



“The Indian Hotels Company Limited  
Quarter Ended 30th June 2025 Earnings Conference  
Call”  
July 17, 2025



**MANAGEMENT: MR. PUNEET CHHATWAL -- MANAGING DIRECTOR  
AND CHIEF EXECUTIVE OFFICER – IHCL  
MR. ANKUR DALWANI – EXECUTIVE VICE PRESIDENT  
AND CHIEF FINANCIAL OFFICER – IHCL**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Indian Hotels Company Limited Earnings Conference Call for the quarter ended 30th June 2025. On the call, we have with us Mr. Puneet Chhatwal, Managing Director and CEO, IHCL; and Mr. Ankur Dalwani, 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Puneet Chhatwal. Thank you, and over to you, Mr. Chhatwal.

**Puneet Chhatwal:**

Good evening, everyone, and thank you for joining our global conference call for Q1 '25-'26. We are pleased to inform you that we have continued our record performance for the 13th consecutive quarter, driven by sustained growth and strategic execution despite multiple industry headwinds.

I will now outline the 10 key highlights of this quarter. Number one, Taj is rated again as world's strongest hotel brand and India's strongest brand across all sectors by Brand Finance. We are very delighted to inform you that -- and this is for the fifth time that it is India's strongest brand across sectors and world's strongest hotel brand for the fourth time by independent brand valuation consultancy Brand Finance.

Taj has truly positioned itself as the Crown Jewel of India, and it continues to fly the flag high for Indian hospitality on the global stage. We are grateful to our loyal patrons and dedicated colleagues who have played an integral role in making Taj the epitome of hospitality and luxury.

Number two, robust performance in Q1 with key financial highlights. Our consolidated revenue grew 32% year-on-year to INR2,102 crores. EBITDA grew 29% year-on-year to INR637 crores, yielding EBITDA margin of 30.3%. Our bottom line grew by 19% to INR296 crores. Hotel segment revenue and EBITDA grew at 14% and 15%, respectively, resulting in 30 basis points margin expansion over the last year.

On the stand-alone basis, we continued to deliver strong performance with revenues growing 13% year-on-year to INR1,099 crores and EBITDA margin expanding by 10 basis points to 38%. Our stand-alone PAT margin stood at a healthy 22.2%.

Number three, outperforming the industry and sustained margins despite temporary headwinds. The Indian hospitality sector faced multiple headwinds in Q1. Demand was impacted by geopolitical tensions along the India-Pakistan border, following Operation Sindoor and the unfortunate incident in Pahalgam. The impact was further compounded by the Israel-Iran conflict, which led to partial airspace closures and disrupted flight routes, resulting in numerous hotel cancellations.

IHCL's strong brand equity, diversified portfolio, customer trust and consistent focus on performance helped us remain resilient and outperform the industry in all key markets. While revenue got impacted due to aforementioned headwinds, operating efficiencies ensured that the

hotel segment margins were sustained at 31.4% for the quarter. This was despite an additional impact of change in payroll increment cycle, which we brought up from July 1 to April 1.

Also, as an example, I would like to point out here that when we had the Operation Sindoor, and 33 airports were shut down, we were very close and present in a lot of locations as an example, with Taj in Amritsar, Taj in Jaisalmer, Taj in Jodhpur, Taj in Srinagar and Vivanta in Jammu, etcetera, etcetera, the list can go on.

Number four is our portfolio growth. We continue to demonstrate industry-leading growth with 12 hotels signed and 6 hotels opened in Q1 '25-'26. This includes three luxury wildlife lodges in Kruger National Park, South Africa, expanding our presence in the African continent with 249 operational hotels and over 143 hotels in the pipeline, we are nearing the milestone of 400-plus hotels portfolio. We remain confident of achieving this milestone during this month itself. And as a reminder, our guidance under Accelerate 2030 is to have 700 hotels portfolio by 2030.

Number five, traditional business continues to be strong. RevPAR for our consolidated domestic hotels grew by a strong 11% on a like-for-like basis and 13% for our owned international hotels. Key business cities, which are important for our consolidated performance continue to benefit from limited supply growth. Our international hotels performed very well, led by strong growth in US hotels, especially The Pierre, which closed the quarter with a positive profit before tax.

Number six, new brands and reimagined businesses. IHCL's new businesses vertical comprising of Ginger, Qmin, amā Stays & Trails and now also Tree of Life continued to showcase strong growth of 27% year-on-year. Ginger grew 25% year-on-year, enabled by the stellar performance of the flagship Ginger Mumbai Airport Hotel as well as a strong growth in F&B revenues driven by what we call Qminization of Ginger. That means having Qmin-branded restaurants in our Ginger properties. All this was despite revenue curtailment for the reasons I've already mentioned.

Qmin has grown to 93 outlets across multiple formats, amā Stays & Trails has reached a portfolio of 309 bungalows, with 138 in operation, and Tree of Life is now a 20-plus results portfolio with 18 in operation.

Number seven, management fee growth through capital-light strategy. Our capital-light not like-for-like growth has helped grow our management fees by 17% from INR114 crores last year to INR133 crores in Q1 '25-'26. Management fee growth despite temporary headwinds underscores the strength of our capital-light strategy. We expect this growth in management fees to sustain with higher flow-throughs to the EBITDA, thereby also assisting and supporting our margin growth.

Number eight, strong balance sheet with healthy cash reserves. Our balance sheet continues to be healthy with gross cash reserves of over INR3,050 crores. This is enabling us to reinvest in brand and revenue-enhancing capex through upgradation expansions as well as investment in new greenfield projects. We expect to invest INR1,200 crores in FY '25-'26 for assets under construction, renovations, expansions, and very importantly, strong digital initiatives, which we have shared in other investor meetings and calls, be it with SAP or be it the new ERP system.

We continue to assess several inorganic opportunities while maintaining a disciplined and strategic approach to any potential investments. One such opportunity that was closed during the quarter is an under construction hotel near the Kolkata Airport that was jointly evaluated by IHCL and the Tata Group.

The asset has been purchased by the Tata Group and on completion, will be operated as a revenue-based lease under the Ginger brand. Over time, this could potentially lead to the creation of an asset platform, which could become a big strategic enabler for IHCL.

Even without that, this is also strengthening Ginger brand's presence in key airports. After Ginger Mumbai Airport, we are under construction in Ginger Goa, the new MOPA Airport. We will be opening within the next 1 year at the Ginger Bangalore Airport, and now we are adding Kolkata Airport besides the flagship properties in Ekta Nagar and the recently opened Ginger in Chanakyapuri, Delhi.

Number nine, Paathya. Staying aligned with our ESG Plus initiative, Paathya the journey towards our 2030 targets remains on track. IHCL now uses 38% energy from renewable sources and has installed 371 EV charging stations across 163 locations in India. Continuing our journey of eliminating single-use plastic, IHCL has installed bottling plants at 69 hotels and achieved 49% recycling of water used in Q1.

IHCL currently partners in operating 52 skill centers across 20 states in India. Since 2020, we have trained over 31,000 youth and are well on track to reach our goal of skilling 100,000 youth by 2030.

Finally, number 10. Looking ahead to the remaining year, despite base effect for July, which had five auspicious wedding dates last year, overall outlook for Q2 also remains robust. As we have guided earlier that overall for the year, we remain confident of achieving double-digit revenue growth driven by continued momentum in MICE activity and high-profile diplomatic visits.

We had a great April, that is what we said in the call for the full year, then we had the temporary headwinds with the Operation Sindoor and the unfortunate situation of geopolitical tensions, Iran, Israel, airline tragedy, etcetera. And with -- notwithstanding that, we are expecting a strong performance in August, followed by an equally strong September.

In summary, we are well poised to deliver our revenue guidance with sustained margins. We are well on track to achieve our committed target of opening 30-plus new hotels. And this momentum will really accelerate as of September this year. So you will see that when we announce the results at the projecting -- projected openings will really start picking pace as of September.

And we are also opening three hotels on our balance sheet this year, of which two are in Ekta Nagar. And this also includes a very important opening for us of the Taj Grand Hotel Hessischer Hof in Frankfurt. We remain very confident that our new businesses will continue to grow strongly over the coming years, delivering not like-for-like growth.

Our focus also remains on evolving our Brandscape or continuously evolving and evaluating our Brandscape and strengthening our competitive advantages with extremely prudent capital allocation and strategic opportunities.

Ladies and gentlemen, thank you very much for your attention, and we now open the floor for questions.

**Moderator:** Our first question comes from the line of Binay from Morgan Stanley.

**Binay:** Congrats on the good quarter despite all the events that went through. My first question is that in the presentation, we are talking about two major assets under renovation and we've taken that out of the RevPAR calculation. Could you share a little bit about what are these two assets, what has been the impact? Is this regular renovation? Or is this an upgrade? Any light on that, how to see that?

**Puneet Chhatwal:** We have Binay, thank you. We have two very important assets for us historically. That's the Taj Palace in Delhi, which is undergoing 150 rooms renovation as we speak. This will be on for at least a few more months. And hopefully, the entire inventory is back as of 1st of October. And the second one is Fort Aguada in Goa, which recently celebrated 50 years. So we have 40 rooms there in the main block also under complete renovation. This is not soft kind of renovation. This is complete refurbishment where all those rooms have been taken out of order.

**Binay:** And is it fair to say this is more one-off and not secular, which is why you're calling it out this time?

**Ankur Dalwani:** So Binay, hi, this is Ankur, here. Thanks for the question. I think this is something, which we do it regularly. But anyway, for whenever the assets are out of operation for 6 months and above, basically, they are adjusted in RevPAR, and that has always been the case. So it's not a new sort of practice. Just wanted to bring that to your attention.

**Puneet Chhatwal:** This is a typical industry thing that if you have soft or temporary out of order, you don't take that inventory off. But if it's permanently out of order for a period -- for a longer period than it is taken out.

**Binay:** And just a follow-up on the commentary that being said about July, it's a robust month. Can you quantify? Is it high single digit or RevPAR that we're talking about...

**Puneet Chhatwal:** I think we should not look into a month. Each quarter or the year has 12 months and quarter has 3 months. The trend is positive. Everything moves in the right direction, we feel extremely confident. I mean, I can't be more direct than this when I use the word extremely confident of delivering on double-digit growth for the hotel segment for the year. And despite all the turbulences in the airline sector, we still feel very confident about delivering 20% top line growth in the airline catering business for the year.

**Binay:** And lastly, Puneet, for the new that you joined the Tata Neu Board. What incrementally -- like I know we've talked about Tata Neu in the past conference calls also and you have a slide where we do see revenue from there growing. How much of the opportunity has been tapped? How

much more can IHCL shareholders look to gain from this partnership? Anything you want to share on that side?

**Puneet Chhatwal:**

I don't know if I should answer this very serious or on a lighter note. I think only you can -- IHCL can only benefit by me being on the board of Tata Digital, as we are the first founding member of that Tata Neu. We have always communicated and always believed that this kind of capability for a hotel company to bring on its own with our size and capabilities would have been very difficult. We are very blessed to have this opportunity.

And the Tata Neu membership, which was for us, stagnating at around -- not Tata Neu, the loyalty membership from 2005 till 2020 or '21 was somewhere between 1 to -- 2.2 million was the maximum it reached. And in the last 3 years, by end of July, our loyalty members has crossed 11 million, which is less than 10% of the total members -- active members of the Tata Neu system. So these are 11 million who have transacted with us, with Indian Hotels on that platform.

I think it's just the beginning. This will be a very interesting and a very important competitive advantage both at the group level as well as at IHCL level in a few years from now. And already 3 years behind us, we see how our base has increased. And our loyalty led revenue is very high. And just in the quarter, we had a 46% growth versus previous year on the app revenue itself.

So points earning revenue had 17% growth and went up to INR545 crores, and app revenue had a 46% growth and went to INR75 crores revenue. So we are very pleased with this development. And even before I joined the Board, we have always been very, very strong advocates of Tata Neu.

**Moderator:**

Our next question comes from the line of Karan Khanna from Ambit Capital.

**Karan Khanna:**

I had three questions, Puneet and Ankur. So first, if you talk about the RevPAR growth of 13% that we've seen in the international portfolio. This seems to have surpassed that of domestic growth for the first time in a while with United Holdings and PM Hotel seeing a sharp growth. Can you throw some light on this? What's driving the growth here? And what's the outlook for rest of FY '26? Do you expect the international portfolio to, in fact, do a higher RevPAR growth compared to the domestic portfolio in FY '26?

**Puneet Chhatwal:**

Karan, it's a very interesting question and a very good observation. The likelihood is there because of the investments over the last few years we have undertaken in London. And also our undertaking this year, we are spending another between now and March of this financial year, something to the tune of almost GBP22 million in upgrading and increasing the size of our private membership club, the Chambers, renovating the meetings -- meeting space out there, having the new lobby in the St. James and a new bar and a new whiskey lounge and a new cigar lounge and everything that goes with it.

These continuous upgrades have already happened in the rooms' area. And because the room renovation has finished, as an example, London is showing a very big increase in the month of July. I think it would be fair to say that if we looked at just July, London could be anywhere plus 20% for us.

Also, where we are seeing some benefit is in San Francisco. The problem with San Francisco had crashed as a market because of whatever we have been reading and seeing in the news, as you know. But slowly, slowly, it's coming back. Maybe to get to its old potential, it's still a few years away, but it has shown a strong recovery in the quarter gone by and the increase based on that has almost been 50%, but it had fallen so badly that even that 50% does not make us very happy. We need another 20% or more in the important months going forward.

Also, what has been good for us is that Cape Town continues to remain resilient. And Pierre has performed quite well in terms of gaining market share. So these are the ones which are in a way where we own the P&L or own the asset. The others are on a capital light strategy on the management fee business. Most of them, except for some joint ventures or associates.

So main impact, obviously, when you multiply pounds into rupees could show a positive result for us in London if the market remains that way because the elections are behind us, the new government is there. A lot of things are changing in London as we speak.

**Karan Khanna:**

So this is helpful. Just talking a bit about your domestic portfolio. And if I look at Slide 8 and 19 of the presentation, so about 74% of your revenue, domestic revenue comes from business cities. And if I look at Slide number 19, where you've highlighted the other growth that you've seen, particularly in most of the key business cities.

So help me reconcile these numbers because 11%, 12% growth on a consol basis, but some of the markets, particularly Slide number 19 are seeing almost 19%, 50% kind of a growth rate. And so are there some cities or some markets or some hotels who had the RevPAR growth or possibly the ARR growth is lower than what we have seen for the rest of the portfolio, if you could emphasize that? And also on Hyderabad, what's driven such a sharp 50% growth during the quarter?

**Puneet Chhatwal:**

So it's, again, a very good question, Karan. And the one which you see IHCL consolidated is the Falaknuma Palace. And the Falaknuma Palace has done very well. That's -- the other assets are in the entity called Taj GVK. So when you go into enterprise level, it drops to 20%. So Falaknuma has done really very well for us in the quarter. It's been doing very well for the last 2, 3 quarters now, 3 quarters, I would say.

Places where we expect a significant improvement going forward will be as and when Goa gets renovated for us. And Goa in general, has been at a low level. But in terms of growth. But it had -- if you look at the numbers, 10,700 on that slide is the Goa's number, which is number three among the top markets. But we think it can go up further once the Fort Aguada renovated rooms come back. And also when we start the season, which is as of October, an increase is expected.

We also have our own event, which also has an impact. We have a very large event of our annual business conference, which is usually Q1, but because of Operation Sindoor etcetera, we changed it. It's happening next week, 20th, 21st and 22nd in Goa. That will also help the enterprise level numbers in Q2.

**Karan Khanna:**

Sure. And third, if I look at the openings during the quarter, so there was Taj Alibaug and Gateway Coorg and these hotels were essentially affiliated with other brands in the past. So are

you seeing a trend where more and more asset owners are perhaps looking to partner with top brands such as Taj and Indian Hotels? What sort of an impact are you seeing on the take rates in the management contract because of this?

**Puneet Chhatwal:**

Karan, another good question, because if you look at those six openings, five of those six were not planned as one of our hotels. So the Claridges was the Claridges. Alibaug was another brand. Coorg was another brand. So was in Lakshadweep, those two properties. So of course, we are doing some things right that we are -- and these are all different owners that we are becoming a preferred choice of owners when it comes to rebranding to another brand. And we don't see any change in this trend.

Actually, we see it -- we would actually like to accelerate on that trend, especially in the boutique segment, as was outlined during our AGM, or with Ginger. I think the country and the sector within the country and with all the locations coming, we are very well poised to help grow the mid-market, which is the fastest-growing segment in India. It's gone from 7% from 25 years ago to now, 28%. It's a 4x growth.

So I think with the Ginger brand, we are very well positioned, and that's why you keep hearing we have invested in the Kolkata Airport asset. We have invested in the Goa Airport asset. We invested a few years ago and opened last year in the Mumbai Airport because it gives your brand both the visibility as well as the presence and these are also on large hotels.

Even in Bangalore, we have some small amount of skin in the game of the combo hotel, which will open 750 rooms, 400 rooms Vivanta and 350 rooms Ginger. So -- and also Ekta Nagar, which I said earlier, will open end of September as a Ginger and Vivanta will open in October. So these are assets that are fueling the rebranding preference towards our brands.

**Karan Khanna:**

Sure. And my last question to you, Puneet, how does the MICE pipeline look like for you, particularly in the social wedding segment, etcetera? Because second half, again, has a lot of auspicious dates. So are the contracts are getting negotiated at a higher rate compared to last year and the number of contracts, how is that trending for you? That would be my last question.

**Puneet Chhatwal:**

Yes, I think we don't see much change or any kind of pressure on the rates, let's put it this way. But some of the high-profile weddings just take the rates up. At the moment, I can't think of any, which is there, but those high-profile weddings are also not planned several years in advance. They just come. So we are hoping that something will come.

But on the Slide 15, you will see we have outlined certain events that are happening between now and March. And whether it's Women's World Cup Cricket or the convention facilities on AI Impact Summit, etcetera, etcetera, they're all outlined on Slide 15. So we do see a very robust second half of the year.

**Ankur Dalwani:**

Plus the diplomatic visits, which are also planned [inaudible 0:29:18].

**Moderator:**

The next question comes from the line of Shaleen Kumar from UBS Securities.



**Shaleen Kumar:** And yes, definitely a good set of numbers given whatever is happening in the quarter. So Mr. Chhatwal, I have -- am I audible?

**Puneet Chhatwal:** Yes, you are.

**Shaleen Kumar:** Yes, sir. All right, sir. So that, I want to ask your first thing about the Ginger, right, Ginger Kolkata, where we could see that Tata Sons is getting in. So I want to pick your mind here, like what's -- what exactly happening here? Like why not we are going ahead and building and why we are partnering with Tata Sons? Is there some kind of plan over here? What is the thought process?

**Puneet Chhatwal:** Yes, Shaleen, there is. We have been discussing with Tata Sons, the opportunity. These things we started many, many years ago, they just don't happen overnight. That if we could have a platform as we would not like to invest in everything ourselves. So instead of going with the third-party investors, if the deals have good fundamentals, why not keep it within the group.

And it is also the beginning of a nice journey where Tata Sons would gain from an asset platform, and we still gain in doing a revenue share, and we'll stay capital-light, but benefit fully without having the other impacts of any kind of development risk, construction risk, delays, depreciations, investments going forward. So we would choose that very carefully. And wherever it is possible, we'll leverage that.

Wherever it is possible, based on our cash needs, we will invest. As you know, we don't have -- we are net debt positive. And we have a good amount of cash, but we need cash for the construction of Sea Rock, which we call Bandstand now. We need cash for many other commitments, including Lakshadweep, which we have communicated to all of you. We need for that. We need for renovations, upgrades.

So we are very pleased to have -- we used to have -- we still have a platform with GIC, but we are very pleased to have another platform and another source of income and another source of capital -- sorry, not income, capital. And I think it's very important strategic step for both the group as well as IHCL and something very interesting to watch out for.

**Shaleen Kumar:** So sir, so it's something like a platform, so we see more happening in this direction?

**Puneet Chhatwal:** Yes, that is correct. You could see more happening in this direction, similar kind of projects.

**Shaleen Kumar:** All right. All right. That's great.

**Puneet Chhatwal:** And it does not mean, Shaleen, that we will not invest. It's not that we will just keep sitting on cash and never invest. As I said, we are investing. There are many such situations when you have tenders, and I think it's important to understand that. Like Ekta Nagar, we have invested.

Now there are certain conditions in the RFPs that come in the tender terms in which you have to own it for a certain minimum number of years before you can flip over the asset. So there are many such places where we are tied up. And this is the time we're in a high-growth phase as a

company, and it's good to have another source of capital. It's also very good for the group because otherwise, they would not have access to these kind of assets.

**Shaleen Kumar:** Fair enough, sir. I understand. And I believe these will be like -- you're taking them on lease? So the returns on our investment will be meaningfully higher in these kind of properties?

**Puneet Chhatwal:** Absolutely. Otherwise, we keep it and we invest also ourselves. So the risk-reward balance has to be there and at arm's length and keeping all those rules of engagement as we would have had with anyone else.

**Shaleen Kumar:** Got it. Got it. Sir, you mentioned about August, September. Is it that some of the cancellations are coming back to you? And I know you said let's not look at the month, but -- like is there any confidence that we can deliver double-digit growth in Q2? Is there a possibility, given high base of July, but you're seeing momentum coming back?

**Puneet Chhatwal:** I like the way you ask your questions. Basically, you want me to confirm to you that we'll have a double-digit growth in Q2 also, right?

**Shaleen Kumar:** And if I can add, then the momentum on the RevPAR, like it will be similar? Like can we have a strong RevPAR also coming?

**Puneet Chhatwal:** The sector is going through a good phase. Demand remains strong. Supply is constrained in the key markets. And normally, if all goes as we have seen in the last so many quarters, I think it's -- and I've said it in the last call, and I've said it in some television interviews, I think there will always be some headwinds.

We don't know what and when. But this is the beginning of a very long journey for a nation that is aspiring to become the third largest economy. And there, we compare the GDP growth and the infrastructure development that is expected to happen, the sector is very undersupplied.

**Shaleen Kumar:** Right. I missed, I think, Ankur's remark -- sorry, it was your remarks, sorry. On the wage hike, you said something on the wage hike. We -- so we have taken a wage hike this quarter. Typically...

**Puneet Chhatwal:** So we always did it in the month of July. So -- and then we had the 9-month impact and then it would come in Q1, the same base. But we've tried to streamline now and done all the wage hikes as of 1st of April. So it has an impact of INR11 crores on our reported results.

And that shows in -- when you look at the -- look at the wages, the payroll cost, you see a certain increase. But in Q2, Q3, Q4, because it gets distributed over 12 months, the increased level will be less, so in Q1, there would have been nothing, and everything would come for the 9-month period. Now it comes divided over a 12-month period.

**Moderator:** Our next question comes from the line of Sumant Kumar from Motilal Oswal.

**Sumant Kumar:** So my question regarding license fee. In Q1 FY '26, we have seen increase in -- by 30 bps. So any specific reason for that? Because can we consider the license fee growth in line with higher -- sorry, higher than revenue growth?

- Ankur Dalwani:** I think there are two, three reasons. One is, of course, this also business model call in terms of organic growth on the Ginger side, which happens, which is largely a variable fee, but also in this quarter, there is a one-off in the numbers, which is about INR2 crores, INR2.5 crores of license fee, which was paid for a particular hotel, which was actually pertaining to past license fee, which was sort of under litigation and dispute that got paid in this quarter.
- So to that extent, the numbers have going up. And also the base, as mentioned earlier, I was a bit curtailed. So the base effect is there in all the costs. So you will make financial normalize for the denominator, but also the fact that there is a INR2 crores, INR2.5 crores impact of onetime, which I just mentioned.
- Sumant Kumar:** So can we assume the normalization with the growth in H2 or maybe the Q2 onwards, this percentage, Y-o-Y is likely to be flat or decline?
- Ankur Dalwani:** It will grow in line with revenue because this quarter also has the impact of CPI being reset, so which is -- in some cases, there is a CPI adjustment to leases. So that also comes in here.
- Sumant Kumar:** Okay. And now coming to the US business, good growth. So what is the mix of ARR and OR growth in US?
- Ankur Dalwani:** So US is very strong. Actually, if I look at the RevPAR growth in US, both the hotels combined was about 18% RevPAR. And with Campton actually close to 30%. So -- and represents incredible performance. And Pierre also in the mid- to high teens.
- Sumant Kumar:** Okay. So the ARR growth is higher, right?
- Ankur Dalwani:** ARR growth is slightly higher. That's right.
- Sumant Kumar:** So can we expect -- what is the RevPAR growth, 18%, you said?
- Ankur Dalwani:** Yes, 18%, yes.
- Sumant Kumar:** So can we say 10% ARR and 8% occupancy?
- Ankur Dalwani:** So there are some mixture. Occupancy, for example, in Campton went up quite high, actually was a very high quarter for Campton. So in ARR were a little lower in Campton. So if you look at on a combined basis, RevPAR has gone up by 18%.
- Sumant Kumar:** Okay. In the room addition, when we talk about owned room, in Ginger, you have retained capital heavy and capital light. So any other brands do not have a capital light like leasing model?
- Ankur Dalwani:** So capital light is basically where the owner gives a fully fitted lease. And therefore, from that point of view, we don't have to incur. We have leases in other brands, of course, but where we are incurring the capex. So that's something which we do as a normal course. But that's the reason we classify this because this is important to clarify when we talk about the business model, this is where the licensee fee got kicks in. This is a revenue share model.

- Sumant Kumar:** But any hotel, except ex of Ginger, we have a Taj, Gateway, and other brand, ex of Ginger, all are leasing or own hotels?
- Puneet Chhatwal:** There are some, no, Sumant. You'll remember that Taj Mansingh is like that, Taj Palace with DDA is like that. To some extent, Taj Mahal Palace in Colaba is also leasehold. So there are some like this where we -- Malabar in Cochin is like that. We have another one...
- Sumant Kumar:** No, I'm talking about pipeline, Puneet.
- Puneet Chhatwal:** In the pipeline, we have -- we have many in the pipeline, but mostly, it's almost all exclusive to Ginger.
- Ankur Dalwani:** We have to incur capex in those situations. For the other brand, Taj and Gateway or Vivanta, we have to incur capex. So that's why they are not capital light in nature.
- Sumant Kumar:** Capex means own land, own building, right?
- Ankur Dalwani:** It could be leased land, but building where we take -- on the structure, we are incurring capex. Those are many such examples of those.
- Moderator:** Our next question comes from the line of Achal Kumar from HSBC.
- Achal Kumar:** First of all, I just want to understand a bit on the balance sheet. And that's in the context, like when you mentioned that Ginger Kolkata group is entering. And then you mentioned that you need to spend a lot of money on other things.
- So just want to understand, are you, so far, for example, Taj Bandstand, are you still looking for some investor or somebody who could search investors or anything like that? And second, I mean -- and given that interest rates are low, are you thinking about raising some debt? Because anyway you are generating very high ROIC, ROE. And so we think it's a good time to raise some debt or you are just pretty well satisfied with what you have in the balance sheet?
- Ankur Dalwani:** So I think the first question is that whether we're going to get a partner -- an equity partner for Taj Bandstand, I think the answer for that is no. We...
- Puneet Chhatwal:** It was a year...
- Ankur Dalwani:** It was a year earlier. Earlier, I think the thinking was when our balance sheet was constrained, that is no longer the case. So this will basically be a contracting arrangement. We are trying to do a contracting arrangement in which we are able to box the development risk on to the contractor, on to a general contractor. So that's something we'll explore, but not as an equity partner. So that's question one. The other thing on -- I think what was the second question, Achal?
- Achal Kumar:** About the raising debt. Or are you pretty well satisfied, what...
- Ankur Dalwani:** As of now, we don't feel the need, and I agree with you. Obviously, it enhances ROE. But at the end of the day, if your treasury is earning X and you have to pay higher than X on borrowings

that might make sense to sort of use your cash flow, which you have availability. But it's an ongoing thing, we keep our eyes open in case something interesting comes up, we will definitely explore. But as of now, we don't feel the need to rush into raising debt on the balance sheet.

**Achal Kumar:**

Okay. Fair enough. My second question about this Germany property. So basically, just want to understand how do you see the German market? And I'm asking because -- so for example, Lufthansa, and I cover Lufthansa. So these guys have been facing some bit of challenges, Germany, any which way in a bit of trouble now.

So generally, could you please give it a bit of a color in terms of how do you see the German market in terms of profitability, in terms of margin? And obviously, there are a lot of strict control in terms of employee policy -- the labor policy and laws. So would be -- any color would be very helpful, please.

**Puneet Chhatwal:**

So it's 130-room property, which was very iconic in Frankfurt. And it's expected to open end of Jan. And there is enough Indian diaspora, Indian companies to give us the base business, and the rest, we'll get anyways. We have a full Germanic team out there. It will not be people from Mumbai or Delhi going and running that place.

Maybe a few just to support in terms of the values and culture part of it, but the majority of the team that is being hired are experts in the Frankfurt market. We have so many airlines flying into Frankfurt from India. With so many flights, I mean, whether it's Lufthansa or its other carriers.

We don't see -- think it's a very important gateway, which is next to the India house. It's -- if you stand with your back to the property on the left, less than 100 meters is the Indian Consulate. And on the right, diagonally across is the Messeturm, which houses the head office of DCS for Europe. And obviously, the Messeturm is next to the mesa, which is your fair grounds. And that is the part of the city where all the development is coming and happening, and the growth is there. And we feel very confident about doing a good job.

And very important, this will be also bringing in another Chambers. So look at the private membership club proposition. London is doubling in size, the Chambers. First, there was no Chambers in London. Now it's doubling in size. Frankfurt gets one. Dubai already has one. In India, we opened in Bangalore, which never had one.

So Hyderabad, Chennai, Bangalore, two in Mumbai. The Mumbai is also doubling in size in Colaba. The Lands End, we increased the size and have renovated fully. Delhi, we already doubled in size 3, 4 years ago. So it is, in Kolkata, very beautifully renovated. So I think this whole club business internationally is also complementing the hotel, but also creating a lot of business opportunities for us.

**Achal Kumar:**

Right. Okay. Fair enough. And...

**Puneet Chhatwal:**

Sorry, I still also have -- sorry, Achal, I forgot. It will also have Bombay Brasserie. So like Cape Town, Taj has Bombay Brasserie, San Francisco has Bombay Brasserie. Even our stand-alone in Singapore, we have Bombay Brasserie in Dubai, and now the next Bombay Brasserie will be

in Frankfurt. So even there is brand equity being created in brands like this, which we have had for ages. And London also we have, so Bombay Brasserie. So there is some value to the brand also.

**Achal Kumar:**

Right. No, fair enough. And finally, I also wanted to understand your thoughts on the sort of overall changes probably in terms of -- so a lot of -- I think I asked this question last time also, as lot of international players coming in, and you can see that, be a bit of an investment -- equity investment coming through equity partners are sort of investing in the hotel properties as same as we have the structure in the US. So how do you see these kind of changes in the structure, in the competition, all that? Would really appreciate your thoughts on that, please.

**Puneet Chhatwal:**

See, players, if we are also going to Frankfurt, the Frankfurt is also the right to come here, right? If you go to New York the New Yorkers can also come here. I think competition helps the sector to improve, and it's very good because you learn from each other. And everybody has some kind of a USP, both as brands, as companies, as organizations. So it would only be a challenge if you saw some kind of a slowdown with us because others were coming in.

Actually, others are just following us. So we have had year after year, most signings, most openings. I don't see that trend changing even this year. So that's how we look at it. And we always say let our results speak for themselves. You see the growth in the management fee income. What we have in a quarter used to be the full year management fee income 6 years ago or 7 years.

When Achal, you would recall when we did the first Capital Market Day in the last 6, 7 years, that was our annual management fee. So all that is coming through that kind of growth and with 143 hotels in pipeline, even if we stop growing today, we'll keep opening 30, 40 hotels per year for the next 3, 4 years.

**Achal Kumar:**

Yes. Yes. I mean you're absolutely right, Puneet, competition is good, but I just wanted to understand because if a lot of competition, I mean -- and I'm referring to the Indigo's decision to sort of add so many keys. So how would that impact your ARR? Because at the moment, the industry is definitely in a very strong up cycle, but if you have so many people, so many investors coming in, adding the hotels. Don't you think that could add the pressure on the ARR?

**Puneet Chhatwal:**

It's a good question, but there is a difference in this time and the last time. See, we get this question all the time. In the last cycle. See, the last cycle, was limited to metros. India's landscape is changing. And in our opinion, more than 50% of the new supply is coming in Tier 2, Tier 3 or markets which don't even have any hotels at all. So that is the bigger difference on this occasion.

Your main business is even today driven by those top 10 cities, whether there's Delhi, Mumbai, Goa, Rajasthan, etcetera, these are those top 10 markets, right? There, the increase in supply is very limited or contained or constrained. Whereas you will suddenly hear, including us, we are going to locations which we have a Vivanta in Pakyong in Sikkim or we have a Vivanta in Arunachal overlooking the Chinese border. We have opened -- so these are all new markets. So

this is not that there are many other hotels coming into that market. So suddenly, the revenue and the rate, etcetera, will drop.

**Achal Kumar:**

Right, right. No, perfect. Perfect...

**Puneet Chhatwal:**

Another trend, which you should know, I don't know the reason you might be knowing it better. Something has changed in India in terms of spiritual tourism. The number of people going to Char Dham or to -- what did we have, just -- Mahakumbh, these kind of numbers have never been witnessed in the history before.

The way our properties performing in Banaras, where we are adding another 100 rooms should open very shortly, doubling the size of the Taj Ganges. And many other hotels with other brands that we have in our portfolio will also be opening in Banaras.

So there is something that has changed in terms of trips to spiritual destinations. We never had a hotel in Tirupati. Now, we have a Taj also and one under SeleQtions also. We never had a hotel in Puri, but since 7, 8 months, we have a Taj in Puri also. So these are very resilient, I would say, in their performance.

**Achal Kumar:**

Thank you so much, Puneet. Those are really helpful. I'll just come back in the queue. I have one question, but I'll come back in the queue.

**Moderator:**

Our next question comes from the line of Prateek Kumar from Jefferies.

**Prateek Kumar:**

Sir, my first question is on your capex guidance. So let's talk about INR1,200 crores capex guidance, it's like a highest in the past year. So how do we see with a bunch of other greenfield assets, which have not been approved for rollout as of now, I see they add up to around 1,000 keys and 500 keys also added -- to be added in '27-'28. So is this like sort of capex going to accelerate from INR1,200 crores to so much higher number? Or this is the number we should build for years beyond '26? That's my first question.

**Puneet Chhatwal:**

We would try to -- before we followed the policy of capex should not exceed depreciation, but now that we're in a high-growth phase, the capex will not increase or exceed the free cash flow.

**Ankur Dalwani:**

Yes. I think the -- we did give a long-term guidance on capex in our Accelerate 2030, when we put out the plan, we said we're looking at INR5,000 crores over the period of 5 years, 4 to 5 years. I think we are still on line there because all these are assets which will take time to get built, they will not get built in a year. So a typical time for an asset in India is about 3 to 5 years, depending on which asset, which location as simpler.

So I think that's how we are looking at the situation. I think INR1,200-odd crores this year, give and take, let's say, 10% here in both sides. And I think it's going to play out in the range of INR1,000 crores to INR1,500 crores over the next 2, 3 years. And then we'll see how it goes, depending on what opportunities are coming our way.

I think more importantly, Prateek, is that every asset we have -- we make sure it is ROCE accretive and it makes the right IRR for us from a cost of capital perspective. So that is something we are very particular about.

**Prateek Kumar:** Okay. And then mention of some 300 under lease finalization, is there some new additions to hotels that are not announced? Does that seem that?

**Ankur Dalwani:** These are some of the leases, which are not public, but yes, they are close to getting signed up, and we will be -- as we sign them, we will keep on announcing them. Like you see also in this one, you have the Taj Pushpabanta Palace, which got added this year, which wasn't there earlier, for the Taj at Ranchi is finally getting signed. So we had actually announced this last year, the Ranchi one, but finally, it is getting signed now.

I think a lot of that is work in progress and as they get to markets, we will be announcing them, but there is good momentum on that side. There is good interest from the state governments to sort of get IHCL owned hotels in the state capital. And that's -- we're seeing that momentum continue.

**Prateek Kumar:** Okay. And one related question, like related to platform. So I know you talked about it, but how are we like sort of deciding like this capex will be done by us and something by platform? And another question on platform is like when you're building a hotel in platform, so management fees -- are these management contracts, the hotel, it will come in our books? Or would that be a fully fitted lease? In terms of business.

**Ankur Dalwani:** So the first one which we have started off with a fully fitted lease, it's a 195-room outlet, close to 200 room Ginger Hotel, Calcutta Airport. So this is -- it is similar to any other Ginger hotel would have done with a third-party owners. We would have paid them a revenue share lease. This asset comes with the land, which is fully being purchased as part of the transaction by the Tata Group. So that is also a good thing because then if tomorrow FSI changes, we can also add more room, etcetera.

So -- and going forward, I think like it was mentioned, this is a first step in the direction of creating a platform. And over time, it could open up another source of capital, where there are assets, which are strategic and synergistic with the group investments, and it could make sense to do more of those there. It could also help up -- help in scaling up the Ginger platform.

Because like in Ginger, in the case of Ginger, we work with a lot of third-party owners. And then why not that owner being the Tata Group itself. So I think those are the two sort of big areas where we think more hotels could get added under this platform.

**Prateek Kumar:** And because there's some form of related party, particularly, so how the lease rate air versus like a third party decided? Because it seems like a fiercely segment to get a management contract also like the take rate.

**Ankur Dalwani:** This is not a management contract, Prateek, this is a lease, so which is a revenue share lease. And like Mr. Chhatwal mentioned earlier, it's all at arm's length. And from Tata Group, that's



the least you would expect. And so this is as -- this will as well be as arm's lengths lease, which will be entered into going forward.

**Moderator:** Our next question comes from the line of Sreetika Ray Mohapatra from JP Morgan.

**Sreetika Ray Mohapatra:** Just one question from my side. You have spoken about the international business. I wanted to understand how you see the UK market improvement or changes coming through? I think you did to update in your remarks earlier, but anything in particular with respect to margins that you are already starting to see or expect in the near term?

**Puneet Chhatwal:** I mentioned that earlier that UK is performing well, especially in this month of July with Wimbledon and the cricket has been extraordinary for us because both of them have come together. And with our renovated rooms back in operation and some public areas investment that we are making.

So the renovated rooms will give us good average rate and occupancy. There will be some displacement in the public areas, but we see it as a very positive investment as London is among the top two lodging markets of the world. And it has always worked well for us, and it has always been driving good margins also.

**Sreetika Ray Mohapatra:** So anything in terms of the sequential improvement that you may see in 2Q or for FY '26 that you are expecting?

**Puneet Chhatwal:** It should keep improving upon the numbers that we did last year in a double-digit growth, as we have said for others. And double-digit growth in markets like UK or London is a very significant number.

**Moderator:** Our next question comes from the line of Sameet Sinha from Macquarie.

**Sameet Sinha:** A couple of questions. First is, Puneet and Ankur, you can talk about the margins. How do you see that -- how do you see the cadence throughout the year? Because this particular quarter was -- has been impacted by, of course, you had TajSATS, you've probably had some revenue shortfall. You had the pull forward of the salary increases and you mentioned the digital spend.

Can you talk about -- obviously, understanding the fact that the wage hike, you've explained that. Can you talk about the digital spend? Is that going to continue throughout the year? Or is that going to end at some point and we could see margins start to go back up?

And I just wanted to double-click because you mentioned sustained EBITDA growth -- sustained EBITDA margin and double-digit EBITDA growth. So I just wanted to get more clarity around how you see that working through the year? And then I have a couple of follow-ups?

**Puneet Chhatwal:** I'll let Ankur answer in detail. But very simple, we have delivered 35% EBITDA margin last year. Given the nature of our portfolio, including assets outside of India, delivering 35% on consolidated is possibly an industry-leading figure on a global benchmark basis. And on a stand-alone, that relates to more than 40%. So that way, if we can maintain or marginally increase those margins would be like a great situation to be in.

And the initial trend of this quarter gone by shows that we are absolutely in line with it. Actually, even higher than Q1 of last year. If we just made that adjustment for the wage increase that we have taken as of April, which will benefit us going forward in Q2, Q3 and Q4.

So all in all, that is more important to see is that it is a sustainable increase, whether it's on a top line or it's at the EBITDA level or it is at a PAT level or it is at a margin level. Ankur, go ahead.

**Ankur Dalwani:**

Yes. I think. No, I think, you've covered it. I think -- see, the 2, 3 drivers for margins in the short term or the medium term. Like you said, there are obviously costs, which are going through the P&L, which are relating to technology. Even this quarter, we had some costs, which did go through the P&L. I think they will continue because the nature of the technology investments are more opex.

But I think as the base gets built for the year, then obviously, that comes into the base and therefore, will not keep on going from there at exponential rate. But this year, this quarter, also, we had some costs going through the P&L. The other thing is that on the margin side is the mix of the business. I think the mix of the business, we have given you a breakup. In the pie chart, you can see the various sort of drivers.

I think the growth rates for both new business and management fee is higher than the overall business, and these are higher-margin businesses relatively. And also, if you can add -- if you add Chambers to it, that's almost like 15%, 16% of our revenues, which is actually growing at a higher rate and have a relatively higher margin profile. In our existing hotels, we've guided towards a long-term RevPAR of high single digit.

I think if you sort of get to that in the next 2, 3 years, there is no reason why operating leverage will not kick in. Having said that, there are always headwinds which Mr. Chhatwal also referred to. And so we have to be prepared for some of these as they come in. So yes, I think that's a broad picture on margin, Sameet. As you know, we don't guide specifically for the year or for the quarter, but that is still looking okay.

**Sameet Sinha:**

Got it. Okay. The second question is in terms of this wage hike that you have to pull forward. I mean, there have been media reports talking about how there's a shortfall in the industry of qualified people, especially as we see growth in all these properties. So can you just elaborate on that? What are some of the steps that you are taking to kind of offset some of these increases and HR needs?

**Puneet Chhatwal:**

I think that's a very good question. We have spent a significant amount of money in upskilling our people at all levels. Especially at very senior level, we have enabled people to get European, international experience, education degrees. And also at all levels, whether it's apprenticeship level, management trainee's level, that's one part of it.

The second is, as our commitment on Paathya, which we launched 3 years ago, we committed to skill 100,000 people by 2030. And I mentioned that we had already crossed to 31,000 that we have already skilled, opening 52 skilling centers, including in places like Ekta Nagar, where we are opening Vivanta and Ginger in the next few months.

So yes, there is indeed some kind of shortage or crunch because the demand came back very strong. And a lot of people left the sector because the fear was inculcated that if you work in a hotel or you're exposed to people, you'll get COVID. So some people permanently left the sector. Or others, unlike our group who just got rid of the employees because there was no business. So when demand comes back, then they try to take employees from each other.

So I think we have not done any of that. And what is paying off well for us, especially on our attrition rates is the way we looked after our people, especially during COVID and then and their families is, obviously, people have always been loyal to the brand and to the group. But now they are even more loyal and to especially our brand in the way we take care of our people. Thank you. I think...

**Moderator:** Thank you -- we will -- yes, sir?

**Puneet Chhatwal:** Sorry, go ahead. I think we can maybe take maximum one more question, and then...

**Moderator:** Sure. We'll take one last question from the line of Prashant Biyani from Elara Securities.

**Prashant Biyani:** Sir, we have been -- last year, we have been running at around 78% to 80% occupancy between Q2 and Q4. So is it that despite demand being there, technically, we may not be able to increase occupancy beyond that point because of the weekday/weekend dynamics?

**Puneet Chhatwal:** Yes, Prashant, you've already answered the question yourself. It's -- if you're running at around 78%, 80%, it means most of the time, you are sold out. There will always be some shoulder period, some religious things like you have this shrads and -- sometimes it's the Dussehra, sometimes it's Diwali's, many days where it's not hotels where you are in. You are actually with the families or at home. So with those kind of occupancies, you can only yield better on rates.

**Prashant Biyani:** Right. And so it will give you pricing power to choose more profitable customers?

**Puneet Chhatwal:** This is -- I heard this for the first time that we can choose more profitable customers. I mean, customers, you know guest is god not a profitable or non-profitable. So I'm sorry, I just could not stop myself, but what it does is definitely, it gives you a pricing power at a high occupancy level, and that is what the sector has witnessed in the last few years.

**Moderator:** Thank you. Ladies and gentlemen, I...

**Puneet Chhatwal:** Sorry, go ahead.

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

**Puneet Chhatwal:** Thank you, everyone, for joining this call, and thank you for all your questions. We look forward to interacting with you in this quarter and at the end of quarter 2, and thank you for all your support. Have a wonderful evening, and see you soon.

**Ankur Dalwani:** Thank you.

**Moderator:**

Thank you. On behalf of the Indian Hotels Company Limited, that concludes this conference.  
Thank you all for joining us. You may now disconnect your lines.