The Indian Hotels Company Limited

IHCL Earnings call - Q4 FY2022/23 Results

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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 Earnings Conference Call for Q4 FY2022/2023. On the call we have with us 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 presentation 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 over the conference call to Mr. Puneet Chhatwal. Thank you, and over to you, sir.

Puneet Chhatwal: Good morning everyone and thank you for joining this call. Let me give you basically two directions on this call. The first one being, what the year meant for Indian Hotels the year gone by and what is the outlook and what we can expect in this year to come and in the short term till 2025.

On the year gone by, we have four pillars: Performance, Growth, Brandscape, and our ESG Initiatives. And on Performance, we have had a record year of performance. If we take the three best consecutive years in the history of Indian Hotels which was 2006 to 2008 followed by 2017 to 2020 the combined performance of the three years is less than the financial performance of this year. And that is really driven by Growth which is industry leading. We have the highest pipeline of projects by our Brandscape which we re-imagined almost five years ago and were derailed for a bit because of COVID. And during COVID also, we added a few other brands and services and also you know adding brands, which were adding high margins. So, that resulted in an enterprise revenue of over Rs. 10,000 crore, close to Rs. 11,000 crore. Our reported revenue as you know is around Rs. 5,950 crore, but because we add asset-light business to our model, it's important to start articulating what the system-wide revenue or the enterprise-level revenue is, the PAT of Rs. 1,000 crore and a free cash flow exceeding Rs. 1,000 crore also.

And very importantly, each of the quarters were the best quarters in history. The Q1, the Q2, the Q3 which was absolute highlight and also the Q4, exactly the same trend as is evident for last three decades the only difference being Q1 and Q2 were also very profitable. And Q3 beat all possible estimates followed by a Q4 which was very good following in the footsteps of Q3.

Our industry-leading margins of 32.7% on consolidated level, because on standalone we come to almost 40%, is almost doubling of margins where we are coming from historically, and this is here to stay as we have guided under our Ahvaan 2025 strategy.

An important milestone was Taj as one off the exceptional luxury hotel brands in the world. Its 100 hotels in operation or in development, where five years ago, we had 31 hotels in operation and another seven or eight in development which shows this is a 2.5x growth despite two years of COVID in the backbone of the company, in the crown jewel of not just Indian Hotels but of the nation.

Last year, we signed 36 new contracts were added to our pipeline and we have opened 16 hotels. So, despite opening of 16 hotels, we still stay at a pipeline of almost 73 hotels which will open even if we stopped signing anything going forward which we are not going to do. But just as an example that we have a very robust pipeline, we have an industry-leading pipeline on the Indian subcontinent. And we expect to open more hotels than 16 and I will come to that when we go to the outlook part of it.

I think also we started making small moves on the international expansion again because our focus for the last five years was India. Our 250th hotel was in Riyadh and recently, we signed a twin of Taj and Vivanta in Dhaka. And we will be doing more on an asset-light basis, on an operating lease or a management contract, we are not into acquisition of assets. That brings us to our portfolio of 263 hotels and with Taj already having hit 100 and Ginger getting close to 100, we have been able to create critical mass in our key brands and it will be nice to watch how Vivanta, SeleQtions, and amã evolve over the next years.

And also, the balanced portfolio guidance that we have given so if we include hotels in development then we are already at 50-50 and within the next 18 months, we expect that in operation also to come to a 50-50, a balanced portfolio, a right mix of asset-heavy where we have owned and leased portfolio coupled with fee-driven business. This is important because the owned and leased portfolio is giving us the right operating leverage so that when we are witnessing an uptick in the cycle, these hotels add on the absolute amount and the management fee business is helping us drive margins in a very strong way. And our management fee business has almost doubled in the last year. So, almost Rs. 400 crore of management fee and this is only going up.

And also in terms of unlocking the potential of most of our brands, besides Taj being rated as the world's strongest hotel brand for two years in a row, other brands are really picking up and are getting to where they rightfully belong within their competitive set. So, also Vivanta and SeleQtions together are almost 78 hotels and very soon we should get there also to a number of 100.

We are very proud of the guidance that we have given under Ginger and we embarked on this journey of reimagining Ginger four five years ago. The management there did a great job. And in the last year Ginger reported a revenue of Rs. 300 crore and an EBITDA of Rs. 120 crore, a margin of 39%. We expect this to increase. It increased by 13% points. So, coming from 26, it went to 39, but the best here also is yet to come and we eagerly await the opening of Ginger in Santacruz in Mumbai as of 1st October. And I think this brand has the potential or brands in this category, in this segment have the potential to deliver a minimum of 50% margin. So, that's something we are very pleased about.

And so are we pleased also about our Flight Kitchen business, which we have a joint venture with SATS from Singapore. For the first time in history, it did a margin of 20%, our revenue which exceeded Rs. 600 crore and an EBITDA of Rs. 127 crore.

Since the opening of Qmin or since the launch of Qmin, it has done a GMV of Rs. 150 crore. Today, we have almost 34 outlets, of which 50% are in Ginger Hotels, which we very affectionately call the qminization of Ginger, which means the all-day dining of all Ginger Hotels will slowly but steadily get rebranded into Qmin. And amã is something which we will start working on together with Qmin to scale up in the next years to come.

A very important part that we would like to share with you, that Taj Mahal Palace, our temple of hospitality, is 100% green, 65% through renewable energy from Tata Power and the 35%, we had to buy the certificates for renewable energy so that we became 100% green. Our six pillars of Paathya the 100% waste elimination, 100% of the hotels to have organic waste management system, 100% recycling of water; all hotels to have EV charging system, and all hotels to have Green Meetings which is being launched in June and 50% of our energy from renewable is the targets that we have given for 2030. Very pleased to say that we are not only on target, we are ahead of our guidance and ahead of our target on ESG which remains a key pillar not just for Indian Hotels but for the entire Tata Group Companies.

Also, we were given awards on corporate governance, the Golden Peacock, the ICSI National Award for Governance also, as well as very recently the Risk Management Award for Business Model Adaptability from ICICI in collaboration with CNBC.

So, I think in all since the last five years from an aspiration 2022 of a turnaround of a business model in between derailed but helping with the reset in 2020 and a further guidance of Ahvaan under 2025 the company is very well positioned to achieve a 33% EBITDA margin over the business cycle by '25. We are remaining zero net debt company with a 300-hotel-plus portfolio. And a balanced portfolio built on the bedrock of the culture and values of both Tata Group as well as Taj, which stands for Trust Awareness, and Joy, leveraging our enablers and our initiatives, which keep going on, on re-imagining our brandscape, reengineering our margins, restructuring our portfolio and the journey of most iconic and most profitable hospitality company continues.

With that, I would like to get to the outlook. I think this is what has happened. We said in the short term, this is what we will do, we got derailed. But where do we see the sector today? I think very important to note is one key factor which is helping the sector as well as Indian Hotels is that demand is growing faster than supply. So, while a lot of people want to talk about pent-up demand, I would say pent-up demand is like three months, six months, nine months, but the reality is that although just the domestic, as foreign tourist arrival has not yet come, the domestic demand has been strong enough and is outpacing supply because not many hotels got built in the last three years. And that imbalance in demand and supply will continue, which will help drive occupancies as well as the rates in the sector and given that we are present in 31 of the States and Union Territory of India, I think we are very well positioned to capture the benefits of that demand. And it's also based on all the guidance given by various companies, whether it's HVS or Horwath in their Annual Report or Hotelivate that the demand especially in India where 87% of our portfolio and revenues come from, is strong, is going to stay robust.

And it is going to get boosted by three or four key factors. #1 Supply is one part of it, but the G20 this year till October and expected to peak in September-October is going to aid the need for the rooms, and Food & Beverage. #2 Is the World Cup Cricket. And #3 Is that the sector, Tourism sector expects that the foreign tourist arrivals as of October will go back to the pre-COVID level which was at only 60% for last year.

So, I think the outlook remains very positive. What can we expect from Indian Hotels with this outlook? We will continue our pace of signing. We will keep adding hotels, where we think we can create new destinations in the spirit of what Tata Group has done, what the oldest operating company which we are of Tata Group has done consistently over a century. And we are also pleased to say that we will be opening a minimum of 20 hotels this year. Last year, we opened 16. This year, we will open 20. We will cross the target of 200 hotels in operation globally and get very close to having 200 hotels in operation in India. But if we were to say South Asia, we will definitely achieve that also this year. So, that's on the growth part of it.

In terms of new businesses which are very close to our heart, we did very well on incremental cash flows and incremental profitability. We did not really spend any money on growing amã or Qmin. I think this year, we will use some of our free cash flow to really scale up these businesses because of the margins that they drive, and at the same time also the other businesses that we have been guiding on, like Chambers we will be adding on that. So, Chambers in Bengaluru at Taj West End will open this year. We have applied for permissions for doing Chambers in New York so really making Chambers also a global brand.

And some of our Food & Beverage brands, Food & Beverage is very strong in South Asia and Southeast Asia and we are very optimistic about growing our presence, not just with Qmin as a QSR, but some of our iconic brands. I am very pleased to announce that in the next week, we are launching House of Ming at the Taj in London, and a Bombay Brasserie at the Taj in Campton Place in San Francisco. And we are hoping to take Bombay Brasserie as a brand to other parts of the world where we have the rights and we have been able to register the brands.

So, all in all, I think in all businesses, not just the Rooms business, but Food & Beverage business, which is aided very strongly this year by G20, the event, the conferences that are happening in India, a very strong robust wedding business, scaling up new businesses, opening hotels continuously on management contracts or operating leases, slowly but steadily starting to build on our international portfolio just with the Taj brand. I think Indian Hotels is well positioned and also to give this guidance that this year, what we have seen and today being like almost four weeks into the New Year, the trend that we are seeing in terms of business that has happened also, the business on the books, we are very much in line and ahead of April of last year and expect the same thing in May. Albeit, I have to say that the visibility of long-term bookings still remains very short. So, it's very difficult to make predictions about what will happen in July, August, September, but the trend that what we are witnessing today is extremely positive, and the growth of the GDP in India, the growth of buoyancy in business, the need to-do business, airlines, travels, all the planes are full, the seats are full, so especially on the key sectors, Delhi-Mumbai, Delhi-Bengaluru, or Chennai, all the key metros, and also the upcoming new airports, we feel that the travel remains very strong, both on business and leisure, and one of the few trends that we can highlight here is bleasure.

Now, whether it is business with leisure or leisure with business this has become a permanent trend since COVID, we are seeing no change on that one, on that front. And also, when it comes to spending money, I think it's not revenge. It's not like that what they call the 'Kal Ho Naa Ho' factor that's not there. The main thing is that people are still saving, but they are willing to spend a bit more than they were spending in a pre-COVID time which is also assisting not only our Rooms' demand, but especially in our Food & Beverage demand and in the Restaurants.

So, I think that's what I wanted to say about the year gone by, and the outlook that is out there. And we will continue on our journey of balancing the portfolio, not investing into single assets except for very key strategic investments like the Ginger in Santacruz or our combo development Vivanta and Ginger in Ekta Nagar which is Kevadia or where the Statue of Unity is, totaling 275 rooms. But there, we also get, we are eligible to get certain subsidies, making the investments very feasible.

I think the outlook remains strong, and we are at the beginning of an upcycle, which has witnessed a few quarters. And we feel that Indian Hotels is very well positioned to take benefit of this upcycle. Over to you, Giri.

Giridhar Sanjeevi: Thank you. I think Puneet has summarized it. I think we have had a great year in terms of the overall business and as we explained, the outlook is strong. I think the core thing that we need to remember is that the story of hospitality is a story of penetration actually which means as airports come up, as the growth is happening in cities beyond the key cities actually it is really a story of penetration, which will be multi-year, and that's really the story.

We will talk about this more not just on this call, but we also have announced the Capital Market Day on the 11th of May 2023 and we will talk about it more. I think, now I will open it up for questions, actually.

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

Binay Singh: I have two questions, one on Ginger and the second one on our U.S. business. Starting on Ginger, we are seeing good performance. Could you talk a little bit about the roadmap to 50% EBITDA margin. Is this coming from like two, three key factors that will take us from around 39% that we are at today to around 50%?

The second question on the U.S. side therein also could you talk a little bit about what's happening over there, how did the March quarter go, when do you see that business breaking even, thanks?

Puneet Chhatwal: Ginger is something which we are very focused on. I think it's an ideal brand for a heterogeneous landscape of India and it is the fastest growing brand in terms of number of hotels, not in number of rooms, because a lot of Ginger Hotels can be 60, 80, 90 rooms. So, except for the one which we are doing in Santacruz, is 371 rooms because it's in Mumbai. A similar large-sized development will also be happening at Bengaluru Airport.

So, just to give you a flavor that Ginger reported revenue is around Rs. 300 crore. A hotel like Santacruz which we own, has the potential on stabilized figure of at least Rs. 100 crore in revenue with 371 rooms. So, I think that is what makes us believe that Ginger landscape will continue to evolve very rapidly, and this is not something, which is going to happen in three years or four years from now, it's already delayed by six months to eight months because of COVID. So, it should have normally opened, but now we are opening it hopefully on the 1st of October this year.

And similarly, many other Ginger branded hotels will drive the growth and this business model. And especially what we call under the 'Lean Luxe' because new Gingers are all 'Lean Luxe' and all the 'Lean Luxe' Hotels are operating north of 50%. We have some old portfolio, which we have to renovate, reposition or get out of those contracts like a few of the contracts, we did not renew, which we had when we started the Ginger brand, like the Rail Yatri Niwas. So, we have given those up because they are not good for the brand today where we have re-imagined it to. So, we expect Ginger over the next three years to go north of 50% in margins as I said in my opening remarks.

And on the U.S. side, we have renovated, basically, it's New York, San Francisco was profitable pre-COVID. It's going to get there as the market begins to evolve. On the New York, we have done very well in curtailing our losses and they have reduced to a significant level. But besides that we have reduced the cost of lease, we have renegotiated our agreement on The Pierre, we have completely revamped the banquet hall there which is one of the largest halls in that marketplace, in that micro-market place around Central Park, and it's just getting to the finishing phase. So, we are positive about New York.

We are extremely, you did not ask this, but I will say this, on London with all the changes that we have done, including now the opening of the Chinese besides the Quilon, which we have had there as a Michelin star restaurant. Also, we opened The Chambers in London. So, a lot of investment in our key marquee assets is also helping drive performance. Of course, UK and U.S. are not at the pre-COVID level, they are still operating at 92%, but we expect in the next few months for them to either get to '19 and '20 level or definitely even exceed the '19, '20 level. So, that's a kind of upside we are also waiting for.

Binay Singh: Just one question, we get it that the business will generate another year of very strong free cash flow. Anything that you will do differently in the coming two, three years from what we have done in the last two, three years? And if you could also share the CAPEX number that we expect for next year?

Puneet Chhatwal: See, our CAPEX is always around, there is an operational CAPEX and there is the CAPEX in the new construction and building other businesses. So, our CAPEX figure is always around 5% to 6% of our reported revenue, and nothing is going to change on that. There will be certain situations where we invest and in the interim, over the next 18 months to 20 months, we kind of do a sale and manage back with a long-term management contract. That is something which we will guide on during our Capital Market Day. So, on the CAPEX side that is what has helped us to get where we are today.

As an example, 24 of our Taj-branded hotels were upgraded. If I look at total number of hotels upgraded including Ginger in the 'Lean Luxe' they have upgraded more than 40 hotels, that is also driving the performance. It's not just pent-up demand and an imbalance in demand and supply. Its hotels, which needed renovation and were downgraded to Vivanta have been upgraded back to Taj and that is what has also made Taj a 100-hotel portfolio. So, I think CAPEX is a key, but intelligent use of CAPEX is the key to driving margin and creating competitive advantage over the other brands and the competition in the mid and long term.

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

Achal Kumar: Moving to the questions, sorry, I have four questions if I may.

#1 First of all, I just want to understand, so the government has recently announced that they want to make Delhi as an international hub. So, do you have any plans to align your growth in that part of India, Delhi, Rajasthan, Agra? Have you thought about it? Do you have any plans to grow aggressively there in case the government is successfully able to make Delhi as an international hub?

#2 Secondly I am referring to Slide #38 you have mentioned about the EBITDA margin expansion from the existing hotels and from the new hotels. So, just want to understand how long would it take for the new hotels or you can say the middle block to move to the left side of the blocks. So, I mean, what is the gestation period when the new hotels could actually generate the similar kind of EBITDA margin as good, as per your existing hotels?

#3 Third thing on the SATS, so you reported a very strong growth in SATS. I mean, what was the driver of that growth and now, what next, where do you think the future growth could come from? I mean, do you have any, I mean any plans, anything in place which can sort of generate the similar kind of growth going ahead or is it kind of feeling now that, okay, fine, we have reached here and then this is the ceiling?

#4 And finally, probably, if you could give us a bit more color that you have already reported more than 34% EBITDA margin in Q4. Of course, as you rightly said the industry dynamics are very strong, demand supply is very strong, and looking at ARR and everything is going perfectly on your way. Do you think the margins could decline and then come back to your long-term target of 33% or how do you see that? Or if that's not the case, I mean how do you think it's now rather easy to achieve your EBITDA margin for FY'26 Future Cap now which you are targeting in FY'26, in the next year itself? I mean, if you could give us a bit more color on that. Thank you so much.

Puneet Chhatwal: A lot of questions but let me first start on a lighter note. What you said on Slide #38, in the middle, how it could move to the left, there is, from a guidance perspective, there is a mistake on that slide. The mistake is that the numbers are right, but it is not showing the return on equity or return on investment there has been no investment in Qmin or amã. This is really a clever use of the brands that we had by reimagining and repositioning them, but we have not invested money. So, like let's say on the left side, if we say we have invested a lot of money into our entry into London and U.S. and Lands End and all of the places, there is no investment that has gone into Qmin or amã or QSR or Chambers, etc,. It's just re-using the same space by renovating it in a normal CAPEX.

So, a lot of what you see on the left side, let's say, a Chambers and Taj Mansingh in Delhi, is driving a lot of revenue. The Chambers in the middle that you see is only the fees from new members, but Chambers and Mansingh that the revenue it is driving is on the left of the chart. And the left of the chart has investment, the middle of the chart has hardly any investment, except for asset management perspective. So, that's one.

Second is your question on growth. Delhi becoming hub, of course, Delhi is the capital of India. The state capital is Delhi, or the National Capital is Delhi and the commercial capital is Mumbai. IHCL can never have enough hotels in these two metros. And we have just signed two days ago, we have not yet announced, another hotel in the Delhi NCR, a Vivanta. And we are very well-positioned to add more Taj properties. But what we will not do in Delhi is do a Taj that might dilute the positioning of Mansingh or Taj Palace because we are the only brand which is present with two such properties, plus a Connaught, and an Ambassador under SeleQtions in Delhi and Connaught just got added.

So, we are not going to stop here. This will keep getting added, as also you said Jaipur. In Jaipur, we have just added Taj Amer with the largest banquet hall that we will have in our Taj system, so despite having Rambagh Palace and Jai Mahal Palace and Devi Ratn and all the hotels. So, our strategy in these key markets in India is to own them. We will be the largest players in all these markets in number of hotels, not necessarily maybe in number of rooms because we are not in the business of taking rooms to a bank account. We want to cover the micro-markets and the macro-markets within these metros to the extent possible.

So, if we look at, let's say, Mumbai, we will be opening very soon this year in Vikhroli a project. We opened a Vivanta in Navi Mumbai. We have the Taj Lands End. We have the Taj Mahal Palace. We have the Taj Santacruz. We have the President. So, we have Ginger in Andheri Teli-Gali. We have the Ginger in Mahakali. We have the Ginger in Goregaon. We are opening a Ginger in Santacruz. And the journey will not stop here because these are very important markets. The commercial capital of the country and the national capital we will keep seeing more and more growth, and that was the entire purpose of creating comprehensive brand management and focusing not just on Taj, but also on other brands so we can get into the depth and the breadth of the market.

So, given this thing on the growth as well as on the other question that you said in the middle of the segment, it will also keep moving towards left as it matures, you know it takes time to mature. So, we will keep nurturing our traditional businesses and keep growing them through market share, through clever asset management. And the new businesses, we will keep scaling them up, so once they become mature, we start adding further new businesses. So, that is the strategy which we have communicated, which we will have also in more depth and detail during Capital Market Day.

And when it comes to margins, you know margins is a combination and I will let Giri to add to that is the operating leverage on the left side, what you see on Slide #38 and on the middle, also the management fee business, the asset-light model. So, if you look at like let's say one parameter or one variable, corporate overhead. Our corporate overhead from 8.6% of total revenue has gone to 5.8%. Now there is no reason this will go up again, despite increase in salaries, despite increase in number of people because we are becoming more and more efficient. So, I think margins, we will definitely remain within the guidance that we have given of 33%. Q3 and Q4 will have higher margins. Q1 and Q2 will have lower margins. So, the blend of it should always keep us in line with 33% or ahead of 33%.

Giridhar Sanjeevi: Now just building on it, I think see the heart of our strategy is the diversification on the top-line, actually. I think other hotel chains just have The Rooms and Food & Beverage, which is where Analysts sort of start focusing in terms of RevPARs and all of that. I think there, I would sort of say that we have always differentiated and done better than the market in terms of RevPAR across cities actually. So, therefore, irrespective of the market, we will do better. That's number one.

Number two, the asset-light growth, which is what we spoke about on Ginger, The Chambers, the Qmin, amã, the management fees, I think they will continue to be very strong actually. And so this diversification of top-line is really the core to our strategy, coupled with the productivity on expenditure actually. And any margin that 33% margin that we talked about is really very healthy actually.

So, I think, we will, as Puneet just said, we will be within the guidance of 33% and we will continue to progress our strategy and execution to ensure that we have a healthy growth in top-line, absolute EBITDA growth and the PAT growths actually. So, that's the way we look at our business.

Taj SATS, I think, has done extremely well in terms of number one, the opportunity, which is there in the Indian ecosystem with the growth in passenger traffic and the doubling of airports, which is happening, there is a huge opportunity in terms of how the growth in Flight Kitchens is happening. That's number one.

Number two is the whole synergy with the Tata Group in terms of Air India, AirAsia, and Vistara. So, therefore, these are opportunities where we will continue to be the beneficiaries actually.

The third one is that the growing Indian business also means that there are a lot of international flights is also going up, and we continue to take an increasing share of the international business as well, which is adding to profitability, actually. And so, we will continue to grow in terms of opening up Kitchens in new areas, like Amritsar we was shut about five years ago, we reopened this year actually and it is already profitable, actually.

Third is productivity has gone up significantly, actually. If you take Delhi Kitchen as an example, between the pre-pandemic period and now we have improved productivity by more than 50% actually. So, I think productivity of Kitchens is also going up.

And finally, I would sort of say is that business model changes are coming, where our partners, SATS, is setting up a Central Kitchen in Bangalore, where I think the business model will change towards producing food in bulk and transporting to the other kitchens that we have. So, what that means is it going forward in about two, three years' time we will not need the big kitchens in Bombay and Delhi in terms of sizes. They will receive the food from the Central Kitchen and they will become the repackaging kitchens, which means that should also help in terms of driving cost down actually.

So, I think there are a number of factors at play which ensures that the trajectory of Taj SATS is going to be very significantly high, actually.

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

Sumant Kumar: So, my question for U.S., UK business and we have seen in FY'23 occupancy is still lower, and the recovery is lower. So, can you talk about going forward can we expect the occupancy what we have seen in FY'20, say for U.S. 75%, in FY'23 we have 59% only; and UK 79% in FY'20 and we have a 71% in FY'23. So, can we reach the FY'20 level occupancy for these two geographies?

Puneet Chhatwal: Sumant, we will reach here and also Cape Town, we will do better. We can already say that April for London has been a very strong month, better than any April that we have seen before. So, I think also because of the coronation of the Royalty, what is happening, so there is a lot of activity in London and slowly, markets are usually efficient and they go down, but they at least come back to the level they were, but I do expect U.S. to do much better and also for London to do much better because of the investments we have made and are making in these properties, in their repositioning. And 59% occupancy for the largest lodging market in the world is a very low level. So, these markets are used to operating at 75-plus, and that's why I also feel the best is yet to come as these hotels with the income that they have in Dollars and Pounds, multiplies manifold in Indian rupees when we report. Also, when they are not doing well, like they have not done as well in last year, they tend to understate what our normal result would have been.

So, in a way, it would be fair to say that that is a hidden potential for us and especially even Cape Town, albeit small, but we took over 100% ownership of Cape Town at the peak of COVID. And the third wave, the Omicron started in South Africa. So, the first 6 months of last financial year were more or less like a washout for Cape Town. All these hotels should do much better in this quarter and the next quarters to come.

Giridhar Sanjeevi: Just building on it, Sumant, I think if you look at U.S. while you highlighted the occupancy of 59% I think, remember that '22/'23 was the year which was the first year after the COVID. And therefore, we were more cautious also and we drove a rate-driven strategy the ARR did grew by 25% because the more you open up the hotel the cost would have gone up, so we wanted to drive the rate strategy. But now I think with the COVID behind us I think what is happening now is that we will drive the occupancy as well. And bear in mind that the banquets did not fully kick in, in the previous year. The banquets will start kicking in fully this year. So, a combination of driving occupancy, banquet improvement, all of these should help, is what I would say actually.

Sumant Kumar: Talking about Rajasthan FY'20 occupancy was 52% and FY'23 was 51%. So, do you think this is a normal occupancy for Rajasthan market?

Giridhar Sanjeevi: I think, see, what we have not seen is really the benefit of the international passenger as you know. I think Rajasthan with the palaces truly depend upon the international passenger, and I think that has not come in. And that going up should certainly help in terms of driving the occupancies in Rajasthan, actually.

Sumant Kumar: The last question, the Kolkata we have seen a significant improvement in occupancy, but rate increase is minimal compared to other markets, any specific reason for that?

Puneet Chhatwal: See, Sumant every market will not move at the same speed and pace. There are different issues in different markets. So, if we look at places around Kolkata, like Chia Kutir we opened in Kurseong, Darjeeling area, it did very well because that was a great place to go to, and it got very well established, similarly we will be opening this year in Gangtok, the Taj in Guras Kutir. So, there are different markets and different, and the beauty is how hedged is your portfolio. So, I think Indian Hotels, can not only by different brands, but by being present in 125 plus locations, in being all the metros but also in the Tier-1, Tier-2 cities, but more importantly having a healthy mix of resorts, you know the number of resorts we have, have really helped us in the last few years and we want to maintain that strategy.

Sometimes, you know let's say Odisha which hosted the World Cup Hockey, was going up and maybe if there is no World Cup Hockey, it will for six weeks or eight weeks, the revenue start going down. So, there are those one-off events. There are elections. There are so many things that keep happening in the marketplace, but all in all, most of the metros are great. The Air Show in Bengaluru does not happen every year. One year, it takes it up. The next year, it brings it down. But generally speaking, India remains a very strong market, because the demand is stronger than the new supply that is coming in.

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

Prateek Kumar: My first question is on the supply additions, so based on pipeline data which you have given our room count or supply for Indian Hotels growing at 10% CAGR over the next four years. How should we understand this in context of mid-single digit supply growth for industry? We hear that some of the larger industry peers also appear to be adding at a good pace. So, is this like Top 10 players are adding at higher than industry supply and smaller players unable to add pipeline?

Giridhar Sanjeevi: Yes, I think fundamentally, the question is that we are adding supply 10% every year, in the context of industry supply growing at less than 10%, his question is that, are the bigger players taking a bigger share and so he wanted some color in terms of our supply growth versus industry supply growth, Puneet, actually that's the question.

Puneet Chhatwal: Yes, we said that we have an industry-leading pipeline and there was a time when others used to say they are larger, they are larger, those tones are gone, because nobody is signing more hotels or opening. Even the signing is not important, it's opening, that is the key. And when we said we are opening almost, we have opened 16 hotels last year and we will be opening anything north of 20 hotels this year that gives a good flavor of what is about to come, and what is about to change. And we see no reason about the openings slowing down because 73 hotels in various stages of development to open over the next three years is a very big number. And this does not include any possible conversions which we will get, that means existing hotels which gets re-flagged or rebranded.

So, I think we are in a very good space and that is the dominance that was needed and also a proof that why going multi-brand instead of, there was a top five, six years ago, we should be only doing Taj. Why that multi-brand strategy in a heterogeneous landscape is a big boost to us and also a big boost to the hospitality landscape in India, because we are the largest hospitality ecosystem so we have to take that leadership position, the ownership and drive these businesses forward.

Giridhar Sanjeevi: And you see Prateek the growth, the momentum is only going up. Historically, we were opening around 2,000 rooms per year. But now in '23, '24, we expect 2,300 plus rooms and nearly 3,000 rooms in '24, '25. And so therefore, this momentum of room openings will definitely go up actually.

Prateek Kumar: And my second question is on ARR. So, on a standalone basis or overall in an operation basis, I mean, we ended the year on a very high base and multiple rounds of price hikes or ARR hikes it happened during the year, probably June then October then February. So, like because of very strong -- is it like from a modeling perspective is it like okay to assume like high single-digit kind of ARR growth for next year or maybe low-double digit?

Puneet Chhatwal: See, as long as we have good base of demand, which we have today, there is no reason why ARR should not keep growing. See, ARRs have not grown in the last 10 years. They have only grown in the last year. So, if we took 2012 as a base the ARR and take 2011 and 2012 as the financial year as 100 then there was a continuous decline in the ARR because of the imbalance in supply and demand. This has become healthy in the last year and the expectation is based on a report of I think HVS ANAROCK, that should reach at the level of 125 versus '11, '12 as a base.

So, if the market reaches 125, we are very confident of doing 130 or 135 with '11, '12 as a base, because of the power of our brands as some of your colleagues have written also about it, but also very important is our loyalty driven revenue is increasing very much. The Tata Neu is beginning to settle down and establish and is growing. So, Tata Neu, and we are the founding member of Tata Neu, is beginning to assist us so getting base business through our normal channels, through airline cruise, through contracted business, through Tata Neu business, gives us the base so that we can indulge in better comprehensive revenue management to yield much better rates and occupancy. So, we are very optimistic on that front.

Giridhar Sanjeevi: Just one build on it Prateek, is that if you look what's happening is that, with the rise in rates, which has happened, the rates are now settling down at a higher level, actually, even in the month of April. So, if you see the rates in Q1, we expect it to be better than what was happening last year in terms of Q1, because rates have settled down actually. And as we go through the year, if you see what happened last year, the rates kept going up, and the good news is that as we go towards the second half of the year, we have the G20 in September, we have the World Cup Cricket, the momentum in terms of weddings, and all of those should actually help and with foreign travelers coming up and coming back, I think all of those should help actually. And we will continue to work on those factors.

And the other point, what we mentioned, is that you know again I re-emphasize the point that our top-line diversification is a big thing a that will continue to play a very big role in terms of driving the profitability in the top-line, actually. And as I repeat again, the story of Indian hospitality is a story of penetration and people tend to look at -- like airlines, actually.

Prateek Kumar: So, another question was on Tata Neu only. So, where are we in terms of our customer base on Tata Neu at the enterprise level? And I think like a steep marketing activity around Tata Neu and during IPL this year, how do we see that over FY'24?

Puneet Chhatwal: We are very pleased that this is coming as a big boost to our business. On our own, I doubt if we would have been able to develop a Loyalty Program with that kind of capital that is needed and the kind of following it can get, with Croma, with Big Basket, with Titan now coming on board there are so many other brands that I expect Tata Neu to become a very strong player in the next 12 months to 18 months. And the stronger Tata Neu gets the bigger will be the benefit including to Indian Hotels especially we have just now on-boarded also

Ginger with the technical upgrade that was needed to be linked to Tata Neu. This is only like six weeks ago.

So, I think these kinds of businesses will benefit a lot. Qmin should benefit a lot from Tata Neu; amã will benefit a lot. So, a lot of this earning and burning in various areas will happen. Of course, first the budget businesses will benefit more, and the luxuries become more aspirations, so that will take some time. But we are very pleased our loyalty base has doubled in the last 13 months.

7th of April last year was when Tata Neu was launched, so it's not even 13 months. So, it's a little less than 13 months. But yes, there were some startup issues which is normal when you try to combine so many companies and businesses. But we are very pleased and very optimistic about the outlook, about the contribution that Tata Neu is going to make and we worked very closely with the Tata Digital team in making things happen and making promotions happen, and making campaigns happen, marketing campaigns, and how to keep improving this platform, because it's a big win-win for all of us.

Giri, I answered in between. There was a question on Tata Neu. And we have had, I said, doubled our loyalty-based active members in less than 13 months. And our loyalty-led revenue is almost 20% of the enterprise-level revenue, not the reported, but the system-wide or the enterprise-level revenue. And we remain very optimistic and very pleased with the way Tata Neu is evolving and assisting us in our business.

Moderator: Thank you. Next question is from the line of Nihal Jham from Nuvama. Please go ahead.

Nihal Jham: My first question was that given there has been such a strong surge of domestic travel and international is still recovering, is there a case the seasonality in the industry starts getting a little more normalized or you expect that as international travel comes back, that the Q3 and Q4 quarters will still remain the biggest ones, significantly versus say the first half of the year?

Puneet Chhatwal: Nihal, I think with World Cup Cricket, with the peak of the G20 which will happen in September, October, and very strong robust demand on weddings that is not only business that is getting booked in advance with so much of lead time. There is no reason that makes us feel today that Q3 and Q4 should not be as strong as they have been in the previous financial year. And I actually feel it will be even stronger because of these one-off events that are happening. And we, as a sector on the various platforms, that I sit on, whether hotel association or CII, etc., which I chair, the general consensus is that based on the queries that most of the travel agents are getting, is that the foreign tourist arrival is expected to go back to '19, '20 level as of October.

Nihal Jham: It is also in relation to, given the journey from Q4 to Q1 there is a certain percentage drop that we see. Would it be the case that wouldn't play out in the coming years as domestic tourism is strong, and travel is strong, and maybe that kind of a jump back doesn't happen, because the FTAs in Q4 were not as much. So, that demand going away is not going to weigh as much of an impact as what has been historically?

Puneet Chhatwal: Yes, you are right, Nihal. Actually, I don't know if it's a statement or a question, but whatever it is, I agree with what you said.

Nihal Jham: The second one was that on the new initiatives, you did mention they are asset light, but you mentioned that some part of the free cash flow will be used towards them. I am assuming it will just be minimal spending or there is something more on a larger scale?

Puneet Chhatwal: No, minimal, minimal expense. We are not looking into some big investments. But of course, these businesses have been done through just incremental cost and incremental revenue model. So, let's say, if you want to build 10 to 20 amã, then each amã cost Rs. 5 crore, so it's not a big amount, it's a good investment, as in five years or seven years, the cost of each of those villas will double, and we don't have to buy land, we are sitting on a lot of land banks.

As an example in Taj Exotica in Goa we have the ability to build more. There are so many other places where we have FSI available and we can build. And that we would have to do on our own so that we don't dilute, but we can also enter into some kind of development agreements with developers, builders in a sale and leaseback model. Up till now, our model has been purely fee-based model, and we have not added any kind of operating lease or ownership model on any of this. So, it's all driven by that and that's why it drives 50% plus margins on these businesses, but if we want to scale it up, we will have to, and we want to scale it up. We will have to make some sliver is maybe the right word, sliver investments into some of these businesses, in key strategic locations, and also help on our asset management because we have the assets. We have the land banks; we don't have to go and acquire the land.

Nihal Jham: Just a final question from my side was that we see now, we are getting aggressive again on the international expansion side with the Dhaka expansion, and I am guessing all that is on management contracts side. So, just as an initiative going forward as you look at other Southeast Asian cities, and I am guessing multiple other parts of the world, this will be mainly via MC's right?

Puneet Chhatwal: Yes, operating leases or management contracts, there is no, we are not going to enter into single asset acquisitions as we speak, unless there is one big exception for some reason that we don't know of today. It's like a black swan event, on the negative side. On the positive side, something comes up which makes so much sense to buy than you will buy it, right?

So, but those are one-offs, and a normal business plan strategy which we will communicate more in the Capital Market Day. We have no plan to acquire assets.

Moderator: Thank you. The next question is from the line of Vikas Ahuja from Antique Stock Broking. Please go ahead.

Vikas Ahuja: Just one clarification, I mean what the portion Nihal asked on seasonality so from Q1 to Q1, Q4 to Q1, we normally see a drop. So, what I could make out from your statement that the operating drivers as far we have achieved in Q4 is it a possibility that we might achieve something similar in Q1 as well? However, when we talk about the second half, there are enough levers like World Cup in there to boost it, to take it to another high levels, is my understanding correct or I have misinterpreted it?

Giridhar Sanjeevi: Vikas, I think what's happening is that the Q1 momentum as compared to Q1 of last year is very strong, actually, based on whatever we have seen in the month of April and May. So, that continues to be very strong. So, we will show some good growth in relation to that, so therefore, I think Q1 is going to be pretty strong. So, that's number one.

Q2 visibility at this point of time is weak, but as we go into the second half of the year, weddings visibility is beginning to pick up, the G20, and the World Cup, as I said, will pick up, the foreign travelers coming in will happen actually. So, therefore, I think, if I look at this year, I think we should have a good year, is what I would say.

Vikas Ahuja: And secondly, when we talk about the U.S. business, I know you have answered that in detail, but the drop you have seen this quarter especially on sequential, is it largely on seasonality or some part of macro also played out?

Giridhar Sanjeevi: I think typically the Q4 is actually a weakest quarter yes and for the U.S. in particular, actually, Q4 is usually the weakest quarter and winter, it's the winter, and therefore I think banquets don't happen and the occupancies don't happen. And therefore, to that extent, I think seasonality played a very big role. But other than that, I think this year, if you look at it in terms of what I answered earlier, in terms of improving occupancies, driving the banquet businesses, should all help us to grow the U.S. business. If you look at the cash loss position in U.S., if you look at the exceptional statements and then stand-alone, you will notice that the pre-pandemic losses are about Rs. 69 crore and that came down to about Rs. 22 crore. And I think what we are looking at this year, is to make sure that we will be cash breakeven on an operating basis. Bear in mind, in '22, '23, the U.S. was EBITDA positive actually. So, hence, I think the U.S. should do much better this year than the previous year actually. And Chambers, as Puneet also said, Chambers is coming up. So, there are a number of things that we are doing which will ensure that the U.S. does much better this year than last year.

Vikas Ahuja: And just to clarify, you said that the drop sequentially was all because of seasonality and there was nothing you know macro led or cancellations?

Giridhar Sanjeevi: Yes that is correct. I think, yes, Q4 historically is a seasonality factor because of the weather.

Vikas Ahuja: And finally, one bookkeeping, in terms of the corporate overhead, we have seen a 300-basis point reduction since pre-COVID. Do we think there is more room there or largely we are done especially on that front?

Giridhar Sanjeevi: I think the way to look at corporate overheads is that now the corporate is now managing a network which is significantly higher than what it was in the pre-COVID period actually. So, therefore, while some absolute costs may go up, and rightly so because of investment in say IT or investment in marketing, from a productivity perspective that 5.8% that we talked about is the kind of numbers that we are looking at. So, productivity will remain at around 5.8% of top-line. Some absolute costs may go up because of the growth in the network, which is happening actually.

Moderator: Thank you. Next question is from the line of Karan Khanna from Ambit Capital. Please go ahead.

Karan Khanna: My first question, just talking about your international expansion. So, most of your recent management contracts have been centered around the Asian cities. But Puneet, given your background are there any plans to enter the European market also? And second as a follow-up, how are the contracts in the international management contract structured versus the domestic market, because there you are competing with some of the larger global hotel chains?

Puneet Chhatwal: So, our international contracts are oriented towards two things Number one, the areas where there is an Indian diaspora, and that's why Middle East has been very strong actually. Dhaka also plays to that because it's part of the subcontinent. And in the future, we do look at opportunities in say Southeast Asia, U.K., for instance, I think we can take more hotels beyond London, for instance, in Edinburgh or in Birmingham or Glasgow, I think possibilities are there.

As far as Europe is concerned, there are interesting possibilities which come because of the Air India, Vistara flights which go there actually. For instance, the TCS has got significant operations. Tata Steel has got significant operations. So, there are certain cities, for instance, where a combination of Tata Group preferences as well as the flights of Air India and Vistara are going to create opportunities for say 150-room hotel where the base occupancies can come from this business itself actually. So, we will continue to explore, Karan.

Karan Khanna: And my second question, in the last Capital Markets Day, Giri, you spoke about looking to make the corporate holding structure simpler. So, if there is any development over the last one year on the same that you would like to share?

Giridhar Sanjeevi: No, nothing, no developments and I think this is an area which we continue to work on. As you know, we have complex partnership structures in different entities and we continue to engage in terms of, with the partners in terms of possibilities. And I think we will advise as soon as we kind of have an alignment with any of these partners. I mean it's really what Oriental Hotels and Benares Hotels and PIEM, I think these are the three main entities where we need to work on. And I think we will come back, guys, we will come back, Karan, as and when we kind of have an understanding with any of these people. I think for the last six years that I have been there; I think we have all been talking actually. So, we will see.

Karan Khanna: And lastly just continuing from one of the previous participants, just talking about the Delhi micro market, Aerocity, there are a bunch of new hotels that are opening up over the next two years to three years. So, are there any active discussions that you are having in terms of signing management contract in that market?

Giridhar Sanjeevi: Not yet, but you know what, I think that's an area where we will continue to look, actually. And if there is a development we will advise. At this point of time, I would simply say that we are focused on where we are, and as Puneet said that those are cities, Delhi, Bombay are cities where we will continue to have significant opportunities and we will continue to expand, actually. We can't have enough in these markets, actually.

Moderator: Thank you. Next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: Just wanted to know, since you mentioned at the beginning the demand exceeding the supply. So, how long does this cycle run, do we have three to five years more in this cycle to run here given that we recognize it's a cyclical business? And the second question would be any guidance on ROIC, two to three years down?

Giridhar Sanjeevi: Let me answer both the questions, so the first one is that if I look at the India macro, the Indian macro with the 6% plus kind of economic growth and also the growth kind of going beyond the key cities into the interiors, I think basically means that the country is in good shape, that's #1.

#2 Within that, the consumption is quite, a consumption theme, I am really excited about. You may have short-term blips on consumption, you know what people have spoken about K-shaped recoveries, and all of those actually, but nevertheless, if you look at the demographics and the long-term consumption trends, they are very intact, actually. The younger people are spending. The baby boomer equivalent in India are also spending because they have become empty nesters actually. And longer term if you see, one of the things that they speak about in the U.S. is that in the next few years, once the baby boomers pass there will be one big wealth transfer to the younger generation, and you will see that in India as well. Therefore, I personally believe that the long-term trends are going to be extremely strong on consumption, actually. And therefore I think I would come back again, I repeat, is that a story of hospitality comes back to the penetration actually and hence, very confident in terms of that.

As far as the ROCE is concerned, as you have seen, our growth is largely coming through what you say the asset-light growth. And in terms of capital allocation strategy, we have spoken about it in some of our meetings. Basically, there are three or four elements to our capital allocation strategy. Number one is that we do want to maintain a certain strategic cash reserve for any eventualities like another COVID, GST, or demonetization, actually. And that I think, at this point of time, we are saying will be about Rs. 750 crore. That’s the first part.

The second part on renovations is that we have largely intent to make sure that renovations are in line with our depreciation, that is the second part of renovation, and that also helps us in driving profitabilities because these renovations in existing properties help to drive asset management actually.

The third is the greenfield opportunities where we will either construct as Puneet was saying in terms of where we have land banks or the new projects that we have signed in Lakshadweep and Kevadia and others. So, there will be some capital which will go towards greenfield, but in greenfield projects, we are open to take projects debt especially in the new era of ESG, we will probably take some sustainable debt so that is something that we are open with, that’s the third part.

And fourth, is really the dividend thing. While we have not yet announced a dividend policy linked to PAT, but you have seen that the dividend has jumped to Rs. 1.00 a share and the payout this year is approximately I think 17%, if I am not mistaken, in terms of the standalone PAT and about 15% of the consolidated PAT. So, I think the capital allocation policy will continue to be there. And hence, the reason I am mentioning this capital allocation policy is that this ensures that we use our cash well, and therefore driving up ROIC.

And of course, the other question that Karan asked in terms of simplification, as and when those happen, those also will help to drive efficiencies on the balance sheet. So, that’s the way I would kind of answer. So, I think ROCEs are definitely improving and with sensible capital allocations, this will continue to do well actually.

Pallavi Deshpande: I understand on the consumption side but on the supply side, we have seen spate of, not in the five star, but more in the four and threes, maybe where Ginger is, the spate of signing agreements by our competitors in terms of they are also going the asset-light manner and the industry seems to be heading towards that. So, just on the supply side, do we have any concerns? Is the competitive intensity increasing?

Giridhar Sanjeevi: No I think India is a very big market. With India being a very big market, I think it is not a winner-take-all market. I think what is good is that we are leaders as Puneet pointed out. We have been leading in terms of signings and openings. And I think in the three-star category, Ginger kind of category that you spoke about, the opportunities are even greater actually, in terms of supply because you don't need an outstanding location for Ginger or that category of hotels like you need in Taj, you fundamentally, you need a sensible business location, and the possibility of conversions are very much there.

See, what has happened especially because of COVID. See, I think you saw an unbranded standalone hotel, your ability to access marketing is very difficult. So, therefore, many of the smaller hotels are actually aligning themselves with one of the branded chains so the opportunities for conversion are much greater there. And hence, I think we don't anticipate a challenge. Of course, while the supply shortfall is there, I think of course supply shortfall will never be a perennial factor. And I think as the industry is doing well, that gives them motivation in terms of people to start putting CAPEX and start a kind of investing and that will also happen.

Right now, of course, the new capital investment in hotels is kind of still low, because bank balance sheets, banks are also sitting on debt with the companies and some of the, what do you say the extra, what you say Emergency Credit Lines**,** ECLGS, will kind of running out this year. But I think eventually supply will come, institutional capital and supplies will happen, and at the lower end, you will see a lot more conversions, and we will continue to lead, is what I would say. India is a big country.

Moderator: Thank you. Next question is from the line of Anushi Vakharia from BP Wealth Management. Please go ahead.

Anushi Vakharia: I just wanted to understand the management contract a little bit better. Like in your previous conference call, you had mentioned about how amã stays and sales we have a 15% management fees or 15% fees plus a 3% marketing costs. So, can I just understand the overall portfolio level how does this work and yes just a clarity on that?

Giridhar Sanjeevi: Yes, sure. As we have always said, if you look at the typical management contracts I think there are really three components which is really the base fee, the incentive fee, and the reimbursements. Between the three components, I would say it's about 6% to 7%, in terms of the total and that is the pattern which continues.

Amã is a different business where I think where these are really marketing arrangements and these are small properties actually. So, we do charge 15% on management fees and another 3% in terms of marketing pass-throughs so that continues. So, there is no change in any of this at all, no change at all.

Anushi Vakharia: So, this 6% to 7% fees that you have mentioned for all your properties like Taj and Ginger, whichever you open it to through the management contract model, and what is these fees based on exactly. So, I just want to understand the model a bit better?

Puneet Chhatwal: In Ginger, we do very few management contracts. We only do, we mostly do operating leases we have fully fitted leases, because Ginger in a hundred room property has a top line of say between Rs. 7 crore and Rs. 10 crore as an example. Now when you do a management contract in Ginger, what happens is that the fee is Rs. 40 lakhs, Rs. 50 lakhs; and Rs. 40 lakhs, Rs. 50 lakhs is a small fee amount in a context of a small top-line. So, what we prefer to do is to take the whole P&L, so when we take a whole P&L of say Rs. 10 crore, and even if you pay 20% in terms of say 20%, 25% in terms of say the lease charges to the owners, the balance, you still end up making significant money. So, it is not Rs. 50 lakh that we will make we will probably take around Rs. 3 crore or so and that is really the model that we are adopting in Ginger, I mean that's what it is.

And other places, Taj and Vivanta, we will take management contracts, but in Ginger, we don't take, I mean except unless it's a bigger property like the one which is coming up in Bangalore Airport, Ginger is about, I think, 150 rooms plus, if I am not mistaken. There, I think we are doing, I think it's 200 rooms hotel if I am not mistaken. I think there we are doing a management contract. But other than that, we don't do management contract in Ginger.

Moderator: Thank you. The next question is from the line of Rajiv from DAM Capital Advisors. Please go ahead.

Rajiv: On slide #37 you used to provide this fixed cost as a percentage of revenue, can you help me with that number, what is that for the full year?

Puneet Chhatwal: Fixed cost as a percentage of revenue, I don't think I have it immediately, but maybe we can take it offline and sort of talk about it. I think today, I think we are more, which slide #37, you are talking about slide #37, just a minute. So, maybe, 37 is the margin, 37 is the margin slide.

If you look at this slide, see the raw material cost is totally variable. The payroll cost is the fixed cost and that absolute sums have gone up, but the productivity is being maintained. And other operating costs as an element of both variable and fixed, because --. See fundamentally what's happening is that with the level of operations significantly going up, obviously, absolute costs are going up, but within that, what we are trying to make sure is that our productivity is maintained. And as you see from the charts at the end, the staff-to-room ratios are also being kind of protected without compromising service quality. So, that's the way to look at it. But if you need more color on fixed costs, maybe you can speak to Neha and Rupesh and the team subsequently, and they will be able to clarify.

Rajiv: And Mr. Chhatwal actually mentioned about Rs. 100 crore in a stable state revenue of Ginger, Santacruz. What is the F&B to let's say room revenue ratio for that hotel as compared, I mean what you are targeting as compared to, let's say, a regular Ginger?

Puneet Chhatwal: See, Ginger will continue to be an accommodation only game. But because it's a 371-room hotel, it will have one small banquet hall. So, which means that I don't expect a of Rs. 100 crore top-line, F&B to be more than around 20% or so, 20%, 25% as opposed to the typical 45%, 40%, 45% that we have. It will largely be accommodation driven. And since it's going to be accommodation driven the room profitabilities are very high.

Moderator: Thank you. The next question is from the line of Nikhil Agarwal from VT Capital. Please go ahead.

Nikhil Agarwal: Just had one question, your operating expenses have increased quarter-on-quarter, so just wanted to understand like why was that and was there some one-off or do you see this to continue in this range going forward as well?

Giridhar Sanjeevi: So, if you see the Q4 standalone number whereas the other expenses have gone up by Rs. 20 crores, also look at the top-line and standalone which has gone up at Rs. 70 crore actually. And therefore, it is linked largely to the growth in revenue. And I think in Q3, there were some reversal of Rs. 5 crore on one-line so there is a little bit of a one-off, but other than that I think the increase is proportionate, it has gone up because of operations and that one one-off of Rs. 5 crore, which was reversed

Giridhar Sanjeevi: I think, if it's okay with you all, I would like to thank you all and conclude this conversation. As Puneet mentioned and as we have outlined on this call, I think we are coming off an excellent year in terms of all-round performance. And as we look ahead we believe that the macroeconomic conditions, the hospitality conditions in terms of demand-supply is strong, consumption growth I think all augers well. We will continue to adopt a differentiated strategy, especially when it comes to diversification of top-line and productivity and cost to ensure that we will be better than the market, our balance sheet strategy is also robust in terms of capital allocation.

So, we look forward to this, what do you say, the future with confidence. And I think Rs. 10,000 crore of enterprise revenue, Rs. 1,000 crore of PAT, Rs. 1,000 crore of free cash flow was what we kind of demonstrated in the year that just passed. I would just conclude by saying, 'expect more.' So, look forward to continuing the conversation. Thank you all for joining us this morning.

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