



ROYAL ORCHID HOTELS LTD.,

Regd. Office :
1, Golf Avenue, Adjoining KGA Golf Course,
HAL Airport Road, Kodihalli, Bangalore - 560 008, India.
T +91 80 41783000, F : +91 80 252 03366
www.royalorchidhotels.com
CIN : L55101KA1986PLC007392
email : investors@royalorchidhotels.com

Date: November 14, 2022

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, 2022

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, 2022 held on November 10, 2022 for your information and records.

The above information is also available on the website of the Company <https://www.royalorchidhotels.com/>

Thanking You.

Yours Faithfully,
For **Royal Orchid Hotels Limited**


Amit Jaiswal
Chief Financial Officer



ROYAL ORCHID HOTELS LTD

Q2FY23

POST RESULT CONFERENCE CALL

Management Team

Chander Baljee - Chairman and Managing Director
Amit Jaiswal - Chief Financial Officer

Call Coordinator



Strategy & Investor Relations Consulting

MANAGEMENT: Chander Baljee - Chairman & Managing Director
Amit Jaiswal - CFO

ANALYSTS: Agastya Dave
Aditya
Rajiv
Rahul Bhangadia
Deepak Poddar
Kush Tandon
Sachin Kasera

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q2 and H1 FY '23 post earnings conference call of Royal Orchid Hotels Limited. Today from the management we have with us Mr. Chander Baljee, Chairman and Managing Director; Mr. Amit Jaiswal, Chief Financial Officer; and their team.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which exemplifies our judgment and further expectations concerning the developments in our business. These forward-looking statements involve risks and uncertainties that may cause actual development and results to differ materially from our expectations. Also, this is a reminder that this call is being recorded.

I would now request the management to kindly brief the participants about your performance for the quarter, post which we can open the floor for Q&A. Over to you, sir.

Chander Baljee: Good afternoon, and warm welcome to everyone. Thank you for joining us for the Royal Orchid Hotels Limited earnings conference call for the second quarter of the financial year '22-23. Please note that the Q2 '23 quarter results press release and investor presentation are available on the exchanges. I hope you had the opportunity to browse through the highlights of the performance. Last two years have been very tough for our industry. We have sailed through these turbulent years very successfully.

The industry was coming to a near normalcy in November 2021, when the third wave of Omicron hit us in January '22. But we recovered from the third wave quickly and bounced back in March '22. From April '22 onward, we've done a robust business, which is evident from the financial results of the first quarter. We have continued the success story in the second quarter also. The same is evident in our second quarter results. The company has posted a

robust growth, because of its being strong business model and effective risk mitigation strategy. We're aiming to post better margins than what our company has witnessed in the recent past. The second quarter results have been one of the best in the last 10 years.

Financial highlights for the company in the second quarter ended September '22 on a consolidated basis are as follows. Consolidated revenue from operations Q2 '23 was Rs. 58 crores as compared to Rs. 31.85 crores in Q2 '22, a growth of 82%. This was attributed to increase in ARR and occupancy and also increase in F&B business. Consolidated EBITDA for Q2 '23 was Rs. 20.45 crores that is about 35% as compared to Rs. 8.75 crores in Q2 of '22, an increase of 134%.

Consolidated PAT before exceptional items for Q2 '23 stood at Rs. 9.38 crores as compared to Rs. 0.55 crores in Q2 '22, an increase of 1,605%. During the quarter, we've been able to increase the average room rate for Q2 '23, it stood at Rs. 4,898 as compared to Rs. 3,088 of Q2 of '22, a growth of 59%.

During the last year, we opened nine hotels with 388 keys, and in the first quarter of '22-23 we opened two hotels, taking our total hotel tally to 73 hotels with 4,546 keys. We are well in line with our vision to operate 100 hotels by 2023, and we're looking forward to opening new hotels in different cities of India.

During the quarter, we witnessed a RevPAR growth led by higher ARR. We believe the industry has seen its revival, and we have bounced back with better results in the current financial year. The management has set out a strategy to diversify the product offering, provide unique customer experience and work towards a robust balance sheet.

I would like to conclude my opening remarks by saying that we are witnessing major signs of growth for the industry as a whole, which will show up in our overall earnings quality over the next several quarters. Thank you. And now we can throw the floor open for questions.

Question-and-Answer Session

Moderator: Thank you sir. All those whose wish to ask a question, may use the option of reassign. We already have a participant, Agastya. You may go ahead, please.

Agastya Dave: Am I audible?

Chander Baljee:

Yeah.

Agastya Dave:

Thank you very much, Vinay, and thank you very much, sir, for your presentation and great quarter. Sir, I have three, four questions. One is that historically, we have seen that once we see growth -- industry-wide growth, it's only a matter of time that additional capacity comes in and things go -- revert back to low profitability, low ARR and low occupancy rate, yeah, or median occupancy rate. So, what are you seeing this time, which is different than previous cycle? Is it different than previous cycle or we are just in the midst of a very good cycle and the cyclicity of the business will again reflect going forward soon or later? So that's my first question.

Second is, sir, for your company in particular, given the base of hotels and properties that you have as of now, can you take us through the seasonality of the business that you're expecting? I'm assuming that Q1 was normal and Q2 is also normal. So, what would H2 a normal H2 look like in terms of just seasonally, obviously, it will be higher, so how much higher? Just some idea on that magnitude.

And one question is on the margin, sir. You guys have really done very well on the margin. So, can you give some guidance on the sustainability of this margin, is it completely driven by -- as of now it seems to be driven completely by realizations, but what's happening on the cost side? I'm assuming that against sooner later, there will be cost pressures, which you will see. So how do you plan on tackling that?

And final question is on the number of hotels and keys that you expect by 2025. You have given a guidance till '23, but can you extend it to '25? Thank you very much sir.

Chander Baljee:

See, one is your raised question on demand and supply. We see whenever the hotel industry was in a very bad shape and nobody wanted to invest in hotels for a very, very long time. And now that the industry started doing well. A lot of interest has come into people opening hotels and people would start. But there is a long gestation period in India and if you would start a hotel, you buy a land and it takes about almost three years to open the hotel. So, I think the real capacity will start kicking in from three years from now.

And of course, we are looking that economy is also growing. I think COVID been over, our country is [indiscernible] for so much growth. In fact, if you really look at it, our government has done a great job, exactly a lot of investment. And this investment is what is really causes a lot of growth and demand. And if we look at it that

we have got a large capacity in Bangalore. And we were in yesterday's paper or I think today's paper saying that Bangalore has attracted the largest amount of investment and almost 3x the investment of what Gurgaon has attracted. So, I think that this supply and demand would remain robust as far as we are concerned.

And other question is seasonality. Traditionally, 40% of the business comes in the first half and 60% in the second half. Now, so I'd see no reason why that should not continue. And so, the second half should be better than the first half, even if you don't see a very high demand, but even if you see 45%, 55% is still better than the first half. So, I feel that our second half results should be substantially better than the first half results.

Then you mentioned about margins. Yes, there was a lot of cost cutting. We have reduced the cost and the cost over a period of time historically, it does arise. But we are keeping the strict watch on it and of course, to try to see whether our gross operating profit remains the same. Of course, if the income goes up, the cost also goes up and there's not much of a worry, but we are keeping a tight watch on that. And I think -- I don't think there will be a runaway cost increase in the future also.

You mentioned about a number of hotels till 2025. See we are definitely briefing up our teams for example, in East we were very weak. So, we have just hired a VP who has joined us a couple of days back, who's based in Kolkata. So, we are going to strengthen that. So East and Central India he's going to be looking at. We hired a VP in South who will join us next month where his experience can -- we did have VP of South for some time, but before pandemic we can't, we did not hire anybody in advance mix. So, one VP in South has also been hired, who will then push some more hotels into South. So South and East which have been to some extent weak for us will be strengthened. So, I think maybe we're looking at three years from now, we definitely hope that we should be increasing our room count from 4,500 right now, we think we should definitely go to about 7,500 to 8,000 rooms rather by 2025.

Agastya Dave:

Great sir. Great. Sir, one question which I forgot -- sorry for that. Sir, I believe that you are in the process of selling some of the properties in Africa. So, any development on that side? That's the last question I have.

Chander Baljee:

Yes, I did visit Tanzania in the month of August to get the situation, to get an analysis of what's going on in the market there. That economy is turning around. And in fact, the good part of it that there is a proper road to our site, which has been made recently, a lot of government housing and government offices and the DC office are

both almost very close to our site. So, there is again now interest in. So, we have spoken to a few people about selling the place. And they've all advised that don't be in too much of hurry to sell, because situation in Tanzania has turned around, the new President is doing level best to get back all the gas company, which are set up shop there. Some have already come there. So once that happens, the economy will boom. And I think we get a good value for our land.

- Agastya Dave:** What's the good value sir for your land?
- Chander Baljee:** Well, we are looking at about Rs. 4 million, but of course, it depends on the -- we can't say that, that's our asking.
- Agastya Dave:** Sure. Thank you very much sir. All the best for the next quarter sir. Thank you.
- Amit Jaiswal:** To all the viewers, I would like to add where Mr. Baljee had stated regarding the margins. See, last quarter, we were speaking about Rs. 80 crores of EBITDA for the year-end. Already, we have achieved in first half Rs. 44.46 crores. So, looks like we should be able to touch an EBITDA of Rs. 100 crores for the year-end.
- Moderator:** Anybody else who wishes to ask a question may use the option of raise hand. I have a question from Mr. Susheel in the chat box. His first question is, what is the percentage revenue share of three main centers, Bangalore, Goa, and Jaipur in the consolidated numbers?
- Amit Jaiswal:** Come again?
- Moderator:** What is the percentage share of the three main centers, Bangalore, Goa, and Jaipur in the consolidated numbers?
- Amit Jaiswal:** Bangalore, Goa, and Jaipur. I just responded.
- Chander Baljee:** We just responded a few minutes ago.
- Moderator:** The second question is, is the new addition at Candolim are revenue share hotel?
- Amit Jaiswal:** Yes, it is a revenue share.
- Moderator:** His third question is out of your total hotels, which ones are revenue share?
- Amit Jaiswal:** I'll respond to this. We have revenue share hotel, pure revenue share hotel is Nagpur, Hospet, Gurgaon. These are the three which are pure revenue share hotels.

Moderator: His fourth question is, what is the breakup of other income, Rs. 5.11 crores in the consolidated results?

Amit Jaiswal: Yeah. I'll tell you. See, Rs. 5.11 crores comprise of primarily interest income, which is roughly around Rs. 120 lakhs. Then we have a currency gain, the investment in Tanzania, the currency gain of almost Rs. 40 lakhs. Then we have certain recoveries from the managed property of around Rs. 2 crores. And apart from that, we have got some income as rent concession and some subsidy, which is almost around Rs. 50 lakhs and balance certain miscellaneous incomes are there.

Moderator: Okay. Sure sir. We'll take the next set of questions from Aditya. You can unmute and ask your questions.

Aditya: Good afternoon, sir. Am I audible?

Chander Baljee: Yes.

Aditya: Sir, today you have issued a press release to the stock exchange regarding the issue of debentures of Rs. 200 crores. So I believe this would be for acquiring new hotels on revenue share basis. So sir, my query is, whether you would be focusing on the leisure segment or on the business segment for this new ventures or new hotels?

Chander Baljee: No, it will be mostly for business, but it could be selectively for some marquee leisure properties also, like in Goa, if there is some more revenue share comes up, we don't mind it's a matured market. Coorg is, again, an upcoming market. So, there will be certain markets where -- which are leisure, but which are established and they are not prone to that much fluctuation. So, we will look at revenue share there also selectively.

Aditya: Sir, I understand this is a very strong up cycle in the business. Sir, last time, you are a very old hand in the business. So, sir, last time, when was it that you saw a similarly or a similarly strong cycle in this business?

Chander Baljee: See, 2003 to 2008 was the dream run where a lot of things happened business really did was a boom for the country as well as for us, particularly in Bangalore, that's why I emphasized that Bangalore was still going to other big boom and include hotels at our new airport is being inaugurated on the 12th by the PM and it's going to be probably the best airport in the country. It is going to be at par with the Singapore airport or so, and the projection they have given us are tremendous. So, I think to my mind, Bangalore being our headquarters. We have a large inventory in Bangalore and early more hotels in Bangalore. So, Bangalore itself is booming. Our

country is going to be booming. So, I see the similar sort of cycle happening in the next at least five years.

Aditya: Sir, as compared to the pre-COVID levels have international travelers come back?

Chander Baljee: See, international travelers not to that extent. But we, as a company were never really dependent on international travel. I'll give you an example when we opened our hotel in Goa. The first thing I did was to stop the charter business, which is international business. I noticed that the charter business was a low margin, high volume business. And we felt that Indian market will be growing enough and the interest in Goa will be there, sustained interest in Goa will be there. So, I think -- so that has put us in good stead, because if you notice that business did so well that we bought out our partner in Goa. And I think that's positive thing we did, because now we can expand our hotel, because the partner was not interested in investing money. We will expand that hotel, add more rooms and so I think overall so far, whatever our judgement has not been too wrong. And I think going forward, we are looking for healthy demand in Bangalore as well as Goa, where we have five hotels like that. We're looking further also.

Aditya: It has been a long week for the industry, sir. All the best. Thank you.

Moderator: Thanks, Aditya. We'll take the next question on a chat, which has come from Mr. Manoj. What is the percentage of food and beverages in total revenue in Q2 and H1 FY '23?

Amit Jaiswal: Yes. See, Q2 -- sorry, first, I will say Q2, the F&B percentage was almost 34%. And if you look at H1, it is around 35%.

Moderator: The second question is what is your expectation on business from wedding season from November to Feb this FY '23, is huge business expected post-COVID full season.

Chander Baljee: See, wedding business is definitely going to be booming, because one thing Indian do spend on educating their children and spending on their weddings. And it has become a trend to now new hotels rather than stand-alone convention centers or marriage hall. So, the people find it a little prestige also attached to that. And we are focused on that. In fact, we have got 18 hotels in our group, which are focusing on the wedding business.

So, I think to my mind, that business is going to grow, season is also coming for the wedding business. So -- and now there is no restriction on the numbers. You see there was a restriction on to have 200 people, 100 people and 50 people all the confusion during the

COVID time rightly so. But now there is no restriction and people are going all out with a vengeance to improve to go and have weddings in grand hotel. And what we are doing is in our resort hotel in Bangalore, we are renovating our banquet hall. In our Jaipur hotel we are adding one banquet hall so that the wedding business can grow exponentially.

Moderator: Right sir. We'll take the next question from the line of Rajiv. Rajiv, you can go ahead and ask your questions. Please unmute.

Rajiv: Good afternoon, sir. Am I audible?

Chander Baljee: Yes.

Rajiv: Yeah. Congratulations for good set of numbers. I have my first question. We have targeted 24-plus hotels and 1,200 plus keys by March '23 as per our presentation. How much of this have we achieved, are we confident of reaching this target in the given result?

Chander Baljee: There would be some sort of -- we are looking at actually in 24, which are signed and in the project stage. There could be some hotels which will be overrun into the next half year. So, I would say that within the next half year, next one year, these hotels will definitely come in, but we are also getting new hotels, which we are signing. So, if some of these hotels do not come through, right? Then we are hoping to sign some other hotels which may come, right?

Rajiv: Okay. Okay sir. My next question is your average occupancy has increased to 76% in H1. Where do we see for FY '23? And where do you see it heading for FY '24?

Chander Baljee: See, I would say that the occupancy has reached a good level. But of course, there is still a scope of reaching to 80% over the next five months. October was not too good, because of the holidays. So, the city hotel suffered during holidays, major hotels do booming business in holidays. But I do see an increase going up to 80%. And I think 80% is kind of optimal. You can't -- because of our diversity in so many hotels and all that, some may not do too well some may do better than 80%. So, I would say going forward, I don't think we'll go beyond 80%.

Rajiv: Okay, sir. My next question is, similarly, how do you see average room rent behaving in second half and next year? And what will be key drivers for the same?

Chander Baljee: The ARR in the second half would definitely be 10% more than ARR in the first half. For example, let's see, it's about hotel in Gurgaon, see Gurgaon started in this lean period. So there, I see an

ARR of increase of almost maybe 25%. So, I would say, I wouldn't like to make a sweeping statement. But Bangalore has done very well. So, Bangalore we may do 10% more than what we've done in the past. So, there can't be a single statement for all, but I would say the second half always looks positive than the first half.

Rajiv: Okay, sir. My next question, any new states, we are looking at for growth and plans to increase the penetration in existing states.

Chander Baljee: Any...

Amit Jaiswal: Newer states.

Chander Baljee: Yes, that's why I pointed out that we have appointed VP South, and we have also appointed a VP East so that we are trying to see whichever states are not covered by us, we want to cover and we're aggressively going to pursue that.

Rajiv: Okay, sir. Thank you and that's it from my side.

Moderator: Thanks, Rajiv. We take the follow-up questions from Agastya. Agastya, please go ahead.

Agastya Dave: Thank you very much. Sir, what would be the replacement cost of a 5 Star hotel nowadays on a per room basis?

Chander Baljee: Per room about Rs. 1 crore?

Agastya Dave: It's still Rs. 1 crore, sir. That's the number that was there, like 7, 8 years back.

Chander Baljee: There you see what happens is that you -- 5 star is very, very -- you can -- if you talk of 5-star deluxe hotel, the Leela or so, there are two categories, 5-star deluxe hotel and 5-star. If I were to make a hotel today not counting land cost, not counting interest on construction during the construction phase and all that. And then I think about Rs. 1 crore can be done for a business hotel and also depends on the number of rooms. If you do 200 room hotels then you are Rs. 200 crores. But if you do a 100-room hotel of 5 star, then it may come to Rs. 120 crores because the common areas are pretty much the same. So, it's a very, very difficult situation, we ask a question, I won't be able to give it.

Agastya Dave: I understand sir.

Chander Baljee: Yeah, okay.

Agastya: I understand. So, I was just wondering on a broad basis, averaging out over individual sizes and also what are the facilities inside the hotel. So just a very broad average. So not much movement compared to last 10 years, right? Over the last 10 years, we haven't seen...

Chander Baljee: No, there has been, of course, increased the cost when we opened our hotel, we did it at about Rs. 22 lakhs a room 20 years back. So there has been increase. And the same hotel if we are to construct it will cost Rs. 1 crore. So, it's almost in 20 years, there's a 5x increase, increase in the similar sort of the hotel, right?

Agastya Dave: Right, right, right. But I remember 2005 to 2008, there was almost a doubling of replacement cost for hotels. So I was just wondering whether we have started seeing the replacement costs also moving up now...

Chander Baljee: It will move up because steel, cement have gone up and what has happened is people have started expecting hotel much better than what they were doing in the past.

Agastya Dave: Right, right, and my next question was that you mentioned to a question that I asked in terms of the key number of keys you will have by 2025. So, there is a substantial increase, right, from 4,500 to 7,500 or 8,000. So how will your corporate overheads move -- a lot of the expenses will be variable I understand. But in terms of corporate overheads in terms of your manpower, how much will the fixed cost to go up by.

Chander Baljee: Fixed cost will go up also, but it won't be linear. If we are adding 40% to the room inventory, the cost will go up by 20% or 15% to 20%.

Agastya Dave: 15% to 20%. This is the corporate overhead, right?

Chander Baljee: Yes, corporate overhead.

Agastya Dave: So -- excluding because individual hotels will obviously behave as units. So, right. And sir, what kind of wage inflation are you seeing again, at the level of the properties and also in your investments.

Chander Baljee: See, in the property, we are trying to contain within 20%, some are a little more, some are little less. But we're trying to see that it is 20%. So, if the wages increase, the revenue will also increase, we will try to maintain that.

Agastya Dave: Right, right. So basically, sir, there is no -- I can't figure out even a single cost item, which is creating a problem for you as of now. On

the capital side, on the balance sheet side, the replacement costs are under control and also on the operational side, the expenses are under control, right? As of now, you are in a really nice situation.

Chander Baljee: We are in a sweet spot.

Agastya Dave: Extremely sweet spot sir. Great, great. And sir one final question. You mentioned that in the second half, ARR's will be 10% higher than H1. So how frequently are these changes implemented across the industry and by you? How frequently do you reprice your performance?

Chander Baljee: Daily, daily. And some time more than once a day. Like airline prices.

Agastya Dave: Right, right, right. Okay, that's very interesting sir. Thank you very much sir. Thank you.

Moderator: Thanks Agastya. So, you've given a reply 71%. This regarding the three main centres.

Amit Jaiswal: Yes, yes.

Moderator: So, until the next person coming in the question queue, could you throw a bit more light on your strategy going forward with respect to being an asset-light business model?

Chander Baljee: What we are trying to do is there are two, three things. One is the management contract model which we are continuing to pursue. What's happening in the management contract model, people have got little disenchanted owners because they feel that the operator makes money and irrespective of the upside and downside, whereas the owner suffers. So that is where we have started offering a service, you give a choice. And we'll give you a revenue share where the downside is mine. And you are taking only a percentage of the profit. So, you will never go down. So that is the option which we do.

Another thing which we started some time back is franchise model. There are certain people who don't want to let go. They want to control them; they are control freaks. They want to run the hotel themselves. So, we feel that in certain cases, where the owner is an educated evolved owner, where we feel that he will run the show as per our brand standard, so really started that also. So, we have got 15 hotels which are under franchise, 15, 16 hotels which are under franchise. And so, we are pursuing that also. So, franchise and revenue share is in. And of course, selective cases, we may look at particularly Delhi and Bombay, if we get an opportunity with a small

investment and we get a share in our hotel property, we may take that also.

Moderator: Okay, okay, great. We have a question from Rahul Bhangadia. You may go ahead and ask your question, Rahul.

Rahul Bhangadia: Thank you for taking my question, sir. Just a thing regarding your debenture announcement, what kind of investments do you end up making, let's say, if you do a revenue share agreement, which you just explained just a minute back. What kind of investments are you making there for you to need this kind of...

Chander Baljee: Rs. 5 crores to Rs. 10 crores per property.

Rahul Bhangadia: What's closing up the property, what are you going to do then?

Chander Baljee: No, what happens is you have to pay a deposit. You know that.

Amit Jaiswal: Refundable.

Chander Baljee: Refundable deposit. You have to bring in your operating supplies in routine. In certain cases, we may ask you to bring in kitchen equipment also, we are negotiating this with some parties. So, you said that kitchen equipment I am not doing, you do it yourself, right? Certain cases, he may say that you put in the TVs and the mini bars yourself. So, this is a little variable and depending on our interest in the property. We will take a call on what investment we have to make. And also depends on the size of the property, a large property investment they may go off to Rs. 15 crores, Rs. 20 crores. And in a smaller property, the property will end up with only Rs. 5 crores. So that's what I'm saying, there may be an average cost of about Rs. 10 crores per property. So, we're targeting that, if you get about 20 properties in the next year, one year, year and half on mission.

Rahul Bhangadia: So, two questions there, sir. One is when you said Rs. 10 crores of property, what are we talking in terms of number of keys for, let's say Rs. 10 crore investments? We're talking 40, 50 keys, 100 keys what are we talking?

Chander Baljee: For 80 to 100 room depending on where we are located.

Rahul Bhangadia: Okay. So Rs. 10 crores for let's say roughly 80 to 100-room property.

Chander Baljee: Yes.

Rahul Bhangadia: And sir, in general, as you just said, you will be making some investments, which is slightly different from the total management

contract, asset-light kind of model. So, what are the kind of equity IRRs we are putting up as a threshold to make these investments and all the flexibilities that you're asking or looking for in a revenue-sharing?

Amit Jaiswal: I would like to take, so Rahul, see, if we invest, take a property of, say, around 80 to 100 rooms, and invest around Rs. 8 crores to Rs. 10 crores in the property. I will get a top line of roughly Rs. 15 crores to Rs. 18 crores okay and a net bottom line of, say, around 20%, 15% to 20% of the top line, I'll get as a bottom line. So, the IRR will be much, much higher around 20%, 22% if you take the investment, if I take the kind of investment I'm looking at. So, this will enable us to repay the interest as well as create a fund to refund the over amount, over a period of five years. In Bangalore, what happens is that we have to do the monthly instalment payment, so they don't give us the leverage to grow faster.

Rahul Bhangadia: So that is exactly why you are going ahead with the debenture part of it.

Amit Jaiswal: Yes. Yes.

Rahul Bhangadia: And this profit margin that you just said, this is after the revenue share for your partner...

Amit Jaiswal: Yes, my partner, my partner.

Rahul Bhangadia: Our partner, okay, yeah. Thank you very much for those answers, sir. Thank you.

Moderator: Thanks, Rahul. We'll take the next question from the line of Deepak Poddar. Deepak, you can unmute and ask your questions.

Deepak Poddar: Yes, am I audible sir?

Amit Jaiswal: Yeah, yeah. Please go ahead.

Deepak Poddar: Okay. Sir, just wanted to understand, now you mentioned that room count, we are looking to round about double from 4,500-odd to maybe 8,000 in the next three years, right? So just wanted to understand, so the revenue traction also be likely to be similar, I mean, with some lag or...

Amit Jaiswal: See, what happens is this doubling of the room inventory depends on how many rooms which comes under revenue share and how many which comes under the management. So, if you take the hotels, which is our main model of asset line. So, if we do management then the top line doesn't grow too much because we

only get around 5% to 6% of the top line as management fees in our company. So, it all will depend -- top line depends how we grow our revenue share model, where the entire revenue gets booked into our books. And the margin of the return also is higher in the revenue share model than the management model.

Deepak Poddar: So, do you have any understanding on that, the split between the -- both the model, revenue sharing and the management model?

Amit Jaiswal: Come again.

Deepak Poddar: So, do we have the split in terms of incremental inventory that is likely to come, how much percentage would be on the revenue sharing and how much percentage would be under management?

Amit Jaiswal: It is very difficult to say right now because it is as and when it comes, so we take it. But let me tell you, around 80% will be management only.

Deepak Poddar: Okay, so because of the -- I mean the asset-light model that we are taking.

Amit Jaiswal: Yeah, yeah.

Deepak Poddar: Fair enough. And my second query is more on your EBITDA margin trend. I think in the previous call, you have maintained that we are looking at 40% kind of EBITDA margin. Now given what you said, we are looking at Rs. 100 crores of EBITDA margin, including other income, right, EBITDA in this year. So that comes to about 35%, 36% kind of our EBITDA margin. So that's a downward revision, right?

Amit Jaiswal: No, I'll tell you. I'll tell you, Mr. Poddar. What happens is as we grow, as we are also trying to take the more revenue share model. So, the EBITDA margin in the revenue share model is lesser than your own owned hotel. So that is -- since we are not growing with the owned hotel, so we will be growing with the revenue share model only. So, our EBITDA percent -- the absolute number will definitely grow, but the percentage may come down because we have to pay the lease rent also out of the total revenues.

Deepak Poddar: Okay. Okay. Okay. I understood. So, this management sharing model is obviously going to increase, right, going forward, like...

Amit Jaiswal: Yes. Yes.

Deepak Poddar: So, what would be the sustainable EBITDA margin one should look at?

- Amit Jaiswal:** Yes, yes. The increase in the management revenue, that is our management fees definitely, most of it around 80% will flow down to the bottom line, which will flow straight to the EBITDA.
- Deepak Poddar:** Correct. Correct. Correct. So incrementally, that is margin accretive, right?
- Amit Jaiswal:** Yes. Yes.
- Deepak Poddar:** Okay. So, what is the rough range we should look at? I mean 35%, 40% is the right range.
- Amit Jaiswal:** No 35% is somewhere around 33% to 35% is the correct range of EBITDA as far as the kind of model we have.
- Deepak Poddar:** I understood, I understood yes. Yes, that's it from my side sir. All the very best. Thank you so much.
- Amit Jaiswal:** Thank you, thank you.
- Moderator:** Thank you, Deepak. We will take the next question from the line of Kush. Kush, you can unmute and ask.
- Kush Tandon:** Congratulations, sir, on the good set of numbers. Sir, I had two questions. So, first was, sir, the Mumbai market, any view we are presently not very active here, going ahead, sir, one is that? And the second, sir, can you -- could you throw some light on the second line of management? I understand the CEO has left, you had updated exchange filing. So those would be my two questions, sir, as of now.
- Chander Baljee:** We have a very strong management team. Okay. So, one person leaving does not really affect ourselves, particularly since we are headquartered in Bangalore, and we have already hired one, the CEO came during COVID time. So, he was anyway looking after mostly the South hotels, where we are based. And we've already hired a VP South already. So, I don't think there's going to be any sort of disruption in the company. And so, I think our -- we are very good set of people been working for a very long time with us. And so, I think they hold the ship, they run the business banking. And so, I think we are proud of our team, the CFO there the last so many years with us, go from a Unit Manager Controller to the CFO. And our other people also, Vice Presidents, all that various things have over 10 to 15 years in the company. So, they stand by us. And I think -- and they are developing their number twos, so that while we are growing, we need more Vice President. So, we are growing more Vice Presidents in our group also. We are working towards that.

Kush Tandon: Right, sir. And sir, the second question about Mumbai market, sir, is this market -- your thoughts on specifically Bombay as a -- and given that we are largely corporate driven.

Chander Baljee: See, this is why we are actually raising this Rs. 200 crores, because when you go to Bombay, I say that I want a Rs. 50 crore deposit to lease on this hotel, we don't have the liquidity write-down. So, once we have the cash in the bank, the ability to hand the check. So, our main focus will be in Delhi and Bombay, where we don't have a presence right now and any hotel chain should have a presence there in these two markets. So, we will definitely that's why we are raising the fund. We get the money, we have the ability to sign the check, and we will take over -- pay hotels on revenue share.

Amit Jaiswal: But we are focused on our asset-light strategy and revenue share model also comes under that strategy only. So, we're not going to own any hotel.

Kush Tandon: And sir, out of this Rs. 200 crore debentures, have we made a plan as to where the rooms will be in terms of Bombay, Delhi, how many rooms are we targeting? How many hotels are we targeting? Have you thought about that, sir?

Chander Baljee: See, we are thinking, but what happens then is very, very -- if we say that we want 100 rooms in Bombay and we want 100 rooms in Delhi yes, that is the wish we have definitely made some things. And we have also looked at going into international markets also like Maldives and we've hired one person. We're going to look after Maldives and Sri Lanka and maybe Dubai. So that is a thing which we are trying to explore also, it's at early stage.

So, I won't make any creeping statement from that, but we are already started looking around for those markets also that we did discuss. We had something in Maldives. Maldives have put the test of time, even in the COVID time, it did very well. So, we are exploring. We are not -- but then sometimes, cash in the bank is required. Luckily, our positions are not pretty early. We do have some surplus with us. But for a big-ticket investment in, maybe Maldives or Delhi or Bombay or in Dubai, we may need to have some sort of cash in the bank, so ability to write a check.

Kush Tandon: Okay, thank you sir and wish you all the best.

Moderator: Thanks, Kush. I have one question in the chat from Mr. Sachin Kasera. What type of interest rate we may pay for Rs. 200 crore debenture is? And how do we plan to deploy this Rs. 200 crores?

- Chander Baljee:** See we have already mentioned that the interest rate of normally debentures would be about, I guess, about 10%. And the advantage there is that it is a bullet payment at the end of five years. So, we don't have the pressure of monthly pressure or quarterly pressure of repayments and all that, and we can cost it on our business. That is what the thinking is. And I think -- and that should easily be able to service. I don't think there'll be any problem for servicing that.
- Moderator:** And how much time do we plan to deploy this?
- Chander Baljee:** Well, if you get the money you try to deploy within one year.
- Moderator:** We'll take the next question from Rahul. Rahul, you can go ahead.
- Rahul Bhangadia:** Yeah, thank you very much sir. Just a sense on -- when you use this Rs. 200 crores or Rs. 10 crores of property for, let's say, 80 to 100, we are looking at what the 3, 4-star category thing or else or higher there. What are we looking at deploying this money?
- Chander Baljee:** Mostly 4-star properties, but if there's some 5-star property comes our way we will definitely take it.
- Rahul Bhangadia:** Okay. So mostly 4-star properties, what we are looking?
- Chander Baljee:** Mostly 4-star.
- Rahul Bhangadia:** Great, thank you so much.
- Vinay Pandit:** Right. So, I believe that was the last question for the day. Would you like to give any closing comments?
- Chander Baljee:** I'd also -- I'd like to first thank all of you for this active participation. In fact, some of those questions always help us in thinking a little more. So that has been triggered off by all of you. Thank you very much. And we are looking at much better H2 and I think we won't disappoint you. Thank you very much.
- Vinay Pandit:** Thank you so much, sir. And ladies and gentlemen, that brings us to the end of this conference call. Thank you so much.
- Amit Jaiswal:** Thank you, Vinay.
- Vinay Pandit:** Thanks.