The Indian Hotels Company Limited

Capital Market Day

Monday, May 23, 2022

Management :

Mr. Puneet Chhatwal, Managing Director & CEO

Mr. Giridhar Sanjeevi, Executive Vice President & CFO

Welcome by Team IHCL:

Thank you all for joining us today for IHCL's fourth Capital Market Day. We would like to extend a warm welcome to not only everybody present in the room here today, but everybody else joining us from across the globe and our colleagues who are with us virtually. It has been a challenging 2 years, but we have persevered. It gives us immense pleasure to have you all with us as we celebrate IHCL's journey over the last five years and lay out the vision for the future. We will commence with a presentation by our MD & CEO, Mr. Puneet Chhatwal and Mr. Giridhar Sanjeevi, our EVP & CFO followed by a Q&A session. Now let's look at IHCL's journey of re-imagination.

(Speech followed by Presentation):

Wow it's been an eventful few years for us here at IHCL. Now without further ado, I will like to invite Mr. Chhatwal up on stage.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

Good afternoon everyone. Before we start this as a matter of good practice, let me invite our Security head to tell us all what we should be doing in case of emergency. Thank you.

Ms. Rhutika Ghatge – Security Head, Taj Lands End:

Good evening ladies and gentlemen. Welcome to Taj Lands End. I'm Rhutika Ghatge from Security. I would take few minutes to brief you about the safety procedures and guidelines. We are at the ballroom which is at banquet level. Please note for this venue we have 8 fire exits, 4 on your right and 4 on your left. The hotel is well equipped with fire safety installations placed all over the property. There's no mock drill being planned for today. In case an emergency is been raised, kindly consider it to be an original one. The staff assisting you is well trained to face all the emergency situations. In the unlikely event of an emergency please follow the instructions of staff assisting you as they would lead you towards a safer assembly area. In case of requirements of doctor's assistance, please bring the same to the notice of staff assisting you as doctor would be available on call. We assure you of highest standards of safety and wish you a pleasant evening ahead. Thank you. Thank you Sir.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

Thank you. Okay, So, I think the movie that you all saw is a good depiction of the strength of both the company and its individual brands. I think one thing which we did intuitively or knowingly or in a planned way is that we kept working on our brandscape, we kept working on our core values, we tried to stand up to every challenge to realize that when the pandemic started getting over just before the third wave came and even after the third wave we looked stronger than ever before. I think slide is a good testimony to the RevPAR development. After the first wave, we all went to almost zero level together. Then after the second wave and -- after the first wave, after the second wave, and after the third wave, we were able to outperform in terms of recovery coming out and that really has to have a direct correlation with the brand or all the brands that we have in our system. Thank you. Let's hope this works better. As the movie also showed, we have 100 hotels signed in the last five years of this 100 another interesting thing is 40 of them are Ginger, that’s the focus we created and we made a change and a shift because we do believe after Taj, Ginger has a huge potential to scale up at least on the Indian subcontinent as has happened in any other western country of the world. Then we have around 25 in Taj, we'll obviously continue with strengthening of our backbone which was the Taj, remains the Taj, and for foreseeable future will be the Taj. Very important is our portfolio mix.

We have always in the last five years, since we announced aspiration 2020, endeavored to have the right balance in the management contract which means the fee based business versus the owned and leased business. As per HVS and also as per the facts that we have IHCL had the strongest signings both in number of hotels and number of rooms in the last two years and it's a trend that I do not expect to change this year either. In fact some of you would remember we said we'll open a hotel a month and actually we ended up opening 13 hotels last year. Our guidance for this year is around 18 hotels. It could be 16, it could be 20, it all depends on some of the factors which we are confronted with in this dynamic market and also the volatility that we are confronted with. Very important the pipeline by brand, the pipeline by brand in terms of number of hotels is again with Ginger higher. If we did it by number of rooms, it would not be the same and also by contract type. So if you really look at it majority almost 3/4 of our pipeline is on a fee based business. Now comes on this click the most important thing is of the owned and leased 92% is Ginger and I've explained that in previous Market Days in investor calls that the reason for that is that asset light growth model for Ginger does not work. You know the revenue level in this segment is much lower and 7% or 8% of fees would require a very large scale, so if Ginger is positioned or targeted to do depending on the market, depending on the city, depending on micro location, anything between 35% to 65% margin then we are better off being you know 20% to 30% revenue share and keeping the remaining 20% to 30% instead of going for an asset light growth. So, that's why we see that this number looks a bit distorted but for me an operating lease for a Ginger is as good as a hybrid between asset light and asset heavy can get. Very important amongst the new signings that we have had, we've come to 25 plus new destinations in India.

This is extremely important in light of the campaigns that are going to take place that is also desired by the government and various bodies about “Dekho Apna Desh” and I think we provide the right platform of “Dekho Apna Desh” then anyone else because we're in 100 plus locations and also this has been made possible because of the 25 new destinations, so we cover India today in 100 plus locations when we look at hotels only. Should we add our homestay business to it, we would get close to anywhere between 115 to 120 locations going forward with almost a portfolio of 215 plus hotels in India. So off the number or 215 plus hotels in India, so that 235 plus that we have in the total portfolio, 20 are outside of India of which 2 are under development, the rest is under operation, and within India we have 215 plus which makes us a very, very strong player again on our home front. This chart has been taken from Horwath showing the strength of our brand in terms of number of hotels and the pipeline and that makes us definitely a leading player on our own home front. With that we have also added, it's not just a hotels, we added what we call reimagining our strong brands, which we already had and also creating the new brands. When I talk about reimagining new brands internally we say Ginger is only three and a half, four-year-old brand. The name is 20 years old, so we kept the name because the name was good and we stimulated the progress by changing the design, the look and feel, the positioning, and the value proposition and that has what has translated into accelerated growth for this brand. Same thing with TajSATS. TajSATS is -- and I have a board member of TajSATS sitting in this room, we have tried to also focus on non-aviation business in TajSATS. We have a very good partner with SATS from Singapore and they have great systems and this has helped us gain 50% plus market share of all meals that are served in India. Unfortunately, for our industry and airlines and tourism, we were confronted with the lockdown, but this journey with TajSATS just before lockdown and as we are coming out of it is looking very, very promising and so we changed the logos, we call it culinary art and motion and started adding new businesses. Same thing on re-imagination of chambers as the private membership club. Anybody who has seen the chambers in Delhi, the re-imagined chambers is possibly the best private membership club in South Asia. We have added chambers in London.

We have always communicated that we will add chambers in Bangalore followed by New York and those plans are very much there, nothing has been taken off. When we go to new businesses, we launched our home delivery business with Qmin. We launched ama as homestay business. To become that largest hospitality ecosystem, we created these brands and utilized the crisis and were able to draw upon our existing kitchens, our existing chefs, and our existing infrastructure to manage these businesses. The same is the story on homestay. We don't go and make a homestay in the middle of somewhere. We're doing homestays which is close and in a driving distance to an existing hotel so that the hotel infrastructure, the hotel general manager with the help of a caretaker of the bungalow can take care of that business and this is what is creating in these very small businesses because every beginning is small, 50%, 60%, 70% flow through to EBITDA and that is important because those of you have read our press release might be wondering where this 800 basis point further increase is going to come from when historically the company on an average has traded at around 15% to 16% EBITDA margin.

Seven Rivers, these are some of the brands. Why they are there on this presentation is these are brands not owned by us. I'll show you a couple of them more. Seven Rivers is a brand of AB InBev, that's Anheuser-Busch, you know the ones who do Stella and Budweiser and Leffe is a microbrewery. We opened it in the middle of the pandemic in Taj M G Road and it was and is a runaway success and I'll show you that we are opening more and want to scale up this business. This is how it would look like in Goa. That's the second Seven Rivers with a Beer Garden like you have in the Germanic areas of Europe followed by an Indian concept. 4 of these restaurants under the same name, we have not finalized on the name as I present today hopefully within the next week to 10 days we would have finalized the name and how it is going to look like on paper will be launched with the first one in Taj Palace followed by Land's End, Taj Mahal Palace Mumbai, in Taj West End in Bengaluru. Only thing I can say today it's going to be food which comes from the North Western part of the Grand Trunk Road that's what the food would be like and then again another example of Paper Moon. Paper Moon is a very small mid class family restaurant business which exists for almost 50 years now, started in Milano, is in a few hotels in the Middle East also in Southeast Asia. We've taken on the rights to Paper Moon for India.

The first one is being launched in Fort Aguada and all these launches that I'm talking about they are between 90-120 days from now. This is not something I'm showing which will happen in two years, three years, four years, but within the next 90-120 days. All of these brands would have been launched and just a glimpse on how the Italian dining in a brasserie style would look like in a beautiful setting of Taj Fort Aguada. Soulinaire, our event management concept, this is not a brand that you will hear so much about. It's really a service proposition, really like when we have events like this today what you see in the background including the mikes and the system of sound it's provided by a third party. What you see in terms of flowers is also coming mostly from outside. When the wedding cards are printed, they're not printed in the hotel, there is a separate company providing that kind of service. Similarly, we have launched this one stop proposition, which will help people get food from any of the 400 Taj branded restaurants or other branded restaurants from our own company across India. It will be the one stop shop to do the events mostly in properties that we either own, control, or manage, and the very first contract that this is going to work upon is us having secured and the formal contracts just to be signed off the let's say as an example the Sushma Swaraj Bhavan near Taj palace in Delhi for all the major events, so it would not be the hotel going out, it'll be the specific dedicated team, so that way we become efficient. That's very important for all of those who analyze companies, who analyze hotel businesses to know that you don't always have to build in a hotel a very large kitchen, what we have is what we have, we don't have to build that entire infrastructure. You could have a team outside of the hotel which can draw upon the resources of the hotel or elsewhere or from other hotels from other cities and help do such events. That makes your building efficient, that makes your Capex efficient, and that helps in generating premium return on investment.

Industry-leading value creation, I think since 1st of Jan as per our team till 30th of April, we provided a 21% return. This includes the rights issue and the dividend and with that I think is a right time to change on the future of the Indian hospitality industry as a lot is being talked about in the papers and other places in the last few months. A lot of people tell me you know “abhi to aapka bahoot accha ho gaya, kamara hi nahi milta” or you have to pay a lot of money. So but I always tell a year is 365 days and 52 weeks, so a few months are a good thing to have, but it's not yet, “abhi the year baki hai” right. So there is a lot of months left in the year. We hope it goes on specially coming from where we are coming, I think it would be nice and where we are coming from is a situation of resilience, is a matter that we all were confronted with which led us to innovation, and which led us to community service. Resilience because what do you do when your revenues almost hit zero. How do you stay resilient, how do you say above water, how do you keep the business going and have a going concern, how do you help and boost recovery when your international borders are shut. Most of the recovery that we've seen almost 90% plus, I would even say 95% is all domestic lead. So, we're still missing that internationally, even if even if the international traffic open towards end of March is still very little time. People are still reluctant to travel. So, I think some of the movement we are seeing, but the normal level is yet to come. When it comes to innovation, yes you know how can we use all the learnings of the last two years because some of those are here to stay. How can we capitalize on consumer trends that are happening. For example my favorite example has always been in the last several months, driving to a destination. How many of us were driving without a driver, how many of us went in families with elderly parents, in laws together, and venturing out for a drive for 5-6 hours. This is a new consumer trend, which the industry has tried to capitalize on and at the same time without having revenue, without having profits, this is more like an industry slide. I feel very proud that the entire industry and whatever means each one of them had indulged in community service, help provide meals to the migrant workers, to the frontline workers, hosted the bed nights they could, and that made the pandemic not easy, but it did help to say that this industry contributed significantly during the pandemic.

Moving on the trends which are shaping. I would just not go through each of them, but really there are 6, 7, 8 trends that are the key. Number 1, travel was, is, and is here to stay. Anybody who thinks no travel will become less because they will COVID is actually mistaken. It will only become higher. Whatever is missed in two years, will be recovered very fast, and more will come. The travel is a fundamental human need and that is not going away. So the number of people we have in the hall here today is three times more than last year July, when we did the Capital Market Day. The number of people wearing masks is none because that's the reality of life right. If everything comes in cycles, goes in cycles, and things do change and evolve. Number 2, trend is that focus will be on experiences and wellbeing in whatever form whether you do it in the form of yoga, you do it in the form of spas, you do it in form of you know other leisure travel or just enjoying beach or mountain holidays or hiking, a part of your business travel which when gets extended into leisure, which we call bleisure will have to have those components because when so many of our people lost lives whether they were our guests, associates etc. we realize the importance of having a stronger immunity, but also as one of my colleagues from the travel trade called it on the television “kal ho na ho” factor. You know let's enjoy now, let's not keep spending or saving money, and spend it later kind of thing. The third important trend that is definitely going to stay is the use of tech and digitization. I'm not saying that you know Microsoft meetings or zoom is going to replace events like this. Today we are in a hybrid mode we have both you know physical event, but I think that will go back to normal, but digitization is just going to accelerate and it is going to change our businesses, our business models including the help of AI if I may say so, this is a trend that is definitely going to be there. Very important realization that we have and we're at the beginning of it is trips internationally are getting less. You know pre-pandemic, I have my family living in Europe, I would just sometimes go away just for a weekend or three days, but the whole challenges around quarantine, around vaccination, around you know having from one country to the other was so complicated, if you go you might as well go for two weeks. I never did that you know even while I was previously living abroad, I would come to India for three or four days and you know visit my mother and go away, but that has changed because it's just not possible. Now even if it has become possible because the borders have opened up, the cost of the ticket is so prohibitive that nobody is going to travel. If you took as that is a cost on a per day basis it will never work out.

So I think trips will get longer, the number of nights in the hotels will still remain the same, and they will be more people traveling on the domestic front. I think one of the beneficiaries of pandemic in each country is domestic tourism that every country and the people of that country realized actually we do have very nice destinations within our own country too, so I think that part is changing and I think one more important factor, premium and luxury and the ability to charge will be higher. People will pay a premium, people will be willing to pay more if they feel safe, they feel secure, they get an experience that they were not getting before, but a little bit of the same is not going to get you higher prices. So I think in all there are some more trends too, but these are the travel trends which I think are very critical and actually it's sometimes very strange to see the kind of rates that are being charged when Roland-Garros is on, when Wimbledon is on. We in our industry have not seen these kind of rates ever before whether it's Paris or it's London or New York. So for the events when the city is sold out, the rates are almost going through the roof especially in the luxury segment. Also the rates will be assisted by increase and occupancy.

So, one of the trends that we have and this is a slide also from Horwath HTL is that when you get into a crisis, the occupancy goes down first, and the rates follow. When you're coming out of the crisis, the occupancy levels come back earlier and then the rate follows. Now here we have a double whammy, what is happening is that the supply is constrained, it's hardly any hotel activity was happening in two years of COVID, so limited supply unless already under construction hotels is expected to come to market over the next 3, 4, 5 years. Whereas the demand will keep rising because of increase in population, because of more people travelling, because they setting to more normal. So occupancy level will increase, I think when the occupancy levels increase the rates will eventually follow and we are already seeing that trend.

This slide is a very interesting one which part of it I have already said what we know, we know the travel is here to stay, we know that travel is resilient, we know trusted brands are always preferred, we know that brands achieve higher market penetration, what we think we know is that now more and more people with business and leisure are combining those trips, what we think that we know is slowly global travel is beginning to recover not at the same level as it was pre COVID, but it's slowly getting there is coming from zero. So, when international borders are shut, it is zero except for the OCI card holders or PIO cardholders. So, I think that we all know, we all know that we can also communicate virtually, we think we know that, but what we don't know is very important is the role of geopolitical tensions, we don't know the role inflation is going to play, we don't know you know if inflation with the increase in interest rates is going to dampen growth. So it's a lot of factors that we don't know and how the evolving business models and technologies are going to play out, how much investment Capex would be needed, we don't know that. Why we don't know because nobody knows what kind of technology is coming your way. You know we all talk about 5G that's fine, we'll about AI that's fine, but how much of the investment would be needed in an industry which does not benefit from a large cycle you know the cyclicality in hospitality business is strong and the cycle is usually short compared to others. So, so there are certain limitations on how much you can spend, so we don't know these factors. Keeping all this in mind, we thought what should be the strategy we unveil now.

We did aspiration 2022, we achieved 80% of our goals in 50% of the time, then came COVID, we said forget the aspiration put it -- you know put it in a folder or in a bag now we need a reset, we did the reset now we are coming out, so what shall we do now and that's when we said and came up as a team together with our board. We had three different choices, we said we'll call it not aspiration, not ambition, not vision, not a root or route or a road map, let's call it a Ahvaan 2025, which is a call to action and it's also an invitation to a higher cause, so it's like a 360 degree value proposition which fits in very well with our core values, with our ethos, and helps us become a much stronger company by 2025 than we are today and where we are today is stronger than where we were in 2017 or 18. Of course we have one of those you know as you saw all the strongest hotel brand in the world, the strongest brand in the nation across sectors, but how do you become as an organization a much stronger player which can rise to the occasion and to a higher cause. That's the kind of guidance we're giving. We set from 17%, we'll go to 25% when we last time announced aspiration 2022. Now we're saying we'll go from 25% to 33% that's another 800 basis points increase. It's practically doubling the EBITDA margin that we have achieved historically and a part of it if we looked at the last two quarters result, if we averaged that we're already at 27.5 with not even having 100% of the revenue. So if it took the Q3 revenue and Q4, we did not achieve 100 of 19-20 and we got to an average of 27.5, so there is no reason why we should not get to 30 with 100%, 110%, 120%, 130% of the revenue. We will strive to get 35% margin from new businesses, any new business that we add should get to North of 35% margin, we will continue to stay focused on 50-50 balanced portfolio within owned and leased hotels is as important including the hotel we are in.

This hotel is very important, we are not going to ever sell it. This is a crown jewel, we're going to keep it, or the Taj Mahal Palace in Colaba or the Taj Mansingh or the Taj Mahal as we call it in Delhi or the Taj Palace at the Fort Aguada or the Holiday Village, these are you know just asset class which is so good that others you know would love to have it in their portfolio too. So, we keep that, but we'll keep adding our management contract driven business to get to a balanced portfolio and from 235 hotels we'll go to 300 plus and as far as homestays are concerned, we will be aiming for 500 plus in all. We could have even put a figure of 1,000 because at the end of the day each homestay has only four or five rooms, let's say three to five, but the way we work, the way our core values are, the way licensing works, it's not easy. So we have almost 90 of these homestays signed of which 47 are already in operation, 90 means almost signing a homestay per week, but we could have done more and we could have also aspired for more, but reality is that we rather have quality, we rather have everything perfect, it's not an excuse it's just the way it is anybody dealing with licenses would know that it's not the easiest thing and shortcuts is not the way any Tata Group company would work and obviously staying net cash positive with zero debt.

On the past you've seen a movie I'm not doing much on it except for saying that we really focused very strongly on the Indian subcontinent. We hardly added any hotels or diverted our attention abroad except for renegotiating our contracts, renegotiating our position so that our contracts are more contributing to our businesses and we did well with that. We did well with Maldives, we did very well with Dubai, we have now three hotels opened in Dubai with a third one very big one almost like a success from day one and we increased our footprint and we started scaling up all these new businesses in a strong way. So we were very frugal, we were very frugal in spending money over the last two and a half years, but still we were present all over. I think one thing nobody can take away from us whether it's digital presence or marketing presence or brand presence or new brand presence, we were present, but we were very frugal in the you know one thing is what one talks, the other is the figures don't lie. Our corporate overhead went down from 350 crores to 220 to 230 crores.

So, despite adding so many hotels after opening 40 hotels, so we remain very confident that we are going to be in control of these figures. This is not a one off, we are not a company that laid off employees and corporate office and you know suddenly we're going to rehire because nobody lost a job. On contrary everybody even got the variable salary paid. So, I think the change in the business model, the focus on optimization of cost, the reduction in fixed costs, and optimization of variable costs is a part of our reset. Coming on to our Pit-Stop, we remain focused on exceeding the topline of 19-20 both on a like for like and a not like for like growth, not like for like because since then we have opened 40 hotels plus will be opening some more this year, so let's say it's a net of 40, but on the like for like we must exceed the performance of 19-20 by a double digit number and to that we have to add the management fees, the new brands, the new sources of income, and that is the most important thing. We will continue to do asset monetization for non-core assets. These are some of the flats, this is some kind of a laundry land bought 20-30 years ago, this is kind of a farm houses or for growing you know wine or a vegetables because that's how business was done 30-40 years ago. Some of these places you have to get the papers cleaned up, you have to get all the title deeds in place, and that work has been going on. We have always communicated on that on a quarterly basis, we will continue to do so. In this quarter, we have had a good development in which we actually sold a laundry land in Gurugram outside of Delhi, which we've had in possession for 25-30 years and as of next year we want to benefit and use the platform that we have created to go for exponential growth. When I say next year, this means only in 10 months from now and create what we have done with our balance sheet, with our new capital structure, pay off the last debt which is due in April 23. We don't want to prepay it now although we have the money because then we end up paying a big penalty amount, but that's how we are net positive. The strategic initiatives remain the same. It's all about reengineering our margins, reimagining our brandscape, and also restructuring the portfolio.

As a 120 plus year old company, the oldest operating company of Tata Group you can imagine that there is a lot which we have. The positives are it gives you iconic assets like Colaba and the challenges you have sometimes is a lot of things which were done in 1960 or 70 were great for that time, but need to be changed. So restructuring that is ongoing exercise and I don't think it's not even end in 25. It'll be a new goal, so it will go on. Reimagining brandscape because brand is not something you do today and then forget and then you open the thing again five years later otherwise some other brand will come and displace you. So we have to continue to reimagine and reengineering our margins because the commitment and the guidance we are giving to you of 800 basis point increase will not come from a PowerPoint presentation. We'll have to do some more work and stay focused on it on a daily basis and we will do so by obviously sustaining our revenue growth, optimizing our cost and stepping up the profitability as and when the revenue comes back, so I'll give you an example here. If we are back to let's say 80%-85% of pre COVID revenue and you doing a 27% margin, when you get to 100 or 110 that incremental revenue does not convert at 50% that should convert at 70% to 80%, so that is the way our thinking has been and on top of that when we add not like for like growth, it should help accelerate the margin growth and obviously our operational excellence should be second to none.

With our new businesses Ginger and we've classified them like that internally, they will also be more digital driven, Qmin, ama, Ginger are supposed to accelerate all our efforts including scaling up of our brands in these new businesses, strengthening them, and synergizing them under the umbrella of one company which is our one IHCL. In terms of restructuring our portfolio, we will go for simplification and streamline a part of our growth. We have a lot of subsidiary companies, we have lot of associate companies, and we were able to amalgamate Taj Madras Flight Kitchen into our business. We've been able to make Roots Corporation which has the Ginger brand as a wholly owned subsidiary. Similarly, we've been able to do you know right across the street, we were able to make ELEL, the company that holds the Sea Rock as a 100% subsidiary, all this takes away a lot of management time.

So today that time is available for us to keep you know fostering and keep strengthening our efforts for strategic decisions. Having said that, We will also be creating value through strategic projects. So one of the hotels which we've always communicated, the flagship Ginger is now reached the 5th floor of construction in Santa Cruz, which is on left and the new one will be commencing within the next six months in Kevadia, which will be a Ginger and a Vivanta together separated by a garden in the middle. So I think some of these strategic projects and assets we will invest and we might sell and then lease it back and the proceeds we get we put it as Capex in a new project, so that same capital is circulating and we are not taking on debt or other obligations to do strategic projects in future. That's one, but when you have the crown jewels you have to maintain them, you have to polish them, and you have to make them more beautiful than they have been and that's something which we have been doing. With London, we'll be spending more money, the last 80 rooms are left in London that need to be renovated. Taj Mahal Hotel Delhi you know what kind of difficult renewal it was till three years ago. A lot of people had written us off, but we not only secured that, but we are also coming back with the bank with the renovations.

In the break I was telling somebody and I tell all of you also try to book a table at House of Ming in Taj Mahal Hotel Delhi for next Friday, Saturday, or Sunday. If you get it then give me the tip, I like to help a lot of my friends who are calling me if I can get them a table. So, that's the kind of renovations, that's the kind of statements we are making including with the Chambers in Delhi, including with the Machan, very soon Ricks which is another outlet there as a nightclub will also undergo renovation and we'll bring in something where the Wasabi used to be. So these are very iconic assets in very important for the brand that's what makes the brand what it is today and we'll continue to do work on it. after that at some point, this hotel comes in, so of course it will give Indian, but we're also going to revamp the chambers here, it is going to get a full floor of suits, the new presidential suite has started, the new business class lounge will be coming here, behind the reception there will be a new auditorium, so whole lots of things are happening and we're still delivering the margin and the profitability, that eye is not moving from that, but it cannot only be profitability focused because long term sustainability of profits is only going to come when we take care of our trophy assets like this one.

I think I've touched upon the reengineering, reimagine, restructure in detail, so I'll skip this slide. Our key enablers, our key enablers will be more focused on customer centricity than ever before. Our customer centricity was to some extent limited by Tajness. Everything was Taj, Tajness which is a way of life, which we spread across brand also, but each brand should have its own we've created a customer centricity officer and we have you know done a deep dive with the help of TCS to improve our positioning, to improve our customer centricity initiatives also to come up another initiative would be to have best in class products, so all of those that I'm mentioning to you now is best in class and also we have created a new position of brand custodian for the traditional businesses. So that is Mr. Taljinder Singh, he will be taking care of Taj Selections and Vivanta of course Deepika Rao who was the previously MD of Roots Corporation has now joined the X-COM. She'll continue to take care of Ginger and very soon we will have somebody also help us with both Qmin and ama, but they're relatively new brands and still very small, so that we will take that decision during the course or towards the end of this year. All this obviously guided through the three core values of Taj; trust, awareness, joy, and the five values of Tata's of integrity, pioneering, excellence, unity, and responsibility in the spirit of One Tata, that means synergizing more with the group companies, synergizing more to learn from best practices, synergizing more to get more share of their business to the extent possible, and also as a good example of being the founding member of Tata Neu. I very proudly say that when we were showing industry-leading on the movie, we never said industry-leading loyalty before because on our own strength we would not have achieved it. That's why we partnered and we were the first founding member of Tata Neu. All other group companies joined later, so why because this is an important element and of course there are startup issues with any kind of startup and we are very pleased to inform that our revenue has already increased than what we had before from our loyalty and from our website and this is beginning to work well. Taj will remain aspirational, so a lot of Neu coins have to be accumulated till one can buy a free stay at a Palace Hotel run by Taj, but I think it's a good beginning and it has a very strong future and also our collaboration will increase with Air India, now Vistara and Air Asia was always very good. Air India was good, but I hope it also becomes very good and all three become excellent going forward creating travel and a tourism ecosystem going forward.

Also embracing digital, we are working on a lot of digital initiatives including data lake platform within the company and I think at the end of the day, we need an organization which enables transformation so that all the objectives, all the road map that we have created for our Ahvaan 2025 can be achieved through an optimal organization, which is obviously a strong pillar, a strong fundament for success, and its people at the end of the day that make the difference, it's the people using the digital that makes a difference. Digital on its own cannot make the difference. Very proudly we announce "Paathya" 22nd of March, last month in Delhi. You see the Paathya water bottles on your table, you will see green meetings coming into force, you will see more renewable energy, you'll see use of wastewater, we will get rid of single use plastic, these are the commitments that we have made and we are going to honor it. I think there are six key pillars of best captured in the movie, which I will run it for you now.

(Speech followed by Video) That Ganga aarti that you saw is actually the backdrop of Ahvaan because something we've been doing for over two decades supporting Ganga Seva Nidhi in Banaras and we thought it would be a good backdrop for Ahvaan 2025. Moving on, one of our initiatives also derived from Paathya, which is about scaling 100,000 people as one of the pillars of those 100,000, we said 25% have to be women. Also we said we will take our average today of 17% women in workforce to 25%, something which we really feel very strongly about, something we really want to do, and we came up with a campaign "She Remains The Taj", but as a guest what are the value propositions that we're able to offer to lady travelers, how do we take care of our employees, we've been doing a lot of initiatives for the women in the organization already in the past, but we want to take it to the next level, and also as partners in the community.

As an example, when you see this Sarees of the ladies staff, you will see that, that is coming from the Banaras weavers and this has been something which is very good, which we've done for several decades, this has nothing to do with aspiration 2022 or Ahvaan 2025. These strategies are more about preserving what is the good, taking it to a very good level, and also at the same time stimulating the progress on the business front. This campaign we are very proud of I mean it's hit more than 5 million on YouTube. If you put all social media together it has 75 million. We've had maybe 2% -- 1% or 2% people who have complained why women, why not men, why you know differentiating, why these women why not you know are the women from the villages, but this campaign is about Taj and Taj will have different versions of this coming over the next you know 12 months, this is not that one movie and it's over and you launched the initiative it's over. We have to work on it on a monthly basis, measure what we promise we will do, check what we've actually done, and keep taking it to the next level except for two models who agreed on their own or volunteered is a better word on their own to contribute to the movie without charging us anything, the rest is the real queens, princesses, our Lady staff in our hotels weather in Delhi or in Mumbai or in Goa and that makes us very proud because it also helps you to strengthen a message internally that when the next versions follow, the others will follow too. So happy to share that with you.

(Speech followed by Video) Moving on this pyramid, most of you should be familiar with this. Basically Ahvaan 2025 helps us to strengthen our position as the most iconic hospitality company of South Asia, but also the most profitable one, industry-leading in growth, pipeline, margins, EBITDA, market cap you call it and we want to be number one in all that, zero debt, 33% EBITDA margin at the end of the business cycle, 300 plus hotels portfolio, and a balanced portfolio by using the three R's, by using the enablers with the new one of the digital and Paathya coming in without leaving or going away from the base which is the core values of both Taj and Tata Systems.

The next part of the presentation my colleague, Giridhar Sanjeevi will take you through the performance drivers, and more factual and more numbers coming your way so that we have everybody satisfied by the time you leave this room.

Thank you very much.

Mr.Giridhar Sanjeevi – EVP & CFO, IHCL:

It is always a hard act to follow Puneet actually but let me do my best.

Moving onto the next part of the presentation, performance drivers - what are the key areas that we are working on. Honestly it is consistency in terms of what we have always been saying and therefore what you will see in the next few slides is fundamentally a reaffirmation of some of the drivers that we have always spoken about.

This is a very interesting chart that we put up from time to time sort of shows the history of the company from 2015-16, and this is borne out of some of the conversations that we have had with some of our fund managers and investors, where I think people used to ask us industry uptick is there, is your balance sheet strong enough, do you have strategic clarity in terms of what you want to do, is your delivery of performance consistent, and is development momentum strong enough actually. And it is quite interesting to see that when we announced our aspiration in 2017-18, the next couple of years we were all greens, the pandemic impacted us for that period but once again we are back to being green on all the key parameters that matter in terms of setting us up in terms of Ahvaan 2025.

What are the key, ultimately I think there are really 3 things on the revenue side, on the cost side, on the balance sheet, I think these are the 3 things which are the key performance drivers. On the revenue side, really speaking we are talking about I think we believe that we are strong on revenues because unlike the other hospitality companies where the focus largely is on rooms and F&B we are blessed because of the way the strategy has been rolled out in becoming a house of brands and some of the other initiatives we are taking that our revenue drivers are nearly about 5 fold actually.

Number one is Like-For-Like growth from the existing hotels and existing properties through the RGI improvement which is really the drivers of room revenues actually.

On the right hand side is the new F&B concepts which will help us to drive revenue further.

On the bottom left is the growth in new businesses which is Ginger, Qmin and ama.

On the right hand side is the robust growth in the hotel pipeline through management contracts which will add to the management contract income.

And at the bottom the select hotels on the balance sheet. As we have said we will always be 50:50 and there will be places where we will invest to build our portfolio and that will also drive in terms of the revenue.

I think as Puneet outlined in his earlier part of the presentation, I think very clearly if you look at the industry data, very clearly the occupancy and average room rate is expected to increase actually, starting with occupancy going up, the rate going up and therefore the RevPAR going up. The other thing is, yes, while there are headwinds in terms of inflation and while we do not know the full impact of some of these I think generally it is believed that our industry there is some power in terms of pricing and therefore there is some level of hedge against inflation actually.

What has actually happened while this was the industry prognostication in terms of how things will bear out, I think April has been very, very strong as we saw in the quarter ended March also. Each of these cities, all India performance was 133% of the pre-pandemic level in the month of April actually. We were always talking during the pandemic period about this year being the year where we will return back to the pre-pandemic levels. But here we have seen in April the growth which is far excess of the pre-pandemic levels on a same store basis. And on top of it if you add the new hotels which have opened up it is a good start in terms of what has happened, across all the cities you have seen that actually. It is a good problem to have in terms of the growth in business.

And what is also happening as a result and given our presence in 100 plus cities and given the leading market shares that we have in most of the key cities that we operate we have been able to widen the RevPAR premium from the pre-pandemic level in '21-22 in fact it went up to 1.94, and as part of Ahvaan we are saying we will go to 2 which means we are talking about increasing market share and widening the RevPAR premiums as we go forward in the next 3-4 years.

This is driven very clearly by the Tajness, driven by the brands that we have, the portfolio mix that we have as well as the smart renovation that we will carry on to continue to keep us relevant to all our customers in driving this actually.

In terms of the new brands very clearly significant progress is being made on all the four areas which is Ginger where we expect to be at 125 plus hotels by the end of this period. ama 500 plus villas. The 3000 plus members in chambers from the current levels of about 2400. And Qmin as well in terms of its steady growth across the different cities and all the other initiatives around it actually, so the new brands will continue to drive the business.

In terms of chamber membership fees itself I think we have seen the membership base grow quite strongly. In fact we had a revenue of around 85 crores in the year which just ended and we think that with the growth and membership base to 3000 we have a potential of about 150 crores in terms of chambers memberships itself actually. Not counting the fact that these will also add to revenue potential because members do spend in terms of rooms as well as stays as well.

Moving onto management fees, I think people have always asked us how big your management fee business can be. In fact we have seen a strong recovery to 231 crores for the year ended 31st March 2022. We think that with the pipeline of 60 hotels and more to come, this fee can go to about 400 plus crores in the next 4 years actually. So that is what we are kind of guiding in terms of growth actually.

On the key drivers of margin expansion I think very clearly I think enhancing productivity is critical. We have always spoken, I think when the pandemic came in we spoke in terms of cost controls and how we were able to reduce fixed costs. Now we have a different challenge where the business has surpassed the pre-pandemic levels. We continue to be prudent in terms of cost savings, and as we grow through the network, the focus is very clearly shifted on productivity actually because I think we will become more and more productive due to these efforts and given the growth in the enterprise. The productivity efforts are on 3 buckets, number 1 is the hotel expenditures, the second is staffing which we will continually work on and finally the corporate overheads where we have been able to bring down and which will service a wider set of hotels actually. In terms of the focus on hotel expenditure there are really multiple drivers. I think whether it is consumables and perishables, whether it is payrolls, whether it is utilities, whether it is the commissions that we pay in turn to all the OTAs and others which come in and also leveraging Tata Neu there, all other expenses we are working on a whole set of initiatives all the time actually whether it is from centralized procurement to water recycling in utilities to shared services and payrolls to sort of Tata Neu platforms in commissions and also working on continuous tracking and rationalization of all the expenses. So these we will pursue doing to ensure that cost is optimized and productivity is enhanced all the time.

In terms of productivity this is something which we have always spoken about in terms of reimagining and sort of reorienting the service levels and working on manpower levels and manpower to room ratios, and these we will continually work on. Of course, depending upon the levels of business and needs, some site may go up and down but overall the productivity focus will continually be there in terms of the manning.

On corporate overheads, I think very clearly we have been able to bring down corporate overheads from 350 crores or so pre-pandemic to around 240 crores last year, while absolute numbers will go up what we are really aiming is at from an 8% corporate overhead level that we had, we want to keep it at around 5% level as we go forward in terms of business actually. So that's the focus in terms of doing it and we will do it through a whole bunch of efforts including redeployment, prudence and resource allocations and working as one IHCL and taking a lot of synergies.

One example I can talk about is that post the acquisition of 100% of Ginger I think what we have now done is that Ginger had a head office separately in Bombay, I think that head office has been given up and the different departments are getting merged with different areas. And even how we operate, area directors who historically looked after Taj and Vivanta will now look after the Gingers as well. So by doing that we are actually optimizing and bringing in more synergies in terms of overheads across the piece.

What is all this doing in terms of the focus on different revenue levers and focus on the productivity levers is that the shape of the P&L is changing. I think in two steps, one is revenue contribution from new businesses which is currently pre-Covid at 10% we expect to go to about 25% actually, driving up in terms of what it can contribute. The management fees, the Ginger business, the chambers' income, the Qmin, the amas and all of that actually and the EBITDA contribution from this business will be 22% currently from pre-Covid levels expected to go to 35%. So that is how we expect to change the shape of the P&L. And as Puneet said in his earlier discussion as well I think these are the high margin businesses which will help us to sort of ensure that we go towards the EBITDA margin guidance of 33% by the end of this cycle.

So this is the shape of EBITDA margin that will happen, what happened in 2019-20, what happened in 2021 which was a loss and how we are coming up and expect to reach 33%.

Key summary of performance drivers, essentially all these are coming through a variety of performance drivers both on revenue and on margins actually where we expect margin improvement contributions to come both from revenue initiatives and cost initiatives. Driven by all the soft factors that we discussed which is demand greater than supply, the strong rebound in travel, the pivot to domestic, the power of the domestic we kind of discovered during the pandemic, the scalable and asset light models, the entire hospitality ecosystem of brands that we have built. And on the cost side by new ways of working, by digital adoption, economies of scale, high margin focus and continued tracking. So all of these should come together to help us to get to the Ahvaan targets of 33%.

On the balance sheet side very clearly we completed at the end of the last year a recapitalization of the enterprise resulting in a zero net debt position. What we are trying to do going forward and this is something that we have always been doing but gains even more focus is a focus on fresh cash flows. I think with this strategy in place and profitability coming through and very careful focus on capex and renovations as well, we continue to focus on free cash flow and this is important for us. We were in 2005 a company with about 1000-1500 crores in the balance sheet. Since 2008 till just now we have been a company which has always required cash and therefore given that context I think a focus on free cash flow is absolutely right to make sure that we don't go back to those days and yet have money left for a rainy day if ever required.

Incremental capital allocation will be prudent, we continue to be focused on our VACs and therefore all our capital expenditures will ensure that they are above VAC, to ensure that the ROC goes up.

And monetization and simplification continues to do, in the last four years or so our monetization efforts across the network has yielded nearly 500 crores or so and that focus will continue. Simplification, we have made some effort and some successes in terms of simplification of the corporate entity structures and those efforts will still continue and we will see hopefully more coming through in this period.

Focus on cash flows people keep asking me in terms of free cash flows, I thought as we kind of build your models, give some kind of an indication as to how this will shape up. If revenue is about 100%, EBITDA is around 30-35%, you will have fixed leases, taxes, working capital dividends, taking away maybe 10% or so. Normal capex and renovation will be about 5%, giving us cash flow before expansion capex of about 15 to 20%. And what we mean by expansion capex are things like the Mansingh for instance is one of them, and some of the new projects we are doing like Ginger Santa Cruz, the Kevadia, these will be the others that we will do to ensure that the free cash flow accruals will be between 5 and 10% of top line on a year on year basis.

And in terms of monetization simplification, we think that it is fair to sort of take a 1000 crore target upto ’25-26 in terms of further monetization and that is something that we will work on. These consist of a mix of land banks, hotels which are not in strategic locations and some sale of some investments. And of course, wherever we kind of divest any hotel like we did in places like Vishakhapatnam we will continue to maintain the flag. And on simplification Ginger is wholly on subsidiary. Recently now, and I think we have spoken about it earlier, we have put money in St. James Court to bring down the debt but through a rights issues which allows us to consolidate shareholding because St. James Court happens to be a joint venture with Oriental Hotels and PM Hotels, so we will continue to consolidate shareholdings as part of our efforts as well.

Sea Rock is a question which you all have been asking from time to time. This is an area where remains probably the last battle that we have in terms of resolving a historical problem that we have had since 2007 or so. We are working with the government to create a landmark hotel. One thing we have always promised is that we do not intend to put in any more capital beyond what we have already put in, and we believe our vision is to create a 1200 room complex between Land's End and Sea Rock which can have a potential of 1000 crores in revenue, a second iconic destination in Bombay generating not just revenues but employment, tax potential and everything else for the city of Bombay.

Diversified shareholder base, just a slide, we are very proud of this, I think it is very interesting to see that the shareholder base which was 1.35 lakhs has gone up to about 3.42 lakhs in the last 5 years or so. It is incredible. And the shareholding pattern we are very proud of the fact that beyond our parental Tata Group at 38% the DIIs and FIIs constitute 46% of our shareholding and we have 16% of shareholding with retail and we are committed to sort of doing everything we can in terms of shareholder value maximization, and given all we are saying in Ahvaan it will also be stakeholder value maximization especially with efforts around Paathya.

Finally we just conclude by saying that this is a triangle which is a 33% EBITDA margin expansion, zero net debt, 300 plus hotel properties, 50:50 portfolio.

Ahvaan 2025, fuelling IHCL's re-imagination.

We are open for questions, I think we will just come here. I am also thankful to the people who are listening to us phygitally and they can also ask questions to us. If there are any detailed data base questions my request is that we take it offline because, I think otherwise we will be happy to answer others as well.

Thank you.

Ladies and gentlemen, since we have guest presence here in the ballroom as well as online we shall begin with few questions from those of you present here, move over to our guests online and then come back to you, kindly introduce yourself before asking your question. Online guests kindly use the raise hand icon should you wish to ask a question. And now over to the guests in the ballroom, kindly raise your hand and we will have a microphone passed to you.

Mr. Aishwarya Agarwal – Nippon India Mutual Funds:

Thank you very much for detailed presentation. Sir, this is Aishwarya Agarwal from Nippon India Mutual Funds. Sir, just want to understand about the cycle, how do you see the hotel cycle say next 3 to 4 years where the demand, I mean can see in the slide I mean one of the slides was talking about there is a strong demand and the weaker supply and that will probably support the occupancy as well as the RevPAR. So what are the 3-4 key ingredients in that I mean to assume that occupancy as well as the RevPAR will keep on moving up for the next 4 years.

Mr. Puneet Chhatwal – MD & CEO, IHCL:

So number one I said it already is the constraint in supply, the supply growth will not be as strong as demand which will help RevPAR to increase. First occupancy and then rate will follow. The second part in cyclicality is pent up demand. You know, for two years travel has been restricted including overseas travel. So we are noticing now as we speak even for us in destinations like London, there are a lot of people are going to London whether it is Wimbledon, Queen's Centenary Celebration or whatever it maybe, suddenly we see that June there is hardly any availability. And even people who are known to us, our Chamber's members, where the Group people coming from there, we are finding it difficult because everybody has a desire, travel being fundamental need so that is why they are travelling. The third important factor is the pent up demand is, one is your leisure, the second is your government delegations. So you must have followed recently Indian delegation going to Germany, Denmark, France, Scandinavian countries, right. So similarly other delegations are coming here whether it is Japanese or at the end of the month Hungarian, and they are going to increase so that should help in driving both occupancy and rate. Last not least is there are 2-3 things which are very peculiar to Indian sub-continent, spiritual tourism is crisis resistant. You know if you have to go to Tirupati, if you have to go to Vaishnodevi, if you have to go to Benaras, if you have to go Ayodhya, all this is only on the increase. We witnessed that during the Covid, we opened a Taj in Rishikesh and very recently another one Anand Kashi near Rishikesh and Pilibhit House in Haridwar. I mean we were very optimistic about these properties that's why we signed these contracts. But that these properties especially the last two that I mentioned Pilibhit House in Haridwar or Anand Kashi that they would do rates that they are doing I don't think we would have thought is possible. So spiritual tourism, medical tourism which is becoming more and more popular as well as weddings. You know a lot of weddings either got postponed or delayed or others that happened, they are going to come back with a big bang. And I think because it is a part of our culture owning a house, buying jewellery, wedding of a daughter, wedding in a family, this is just a part of our DNA. And I think these 3 together with the opening up of borders and international travel should provide a very good platform for growth both in occupancy and rate which will translate into RevPAR, that's on the Indian front. Globally I think it is even stronger than here because here we sometimes hit a rate ceiling. I know that some of the people known to me ask me for help for booking of rooms in Paris at the time of, recent times of Roland Garros or other events happening. They are in luxury segments, the rates are really and I said it in my presentation, please go online and check you will see rates which I have not seen in my career before. So it is not just a function of supply, I think this cyclicality is partially mitigated in the luxury segment with the people's willingness to pay and enjoy life now than to wait for 5 years or 7 years and keep collecting money. Whether this will stay forever I don't know, but as we speak today this is what it is and save for any pandemic number one, save for any geopolitical trends what my colleague, Giri, just now mentioned, we are in the month of April and May trending definitely double digit ahead of same time in '19-20.

Mr. Aishwarya Agarwal – Nippon India Mutual Funds:

Thank you, sir, maybe at a later stage if you can touch up more on the supply side that information is information which is not available to us, and it is very restricted and you are the dominant player. So if you have some data base and some insights which can be shareable at a later point of time that will be really helpful for the longer term perspective.

Mr. Puneet Chhatwal – MD & CEO, IHCL:

Sure, I don't think we would, we subscribe to similar data, it is a 4-5 global institutions like STR or Horvath or HVS or hotelivate, there are lots of groups that publish that data from time to time and we use the same. And it is quite credible or we use a combination of the same but more or less they are all close including JLL, CBRE so there are lot of such groups I would encourage you to get that and that's unbiased, it is not an opinion of one company rather looking at a sector.

Mr. Aishwarya Agarwal – Nippon India Mutual Funds:

Thank you, sir.

Mr. Giridhar Sanjeevi – EVP & CFO, IHCL:

Should we take a question from the online one, in case there are any questions.

Operator

We do have one member of the audience, Mr. Vikas Ahuja. Mr. Vikas Ahuja kindly accept our invitation to unmute your microphone, switch your camera on if you so desire and go ahead with your question, Mr. Vikas Ahuja.

Mr. Vikas Ahuja:

Hi, thanks for the presentation, sir, personally it is nice to see you guiding for significant margin expansions, most of the companies globally are looking to reduce margin expansion. So my question is when you were making this kind of assumption that margins are going to improve by 800 point, are we factoring in some kind of rate inflation or maybe any macro factors, the macro is also very volatile now. So what are the kind of key assumptions, have you looked at those assumptions as well.

Mr. Giridhar Sanjeevi - EVP & CFO, IHCL:

I think your question if I rephrase, Vikas, is what you are saying is that with your margin expansion of 800 points have you factored in some of the macro factors like inflation, I think that's the question actually.

Mr. Vikas Ahuja:

Yes, yes.

Mr. Puneet Chhatwal – MD & CEO, IHCL:

Of course, Vikas, inflation is always in, if you are talking about dramatic increase in inflation that's something different. We think that is obviously the short term volatility but if that is the case, it will be reflected both in cost and in revenue. So I do not think that is the main, what we have done is taken our optimized cost base as Giri showed in terms of our room to staff ratio, our variable cost when it comes to all the variable costs whether it is food or raw materials or bar or you know any other form, and finally we have taken a very important assumption which also Giri mentioned in terms of corporate overhead that it will stabilize at whatever the revenue level is at around 5% versus 8% before. Now that significant because this is like a capex, we always guided capex as 3 to 5% of the total revenue for the year on a consolidated basis. Now if you are coming at a level of which shows like 8 to 10% pre-Covid level in terms of corporate overhead that's a significant reduction versus the increase in revenue and the number of businesses and the number of hotels making you far more efficient than you were ever before. So I think that is how it is reflected in margins as we said. Number one, your operational leverage, number two is your new businesses with high margins, number three is your change in business model from owning and operating to more focused to management contracts because it has a higher flow through, and aggressive growth because we have all the 60 hotels which are still to open plus whatever we will sign now and open or conversions of existing brands till 2025 which give you that additional margin that you may not have had if you were owning and operating in the older model. So I think these are the 4-5 key factors, and also not allowing new businesses to come in if they were producing less than 35% margin, I think that was also a part of the presentation. So I think all these 5 combined together should help us take care of any extraordinary inflation or any other negativity that, or negative headwinds that come in our way and it is a very scientifically derived number, if you come we are happy to take you offline and through the model in our offices.

Operator We don't have any other guest online with questions, so we will come back to our guests physically present here in the ballroom.

Mr. Amit Agarwal:

Hi, good evening, should I go ahead with the question. This is Amit Agarwal this side. Thanks for the nice presentation and I know that this time there is a lot more focus on the balance sheet restructuring. My question to you is while you have given some kind of a guidance on margin expansion you know for FY25. With the balance sheet restructuring and margin expansion any kind of guidance or thought on the return ratios like ROCE/ROE that would be helpful.

Mr. Giridhar Sanjeevi – EVP & CFO, IHCL:

Okay, I can take this question I think we have deliberately, I mean we have always stated that our focus on ROCE is something that we are dialling up actually. I think if we look at the balance sheet, the balance sheet is really in two parts. One part of the balance sheet which says domestic hotel assets always gives us very high margins, that's very clear. There are a couple of areas where which drags down the ROC, example the Sea Rock investment which currently doesn't return anything. International assets we have been working on in terms of improving profitability. But beyond it I think it is the monetization and simplification which is going to help in terms of taking us in that direction. The only reason we are not giving a specific direction is that the monetization I mean we have had, one of the things we always say right from 2017 the whole management team has had a series of things to do, and we have been addressing one by one. And I think these monetization simplification, like if we take merger of one of our listed entities into IHCL so that eliminate one listed entity, I mean is something that we have always said we will try and do. But I think there are partners involved and all that and the effort is kind of longer term in terms of doing it. That's the only reason that we are not guiding towards a specific ROC target, except to say that we had a slide on incremental capital allocation because ultimately from an investor's perspective what is historic on the balance sheet will only get resolved in a certain way but in terms of incremental capital investment as long as we are able to make sure that the incremental capital is deployed in a fashion which is beyond cost of capital then the ROCE will keep going up. So I think really 3 parts, one is existing hotel efforts continue to be high ROCE, second is incremental investment will be accretive on ROCE and number three is that we will have to simplify and monetize to build it and there the time horizon is a little unclear because of the nature of the work. We are clearly having a number of conversations.

Operator:

Okay, before we ask our next question may I request you to kindly announce your name and the organization you represent before going ahead with your question. Over to you, sir.

Mr. Achal - HSBC:

Hi, this is Achal from HSBC. I have a couple of questions if I may. So first of all you have discussed your EBITDA margin but you have not given any guidance or any thoughts around the top line. How do you see the top line growing over the next few years including you have given of course, you have given some bit of expectations in terms of 1000 crores plus revenue expectations from Sea Rock alone, so what sort of revenue targets you are looking at for the next couple of years. And have you built in some part of synergies from Tata Group's aviation business and plus TataNeu, you said you are the first one. So have you started discussing all other things like you know the aviation when you are coming to your hotel in the form of the cruise stay and all that sort of thing, that is my first question. Secondly I also wanted to ask you about, so Mr. Chhatwal has talked about a lot in terms of the structural changes, the customer behaviour, but are we really sure that these are going to stay back because many of the things are actually reversing. So now how confident are we that some of these will stay and not reverse back to square one. Thank you.

Mr. Giridhar Sanjeevi – EVP & CFO, IHCL:

Okay, I will answer some of it and then I will request Puneet to build on it. See as far as revenue, see I think one of the things that I began with by saying that as far as revenue is concerned, we are clearly blessed with a number of different levers, so one is the traditional rooms and F&B growth that is one part of it. Second is the new business growth through things like management fees, Chambers, Ginger, ama and all that. And you are absolutely right, these factors which are coming in, in terms of Tata Neu, airlines and all will add on. So if I take one by one, so if I take we have already guided to what Chambers and management fees can be, which is significant, we said 400 crores in terms of Chambers, management fees, 150 crores in terms of Chambers we have said, Qmin and ama are already doing good levels of top line. Qmin last year did about 66 crores of top line, I think with about 48 crore pure commercial top line, that's steadily really growing. ama is already, it's asset light model is purely fees. Now if you look at Ginger, Ginger we already got about last year, we ended the year with 178 crores in the middle of a pandemic, even if I assumed a stable year last year it would have been say 220 to 225 crores and this is likely to grow with the new businesses. Take this Ginger Santacruz itself, one single hotel, what was 178 crores for 31st March 2022, one single hotel in Santacruz can contribute to about 100 crores to top line. So these revenue drivers are nevertheless there. On Tata Neu, our loyalty program pre-pandemic used to contribute about 1000 crores out of an 8000 crore enterprise revenue which is roughly what 1/8th – 12.5% actually. I think what we have guided here is that this can go up to 30% is what we have said, 30% of the revenues as they are going up. So all these factors have definitely been kind of baked in as we talk of the ambitions on revenue. So that is the first question. Your second question was on, sorry.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

Trends and reversal in trends.

Mr. Giridhar Sanjeevi – EVP & CFO, IHCL:

Yeah, reversal trends, you want to take that I mean I am happy to....

Mr. Puneet Chhatwal - MD & CEO, IHCL:

No, I want to take the one on the lighter note, Achal, if we tell you the revenue, we tell you the margin and tell you the year, then I have told you everything for the next 5 years. We have fixed the stock price.

Mr. Achil – HSBC:

That's what we wanted.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

So I think you people are very experienced to figure out if we are saying that we are looking at a double digit growth, and Giri just gave you the number which you have from the past from ’19-20, now how much that double digit is, I am not saying 99% but is definitely north of 10%. So that is important, I think if it keeps going this way you will start seeing a trend at the end of Q1 results when we announce those and then further at Q2, because Q3 and Q4 are always stronger than Q1 and Q2. It is just the way business has always worked for us as a company but also for the Indian sub-continent, Q3 is the strongest, Q4 is the second strongest, Q1 is number 3 and Q2 is number 4. This time there might be a bit of change that Q1 and Q2 become very strong because of the pent up demand but it is still very difficult to surpass Q3 because it has Christmas, it has New Year, it has Diwali, it has all those wedding nights, you know the wedding dates, so it is very strong. In terms of trends I would say your words in God’s ears if some of those get reversed especially the digital meetings then we will have fuller halls here, and we have a lot of banqueting space. It is getting reversed I fully agree with you, but some of those new trends that we saw are here to stay because they are a boost to our industry. You know people driving on holidays in the amount that they are doing now was not happening before. Even now when things have opened up a lot of people are reluctant to fly, firstly because the ticket prices have gone through the roof. So, if you can drive from Delhi to let’s say Rishikesh, you don’t want to fly to Dehradun and then drive down to Rishikesh. You might as well drive, you make a stop maybe one night in Haridwar, one in Rishikesh and then go further up to Mussoorie or… So, these kinds of things were not happening in that magnitude as they are happening now. I think, that trend will stay, it will not be reversed.

Mr. Achal – HSBC:

Sir, you did not touch upon on your cooperating with the Tata Group on the aviation side. Have you started discussion something on your cooperation with the aviation business?

Mr. Puneet Chhatwal - MD & CEO, IHCL:

See, I think I mentioned in my presentation that our cooperation with Air Asia and Vistara has been in place for some time, including with Air India was good. We’re hoping it moves to ‘very good’ and all three together move to ‘excellent’. Why? Because, we are in the same business. So, we were already supplying a lot of meals to Air India, especially from our Delhi and Mumbai stations. So that is one. Hosting cabin crew is another one. But, you also don’t want to displace high paying business with low paying crew. So, it depends in which market what kind of customers you want in which hotel? I mean, in Land’s End, if you get too much of crew or in Taj Mahal Palace, Colaba, then it’s not a right strategy. But in Vivanta in Navi Mumbai, if you get crew, it’s a good thing. If you have a small amount of crew in Taj Santacruz or few crews when we open Ginger in Santacruz, of course, that is a collaboration we will be working on. Flight catering meals is something we are working on. Collaborating in other forms of cross-training, cross-selling, we've started work, but Air India is still very new. Please give it another 6 months or so; it's a new business, it has to settle down. But, Vistara and Air Asia, we are in that for the last… with Vistara I think already 4 plus years and it's a very strong partnership.

Mr. Achal – HSBC:

Perfect, thank you. Sorry, the last one and I promise I'll stop here. You have not mentioned anything on the GIC platform. Is it still alive or is it gone? If you could please talk about that? Thanks.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

Normally we would, but we have not mentioned because then everybody asks when is the next first deal happening? So, what we have done is, we have renewed… as 2 years was a washout, we have renewed that platform's partnership for the next 2 years, and we are quite hopeful of getting one or the other deal done this year as the gap between the seller's expectation of a selling price and a buyer's expectation of what he is willing to pay is narrowed down significantly.

Mr. Achal – HSBC:

Thank you so much.

Mr. Nihal Jham – Edelweiss:

Good evening, this is Nihal Jham here from Edelweiss. Can I proceed? Sir, a couple of questions, and best wishes for achieving the targets ahead. One is, if I look at the kind of cash flows you'll make, plus the 1,000 crores from non-core that you're targeting, there will be enough cash even left for inorganic opportunities, as you mentioned. So, there what is the thought in terms of opportunities that you're looking at? And the second question was, while you've given a margin guidance of 33% for the entire business, I would believe that the standalone Ginger and the international operations are in very different stages in terms of the journey. And, if it's possible to bifurcate the individual targets for those also?

Mr. Puneet Chhatwal - MD & CEO, IHCL:

I think you'll have the take the second one offline Nihal with our office and people. We have those numbers available. Of course, each of these brands is not 120 years old like Taj is. So, they're in their different stages of lifecycle and they will mature as they move forward. The first question you had was on inorganic growth. I mean, we've said we want to be industry leading in portfolio growth, we want to be industry leading in openings, we want to be industry leading in signings. So, if something comes up, it's a part of our strategy. Profitable growth of the portfolio is a core part of our strategy. We will not do anything and everything and again disrupt our brands. We want to have pure brands in their respective segments, and if something comes in which is a good fit or a good opportunity to even create a new brand, we will look at it, and we'll look at it very seriously. And that's what the free cash flows will help us do instead of taking on debt.

Mr. Nihal Jham – Edelweiss:

Just a follow up. So, that would mainly be in India or would you look at international opportunities also for that?

Mr. Puneet Chhatwal - MD & CEO, IHCL:

No, we are not investing into assets internationally. Our philosophy, as we have communicated consistently for 4 years, will stay, or, in the 4th Capital Market Day we are not investing outside of India as IHCL. If the investment comes from somewhere else and we are managing or doing some form of sliver participation, not in ownership but in some form of giving a minimum guarantee or going for an operating lease, we will consider. And internationally, we will, to the extent possible, unless it's a very India-driven market, we will only focus on Taj. We're not going with a Ginger and a Vivanta and whatever else, with Qmin outside of India. That's India centric.

Mr. Nihal Jham – Edelweiss:

Thank you so much.

Mr. Giridhar Sanjeevi -CFO, IHCL:

Deepika, I think you had a question. One second, let's get the mic to her.

Ms. Deepika:

Thank you sir. Sir, two things on the balance sheet front. You clearly mentioned that new capex is going to be ROCE accretive. And, of course, you're seeing the Ginger Santacruz and a couple of other investments in Gujarat. So, why consider a sale and leaseback essentially if all of these are going to be adding ROCE to balance sheet?

Mr. Giridhar Sanjeevi -CFO, IHCL:

The way we looked at Ginger Santacruz, I mean, we don't have to do sale and leaseback or sale and manage back for everything. I think it's a great opportunity. It's an asset which has been there free for us actually, and probably costing… the land value itself could be 200-250 crores actually. We're building a property which is going to cost us another 200 crores. It's one example of smart asset management, where on an existing valuable asset we're just incrementally spending only 200 plus crores, and an opportunity to sort of monetise and leaseback or manage back. And, that money can then be perhaps recycled into something else actually. I think that's what we're actually thinking.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

Why not I answer in a more provocative way? Why not sell 50% of it which was never monetised, so I'm only leasing back 50%. So, you create margin both in the Opco and the Propco.

Ms. Deepika:

Understood. And sir, secondly on the cycle, you already mentioned that you're trending at double-digit growth compared to 2019-2020 levels. In terms of sustainability of that going forward, particularly in the large markets like Mumbai, Delhi, Bangalore where a bulk of your room inventory is.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

I remain optimistic about the growth on the like-for-like. And, it will be assisted on the not like-for-like. If we keep getting double-digit growth, it is very good. If we get higher double-digit, then it's even better. There is nothing that we know which would seem to suggest… us or anybody in the industry that would seem to suggest that it is going to fall below as we stand today. Tomorrow anything can happen, that we don't know. But as we speak today, there is nothing that suggests… since, I think STR did that survey that in India, including in key markets, that curve was exceeded around 14th or 15th of April. By the end of March, until that day, we had reached 2019-2020 level, and then it just went up after that, of course, assisted by IPL, which just finishes. We don't know what impact the end of IPL will have, because it occupied a lot of rooms. It depends who you speak to. When I speak to our people who had taken on IPL teams, they said, 'Oh, we should not have taken or we could've sold the rooms much more expensive'. When they go away, they might say, 'Well sir, we had IPL before we could charge higher'. So, it's just a part of this business. All in all, as they say in Latin, 'Summa summarum'. You can say that it is higher, it is healthy, it's very welcome by us, by the industry at large because we have seen very bad days. So, we don't even want to go there that it will go down. We want to only see how much higher it goes, atleast for the moment.

Ms. Deepika:

And we all look forward to that. Just a last one on Sea Rock. Since you'll have given some targets this time around, any target on the development timeline? And, since you're not going to be entirely on balance sheet, what happens to the land value which is on balance sheet once the development gets completed?

Mr. Giridhar Sanjeevi -CFO, IHCL:

When you say land value, the land value is fine. In fact, we believe that once all the approvals come in, this is going to be a very valuable piece of land actually. And, what we are working on is to accelerate those actually. And as we have always stated, we won't put an incremental investment, and hence… we are open to everything on Sea Rock, which means, not just a developer coming in to construct, but even open to somebody taking some of our shareholding as well actually. So it is something, the chapter has to unfold. I mean, our intent is very clear, our work is also clear. Unfortunately, it is an area where things take time. And as Puneet always says, we believe that this is probably a great moment in terms of the rapport that we have with the government here, to be able to fast track it as much as we can actually.

Ms. Deepika:

Thank you.

Mr. Giridhar Sanjeevi -CFO, IHCL:

Is there any question there online? I'm conscious there are few questions we've taken here.

Operator:

We've got Mr. Vikas Ahuja with another question.

Mr. Giridhar Sanjeevi -CFO, IHCL:

Vikas, can we come back to you. Can we take some questions from the audience please?

Mr. Niket Shah – Motilal Oswal Mutual Fund:

This is Niket here from Motilal Oswal Mutual Fund. I just had two questions. One is, in the presentation you did highlight about restructuring/monetisation. I just wanted to get your sense on your strategy on monetisation of some of your international assets which has been a bit of a drag for a longish period of time. That would be pretty helpful.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

It's an interesting question. Firstly, I don't know where this information comes from. We don't have any asset to monetise which has been a drag on us. We only have one asset which has been really lossmaking, but it's very iconic, that's in New York. But, we don't own it, it's a long term lease hold. So, the question of monetising on that never arose. There's another smaller one in San Francisco which pre-COVID was profitable to the net level. And the rest… Lusaka is a management contract, Cape Town we acquired 100% shareholding, we have paid down 100% of the debt now?

Mr. Giridhar Sanjeevi -CFO, IHCL:

Not yet. It will happen now.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

We are waiting for some RBI approval and it should be done.

Mr. Giridhar Sanjeevi -CFO, IHCL:

Yeah.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

And then, Dubai is management contracts. Maldives is a winner of the COVID; it was not a problem. Sri Lanka, at the moment, is a challenge. But, we don't own those assets 100%. We used to own some international assets, like we had Boston which was unfortunately sold before both of us joined, or the sale was committed before we both joined, which was a crown jewel. It was not profit-making, that's true. We had an asset in Sydney which we sold which was not profit-making, which is also true. But, this is long time ago. But I always joke, I don't know who has inculcated this very deep thought?

Mr. Niket Shah – Motilal Oswal Mutual Fund:

My question is on the return… actually I was trying to understand, there is some drag on the P&L from international business.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

It's not. London is highly profitable, and how many customers use us because we are in London and New York! If all other brands coming from India were also in London and New York, I don't think we would get so much of traction. So, I'm sorry, but every time, every quarter, every Capital Market Day, the same question comes up. And I think next time Giri and I will put up a slide on all our international business. Partially we did that, we had that discussion; I will say it openly out here. Partially this comes up because of the way we are structured and we show those things which is more accounting and tax driven v/s actual operations. So, there is a challenge on that front. But, if we have to put all international businesses together, it's not a negative, it's a positive.

Mr. Niket Shah – Motilal Oswal Mutual Fund:

Got it, thanks.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

Pre COVID and as we speak today.

Mr. Giridhar Sanjeevi -CFO, IHCL:

That's right. If you're asking will we monetise, absolutely. I think he's right in terms of saying that the assets which drag are the lease property in New York which we'll not monetise. But, if you ask me will we monetise any of the others, that is something that we've always spoken about as options actually. At what point of time we will do it, is a decision we'll have to take.

Mr. Niket Shah – Motilal Oswal Mutual Fund:

And, any more restructuring which is still left? Whatever you've already done in terms of acquisition, acquiring 100% and making a 100% owned subsidiary. Is there anything still left within the entire…?

Mr. Giridhar Sanjeevi -CFO, IHCL:

No, St. James Court will continue because we are 54% now. I think now we will infuse more equity to reduce debt, but by increasing shareholding, and that process will continue. So, that's No. 1. No. 2 is, we have always been transparent in terms of talking about some of our other entities in the group, some of which may be listed in terms of simplification. There conversations have been going on for a long time, and let's see… I think what we see is hopefully a gradual thawing of positions because the partners in many of these companies have seen IHCL grow, and there are debt in some of these companies. So hopefully, during this period, we will be able to fold back atleast one of them, if not more. So that continues to be our effort. And as we have also spoken in the past, internationally, maybe there's always an opportunity in a Dutch-holding company to find a partner which can de-risk India and at the same time create some capital for growth wherever possible, and even bring back some money into India. I think those options we'll continue to do. I mean, as I always say, we have a long list of things to do actually, and whatever you are asking, none of it is of our things to do checklist. We continually work on all of these, and hopefully we will announce it as and when appropriate, whenever we have concrete things to communicate.

Mr. Niket Shah – Motilal Oswal Mutual Fund:

Sure, thanks.

Mr. Nisar Parekh – Native Capital:

Hi, this is Nisar Parekh from Native Capital. My question is on the growth, the target that we have to sign, additional 60-70 hotels in the next 3 years. Given that we are in a supply constraint market and we're not planning to set up our own new hotels to the same degree, how do you see the growth coming from a combination of… is it new properties getting developed or are you seeing conversion of non-branded, non-chained hotels to branded chain hotels? How do you see that split?

Mr. Puneet Chhatwal - MD & CEO, IHCL:

A part of the question you answered yourself. So, non-branded to branded is definitely one part of it. We have 60 hotels in the pipeline in various stages of development which will open. If we continue signing on an average 15-20 per annum, then we definitely achieve that 300 plus with 3 plus years to go. So, I think, that is what we have done in the past. Also, with the change in focus some of these properties that we're talking about, as we said, the quantum of growth that will come from a brand like Ginger is far higher than would come from Taj. So, we're not saying that we'll be now signing 60 Taj branded properties. Vivanta, Ginger, there is a lot of need for hotel rooms in India. The tier 3, tier 4 cities are performing very very well, and each of those cities, each of the district capital, each of the state capital can have a Ginger and some of the important capitals can have multiple Gingers. Like in Delhi NCR or in Mumbai, we are in Andheri Telli Gully, we are in Andheri Mahakali, we're going to open in Goregaon, we're building in Santacruz. So, you could do maybe 10-15 Ginger properties in Mumbai without anybody feeling any impact of it. So, I think, as I said, the growth follows a scientific method which has to be artistically executed. The science is, buy brand, buy geography and buy contract type. These are the three things. If you balance all of these three, the result will be there.

Mr. Nisar Parekh – Native Capital:

Got it. My second question is on management contracts. Given 75% of pipeline is through that, and some of the international brands like Radisson, Marriott have obviously been leaders in that space and they arguably may command a larger international brand than ours. So, in that, when we go to sign these contracts, what kind of competition do we face from the likes of Marriott and Radisson? And going forward, do we see pressure on the management fee percentage that we are able to charge v/s some of these international brands?

Mr. Puneet Chhatwal - MD & CEO, IHCL:

First I will answer it on a lighter note so that we wake up the audience. See, they are not larger, they were larger. We had a chart on who is the largest in number of hotels and number of destinations, that's no. 1. No. 2, you're talking to a person who spent 15 years as Global Head of Radisson Development. So, I know exactly what we do, and I've only worked in this industry for 40 years – we don't compromise on face with our mainstream brand. We are not doing management contracts to the extent we were doing before with Ginger. With Taj we don't need to because discount on fees, because we are the nation's strongest brand or among the strongest brands, and very very strong globally. And within India, definitely the brand recall of Taj is the strongest and it is going to stay that way. Now, the game comes between Vivanta and selections. We don't have to do everything, but some things all the brands and all the hospitality companies do, that is again not driven by a scientific business model, sometimes you have a relationship. Now we have tied up with Ambuja Neotia who are doing 6 hotels with us. Now, when somebody is doing 6 hotels, I can't charge them the same fee level as if it is for 1. There have to be certain performance clauses, there have to be certain kind of discount because the time in servicing that contract is the same, because it's still that one meeting with the owner, it's that one travel of his to Mumbai or ours to Calcutta. So, there is some kind of a… you cannot cast it in stone that this is our fee structure and that's what it is. So, it also depends on which owner, which location, how important it is for you to get the hotel noise. For us, it's a wonderful hotel in Darjeeling, 3 in Calcutta, 1 which will open next year in Sikkim. And previously, we did all these hotels in a partnership as a promoter in listed entities. So, the comparison itself is completely changed, and it's normal. It's an evolution of the brand, it's the evolution of the company, but it is also the evolution of business models. When we did those partnerships and promoterships, the whole philosophy of management contracts did not exist in the country. So, all this is in evolution. All these great international brands are good because they help us to become a better competitor, they help the industry. We all grow together and there is a space for all. And, it's no us v/s them or them v/s us. Of course, there will be some form of competition, but as long as it is healthy, it is good for the industry, it is good for you as the consumer, it is good for creation of jobs, it is good for everyone. And, that's the philosophy we have followed and we will continue to follow.

Mr. Nisar Parekh – Native Capital:

Thank you so much.

Mr. Adhidev – ICICI Securities:

Good afternoon. This is Adhidev here from ICICI Securities. Sir, just a mention on the EBITDA margin guidance which you have given of 33% for the longer term. If you look at just our Q3 numbers, we have achieved close to 30% EBITDA margins and our revenues was still significantly below the pre COVID levels. While you were alluding the double-digit growth which we may do this year itself in FY23? Don't you think that this number would be achievable in this year itself considering the cost optimisation efforts? I'm just trying to reconcile the numbers.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

We will have a separate party for you if we… (laughs). You know, if there is a pent up demand, there is a pent up expenditure, there is a pent up cost, everything is there. Then there is pent up salary increases. Of course, we would try to do it. Already this year… and change the guidance of our 120-125, that would be the most ideal scenario for you and for us. We will all be very rich in this industry. But, there are things that happen that we don't know today. Something always keeps happening in the world. And there are those 1-2 months in a year that somehow push you back and then you come back up again. So, like having a smooth ride, nothing coming, no traffic, no headwinds, you're the only one driving, uptil now that has not happened. I've never seen that, atleast in this business.

Mr. Adhidev – ICICI Securities:

Sure sure. The second question is on your international business. So, by when do we see some sort of recovery on the revenue or on the EBITDA front over there?

Mr. Puneet Chhatwal - MD & CEO, IHCL:

So now you contradicted yourself. Just now you said 33% you will achieve, and the next question is when is the recovery?

Mr. Adhidev – ICICI Securities:

This is without international business contributing.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

Correct, because in the India business we already achieved it. It comes down because these kinds of margins, because of the different labour cost structure, are not possible in European or western context. So therefore, the more it comes back the business, the higher will be our margins. Then your first statement will come true that if South Africa, if Lusaka, if Sri Lanka, all start firing on all cylinders, then of course it will go up. But as I said, there is always something happening in one part of the world which is beyond any management's reasonable control.

Mr. Adhidev – ICICI Securities:

Sure sir, thank you.

Mr. Giridhar Sanjeevi -CFO, IHCL:

Should we say the last couple of questions?

Mr. Sumant – Motilal Oswal:

Sumant here from Motilal Oswal. My question is for Sea Rock. We are going to add 700 rooms, and assuming 2 crores per room, the capex is likely to be 1,400 crores. As per our annual report, 1,200 to 1,400 crores is the land value. So assuming that, are we going to dilute 45% to 50% stake in Sea Rock?

Mr. Giridhar Sanjeevi -CFO, IHCL:

I think, given our commitment not to put incremental capital as we speak, I think we are open to… we are saying fundamentally that we will get a developer to construct actually. Now, while we have not done those calculations, but yes, if it means diluting, I think we will be open to that. So, let's see how it goes, actually.

Mr. Sumant – Motilal Oswal:

Regarding the pent up demand side, we are seeing pent up demand for the leisure segment, and also currently in the business segment. Assuming the pent up demand is not going to be there in FY24, what's your view on moderation in growth in FY24? The outbound is also there. Even during weddings we have seen pent up demand, we have seen delegates, then we also have pent up demand in leisure. What is your view on moderation in growth in FY24?

Mr. Puneet Chhatwal - MD & CEO, IHCL:

Sumant, if one thing goes away, something else comes in. I think, when you're saying the pent up in leisure and pent up in other demand, and people starting to travel abroad, if that is going away then international is also coming back. So, if we get back that 15% contribution from international, that should compensate. And more importantly, our growth of not like-for-like portfolio should help us sail through should one or the other factors become negative. That's what we have been doing for the last several quarters.

Mr. Sumanth – Motilal Oswal:

Thank you so much.

Mr. Giridhar Sanjeevi -CFO, IHCL:

Any last questions?

Mr. Karan Khanna – Ambit Capital:

Hi, this is Karan Khanna in Ambit Capital. So my first question is, you've had Aspiration 2022, and like you mentioned, you've achieved almost 80% of what you were targeting to achieve. Now, with Ahvaan 2025, how are you looking at the gaps that you were not able to plug in in the Aspiration 2022 strategy. That's question No. 1. Second, as you mentioned, the incremental capital deployment and the incremental management bandwidth is going to be more towards newer brands and newer avenues. So, what kind of a team or internally how are you working towards building those newer avenues getting you to that 33% EBITDA margin guidance by FY25? That's question No. 2. And finally third, we've seen the company in the last decade and a half, perhaps the ROCs have still been in single-digits. So, any conscious reason why you're focused more on margins v/s ROC, trying to optimise shareholder returns by optimising the ROC profile of the company? That's question No. 3.

Mr. Giridhar Sanjeevi -CFO, IHCL:

I think the third one we answered sometime back in terms of how we think ROCE will go up. Could you just repeat the first one?

Mr. Karan Khanna – Ambit Capital:

The first one was, what were the gaps in Aspiration 2022 that you're trying to plug in?

Mr. Giridhar Sanjeevi -CFO, IHCL:

In fact, I think we only got sharper. Because, what was Aspiration 2022? It was around growth. We said 15 contracts a year. We already showed that we've done 100 contracts a year, that's no. 1. No. 2 we said margin expansion, which we achieved. And, I think what really helped us in Aspiration was that, we were ahead of the game because we were already talking of an 8% margin expansion. We were focusing on both revenue and cost levers pre-reset. And reset actually allowed us to get even more sharper in terms of driving not just the revenue levers, but also the cost levers actually. So, I don't think there were any major gaps in terms of… What couldn't happen, as we discussed was, could we have acquired assets in terms of distressed assets? I mean, the valuations were changing, therefore we could not do that. I don't think there were any significant…

Mr. Puneet Chhatwal - MD & CEO, IHCL:

There was one more, that we did not achieve 50-50 in our balance portfolio, it was like a 46-54. If there was a bit more time and we calculated, then that would have happened also. And, we felt short of the 800 bps by 0.6. I think it was 24.4 or 24.6 that was the EBITDA margin v/s 25%. So, that's why in we said 80%, but more or less, we had achieved what we had set out to achieve. In fact, on your return on capital v/s EBITDA margin, Giri said that we already answered, but I'll give you one thing which is our key learning from the industry. You have to have higher margins, so when the next crisis comes and you fall, then you have different levers on a fee-based business, on assets that you own so that the fall is not so steep that you're again getting into that debt cycle. So, that's why I think… and also historically, the industry has not done the kind of margins it could have done with the exception of few cities and few assets. So, I think, also in getting the entire company, the management, the employees, associates, everybody to focus that margins are important, it's not just a service to the company but also service to the industry. And, there was a third question you had.

Mr. Karan Khanna – Ambit Capital:

The second question was on incremental capital and management bandwidth getting deployed more towards newer brands.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

We have invested heavily and are continuing to do so. Our Head of HR is here, Gaurav Pokhriyal, at that table. He will take you through the kind of skilling that we're doing, the kind of scholarships that we have created sending people abroad. We are starting something new East-West exchange where you have people from Dubai coming here and from here going to Dubai. Within our own group, we have a lot of opportunities to learn and execute. And, this is something we have been doing not in an accelerated fashion like we're doing now. We have increased our spend on learning and development and all the talent that you see today that was driving Ginger or the new brands like Qmin or Amã, they are all homegrown. And actually, Giri and I are the last entrants in the top ex-com of almost 5 years each –

he is 5, I'm getting close to 5. Everybody else is grown from within the company. So, it's a very thorough knowledge, understanding, sense of belonging, loyalty, awareness, value system, everything is there. And so, we're giving chances to people from within first, and if need be… we have recently done… in one or the other cases we have got No. 2 in this hotel from outside, we go the No. 1 in Taj Dubai from outside. We are looking at some more talent, specially in digital. We got from TCS our Head of Digital, so we sometimes don't even have to go outside the group. We have the No. 2 of Gaurav in HR who has also come in from Tata Group HR to us as one of the top leadership under him; there are 3 in all, and this person is one of them. So, I think there is a lot of opportunity that the group offers, not just in terms of Tata Digital or some other kind of help in airlines, but it is also talent. There is a lot of talent available within the group that we can tap into to. And if need be, if we need hoteliers, I can tell you something without being humble, there are lot of people who had left us 7-8 years ago who want to come back. At lunch yesterday Gaurav told me somebody sent a tweet that it's not fair that people who left Taj are not allowed to come back that easily. I think what he said to me was… and he can show you that tweet, is, they should be allowed to rectify their mistakes. So, I think there is a lot of attraction for us as employers and as a brand. Yes, talent is very important and the people who have the right talent will keep forging ahead, we are very much aware of it. But, what also is very satisfying is to help people provide that growth from within the company.

Mr. Karan Khanna – Ambit Capital:

Great! Thank you.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

Just one last question maybe.

Mr. Chirag – Catamaran:

Just one question from my side. Thank you for the opportunity and all the best for Ahvaan 125. This is Chirag from Catamaran. The question is linked to the growth moderation question which was asked earlier. You said that the RevPAR growth is almost double-digits, almost pre-COVID levels. If you could break it down into segments like business, leisure, like-for-like, for MICE events, it will help us better appreciate where the levers are left for growth and where it could cap out.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

Chirag, good question, but we can take that offline one of these days. I think, it's very clear that the key winners, leisure as Sumant also said, is very high. In certain leisure destinations it went to as much as 1.5 times or 1.6 times; it sold like never before. So, that's one. Business got back to like 85%. Now in April and May… I've always said in all the calls, all the interviews, the day for us Delhi, Mumbai, Bengaluru have come back to pre-COVID levels, we would be doing very well on the top line. That happened because of the delegations, the government delegations, but also because of the IPL. Now, we have to see what happens post IPL as the teams begin to check out. And when it comes to MICE, I don’t think it’s even close to 80% of what it used to be, but it’s beginning to tick in. There are destinations like Goa where we opened the Taj Resort and Convention Centre. 10 days ago we had the Tata Group conference there with almost 400 people, 100 CEO. It was a very successful event and it’s very difficult to find a place in that property for an event if you want to do. You can make those calls and check yourself. But, we also need the big events at the Taj Palace in Delhi, at the Land’s End. They are coming, it has started, but it has not reached 100% of the pre-COVID levels. Functions have, weddings have, those kinds of social events have; they are firing on all cylinders. But, meetings are also dependent, sometimes in companies, in lot of international travel. And, it’s not the right time to judge, because even if somebody wanted to do, when they hear that the temperature in Delhi might hit 50°, it comes to cancellation. Instead of a booking, you have a cancellation. It has nothing to do with COVID, it’s just the heat. Now what I hear is that people travelling from Mumbai to Delhi are delayed because it’s raining so heavily. So, there is a little bit of a turbulence, but it happens every year and I has nothing to do with COVID. So, that’s the thing, it’s not a real good time to judge the MICE in India in the months of May, June, July; it’s not a good period. So for that you’ll have to wait, but for the rest I think I answered you already. If you want the exact figures, you’ll have to check with our team in the office.

Mr. Chirag – Catamaran:

Thanks so much.

Mr. Puneet Chhatwal - MD & CEO, IHCL:

Thank you everyone. Thank you those who joined us virtually. Thank you everyone who are present in the room. Thank you for your attention, thank you for your support and thank you for coming here. I would just like to close… like we have done over the last 5 years, we just say these two words, ‘We promise, we deliver!’ Thank you.

Operator:

Thank you Mr. Chhatwal, thank you Mr. Sanjeevi. Thank you everybody for joining us today both virtually and physically. I would request you all to join us for hors d'oeuvres and cocktails. Thank you.

- ***END OF TRANSCRIPT***