EIH Limited
A MEMBER OF THE OBEROI GROUP

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19th June 2023

The National Stock Exchange of India Limited Exchange Plaza, 5th Floor Plot No..C/1, G Block Bandra Kurla Complex Bandra(E) Mumbai – 400 051. **Code: EIHOTEL**	**The BSE Limited** Corporate Relationship Dept. 1st Floor,New Trading Ring Rotunda Building Phiroze Jeejeebhoy Towers Dalal Street,Fort Mumbai-400001 **Code:500840**

SUB: TRANSCRIPT OF INVESTOR MEET / CALL HELD ON 13TH JUNE 2023

Dear Sirs / Madam,

Pursuant to Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), we hereby submit Transcript of the Investor Meet/Call held on 13th June 2023.

Kindly take the above on your records.

Thanking you,

Yours faithfully
For **EIH Limited**

LALIT KUMAR SHARMA
Digitally signed by LALIT KUMAR SHARMA
Date: 2023.06.19 11:18:14 +05'30'

Lalit Kumar Sharma
Company Secretary

Call date: 13Jun2023
Call Participants: Mr. Kallol Kundu (CFO, EIH), Mr. Hrishikesh Bhagat (Analyst, Kotak MF), Mrs Anifa Fernandes and Mr. Dev Shah (from DAM Capital Advisors)

Hrishikesh: Question on the overseas front 497 keys. I think, is it fair to assume that the Nile cruiser and Al Zohra except apart from that mostly are owned assets?

Kallol Kundu: Okay, so let me just take a step back to answer the questions that you're asking. I think I don't know if you would really like to spend the time in a face-to-face meeting to get the data points.

Hrishikesh: Sure, Yes.

Kallol Kundu: So, we can find a way for you.

Hrishikesh: Sir I will get away but just from the structure point of view, how should we look at it in the sense of what?

Kallol Kundu: I'll give you a general overview of the company structure which you may find it difficult to understand from presentations etc. So, EIH Ltd. is a flagship company. Where are total balance sheet size, ofcourse you know. Now, we have investments in several subsidiaries, associates and joint ventures.

Hrishikesh: Okay.

Kallol Kundu: So, among the fully owned subsidiaries are EIH International, which is a wholly owned subsidiary. Let me cover the international part first and then I'll come to an illustration. So, International has another step down subsidiary called EIH holdings.

Hrishikesh: Okay.

Kallol Kundu: And between EIH International and EIH holdings, between these two companies, the assets and the investments are made in the foreign paychecks.

Hrishikesh: Okay.

Kallol Kundu: So, one of the companies which holds or which has in the Oberoi Bali, there these two companies together own 70%.
Hrishikesh: Okay.

Kallol Kundu: Yeah, that's a subsidiary for us. Similarly, in Lombok, we own 96%.

Hrishikesh: Okay.

Kallol Kundu: So, these are the two subsidiaries in international. Among the Associates there is a JV, which holds the Oberoi Mauritius which is a 50:50 JV and the rest are we have a small stake in the Oberoi Sahl Hasheesh.

Hrishikesh: Okay.

Kallol Kundu: Which is about 10%. The Oberoi Marrakech we own; I mean EIH holdings and EIH international owns about 47.9% and the rest are all pure management contracts. So, whether it's Al Zohra, whether it's the Oberoi Zahra. And all other properties, those are all single. There are some other hotels also which are part of the Oberoi group as a whole, but not part of EIH. So, those are directly managed by Oberoi hotels: the private company.

Hrishikesh: Okay.

Kallol Kundu: So, this is the International kind of format. And the total investment in the books of international or total investments that EIH has done. It was done of course, way back, since the last 30 years or more. And gradually the investment in dollar terms is currently at $106 million.

Hrishikesh: Okay.

Kallol Kundu: But obviously the exchange, the investment rate is an average rate of about 40-45 rupees. So, the total is about 500 crores of investment.

Hrishikesh: Okay.

Kallol Kundu: So, this is international. On the domestic side, the subsidiaries that EIH has is Mumtaz Hotels Ltd., which owns The Oberoi Amarvilas; where nearly 60% stay. The Wildflower Hall, which is Mashobra Resort Ltd., that's a JV with the Himachal Pradesh government, where the EIH owns 79% and the balance is owned by the government.

Hrishikesh: Okay.

Kallol Kundu: Besides that, we have EIH Associated Hotels is an associate where EIH owns 36%. So essentially, if we were to look at it, our total investments would be in the range of about 800 crores on the balance sheet. Out of which the largest investment. I told you we had one more investment major investment which was EIH flight services Mauritius, that we disposed of last year that was a loss making business and we disposed off last year. So out of these 800 crore worth of investments majority of it is international, a part of it is EIH Associated and then the other subsidiary companies. And of course we had have some land parcels which is part of our land.

Hrishikesh: Okay, okay. Now just coming to the fair bit of detail mentioned in your presentation, right now. Just want some highlights in sense on the timeline front, how confident are we in terms of meeting this timeline front? Or do you think there could be challenges? And secondly, just between if I look at the last year's annual report, there was a Doha.

Kallol Kundu: Sorry, sorry, I couldn't hear you.

Hrishikesh: Am I audible now? Yeah. So firstly on the timeline front, in sense of mentioned in the presentation. In the end do you feel this could be a challenge in terms of the expansion? Or do you think those are fairly conservative timeline and could be happening on fairly will be able to manage this timeline? And secondly, on the expansion pipeline, there was this property of Doha mentioned in last two year's annual report 237 rooms and somehow that I found apparently missing from the presentation part. So any reason for that?

Kallol Kundu: Yeah, Doha was actually the whole target was the World Cup. And, that was a managed property, so obviously we have no role to play unless and until the owner is able to finance it. And there were some issues there and therefore the project is currently on permanent hold. So we've chosen to keep it out of this thing because we don't have visibility on when it's going to happen or what is going to happen, if it ever happens then we're going to bring it back again, that is one. Secondly, we are extremely cognizant of the fact that, growth is a very important or the probably the most important piece for us right now.

And the company is really seized of this whole matter right up to the board level. And I think we have mentioned somewhere in our goals etc, that the strategy of the company is in final stages of getting sign off. And it should be done in the next two months or so. But while we are doing that it is not that work has stopped. So therefore, the projects that we've mentioned are all definitely going to come, there's no question about that. And, it will be as per the timelines that have been mentioned. The reason why I can confirm that is because we are doing our capital allocation, etc. in accordance with that, so there is no question of these projects not coming on time. And we have had a track record of doing, delivering on time strategy we have promised. For example, The Oberoi in New Delhi, it was a major renovation, the hotel was closed down for one and a half years. And the hotel was opened exactly at the time in which we confirmed. So I don't see any challenges in case of the timelines that have been provided.

Hrishikesh: Yeah, sure. And, when you spoke about, probably you're fairly close to signing off. So this includes those 11 hotels which were under active discussion as per the last quarter’s discussion we had right, including those or do you think largely the expansion pipeline?

Kallol Kundu: So first and foremost, what we're doing is to internally finalize, looking at our capability, looking at our appetite, looking at most importantly how many hotels we want by FY30 and in which locations we want to be present that is getting formalized. And once that gets formalized, we will know the years in which we are targeting. So it will be a very proactive approach to target. How many management contracts we are going to do? We are not a believer that all cases should be management contract, we don't believe that. Because in owned hotels actually, the share of profits that a company enjoys with owned hotels can never be achieved through management contracts.

Hrishikesh: True.

Kallol Kundu: So therefore, when I say sign off what I'm meaning is that the entire strategy will fall into place. And we will know exactly which properties, what locations, which brands, what kind whether it's a mixed-use project or whether it's a local project, leisure city, everything decided and then we have a plan to execute that also. And with specific responsibilities on various functions on what they're supposed to do. So this is probably the first time in the legacy of the company, we are probably getting. And that is also to do with the changing times. So hopefully, of course, till we deliver, I think there's no point speaking about it.

Hrishikesh: Sure. But yeah, that's what my next question was in the sense clearly. Over the period of past few years, obviously, we had one of the best balance sheet and obviously that helped us in good stead in terms of challenging COVID years. But definitely from the cycle point of view where we are today, probably, I would say lack of CapEx but clearly some degree of slower addition probably, I think at least it perceives to be there from investor community that we did miss a fair bit of cream of these clearly what we saw post COVID demand pent up demand or whatever it is in sense of demand, revenge demand that we saw clearly. I think fair degree of probably we missed, we did capture but clearly part of it, we did miss. I think we could have done better with more properties in our belt.

Kallol Kundu: No, absolutely. There's no denying the fact that if we had more properties, but let me take a little detour from what we are discussing. See again, what is the philosophy of our group, our philosophy is to be the best not necessarily the biggest. That's a very very clearly articulated strategy. And the reason for that is if we believe that if we had, for example, if we targeted the 1000 hotels or 500 hotels, we would not be able to deliver the quality that we are delivering now. We want to be a premium niche player, we want to be the best in ARR, which we time and again demonstrate. If you see my analysts slide also that shows consistently over the last four years, we've always maintained premium in our RevPAR. And that is by virtue of ARR. Right, not from an occupancy side, but from an ARR side we are maximizing RevPAR. So that is the journey that we wish to follow. And we feel that is quite a bit of steam still left. And if you look at the pattern of business now, let's say from the COVID, from the time the business started opening up, it was mainly the leisure locations that were doing fantastically well.

Hrishikesh: Okay.

Kallol Kundu: This phenomena has changed quite a bit. The reason why if you really go into comparison amongst peers, but I don't want to name anybody, but if you do it yourself if you segregate the management fees part and if you do look at the owned hotels only across the groups, you will find our margins are the best.

Hrishikesh: Okay, okay.

Kallol Kundu: Because we have done that analysis. And the reason why we do so well is because we are able to command a premium, which we don't want to let go off. So that is one part of the story. The second part of the story, does that mean that we should just restrict ourselves from number of hotels we have? No, we were very cautious in the last decade. We've opened very few hotels, although some of the hotels were really iconic, the Oberoi Marrakech for instance, the Oberoi Sukhvillas for instance. So these kind of hotels, if you want to open a hotel every month then these will not be iconic hotels. You can't open iconic things every month, every quarter, right? So therefore, whatever we are targeting, whatever you've seen on the slide, are once which are each one of them are well chosen to deliver an excellent profit. So if I were to tell you, if you look at these villas properties, for instance, when they were built there were a lot of questions etc. But if you look at the return on capital employed today, you will find the range between 60% to 100%. So that is the route that we wish to take and considering that the whole strategy is being framed out.

Hrishikesh: So, that's my next question was in terms of expansion pipeline or probably whenever you lay out. I know, a fair bit of details will be clear over the next one or two quarters but just fair to assume that large part of this expansion anything whether it could be it in subsidiary or probably at thestandard level but will be in this entity and might not be at the Associate level. Is that a fair assumption or do you think?

Kallol Kundu: Yeah, it is definitely a fair assumption because if you see the strength of those or the size of those balance sheets, those are literally, those can do a few hotels here and there. But obviously those companies do not have the bandwidth and the scale to really execute very large number of properties. So yeah, we certainly would, I mean as of today, we are sitting in a situation where well we also had a large amount of debt during COVID. We did our rights issue etc, but today the situation is in the each company there's not a single company in our entire portfolio which has any debt, that is not an ideal situation either.

Hrishikesh: True, true, true.

Kallol Kundu: So obviously if you see the capacity of our company, I mean, you can do the maths yourself Hrishikesh**,** You know what EBITDA we did this year, right.

Hrishikesh: True.

Kallol Kundu: You can safely assume, a growth on that EBITDA. So year on year how much of cash we're going to generate?

Hrishikesh: Exactly.

Kallol Kundu: Isn't that out? Right. I don't have to tell you the numbers. You can do it for yourself.

Hrishikesh: Agree, agree. Yes.

Kallol Kundu: If you do an X amount of equity, if you can do over the next three, four years, then you will have at least 50% of that you can take us debt very conservatively?

Hrishikesh: Yes.

Kallol Kundu: If you take all of that you see the corpus that we have, in order to grow. So, if there is opportunities which suit us, if we have the means to fund it easily, then why would we not?

Hrishikesh: Sure.

Kallol Kundu: Would there be any reason why we would not?

Hrishikesh: Okay, agree. So, effectively the way I should understand is from the incremental expansion point of view, you are fairly open to lever up the balance sheet and probably and from that.

Kallol Kundu: Sorry, I think the connection connectivity is little weak.

Hrishikesh: Sorry. Hello. Yeah.

Kallol Kundu: You are losing out a few words? Yeah, yeah.

Hrishikesh: So, we have to understand is that from the expansion standpoint, we are fairly open to levering up the balance sheet. And secondly, even from the growth opportunity point of view incremental expansion will be slightly on the ownership heavy rather than management contract.

Kallol Kundu: I think it'll be a fair mix is what we would say. Not only a fair mix between the ownership and the manage model, but also we are very strongly looking at mixed use. So, which we have been saying in the past as well that our property in or the land that we have in Bangalore, that we are working on a mixed-use model.

Hrishikesh: Okay.

Kallol Kundu: So that will also deal his car business to some extent. But yes, if you were to understand what that expansion is likely to be; firstly, you'll have to wait a little, our strategy document is signed on by the board. But where, what we are targeting I can tell you that, we are targeting an x turnover which will be several times the turnover that we have today. And therefore, a particular level of profitability and return on equity.

Hrishikesh: Yeah. So now, coming to the return discussion now, clearly on reported basis, or even when I look at it differently these are fairly strong return ratios and obviously partly explained by clearly lower CapEx for past decade. So fair to assume that on the existing portfolio a large part of our portfolio is fairly matured property. And, I think probably or do you think that even on international side or there were some properties where do you think there are some levers were probably, that could pull up the return ratios?

Kallol Kundu: There definitely are levers to pull up the return ratios and we are nowhere close to our optimum. And there are several reasons I thought I would give, which I think our CEO Vikram has mentioned quite a few times as well that we still believe that the rates in India despite what most people feel that rates are high and stuff, we feel that there is a lot of potential. Because compare the rates and the facilities that we offer and the services that we offer, visa we what you get in Europe and US and other places and look at the ratings that they command. We may not be a European US, but at least we can be better than what we are. So there is definitely an upside there.

Secondly, purchasing power of Indians have increased by a large margin, especially the growing upper middle class, I think which augurs very well for our kind of brands who really value quality over quantity and stuff. So, I think these are some of the things that I think are important to be kept in mind.

Hrishikesh: Sure. And.

Kallol Kundu: But to answer but to complete the answer to your question, I think your question really was that whether there is enough steam left?

Hrishikesh: In the sense from the point of view that obviously it's a long gestation business from the point of view of setting up a property and get to the return ratio.

Kallol Kundu: One more point I would like to add here again if you compare between various changes in the industry, you will probably find that we spent quite a bit of our resources in upgrading and renovating our products. That is on a continuous basis. And the reason why we would do that is to keep it contemporary. The Oberoi New Delhi was a case. It's one of the most modern hotels, with the most modern facilities. We did the OFS the flight services business in Mumbai: state of the art. We did just now we completed four floors of renovation in Trident Nariman Point. Under construction is already 20 service departments at the Oberoi Mumbai. We are opening new restaurants to replace the ones. So the capacity of earning actually increases, despite the property is getting older. So there is still a lot of lot of steam left, we want to maintain that as well. I mean, instead of investing only in new properties, it's important to do all these things which can generate a lot. I mean, if you look at individual hotels, for example, every single hotel almost has done a record profit this time.

Hrishikesh: Okay. Yeah. So, I think you guys are fairly in a sweet spot but, so just from th e standpoint, where I was coming to in the sense there are from domestic perspective or international perspective. Are there any properties which we are probably launched it during COVID or probably slightly before COVID. And hence, there could be from that perspective those are yet to mature or reach with what we have in terms of fairly matured portfolio. Do you think?

Kallol Kundu: Marrakech; biggest example. Marrakech was launched in December 2019.

Hrishikesh: Okay, okay.

Kallol Kundu: So there was a great time to launch as you can understand. And that property Touchwood is currently doing ARRs of in excess of US$800 per night.

Hrishikesh: Wow. Okay.

Kallol Kundu: So, that's an average rate. So obviously, those certainly I think Marrakech. There are a few other properties which are also in the pipeline for major- very major renovation.

Hrishikesh: Okay.

Kallol Kundu: So which we will be carrying out. Of course.

Hrishikesh: Sure. And from the demand perspective now, I think clearly one aspect is obviously, it has been a fairly a favourable cycle after a long time, almost a decade. If I were to look where probably you guys have a pricing power in terms of and secondly, obviously supported by a fairly strong demand sentiment from the consumer as well.

Now, where I'm coming from is obviously when I look at the domestic travel industry as such and the entire ecosystem, I think clearly one part is clearly your hotels which are definitely have a pricing power. And the other aspect is obviously the travel ecosystem even that has now gained a fair bit of pricing power. Now my question is, have yo u se en any noticeable tren d in terms of future booking, where you feel that could have some impact or moderation demand? Because especially when I look at our portfolio, I could be wrong here, but our portfolio is slightly leisure heavy.

Kallol Kundu: No, it's the other way round? No, not at all. It is the other way round. So more than 50% of our inventories. You look at Bombay, just Bombay has more than 1000 rooms.

Hrishikesh: Yeah

Kallol Kundu: Yes. So no, I'm not sure if I've understood your question correctly. But.

Hrishikesh: My question was in the sense probably if you have fairly ledger heavy portfolio, it becomes slightly discretionary compared to probably corporate heavy, where probably if you have to travel, you end up traveling in case of corporate. So that's how the.

Kallol Kundu: Extremely strong in corporate with our relationships, etc. In fact, corporate continues to be between 50 and 55% of our overall business.

Hrishikesh: Okay. Okay. 50-55% corporate.

Kallol Kundu: Yeah. And obviously, corporate rates haven't gone up the way they should have. So there's still a lot of opportunities left there.

Hrishikesh: Now this is a fair bit of, I would say perplexing because, obviously you guys have shown fair bit of pricing power on the retail end, in terms of when guys like me or probably lot of individual travellers or a lot of families travel, their when that bookings happen there's obviously a fair bit of pricing power as we witness. But I'm not so sure. But clearly from the corporate side, when I talk to your peers also, initially coming out of course there was excitement about renegotiation of rates happening, but clearly, that has not happened. So any reason do you think that corporate renegotiation has not happened to the extent or do you think has there been change in terms of renegotiate contract itself in contact?

Kallol Kundu: No, I think, firstly we won't call it a renegotiation like we don't like to call, use this term of revenge tourism, because those have all really gone by in quite some time that. So, I think, see corporate bookings, etc are at the end of the day those are not retail like you said. So there will be a pricing push from that end. So therefore, that is always there. But that doesn't mean that rates have not gone up, rates have gone up. Now, it's also a question that, see the biggest factor that probably has worked for the luxury hotel industry in India is the lack of supply and supply cannot be built overnight, right in this segment- in this business. and definitely not in the luxury segment, it's not so easy. So, the number of rooms remaining, where they are, if every player what you think similarly then everybody would probably increase it but probably the industry in general I'm not talking of us, does not have that belief possibly that, whatever rates that we really command, we can really charge. And, therefore, unless there's a concerted move I'm not saying that it will monopolize something but let's say the company, like look at airlines. Now, if you find that one airline is charging whatever other airlines is where they were, then why would anybody travel there?

Hrishikesh: Agree. So effectively to some from what you think I can get is, you feel there's still a fair bit of room for you to pull up the ARR without impacting much on the demand sentiment or probably and that might not have any major impact on demand, even if there's for the lever?

Kallol Kundu: Yeah, that's right.
Hrishikesh: And that will be the largely margin lever or do yo u think on cost front do you also, because we have done a reasonable.

Kallol Kundu: When weight gross profit is only its directly 100% to margin.

Hrishikesh: Okay, yeah. Agree. But on cost side, do you have any levers or not?

Kallol Kundu: No, no. So see the good thing is that the employee costs have got rationalized. I won't say that they won't grow they will definitely grow but not grow back to pre-COVID levels. Because that rationalization will happen. And also, we have been able to build a lot of capacity to be able to cater to new companies, for example, the entire support function runs out of a centre of excellence. Now, that center of excellence with every increase we just added, let's say Bay Club, no manpower was increased in the support function not a one. Similarly, when we add five more hotels, we will not need to increase any manpower because same ecosystem can take care of it. So, these changes have already happened, we are yet to see the fruits of it because we are waiting for the expansion to happen and then to be able to see it.

Hrishikesh: Okay. And from the standpoint of bolt on addition likes what you spoke about Bayclub or probably like Coocoo Coffee, I think what is the game plan here in the sense how much do we intend to scale up on this?

Kallol Kundu: So I would give the same answer that Vikram gave. So you know these are as of now one of projects, we are shortly to open our restaurant also, which is a high end luxury standalone restaurant, which will be in the Jio Convention Center. So we want to perfect these businesses that we are geting into. Once we know that we have perfected the art and the the whole mechanism then of course there's a expansion plan that we will looked at. But we want to get it right first time because if you don't get it right then there's no point in expanding.

Hrishikesh: Okay, got it. And from the gross block perspective, this, I understand you discussed about the, I think aircraft services that have probably been hived off but there's boats and aircraft, two items on the gross block. So these are fairly related to business and needs right in terms of what we have in terms of.

Kallol Kundu: No, the boats are entirely for business. So those are cruises. Yeah, so we had a boat in the backwaters of Kerala, which currently is not operational. But internationally if you see the group has actually two boats on the cruise on the Nile, two cruises on the Nile. And we are actually coming up with two more, which are smaller ones, but those are there. So the cruise business we've always done well and they are phenomenally well doing businesses.

And the aircraft, of course is a corporate aircraft which is charted out also for requirements but also use internal for internal purposes.

Hrishikesh: I think you did spoke about that last decade was fairly in terms of where you guys been fairly slow. So just clearly like draws down.

Kallol Kundu: Sorry. I missed it.

Hrishikesh: Yeah, so one thing is clearly you spoke about going slow last decade, clearly the room addition has been fairly, we have added fairly limited rooms. But from the investor standpoint over where I'm coming from is that what is the role of there are a fair bit of when you look at the shareholding pattern, there is a reliance and there's ITC also. Is there any active involvement of this market shareholders in your any operation anyway, say something like Reliance, ITC I understand but clearly reliance.

Kallol Kundu: Yeah, of course, reliance, Mrs. Ambani and Mr. Manoj Modi are on the board of EIH and they're very active directors, non executive directors. Their suggestions are really most helpful and they do bring about a lot, give a lot of insight and guidance to the management on strategy, etc. So obviously and I think that's a good thing because on one side, we have the support of, large shareholders. And also I think in a way being in the board it's important that somebody is there to push. So, which is a good thing for us too.

Hrishikesh: Yeah. Perfect.

Kallol Kundu: But when you talk of returns to shareholders, I think you mentioned this a couple of times, I must tell you one thing that I don't know which metrics you really follow as an analyst. But would it be let's say, earnings per share? Or would it be? I don't know what exactly. Would you follow? Maybe leave the growth part aside for the moment because I've already articulated on that, if you see the earnings per share is pretty decent.

Hrishikesh: Yeah, perfectly. So I think more importantly, see eventually, I agree from what you spoke about, I think growth understand it's probably where you are now getting into the game. I think historically what for us what is very critical in terms of is a capital allocation where we have done well and that is getting reflected in terms of our ROCE. And in terms of going slow, ensuring the properties mature. So I think from for us, it becomes critical because I think one of your luxury peers. I think clearly we saw what happened in terms of last decade of capital allocation then you have dilution, multiple dilutions. I think we are very frankly wary of such situation effectively. The cycle has been clearly beneficial for everyone.

Kallol Kundu: You're right. I couldn't agree more. And I think also the fact that, we are happy that many people want to really grow very fast. We wish luck to all of them. We are not so keen on growing so fast. Number one, number two is let's say, we got into and this is a hypothetical point I'm making let's say we did 10 Hotels a year, all 10 management projects let's say mid- sized hotels.That's what people generally do right 250 rooms. So what do you think is the management fee that one would earn from there? Let's say five crores maximum.

Hrishikesh: Sure.

Kallol Kundu: So for 40-50 crores, imagine the kind of bandwidth vs say one hotel where are you on 100 crores

Hrishikesh: I am in agreement with that. So frankly I'm also not a big fan of this asset light approach see, on paper it sounds right but eventually it does pulls up a lot of bandwidth and in terms of number of contracts, you have to sign.

Kallol Kundu: In terms, if you look at the foreign brands who have largely been successful. See in case of foreign brands, we Indians are different. Let me say that first. You know, this cookie cutter approach that is followed in many western countries may not necessarily gel in India. Yes who travel for two to-let's say you went to Europe in most pickup I don't want to name any brand, go to any brand. You'd have to carry your baggage yourself to the room. You'd have to do everything on your own, that’s not what Indians want.

Hrishikesh: Yeah, true.

Kallol Kundu: So therefore, for them, it's okay to do 1000 hotels, somebody who does 5000 hotels and 5000 hotels management contract really works because imagine the total. That's a game of the volumes.

Hrishikesh: Yeah, yeah.

Kallol Kundu: So unless and we won't be able to do that and we will not do that because that will ensure that we kill our service levels quality because you can't manage with same attention that many number of hotels.

Hrishikesh: Totally.

Kallol Kundu: We would still do the best profits in the market. But we would do in a very different way.

Hrishikesh: Frankly, I will be happy for it. If you guys lever your balance sheet to one time debt to equity or even two times and have give me a much more ownership driven growth. That will be more bang for the work for me.

Kallol Kundu: That is true, yeah. No, I mean, we are a little cautious about debt. I mean, that's, in our DNA. So really to change that, but yeah we must. I mean with growing costs of capital we cannot afford to remain debt free for too long.

Hrishikesh: True. I think good from the capital structure point of view, effectively.

Kallol Kundu: Plus your equities high then I mean you can negotiate good rates. Our average cost of debt is 7.7%. So that's something that we enjoy because of the strength of our balance sheet.

Hrishikesh: Yeah. So effectively, then incremental expansion will be fair to assume that largely with the conservative approach internal accruals, some degree of debt will be there but not our what is the maximum threshold that we are open to if we have to pursue.

Kallol Kundu: A policy has been to maintain debt to equity ratio of 20%. So roughly about 25% of total capital. That is been our internal benchmark so far. But I'm not saying that could not change.

Hrishikesh: Okay.

Kallol Kundu: And plus, we could also look at SPVs, etc, where the debt is not on the EIH balance sheet, then we could look at much larger debts.

Hrishikesh: Sure, but any internal thought in terms of say, simplifying the holding structure probably increasing the stake in terms of associate hotels on any thought we have internally?

Kallol Kundu: There are two listed companies. It's not right for me to comment on the holding structures generally. But yes, on an overall basis, there is a definite need to simplify our structures. And make sure that see, these were done at a time when taxation structures were different laws of the countries were different, FEMA regulations were different. Actually, this all started and when it was FERA, so things would have been done with a different mindset. But now with the change, with different taxability, with all of that, there's a definite need to look and we are looking all of that. It cannot happen overnight, because there is a lot of legacy issues involved.

Plus when you go especially in foreign countries, mostly the stipulation is you need a local partner there. So there you know, these structures will always remain where you have to have a partnership in some form or form or the other. I mean, Indonesia, where we operate, for example, requires that the Board of Directors of that company, they call it a President Director which is really the head of the directors. Has to be an Indonesian he or she. So that stipulation is there. Now, if you have to operate in exotic locations, etc. This comes along with it.

Hrishikesh: Yeah. And see if we look at the margin.

Kallol Kundu: Sorry, again I'm losing you.
Hrishikesh: Am I audible?

Kallol Kundu: Yeah, yeah, it's coming. Yeah. it's keeps coming up.

Hrishikesh: Probably just shut my video during that.

Kallol Kundu: Maybe I'll put my camera off, too.

Hrishikesh: Yeah. So yeah, I think so where I was coming from is some sort of margin profile. Now, obviously when I look at the luxury brands like of Taj or probably you guys, you guys are now fairly in terms of 32 to 35% or between that range 35 to 34-35%.

Kallol Kundu: Are you talking for the company as a whole.

Hrishikesh: Yeah, enterprise level or even standalone level, standalone level you guys will be much higher if I'm not wrong.

Kallol Kundu: So, I'll tell you one difference between other companies and us but I'll let you complete first.

Hrishikesh: Yeah. So I agree that management fees that you spoke about but so my question is more from the perspective that I think when I look at this fairly mid-scale brand are not even luxury something like Lemon Tree are probably. I know those are not competitors, those are fairly in terms of 45-50. So I'm probably more from the luxury brand, obviously, we can't approach on the bare bone structure like the operate but clearly from margin perspective, how high can we scale up with the luxury segment where we operate?

Kallol Kundu: Okay, so let me just make the other point that I wanted to make. And that's where structuring also comes in. So, one of our component of our overall business is the flight catering business. So in our case it this whole unit and this is decent, it gets about 200-250 crores of turnover. So and margins are currently around 20% but at one point of time this business did 30-35% margin too. Now, let's say that in case of many others or other players in the market these are not in the standalone books. These are subsidiaries, you would figure out. So what you get to compare, if you really want to compare the hotel's performance it has to be apple to apple. So if you remove this bit
then you will see that the EBITDA margins are actually 40% and above. Well and by the way that business is also doing exceedingly well in the current year.

Hrishikesh: Yeah, yeah. So, effectively even from the revenue perspective now if I look from the console revenue and then there's a standalone revenue, the difference will be largely your Mumtaz, Mashobra and EIH holdings and what you spoke about is flight catering business which is also partly captured in that. That's about it.

Kallol Kundu: That's it.

Hrishikesh: At least on the revenue side.

Kallol Kundu: Yes.

Hrishikesh: Okay. And from the near term 2-3 years perspective, whatever we are, at least the pipeline that we have mentioned on the presentation. Any large part of this will be on the standalone side or do you think part of it will be on the console or from the ownership point of view, owned hotel point of view? I'm not asking from the management, or whichever is the owned pipeline expand.

Kallol Kundu: If you can, I mean, I don't have it in front of me on what we had presented because this is an evolving picture. And more number of properties are continuously getting added to it, to this list which we have still not come out with publicly but what are the ones if you just tell me and tell you which are.

Hrishikesh: Bandhavgarh. Sir, Bandhavgarh?

Kallol Kundu: Bandhavgarh is managed.

Hrishikesh: Yeah. So owned, if I remember correctly it's Rajgarh which is owned, which is 25, so that will be in standalone right or that will be in.

Kallol Kundu: Standalone, 100%. Yeah.

Hrishikesh: And Tirupati will be owned by subsidiary. So which will be?
Kallol Kundu: Mumtaz.

Hrishikesh: Mumtaz, okay. Okay and apart from this Goa, Oberoi Goa?

Kallol Kundu: Goa is owned.

Hrishikesh: It's standalone. It will be standalone.

Kallol Kundu: Yeah.

Hrishikesh: Okay. And on the.

Kallol Kundu: I think there's one Hebbal I don't know Hebble is there. Hebble should be there, Hebbal Bangalore.

Hrishikesh: I think I missed it, could be.

Kallol Kundu: Yeah. So that is a mixed-use project that is also owned.

Hrishikesh: Yes. Okay.

Kallol Kundu: Yeah, I don't think it's a bandwidth, even know I'm missing your words.

Hrishikesh: No from the Koh Samui project. Koh Samui and last year's annual report mentions.

Kallol Kundu: Yeah. Koh Samui is not moving. It's not closed either but it's not moving also.

Hrishikesh: Okay, okay. Okay, it's not moving as of now. So effectively then from the whole incremental CapEx perspective, what should be your next two years target from the CapEx standpoint?

Kallol Kundu: See, I would wait for this strategy exercise to get over. But let me tell you that the projects which are under active construction, especially Rajgarh. Rajgarh is probably the only one that will consume CapEx this year apart from the renovations. The others in the initial years of construction they really do not involve too much of CapEx, so it will be pretty moderate. I mean, there's obviously regular CapEx which is around in the range of 40 to 50 crores a year, roughly and that's maintenance CapEx.

But apart from that there is only one project that we are actively spending right now and the moment the other projects pick up they will be spent but they will be phased over the next three to four years.

Hrishikesh: And I think finally from the thing just we did discuss on the tariff side, now obviously we did discuss from the occupancy side. Now, this is a general industry trend I have observed at least. I think Q4 was an exception but what at least Q3 or some other trend I remember.

Kallol Kundu: Sorry, is your question complete? I couldn't hear the last.

Hrishikesh: No, no. So this cycle if I look at it industries more focused on ARR maximization as compared to occupancy. So, do you think industry is more focused on that. And that will continue for next three years according to 3-5 years from that well because lower supply from that perspective.

Kallol Kundu: See, I think occupancy is everybody's doing well, right, they should do well, there's no reason why they should not do well because as we discussed supply isn't going to come overnight. And we closed our year at close to 80% occupancy on an average. So it's an unheard of kind of situation ever.

Hrishikesh: Sure.

Kallol Kundu: So I'm assuming that the other players are also similar. I don't remember the exact numbers of others. But if occupancy is around 80%, there's only that much you can improve.

Hrishikesh: True.

Kallol Kundu: You can of course do whatever but at the end of the day, there are weekends, weekdays, issues, in cities and all of that. So there is only that much you can do. So obviously everybody's looking at rates. But there I think again, I mean, where we feel we have an edge is because of our continuous kind of focus on quality and service and guest delight. Probably we have an edge on the ARR side. That's what at least the data shows.

Hrishikesh: Okay. Yeah.

Kallol Kundu: Right.

Hrishikesh: And finally, just from the Trident Mumbai, I think I'm talking more from the Nariman Point perspective. Now, this is just a question from standpoint that when I look at the city itself a large part of the business district had moved to Bandra, BKC and on those side. So has there been any material impact on the occupancy? Or do you think they have been able to offset that?

Kallol Kundu: Actually, we are looking forward to it the opposite when the coastal road completes. The coastal road is ending one kilometer away from our hotel room.

Hrishikesh: True, yeah.

Kallol Kundu: So first and foremost both our hotels are doing very good occupancy and very good rates. Specially the renovated rooms of Nariman point is doing very good ARRs. So yeah, this was an issue. I mean, I have been with the company long enough. So I can tell you that these discussions used to happen in 11-12 when businesses started moving out diamond industry and all that moving over to the other side of the city. But I think firstly, it has balanced now. And we actually, if you look at last year, we have performance at Nariman Point was better than our performance at BKC our own performance. So that is one and secondly, these hotels also have a fair share of business from Middle East and other countries. And thirdly, when the coastal road comes, I mean you probably will be in a better position to tell me if for commuters in Mumbai that will make any difference.

Hrishikesh: Yeah, definitely.

Kallol Kundu: Yeah. So then, obviously you can't match the views of South Mumbai with facing buildings in BKC.

Hrishikesh: Totally, totally. And just, do you feel that in clearly this cycle, one thing is different or probably lacking is a probably participation of foreign tourists. So where are we on that front? In the sense do you think normalization has happened or yet to see?

Kallol Kundu: No, no, no. Not yet. No, no, not yet. So we're still way to go. That's why I said that, if you're looking at a performance of last year which at least I'm just guessing, I don't have the numbers in front of me but I think on an average we would be still about 30% below what we used to do in foreign occupancy. And we've not even seen the increase in rates etc. That one can expect.

Hrishikesh: Okay.

Kallol Kundu: That most likely should come back because in th e immediately succeeding months after COVID, even when borders opened up it was not easy for people to get visas, etc. And come right over. There were huge problems been reported in the UK also who were not getting Indian visa. So, for instance, UK we've seen really, there's a there's a lot big distinctively left. So I think this year at least and the next year I don't see any challenge because this momentum picks up the way. I mean, likely we dropped in COVID. Suddenly, now that it is picked up, how will this travel stop? I mean, I can't see that happening. I mean, let's say corporates are traveling today, can they really stop traveling tomorrow?

Hrishikesh: No, no, perfect. Perfect. So I do agree in the sense, obviously, that's one, I would say missing puzzle or probably missing piece in the whole recovery story that we have played out. And that's where I think our hopes are because that is also a high spending category. When I do the customer profiling from that perspective, and hence that group, you obviously have one lever where you can probably maximize the ARRs for you.

Kallol Kundu: Yeah, yeah. No, that's our hope. Obviously, nobody can predict the future. We don't have a crystal ball. But if you were to look at it from data that we have then we've seen the first two months go by. So I don't see any concern as of now. We'll have to keep our ears and eyes open, but we are in our sweet spot, like you said.

Hrishikesh: Okay. I think largely my questions are answered, but just one feedback, at least from the disclosure standpoint, I think obviously

Kallol Kundu: Sorry, missed you again.

Hrishikesh: Hello. Am I audible? Yeah. Just from the feedback perspective on the disclosure, last two years definitely those have improved. And clearly we have come a long way. But I think one piece is missing is clearly on the subsidiary side. I think when part of the income I think consolidated becomes an important piece for the investor. I think it would be really appreciated if those disclosure at least on the operating parameters something like occupancy or probably profits on quarterly basis are available, that would be helpful for us.
Kallol Kundu: Sure. So, you mean the analysts presentations?

Hrishikesh: Yes, on the analyst presentation. So you can look at your peers also, they do provide us some degree like they have overseas properties and they provide some degree of I would say, I think broad numbers something like a revenue EBITDA and obviously occupancy if possible. So, I think those may need not be all details on ARR everything but at least the revenue EBITDA, PBT will also be helpful.

Kallol Kundu: Sure, so consolidated is more useful for your community or.

Hrishikesh: Yes, consolidated sir, because I think your earnings, you will be valued based on the entire asset; portfolio of assets. So, I think from that perspective, it becomes very important that part of the income is also from consolidated. It's a reasonably large part. And if the expansions are also happening in that then it would continue to become larger also. So, from that perspective, I think those will disclosure will really helpful from the subsidiary level or probably at least broad revenue PBT and some operating parameters. Obviously, you can look at the peers, how they give disclosure, at least on the overseas property, I think those level of disclosures should be helpful, not the entire P&L, but at least those level of disclosure operating parameters.

Kallol Kundu: Your feedback is well taken. And I'll definitely I mean, we always look at what others are doing, but we do our own at the end. Sure. But I understand what you're saying. And let's see how best we can improve on that

Hrishikesh: Sure. Sure sir. Thank you for your time, sir.
Kallol Kundu: Thank you. Thank you so much.
Hrishikesh: Thank you. Thank you. Thank you so much.