to hear your thoughts on that.

**Puneet Chhatwal:** You see, we like to believe that the best competition is when you're competing with yourself. And we are already at 108 home stays and we see no reason why we should not get to 500 because in this 108, we have not even used any of our own capital. So, once we start using some capital on our land banks and start building some of the Ama villages, it goes very fast. So, it's not also always just number of home stays and it's a number of this thing, what is your margin from those? And what kind of revenues you are driving. See, this number game on asset light, we need a very large scale to make it any kind of a meaningful business.

So, I think we remain very confident that with what we already have, the strength of Tata Neu, the strength of the legacy of Taj, it provides a great platform for other brands like Ama to thrive going forward. But we are not in a rush. We'll do, we'll keep the portfolio clean because, as I mentioned earlier, we want to be perceived as the premium offering in any business that we are in. We should not be the cheap one. That was the biggest change. We also did with the Ginger brand was taking it from a price-driven positioning to a more experiential-driven positioning. So, I think that is the answer on the home stay.

And sorry, what was your second question? Like, you had another question.

**Karan Khanna:** Yes. So, the second question was on the entire asset acquisition opportunity perhaps, being the largest and the oldest hotel chain, if you could talk about any meaningful opportunities that you're seeing in the domestic market.

**Puneet Chhatwal:** We think they will start coming as the ECLGS has alluded to in Q1 and Q2, once it expires. And when we have a default or not a default, some of that, I hope not a lot, but some of that inventory comes into market. We are very well positioned without having any debt, having free cash flows to take advantage of any opportunity that might come. And we don't always have to buy an asset. We could use sliver equity, we could use management, we could use leasing, we could use mezzanine debt, we could take a small stake, we could use our GIC platform. I mean we have so many opportunities available, and we have the brands available, so we can benefit from such opportunities.

And your question is from a timing point of view, good because now we are beginning to see some opportunities come on to the market in the last few weeks, I would say, since 10, 11, 12 of January, some properties possible in Mumbai, some in even destinations like Alibag or in South. There is some discussions and also from, I would say, from the state governments. I mean there is a possibility to do some business there. Also, from our own group related companies, so one of our focus is on the Northeast. So, if we can get some tea plantations our there for our Ama brand or to expand our footprint in Northeast from currently 13 or 14 to 25 hotels, that's what we had guided the market to 25%. Yes, we will use our capital to expand because we also have certain other incentives to go in these markets.

**Moderator:** The next question is from the line of Naysar Parikh from Native Capital. Please go ahead.

**Naysar Parikh:** So, first question is, if you could just help lay down the hotel with the same number of rooms and RevPAR, if it is owned versus if it is under a management contract, both quantum as well as percentage margin wise, what is the difference in EBITDA that we can get?

**Giridhar Sanjeevi:** You are talking of the growth. See, growth is coming at this point in time significantly ---

**Naysar Parikh:** Not growth but the absolute amount.

**Puneet Chhatwal:** It is EBITDA of company owned versus management.

**Giridhar Sanjeevi:** Absolute amount, maybe we take it offline to sort of talk through that. I think, it'd be easier. The only thing what I will point out is when you look at the margin, what do you say, progression chart, where we are showing an increase in margins, you will see that a significant margin is coming from existing assets. So, our overall margin grew from 24% to 32%, which is an 8% growth in margin. On that, the existing hotels contributed 5.2% of the margins actually, which is really the growth in our existing properties. And new hotels, Ginger, Qmin, Ama, Chambers, all of those add on actually. So, this is probably the nearest I have on the slide. But if you want more specific numbers, we can check separately, not a problem at all.

**Naysar Parikh:** And my second question was on, if you just look at Taj, it was like 75% of EBITDA. I think what rooms we have till '26, we are adding maybe another 10% of small rooms, around 1,200 rooms over the 11,000 days. And given where our occupancy and ARR levels are, how do we look at the growth in the Taj brand itself over the next 2 years?

**Giridhar Sanjeevi:** So, we have guided to 100 properties in the Taj brand actually. We are close to that.

**Puneet Chhatwal:** See, the Taj brand today has around 11,700 rooms in operation and another almost 3,000 rooms in the pipeline. And we think that this brand will continue to drive our the performance, especially with our asset management efforts, which I mentioned before, let's say, the Taj Mansingh. Another 6 months, the renovation will be complete there. So, we'll have some impact of that renovation and the efforts. We're already seeing that with only 50% of the hotel being operational. So, soon it will be 100% operational. And completely in the state-of-art, absolute flagship for us in Delhi. Other things, we are also investing in Lucknow, we'll be opening a second Taj in Lucknow over the 12, 14 months in a place called Vibhuti Khand.

So, there is a lot of development that is happening on the Taj front, both on a company owned in terms of asset management and also driving growth by way of management contracts. Then it gets further interesting because, as I said before, we like to maintain a certain balance also in terms of resorts. So, we want to defend the positioning of Taj in terms of palaces, in terms of number of resorts. That's why we bid for Lakshadweep because Taj created Goa when I was not even in the hotel industry, and Taj also created the destinations like Kerala. We have also created Havelock in Andaman and the next one will be Lakshadweep.

So, I think not only finding just growth and just management fees, but a nice mix of portfolio, which helps you drive rates, performance, keep the customer with you with the help of a strong loyalty program, which we now have access to with Tata Neu. I think it should all help in the customer journey for the Taj brand, and we are very pleased that it is doing up to 70% of the total contribution, and which is also interesting. It used to do maybe 10, 20 years ago, it was maybe 99% or 95% of the revenue one-off and carrying the burden. But today, almost a small number though, but more than 1/4 of that is coming from our newly reimagine businesses, which are driving the margin expansion also.

**Naysar Parikh:** If I can just ask a follow-up. I'm referring to Slide 70, where in Taj, you're adding around 1,200 rooms till 2025, which is around 10%, 11% on the current basis. So, my question is more so to say that where we are in terms of occupancy at pre-COVID and our ARR is significantly high and has increased over the last 12 months. From a growth perspective, does that become limiting? And do we see just the 10%, 12% growth over the next 2 years for Taj? Or how should we think about it?

**Puneet Chhatwal:** No, no, no. This is not how it works. So, see, if you look at the chart carefully, you will see pipeline rooms, which is 2,773. I told you it's almost 3,000, right. These do not include some where there is a condition precedent, which could get resolved for some of the hotels, which we have also signed up, but there are certain conditions to be fulfilled by the owners. So, that's one.

Also, this does not include any conversions. See, everything does not come as a new construction. So, when we did this Taj Resort and Convention Center in Goa together with Cidade De Goa, these 500 rooms were not a part of any pipeline. When we signed within like a few weeks, Cidade opened and within a few months, the Taj Resort and Convention Center opened. So, there is something called conversion of existing properties. Then there is something called a brownfield, which means the hotel is built 60%, 70%. It needs another 30%, 40% completion time. So, it will not take so much time.

This what we are reporting is what we actually have today, which is signed legally binding and a press release has been issued communicating it to all the investors and also to the market.

**Moderator:** The next question is from the line of Achal Kumar from HSBC Securities. Please go ahead.

**Achal Kumar:** So, a couple of things. One, in terms of liquidity, so you ended the quarter with a liquidity of Rs. 15 billion with net cash of approximately Rs. 8 billion. Given that you don't have too much of debt commitment, what's your plan in terms of usage of cash? I mean, you already highlighted that you are open for inorganic growth. But what exactly are you committing to that? Do you still expect free cash generation of around 15%, 20% pre-Capex of your revenue? And are you open for return to shareholders. So, if you could share your thoughts on that. Secondly, any update on Searock. Previously, of course, you said that you will have some update. So, I just want to understand if you have any update on Searock as well as usage of this Rs. 40 billion investment platform with GIC. And finally, last question is about, I saw you have put a slide talking about B2C channels. So, do you see B2C sale is going up, which means the commission output could reduce. So, what is your thought on that?

**Giridhar Sanjeevi:** So, I think answering each one of your questions, Achal. I think you're absolutely right that the cash of Rs. 1,500 crores, of course, includes R. 450 crores, which is earmarked from the QIP towards debenture repayment. So, it's about Rs. 1100 crores of cash and cash generation will be strong. So, I think this is kind of a developing area in terms of utilization.

In my view, there are 4 broad buckets in terms of utilization. Number one is the regular renovations, which will broadly be in line with the depreciation of the company. That's how it's always been there. The second is the greenfield projects that we have signed up to. We'll have a second bit of utilization, which will happen. Then the third one is your point on dividends. I think very clearly, the performance has been not like the present in the earlier years. And therefore, we have been cautious in terms of dividends.

And very clearly, we are open to relooking at that as we come to the end of the year, and it is clearly not something that I can personally comment on except to say that we will certainly relook and it will be depicted by the Board at the internal quarter. But are we open in terms of relooking at it and depending a dividend policy, which is more closer to a PAT-based dividend policy. I think those are things that we're thinking about. And fourth is, of course, is that we're also committed, given that the difficulties of the industry has faced. We also want to make sure that we have a decent strategic reserve, which will help us against any future pandemic or any

other things like demonetization or GST. So, we will have a strategic reserve. But it is also true that we are likely to have money beyond it, which will be used towards potential acquisitions. So, this is an area which is developing, Achal and rest assured that we are working on it very openly with the full understanding that anything we do has to be accretive to the performance and the returns to shareholders. So, that's the approach we're taking. So, that is number one.

The second question was on D2C. So, D2C, the way at least we look at D2C is that anything which is not ADS or GDS, I think that's been around 31%. And our 69% has been D2C, direct-to-consumer I think we are quite comfortable with the way the GDS and ADS percentages are there. I think there is a role that the ADS plays, whether it is MakeMyTrip or Booking.com, they do have a role to play in terms of reaching the consumer. But we continue to invest in our PRWs, the new partnership, the loyalty programs also help us to get closer to customers actually. But do we expect dramatic changes to the D2C percentages from the current levels of 70%. I think we are happy where we are. And if it goes up, it is better. And we don't necessarily treat ADS and GDS as band actually. They are important as part of the contribution they do in driving sales actually. They all have role to play.

**Achal Kumar:** And any update on Searock, please?

**Puneet Chhatwal:** Here we've made some progress with the MCsZMA and now we're going to apply for fresh permissions both to MoEF and to BMC. And we'll be able to update you more in the next quarter. But this quarter update is that we've got a formal letter from MCZMA (Maharashtra Coastal Zone Management Authority) you may please go ahead and apply.

**Achal Kumar:** Thank you so much.

**Giridhar Sanjeevi:** Is there anybody else in the pipeline? I think maybe we take one more question before we close the call. In any case, as we advised, we are always available. So, we'll take one more question, please.

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

**Prateek Kumar:** I have 2 pending questions. My first question is on Ginger Santacruz timeline. Would you be able to update on the timelines there? And second question is like now YTD pricing for FY '23 appears like around 25% higher versus pre-COVID pricing of, I mean, your standalone pricing at least. So, how does this pricing like, let's say, compare to peak pricing years like 2006 to 2008 for a company or maybe for industry?

**Giridhar Sanjeevi:** I think as far as the Ginger is concerned, we were earlier expecting it to open around June, July. I think it's probably a couple of months, there may be some plus/minus. So, I think that is something that will definitely open in the middle of the next financial year. As far as pricing is concerned, I think the market in 2007, '08 was very different, actually, with 60,000 rooms and today we've branded rooms which are more than 160,000. I think the dynamics are completely different, Prateek, actually. And I think there's really no point in us comparing back to 2007-08,



in terms of what was there. I think as we said in the beginning, the macroeconomic fundamentals are strong. The consumption these is strong. The hospitality parameters are strong. So, I think we can only look forward to sort of say that both occupancy and rates are likely to grow higher.

And as we clarified, Prateek, the business ARR is still around 9,900 as we saw. So, there is still, we believe, potential in terms of growth in ARR. And there are no indicators that we have at this point of time that suggests the operating flattening or U-turn in any of these parameters actually. I think you see international tourist arrival has still not fully come back. I think there are a number of factors which are really helping, Prateek actually.

**Moderator:** I now hand the conference over to Mr. Puneet Chhatwal for closing comments.

**Puneet Chhatwal:** Thank you, everyone. Thank you for joining us, and thank you for your support, and we look forward to continuous record quarters like the first 3 quarters of this financial year have been. Thank you for joining.

**Giridhar Sanjeevi:** Thank you.

**Moderator:** Thank you very much. On behalf of the Indian Hotels Company Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your line.