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Date: November 22, 2024

To,
The Manager,
Department of Corporate Services,
Bombay Stock Exchange Limited
Floor 25, P. J. Towers,
Dalal Street,
Mumbai – 400 001
BSE Scrip Code: 532699

To,
The Manager,
Department of Corporate Services,
National Stock Exchange of India Limited,
Exchange Plaza, Plot no. C/1, G Block
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051
NSE Scrip Symbol: ROHLTD

Dear Sir/Madam,

**Re: Transcript of the Earnings Conference Call for the Second Quarter and
Half Year ended September 30, 2024**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed the transcript of the Earnings Conference Call for the Second Quarter and Half Year ended September 30, 2024 held on November 19, 2024.

The above information is also available on the website of the Company www.royalorchidhotels.com

This is for your kind information and records.

Thanking You.

Yours Faithfully,

For Royal Orchid Hotels Limited


Amit Jaiswal
Chief Financial Officer



Encl: A/A



ROYAL ORCHID HOTELS LIMITED

Q2 & H1 FY25

POST EARNINGS CONFERENCE CALL

November 19, 2024 04:00 PM IST

Management Team

Mr. Chander K Baljee - Chairman & Managing Director

Mr. Arjun Baljee - President

Mr. Keshav Baljee - Non-Executive Director

Mr. Philip Logan - Chief Operating Officer

Mr. Amit Jaiswal - Chief Financial Officer

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Vinay Pandit:

Ladies and gentlemen, I welcome you all to the Q2 and H1 FY '25 Post Earnings Conference Call of Royal Orchid Hotels Limited. Today on the call from the management team we have with us Mr. Chander K Baljee, Chairman and Managing Director; Mr. Arjun Baljee, President; Mr. Keshav Baljee, Non-Executive Director; Mr. Philip Logan, Chief Operating Officer; and Mr. Amit Jaiswal, Chief Financial Officer.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risks and uncertainties. Also, a reminder that this call is being recorded. I would now request the management to detail us about the business and performance highlights for the quarter that went by and their growth plans and vision for the coming year, post which we will open the floor for Q&A. Over to the management team.

Chander K Baljee:

Good evening, and warm welcome to everyone. Thank you for joining us for the Royal Orchid Hotels Limited earnings conference call for the second quarter and H1 results for the financial year '24-'25. Please note that Q2 results, press release and investor presentation are available on the exchanges. I hope you have got the opportunity to browse through the highlights of the performance. In this quarter, we have seen the business disruption like heavy rains, which did affect the business adversely to some extent, however we continue to do well.

In the second quarter, we've added two hotels with 91 keys. The company is growing and with a strong business model and effective risk mitigation strategy. We are working to post better margin in the coming quarter than what the company has witnessed in the recent past.

Financial highlights of the company for the second quarter, '24-'25 on a stand-alone basis are as follows: Standalone. Standalone income for second quarter of '24-'25 was ₹51.94 crores as compared to ₹45.50 crores in '23-'24, a growth of 14%. Standalone EBITDA for second quarter '24-'25 was ₹16.02 crores as compared to ₹14.02 crores in '23-'24, a growth of 14%. Standalone PAT before exceptional items for second quarter of '24-'25 stood at ₹6.2 crores as compared to ₹4.94 crores, a growth of 26%. Consolidated income for second quarter of '24-'25 was ₹78.32 crores as compared to ₹70.07 crores in '23-'24, a growth of 12%.

Consolidated EBITDA for second quarter of '24-'25 was ₹19.36 crores as compared to ₹18.94 crores in '23-'24, a growth of 2%. Consolidated PAT for the second quarter of '24-'25 was flat at ₹7.26 crores as compared to ₹7.21 crores in '23-'24.

Before I go to explain the performance of the company, I would like to state that the company EPS remains strong at ₹2.73 per share for the quarter as against ₹2.49 per share in the same quarter last year. We are working at a fast pace to complete our 300 room hotel in Mumbai and hopefully, we should be able to start operation towards the end of the current financial year.

Now I understand that you must be thinking that however the consolidated income of the company has grown 12%, but why the consolidated EBITDA has grown only by 2% and the PAT has remained flat as compared to the quarter of the last financial year. The primary reason for the same was the result of Ind AS. We have uploaded in our investor presentation the results with Ind AS and without Ind AS. A perusal of the same will reveal that without Ind AS, our PAT for the quarter would have been ₹8.72 crores instead of ₹7.52 crores as reported by us.

This Ind AS adjustments need to be done as per accounting standards. However, they're not cash in nature. And you will find the company has got very healthy cash profits. As you see, the company is growing and has to support the growth of the company were required to increase this bandwidth of operation for which it was required to increase its workforce in different regions, which the company did. The cost of the above started immediately where revenue of the same will come in times to come.

For this, the company incurred additional cost of more than ₹6 lakhs as compared to last year this quarter. This is a prime reason for cost escalation, which could be seen as investment for the future growth. We are refurbishing some of our assets which started last year, but because it's being done in the operating itself, we've done slowly without shutting the hotel. The same resulted in increase in repair and maintenance costs by ₹1.28 crores, but the same was necessary to remain in competition.

We launched a new loyalty program for the guests. We have incurred a onetime expense of ₹57 lakhs for the same. The management has set out a strategy to diverse its product offering, provide unique customer

experience and work toward a robust balance sheet. I would like to conclude my opening remarks by saying that our company is doing well. And in the long run, we will be a company to reckon with.

We're also looking to get new hotels under revenue share model as well as under management route. We have a strong capital good deployment strategy, which will make our company very strong, and we will produce good financial results and we move ahead during the current financial year.

Thank you now, and we can throw the floor open for questions.

Question-and-Answer Session

Moderator: Thank you. Anybody who wishes to ask a question may use the option of raise hand. Alternatively, you may also drop a message on the chat and we'll invite you to ask the question. So the first question in the chat window is basically, we would like to know more about your new five star brand? And what is the development with respect to the project upcoming in Mumbai?

Chander K Baljee: I'll ask Arjun to answer this question.

Arjun Baljee: Good afternoon, everyone. The project is well underway. It's close to 300 rooms, multiple F&B offerings by the end of December, the most of the hotel will be ready. We're in the middle of applying for all the licenses. And as you know, currently, there's elections going on in Mumbai and files are obviously slow to be approved.

So we hope by the first or second week of December, we should have the first of the licenses ready and then in January to -- let's say, by the end of February, we should have the project ready along with the operating licenses in place. The hotel is very different to what we currently have in terms of the room design or the service experience against the kind of amenities that it would have.

And hence, it was necessary to create an upscale lifestyle offering. We don't call it luxury, we don't call it five star as upscale lifestyle. And this would be the first of many in our portfolio that we would then eventually end up rolling out.

Moderator: Thank you. We'll take the next question from Anil Kataria. Mr. Anil, you can unmute and go ahead please.

Anil Kataria: Yeah. My first question is regarding the operating EBITDA. Because if you find the consolidated, if we remove the other income, then the operating EBITDA is significantly lower because, operating other income is only a onetime item. So consolidated EBITDA for this quarter is about ₹4.5 crores lower than the last year.

It may be because the reasons explained that employee cost is higher and other expenses because of the refurbishment costs. But this sort of flattish sort of trend is continuing for many quarters. So that is why it has resulted into a lower earning multiple for our company. And I was given to understand that in the last con-call that we were given to understand that probably by '26, we would get into a different league of ₹100 crore of PAT and all. So I just want to understand, are we on track to achieve that sort of bottom line by 2026?

Amit Jaiswal: Yeah, Mr. Kataria, your question is well phrased. See, as Mr. Baljee gave the explanation certain cost has gone up, which is around ₹2.5 crores, ₹2.6 crore, okay? Apart from that, the Ind AS effect also is there, roughly around ₹2 crores is the Ind AS effect, which gets our EBITDA down, okay?

So all these things put together, but yeah, but you're pointing a right thing that the growth we are not able to see in the EBITDA as such. The very basic reason is this, that we are looking forward to a phenomenal increase in the revenues in next couple of years. Next year and post that. So we have to increase our bandwidth from now. It cannot happen overnight. So probably because of that, certain cost, which has gone up actually which has started going up from now, but yes, we are in line with what we have said for 2026 and '27. I think it is definitely doable. We will be overachieving that.

Anil Kataria: Okay, good luck.

Amit Jaiswal: Thank you.

Moderator: Thanks, Anil. We'll take the next question from the line of Piyush Patel. Piyush, you can go ahead, please.

Piyush Patel: Hello sir, thank you for the opportunity. Can you share reasons for the softer average occupancy?

Philip Logan: Yes. Good afternoon. A couple of reasons. Royal Orchid Central, we're pivoting from what has been a volume-led previous strategy on rate and moving rate in Royal Orchid Central. Previous market was

largely pharma driven and group, and MG Road, we're refurbishing slowly and upgrading. And we're moving our rate to an FIT rate.

So that's in line with lifting based on investment. In Royal Orchid Bangalore, we're also in the middle of refurbishment plans and actually refurbishing and moving our product to an FIT, a much more upmarket and reestablishing Royal Orchid from a rate-driven rather than volume strategy.

And as we go across some of our smaller assets, Metropole and Brindavan, again, we're pivoting to rate as we refurbish Metropole. And in one market, we did suffer in North Goa, it's very public, actually in the papers, if you read, North Goa was actually really suffering as a micro market, and it did affect us year-on-year in quarter two. But that being said, that was largely a one-off period due to weather.

Piyush Patel: Sure. And your recent case with SAT stay, can you share the eventual liability on the company and promoters in this case?

Amit Jaiswal: Yeah. As far as the SEBI is concerned, let me tell you, Mr. Patel, that initial order, if you look at of SEBI, there were twofold. One was the accounting treatment and the second was that allegation against the promoters that they have sold shares under some insider thing and all, but we are glad to inform that the SEBI, the final order has come wherein they have removed all the allegations against the promoter sale of share. That has been dropped.

But they are stuck to the accounting treatment, okay? So there was a levy of penalty on three of the management as well as the company. We have gone to SAT and we have filed an appeal, and we got a stay from the SAT on that. And presently, we are contesting it in SAT.

Piyush Patel: Yeah. Okay. And the ARR hiring, JLO, however, managed hotels has seen a drop in ARR versus Q1. What is driving this?

Amit Jaiswal: No. See, managed hotel, as I've explained earlier, that whenever a hotel is opened, no, so like 20 hotels we would have opened in last one year. So any hotel, it takes six months' time to catch up on the occupancy as well as the ARR's. So initially, this number what we give is the average numbers. But the existing hotel have definitely done well than last year. But it's just the new hotel what we have added, they need to catch up in six months' time.

- Piyush Patel:** Okay, got it. Thanks.
- Moderator:** Thanks, Piyush. We will take the next question from the line of Rahul Bhangadia. Rahul, you can go ahead, please.
- Rahul Bhangadia:** Thank you for taking my questions. First of all, besides the ₹3 crore number that is mentioned in the notes to accounts, is there any other one-off that you have put in the other income in this segment?
- Amit Jaiswal:** No, no. The other are general thing. There's no one-off therein. It continues to be there every quarter.
- Rahul Bhangadia:** Only that ₹3 Cr number is one-off, right?
- Amit Jaiswal:** Yes. It's one-time. Yes.
- Rahul Bhangadia:** The other question I had, sir, is that the leisure side of the revenue has come down this quarter year-on-year both ways. And I understand that from the previous answer that a lot of it has to do with the weather part of it. The managed hotel revenue has also come down Y-o-Y. So a big part of the leisure and the managed, there is an overlap there? Is that what we should understand?
- Amit Jaiswal:** Yes, yes.
- Arjun Baljee:** Yes, yes. That's true. The vast number of our leisure hotels are managed. And the additions in the last 18 months or so have predominantly been in the managed space and in the leisure space. Hotels, Mr. Jaiswal as a CFO, he is aggressive and says it takes six months for a hotel to stabilise, but I can tell you with utmost certainty that if you open a hotel, it takes a minimum of 12 months for the market to even recognise its existence. So we've heard comments about for the last couple of quarters, we've made statements. But the reality is that it does take three to four quarters for any form of decision that the management makes to actually materialise at the end.
- Amit Jaiswal:** So to add to Mr. Arjun Baljee's statement, Rahul, I would like to say that, see, the hard work what we have done in the last two, three years by adding so many hotels, we will reap the benefit of this in next 15 years. So that's how we are planning the way forward.
- Rahul Bhangadia:** No. But just to add to Mr. Kataria's question that he asked just a while back, is that when do we actually see this in the quarter? It will be recognised that you have worked hard to build and to reach the place

where we have. But when do we actually see this in the numbers because quarter-on-quarter, year-on-year...

Amit Jaiswal: It's not quarter.

Arjun Baljee: The reality is that this is, say, a two-quarter phenomenon. And you know that Q1 is the lowest in the hotel business, Q2 is slightly higher, Q3 is higher than that and Q4 is kind of the best, right? This is the cyclical nature of our industry. Now these openings will start showing results from Q4 predominantly, is when you really start seeing things move up. A lot of our effort, right and if you look at some of the numbers, right? We're among the highest return on capital employed in the industry.

We have robust EPS among the highest out there. Now all of this stuff has been done with a conscious effort to say how do we deploy capital to yield you the investor the best return on your investment, right? And yes, it has to reflect in a share price at some point, but it will start. You'll see these with Mumbai coming on and a bunch of other revenue shares that we've signed coming on stream, right? Towards the end of this year, I mean we only see a huge positivity going forward.

Rahul Bhangadia: Yeah, see actually, as investors, obviously, stock price is one of the factors, but we essentially try and see when does the company start reporting better numbers because stock price is just a reflection of that. It's nothing more than that, frankly speaking. So that is why the question is around the performance rather than stock price, will take care of itself as and when the performance kind of reported numbers improve. So stock price is just a byproduct. Just the last question here, sir, what is the status on the Surat project?

Philip Logan: On Surat, we currently have 188 rooms in, it's 288-key property. It's a managed property. We're currently using with -- it's called Surat, The World managed by Royal Orchid. We won't be rebranding until such time as the asset is completely finished. Now the asset itself is a beautiful asset, where we've opened a restaurant. It's obviously Surat, so it doesn't have a bar. We have opened in Delhi. We finished a gaming room, they're currently building a spa. They're currently building a gymnasium.

We have signed two large contracts that have given us a base income. And we're currently managing through banqueting spaces adjacent to the building. The building is sitting next to 40,000 square meters of lawn areas. So we're currently working with wedding business and

wedding planners. It's ahead of the game, to be frank, the Surat property is the furthest away from the current CBD, but it's closest to the new speed train that will go BKC to Surat. It's the closest one, it will to be 2.4 kilometres and its closest to the significant build of the Diamond Bourse that's being built in Surat.

And again, that's been built ahead of time. So over the next 18 months, the owner will complete the rooms and the product will be one asset that will be seen to be ahead of its time. And without going into it, there's a couple of large accounts that are talking to us that are currently with other brands. And again, the asset itself is one and two bedroom long-stay apartments. So it's a lovely asset. It will take time to gestate. It's a very big building. It's the largest inventory in Surat -- not in Surat, in Gujarat.

And by key space, it's one of the largest hotels in the Northwest of India. So it will take time, but it's certainly doing some really good numbers, and we're starting to see some business flowing in.

Rahul Bhangadia:

Okay. In the middle, the video got stuck a bit. So sorry, if we were mentioned by when do you expect the full property to be operational on the...

Arjun Baljee:

So Rahulji, I think as Mr. Logan was saying, it's a deliberate attempt at phasing the opening of the hotel to keep it in line with the increase in the business that is coming into the property. It's a 288-key property, right? And we started with 96, we've doubled that over the last six months to 188. And we will get to the 288 keys, I would say in about 12 months from now, right? Along with each one of the room opening, the room blocks, I guess, room floors opening, a couple of new facilities are added to it.

And that is done with a very deliberate strategy so that the owner is not overburden. See, listen, we're a management contract, right? At the core of it all, the guy who will end up losing with such a large hotel right with heightened costs and all of that stuff is the owner. And we have to be extremely mindful, right, of our responsibility to the owners' profitability as well, okay? So hence, it's a 12-month cycle, from now to 12 months, every quarter, something new is added and we're very happy to see that every quarter, the hotel perform significantly better than it did in the last quarter.

Philip Logan:

And what it will do, it will reposition the hotel business in Surat. So I think we've signed an excellent contract. We've got a good owner. It's

a beautiful asset. And over the period of the next 12, 18 months, we'll turn [indiscernible] [0:23:53] and really look amazing. And I've got to say to you that when that speed train opens, it will be seen to be a genius signing and a genius build that someone built so close. The City in Hyderabad of 2006 when someone built in HICC in Financial District was seem to be crazy and Tank Bund was the heart of town and Road number one, 20 years later, Financial District is the heart of finance and heart of business and hotels in Hyderabad.

So this is another one of those where you've got something built ahead of its time. We've got to manage professionally and also manage in line with the market and bring it on. So those things we're working on, and it's a phase process.

Rahul Bhangadia: Thank you for answering all my questions. Thank you.

Moderator: Thanks Rahul. We'll take the next question from Chirag Singhal. Chirag, you can go ahead, please.

Chirag Singhal: Yes, thanks for the opportunity. Firstly, I wanted to know what were the expenses that were relating to the two leased hotels that are coming up, one in Gurgaon and one in Mumbai. How much expenses were incurred during the quarter? And in the next one to two quarters, if you can just give a number as to what kind of expenses will come in the P&L, which are attributed to those two hotels?

Amit Jaiswal: See, Chirag, there is no expense which has hit the P&L in the second quarter for these two projects, please understand. What we have done, in Mumbai, we have given a refundable deposit, okay? We are not spending the money, it's on lease. So we're not spending the money as such. So we have given only an ₹40 crore refundable deposit, which was given in the first quarter itself, okay?

Now as far as the Gurgaon is concerned, again, we have given around ₹61 lakhs of deposit. Another, I think, ₹30 lakhs further we have to pay once the hotel is ready for operation. And apart from that in Gurgaon, still we have not done anything. We might have to do some working capital or some loose furnitures fittings and all the stuff.

Chirag Singhal: I was asking more from the context of, I think a couple of con calls back you mentioned that you need to hire some employees before...

Arjun Baljee: Yes, so from a project management perspective, and of course, with a hotel like Mumbai, right? If you have to open in March of next year,

we need to start top level management already is on board, and they're coming on board by the end of this year that is a cost to them. January onwards, you'd have a full-fledged team on board, right? If we have to open in March, right? So those are our costs that we will be incurring, but again...

Amit Jaiswal: Second quarter, nothing is there.

Arjun Baljee: Nothing. It's Q3 onwards that costs are being incurred in this asset in Mumbai. In Gurgaon, no costs on our balance sheet have been incurred so far.

Chirag Singhal: So in Q3 and Q4 can you give like a tentative number? Like what kind of cost we should be expecting, which will be attributed to these hotels?

Amit Jaiswal: See, as far as the cost is concerned, there will not be any operating cost as such, because the operating costs will start only when the hotel starts its operations, okay? So we are looking at some time in the end of the financial year, maybe in March, the Bombay one may start. So some costs will be there. Monthly costs will be around ₹3 crores. So in March, maybe ₹1 crores, ₹1.5 crores we might have to spend. But Gurgaon is going to start in April. So this year, nothing will come.

Chirag Singhal: Okay. I'll get back in the queue for any further details. Thanks.

Moderator: We'll take the next question from Sanika Khemani in line from chat. Sanika, you can unmute and ask your question, please. Yes, I'll ask on her behalf. Can you please tell us what are your guidance for FY '26 and FY '27?

Amit Jaiswal: FY '26 and FY '27. FY '26, like earlier, we had said we will be touching somewhere around ₹500 crores of the top line. And FY '27, another addition of some 20% might be there. It is very difficult to say for '27 right now. But '26, definitely, we will be touching around ₹500 crores of the top line.

Moderator: Thank you. We'll take the next question from Riya S. Riya you can please ask your question.

Riya S: Good afternoon. Thank you for the opportunity. You have mentioned the renovation cost is ₹1.28 crores in quarter two. Is it done or is there more to go? And how much more can be expected in the second half? What is the level of renovation now pending?

- Amit Jaiswal:** See, in the second half also, we will find roughly around ₹3 crores to ₹4 crores of cost, which may go into the renovation expenses, roughly.
- Riya S:** And what is the level of renovation now pending and in which hotels, since this also impacts the occupancy rates and ARR's?
- Amit Jaiswal:** Yeah. So see, what we have done in the -- our flagship hotel renovation was going on that is about to complete now. Maybe in a week's time, it will be over for the areas what we have taken. And then there will be some small renovation will be there in our resort also...
- Chander K Baljee:** We have done 24 rooms have been completed, another 28 rooms will be taken up a little later, because it's early now the season. So probably in March, we'll take up the balance then they'll complete two floors, about 54 rooms-or-so will get completed, and they have come out very well, received very well by the market.
- So our ARR should shoot up about 25% of this hotel brand new. And we are adding 28 rooms in the resort, which are existing inventory of 54 rooms. 28 rooms these are wooden cottages, very nicely up market wooden cottages. And as the thing got delayed because of rains, so work could not go on, but now work has picked up, and we hope that in the next quarter, they should be commissioned and we should start getting revenues from there, because inventory is small, and there's a pent-up demand in that particular area, so we should get more income out of that.
- Like for Metropole now, we already renovated a part of it. And the balanced renovation would only be taken up in March, April, but we are definitely -- ARR is now moving up there. And of course, while the work was being done, there was a loss of revenue, but that is inevitable.
- Riya S:** I also wanted to know what's your current number of hotels and keys across all hotels? And how would this be divided into and JLO and managed hotels?
- Amit Jaiswal:** So we have given a breakup in the slide, if you look at it -- in our investor presentation, we have given a breakup, in Slide 15, there is a breakup of owned lease JV managed and total. So owned is 398 keys, leased is 688, joint venture is 193 keys and managed and franchisee 5,277 keys, adding up to 6,556 keys totally.

- Riya S:** Okay. Also, when we see last year September '23 presentation, you had totally 6,898 rooms and plans to add 1,250 keys, that would have brought us to 8,148 keys against this, we have reached 8,223 keys. From here, we are guiding for additional 2,100 keys. Can we safely assume we will achieve this target as well?
- Amit Jaiswal:** Yeah, we will be crossing. This ₹8,223 is including that. See, 8,223 what we have given in our slide in the presentation, okay? That is in Slide 11 we have given that is including this 2,100, 1,600 upcoming hotels keys.
- Riya S:** Yes, you have achieved the target. We want to know how to look at next 12 months?
- Chander K Baljee:** See project do get delayed, and we are pretty much following up on all these 21 upcoming hotels. And we had hoped that within this financial year, they will get operational. But the chances are that a few of them will get pushed into the first half of the next year. But the story doesn't end here, because we are getting pretty aggressive in terms of onboarding some of our existing properties and reflagging them. We're working towards that also. So if we get some property, then that would not take too long for it to be converted. So I think that will also come in. So certain projects which have got delayed, but we hope to get certain project conversions. So pretty much, we may hit this target, 8,000-plus rooms.
- Riya S:** Okay. Thank you. All the best.
- Moderator:** Thanks Riya. We'll take the next question from the line of Harsh Parekh. Harsh you can unmute and go ahead, please.
- Harsh Parekh:** Thank you. We see in the balance sheet that the parent company targets consultancy from a fully owned subsidiary. Can you tell us what is this on account of?
- Amit Jaiswal:** No, we have this wholly owned subsidiary associated hotel where we have parked all our management fees, managed hotels. From there, we charge a cost to them, and we transfer it to the stand alone.
- Harsh Parekh:** Okay. And what will be the CapEx for the Gurgaon hotels? And what is the share of Royal Orchid in the same?
- Amit Jaiswal:** Gurgaon hotel, CapEx will be around ₹5 crores, not more than that. And the second question was yours?

- Arjun Baljee:** It's a revenue share. It's not a share. So we will own 100% of the revenue, and we will give the landlord a fixed rent on the asset when completed.
- Harsh Parekh:** Okay. And any plans to enter into the service apartments business and any other GLO hotel plans similar to Surat and Mumbai?
- Chander K Baljee:** See, we are, of course, service apartment like our business in Gurgaon is actually serviced apartments partly, and some are rooms and even Surat are a large number of the serviced apartments. But our experience has been that nowadays with Zomato and all the food deliveries coming in, people are not cooking in their apartment. They're just using usually the microwave to hit what they get from outside. So I think for long term, yes, people are looking at serviced apartment, because of short supply of daily help and worker, they are looking at service apartment. So as and when the opportunity come, we will get into that also.
- Harsh Parekh:** Okay. Got it. And one last follow-up question. The subsidiary for managed hotels, will the company look to unlock value in this management hotel company?
- Chander K Baljee:** Well, too early to say right now, but we will be, once we are stabilising all our operations, which we are aggressively doing right now, we look at that option also.
- Harsh Parekh:** All right. And all the best.
- Moderator:** Thanks Harsh. Anybody who wish to ask a question can raise hand or can post their question in the chat box. Okay, so Chirag has a follow-up question. You can please go ahead.
- Chirag Singhal:** I had a question on renovation expenses. So any managed contracts, who incurs the cost towards renovation?
- Amit Jaiswal:** The owner incurs.
- Chirag Singhal:** Okay. So there is no like it's not on us...
- Amit Jaiswal:** No, no.
- Arjun Baljee:** Chirag, wherever we own the P&L, we incur cost. Wherever we earn a commission, the owner incurs the cost. That's simple.

- Chirag Singhal:** So this ₹10 crore to ₹15-odd crores of renovation expense per year you are incurring close to ₹2 crores, ₹2.5 crores for the next half you're suggesting ₹4 crores. So let's take ₹8 crores and ₹9 crores for the full-year renovation expense. Is this something that one needs to consider every year or this was like a one-off for this year and...
- Amit Jaiswal:** No, no. Chirag, as you know, right from before the COVID and then three years, we didn't spend any money in this -- so that is why this figure is looking big in the current. But we started from last year October onwards. So that is why I don't think so, running hotels, you have to incur this kind of cost every year. It has not happened in the past.
- From last year, we started, because you have to be in the business for next four, five years, every four, five years, you need to do some expenses, no? So that is coming now. Otherwise, see like in our flagship, once it is done, we'll not touch it for next seven, eight years. So like that it happens.
- Chirag Singhal:** Like can you give me some idea as to what like whether or not there will be any renovation expense for next year, which is FY '25? And if yes, then how much should we be...
- Amit Jaiswal:** FY '25, there is no any kind of significant...
- Chirag Singhal:** Sorry, I mean FY '26...
- Amit Jaiswal:** FY '26, there will not be much any significant expenses as such. Maybe one hotel, Brindavan Garden is there, which we are supposed to do, which we have not done some part, maybe ₹1 crore-or-so or ₹2 crores, it may come for the entire financial year. Nothing any major...
- Chander K Baljee:** See, these are some of the things which some of our owned hotels we're looking at that, okay. For example we have taken over Royal Orchid Central in Bangalore. So right now, the hotel is doing very well. So on a need basis, we will decide what to do. And we'll do in phases. It's not that we're going to shut down the hotel and renovate the whole place. We'll take it floor-by-floor. And that as and when the need arise, we'll do that. And we'll keep you informed quarter-to-quarter. We can't tell you right now that, okay, this next year we'll spend this much. If there's a need, we'll spend it.
- Chirag Singhal:** Thank you.

Moderator: Thank you, Chirag. We'll take the next question from the line of Rishith Shah. Rishith, you can go ahead.

Rishith Shah: Yes, good evening. Thanks for the opportunity. Two questions. So firstly, basically, we have been kind of talking about renovations, and we are also highlighting the cost that we are incurring. So due to the renovations and also due to the favourable demand supply dynamics that we see in industry and as is being commented by most of the players, do we see an ARR increase or what kind of ARR increase do we see shaping up in the next maybe couple of quarters or in the next year?

Chander K Baljee: So overall, I feel that the revenue should go up by next year by 15% of the existing hotels. And of course, we are adding the new hotel, Bombay, that will give us bump up. So I think that should happen in the next year, because there will be an increase in, you see the benefit of this renovation will come in the next year from April onwards, the benefit of this renovation will come, benefit of expansion will come, and also that bump up of the new property that'll also come.

So that's why we are looking very optimistic about the [indiscernible] [0:42:17], but we're not taking a very, very aggressive risks in doing our properties, because we don't want to take loans from the bank and then do all this work. Most of the renovation is being done through internally generated resources. And I think things are looking quite well.

Rishith Shah: Right. And a follow-up on that, a large part of this 15% like-for-like growth will come from the growth in ARR, because occupancy is almost like we are...

Arjun Baljee: It's a combination, right? You need ARR, occupancy and F&D and other income growth per hotel. So I think it has to be a combination of everything. It's not just ARR 15% up. So you've got to slice and dice it across the board.

Philip Logan: When you renovate, when you lift your product, you necessarily able to identify at a different market, which allows you to get a higher capture rate, which allows you to get a higher capture rate in food and beverage, because a person who pays more has more disposable income to spend more. So there's a natural flow on. And as you build out your business, as you renovate your reputation grows, your public

channel grows and then it starts to self-perpetuate. So there's a whole, it sits right across.

Rishith Shah: Understood. Thanks for that. And secondly, I missed one of the earlier questions. So the 1,600 rooms that we are expecting to add, can you highlight the timeline for this?

Arjun Baljee: Predominantly, most of those rooms should be on stream by the end of this financial year. We have three openings coming up in the next month or so. And there are six hotels that would get pushed into the term between April and that Q1 of next year. So we've got out of the 21 hotels, we're really looking at 16 to open over the next four to five months.

Rishith Shah: Okay. Understood. Thank you so much.

Moderator: Anyone else wishes to ask a question.

Vinay Pandit: Since there are no further questions, we request the management to give their closing comments.

Chander K Baljee: Well, thank you very much for joining us in this call and asking us all your doubts and questions which we will be very happy to do that. We have over the period of last one year, an adviser Vinay have made much more disclosures in our presentation, and we are a very transparent company, and we'll continue to do that.

And we hope that we are beefing up our Directors team also. We have a new Independent Director who has joined us with the vast experience in the Taj Group of Hotels. So he's also joined us. We hope that because side-by-side improving the product, we need to improve our team also.

So that is, we are well aware of that. We have got a very senior training manager we've appointed. So we are working towards everything to make this company to, one the company to be reckoned with in the near future. We have also introduced a loyalty program. Earlier, we had a royalty program, it's not that we didn't have a loyalty program. But we did have a loyalty program, but which was really manual. So there were a lot of errors and delays in redemption of points and all that.

So now today, we have got about 3.5 lakh members in the loyalty program. And it's likely to grow further. And once we have a loyalty

program, you get a lot of repeat customers, like when you go to an airline, we used to always go to Jet Airways earlier because they used to give us loyalty points and Indigo will not give us loyalty points.

Of course, unfortunately, we lost all that and with Kingfisher also, but we are hoping because we have amongst such are bigger chain -- amongst in our mid-market space, we are the ones which got the best loyalty program and if we get a customer from our loyalty program as against a customer from an OTA, like MakeMyTrip and all that, our cost of customer acquisition comes down.

So I think we're working on that, has started doing very well. And if there are any niches, we're going to hire it out. And then it's always been aggressively marketed by all our hotels. So we hope that this will become an income generator for the company, as well as create a lot of loyalty and a lot of new schemes. See, what happens is when you introduce something new or you open a new hotel, you already have a list of X numbers of who you send mailers to.

Now if we get hundreds and thousands of mailers and WhatsApp and we don't have a look at it. But if you receive a mailer as a loyalty member, we'll definitely have a look at it, because we know that there will be something for us in that. So the eyeballs are there for internal promotion and loyalty program. I think we are working towards all the things which are required to make this company a stable, a great company. We're not taking undue risk at this moment, because as I said that sometimes there are uncertainties in the world. So the awards are there.

Sometimes, as I said, they are uncertain within the country, there was this floods and which affected the hill business as well as the beach area of business. So we are going with little caution, but at the same time, we are not being foolishly aggressive, but we are definitely pushing everybody to grow our business. Thank you.

Vinay Pandit:

Thank you, sir, and thank you to all the participants for joining on this call, and thank you to the management team for giving us their valuable time. This brings us to the end of today's conference call. Thank you.

Chander K Baljee:

Thank you.

Amit Jaiswal:

Thank you.

Arjun Baljee:

Thank you.