



“Asia’s Pioneering Hospitality Chain of
Environmentally Sensitive 5 Star Hotels & Resorts”

1st November 2023

To,
Listing Department
Bombay Stock Exchange Limited
PhirozeJeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001.

To,
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra –KurlaComplex,
Bandra (E), Mumbai – 400 051

Code: 526668
ISIN: INE967C01018

Symbol: KAMATHOTEL

Sub: Submission of Transcript of Q2 H1 FY’24 Earnings Conference Call held on 27th October 2023

Dear Sir / Madam,

In accordance with Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith a transcript of Q2 H1 FY’24 Earnings Conference call of Kamat Hotels (India) Limited with various Investors and Analysts held on Friday, 27th October, 2023.

The aforesaid information is also available on the website of the Company at the weblink www.khil.com.

Kindly take the same on your record.

Thanking you,

Yours faithfully,

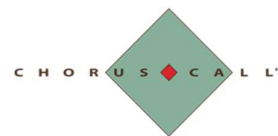
For Kamat Hotels (India) Limited

Nikhil Singh
Company Secretary & Compliance Officer

Encl a/a.



“Kamat Hotels India Limited
Q2 FY '24 Earnings Conference Call”
October 27, 2023



**MANAGEMENT: MR. VISHAL VITHAL KAMAT – EXECUTIVE DIRECTOR
– KAMAT HOTELS INDIA LIMITED
MS. SMITA NANDA – CHIEF FINANCIAL OFFICER –
KAMAT HOTELS INDIA LIMITED
MR. NIKHIL SINGH – COMPANY SECRETARY AND
COMPLIANCE OFFICER – KAMAT HOTELS INDIA
LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to the Q2 and H1 FY'24 Earnings Call of Kamat Hotels India Limited. We have with us today Mr. Vishal Vithal Kamat, Executive Director; Ms. Smita B. Nanda, Chief Financial Officer; Mr. Nikhil Singh, Company Secretary and Compliance Officer. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touch-tone phone.

Please note that this conference is being recorded. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I now hand over the conference over to Mr. Vishal Vithal Kamat, Executive Director of Kamat Hotels India Limited. Thank you and over to you, sir.

Vishal Kamat:

Thank you very much. Namaskar, everyone. It is my pleasure to have the first conference call for Kamat Hotels India Limited. It's been quite a journey for us and I'm very grateful to the huge number of participants who have participated today. So, thank you for taking time out on a Friday and for doing the needful.

So anyway, first and foremost, I'd like to say that we've had a very interesting journey. For those who do not know Kamat, I just thought I'd give a quick introduction. We've been in the family business from last three generations. I'm a third generation entrepreneur, thanks to my father, Dr. Vithal Kamat, and my grandfather, Sri Venkatesh Kamat. From humble roots of being a dishwasher at the age of 10, he came to Mumbai and today, Dr. Kamat has culminated that into creating Asia's first five-star environmentally sensitive hotel in 1997, and the journey has been growing ever since. So with that, we also added various other Orchid Hotels, the Orchid Hotel Pune and recently the Orchid Hotel Manali, Shimla, Lonavala, and various more are in pipeline, which we will take up ahead.

Apart from that, we also have a crown jewel for our Maharashtra and India as a whole which is Fort Jadhavgad, which has been doing exceedingly well, and is the unique Maratha Fort Heritage Hotel in entire India. Rest all focus on various others, but in terms of Maratha culture and our Marathi heritage, it's quite an icon. With that, we also have various other resort properties in Orissa, in Konkan Coast, in Goa, under our Lotus brand, which are also doing exceedingly well. Lotus Konark is an achievement for the government of Orissa, OTDC, and for Kamat together in creating a model icon, an environmentally sensitive resort. And that's why it's showcased to every guest who comes to the state and I'm very happy to say that even the Rashtrapati himself wanted to visit at that time, and we did his catering in 2021.

So that's that, we also have our IRA by Orchid Hotels, which is our upper mid-market segment chain, which has been extremely well-received. We launched it on 1st July 2023, with Bhubaneswar and Mumbai being the first two and happy to inform you all that tomorrow we will be opening our Nashik IRA by Orchid, which is our old hotel being renovated and

completely made new. So, IRA as a brand will be growing rapidly, and we will come to that subsequently.

I would also like to share that we have some excellent news. A lot of people who have been with us from a long time were waiting for this same news. There were two news they were waiting for. The first one we achieved in January 26th of 2023, that is the restructuring and the entire clean up of the Kamat Hotels situation which we were in. So I am grateful to many people who have supported that endeavor.

And the second great news is that from the INR 297.5 crores debt which was there, even though it was sustainable, the efforts of the company was to bring that also rapidly down. And yesterday that got culminated into the sale of our Andheri property. So I am very happy to inform all that, now our debt remains at only INR 172.5 crores. So with that brief introduction, I would like to hand it over to my CFO, Smita Nandaji, whose efforts have been instrumental in this, and she will take it forward. Yes, Smita ji.

Smita Nanda:

Thank you, sir. As mentioned by our Executive Director, Mr. Vishal Kamat, we are very optimistic to take this financial year ahead in a very good way, and accordingly our EBITDA and revenue is expected to go up.

On consolidated basis, revenues of Q2FY24 were up by 4% Y-o-Y and stood at INR64 crores. This was due to improvement in ARR across all our properties. EBITDA stood at INR19 crores and remained largely unchanged as compared to same quarter last year. This was because the improvement in room realization was offset by increase in employee and other expenses.

Basically, other expenses included stamp duty and registration fees, which we have paid for new eight lease properties, which will be operationalised by 1st of November and 1st of December onwards. PAT was down by 99% year on year basis standing at INR3 lakhs in Q2FY24 due to increase in tax and finance cost.

On half yearly basis, revenues stood at INR134 crores, 2% up on Y-o-Y basis. EBITDA was down by 13%. Reason being that in last two years, we have not given a sustainable increment in payroll due to COVID hospitality industry was affected very largely. And secondly, there was a new property acquisition on lease basis, so we paid stamp duty, brokerage and registration because of this EBITDA margin was low at 31% and PAT stood at INR1 crore.

With this, we can now open the floor for questions. Thank you.

Moderator:

Thank you very much. The first question is from the line of Anupama Bhootra from Arihant Capital. Please go ahead.

Anupama Bhootra:

Thank you for this opportunity and thank you for taking up con calls for the company. My question is regarding Jadhavgadh Fort and its occupancy. The occupancy is somewhere around 55%. Is it only because it is far away from the city?

Vishal Kamat:

Namaskar Anupama ji. Basically, Fort Jadhavgadh, being a heritage property with only 58 rooms, it is not about distance. Actually, it is not at all quite far in that sense. From Pune, it is

only about 40 minutes, depending on traffic. And even from Mumbai, it is 3.5 hours. So, we are already a very popular destination for weddings and events and corporate functions. Lots of things happen. But because it is 58 rooms, there is a challenge that when you look at any hotel's overall occupancy, ideally, a hotel which has say 150 for a destination, 125, 150, 175 in that range, the occupancies tend to improve more because you are able to do better functions, bigger functions. Unfortunately, at Jadhavghadh, it is only a 58-room property.

And knowing that in mind, we feel that its performance is good. Of course, I would, as a promoter and as a management, always want more occupancy. But considering that it is positioned as a premium palace, it does its fair share in terms of revenues and demand.

So, we would like to increase its occupancy. But considering that it is only 58 rooms, that does tend to have a challenge. Larger hotels have an advantage of being flexible and being able to take more kind of functions. So, that's the challenge with Fort Jadhavghadh.

Anupama Bhutra: Okay, sir. Thank you so much. Got it.

Moderator: Thank you very much. The next question is from the line of Guneet Singh from CCIPL. Please go ahead, sir.

Guneet Singh: So, what should our run rate for interest payments be? I mean, we paid an interest of INR16 crores for the quarter. And now that our total debt is going to go down, so what should we expect our interest payments to be going forward from Q3 onwards or Q4 onwards?

Vishal Kamat: Very good question, sir. I'll ask Smita ji to answer this.

Smita Nanda: Namaskar, sir. My current total interest cost was almost INR30 crores for half yearly, which is total 20%, including couponing. Now for next half year it would be INR12 crores, which would be less than the current half year, because we have paid off 40% of our loan amount. So, because of that, my interest cost would be coming near about INR12 crores for next half year.

Guneet Singh: Okay. So, I mean, for the entire year, around INR24 crores for a year and INR6 crores for a quarter.

Smita Nanda: Correct.

Guneet Singh: And what kind of lease agreement do we have with the hotel that we sold off? What is the duration of that? And I mean, what kind of lease payments are we making annually?

Vishal Kamat: So, basically, the person who has purchased the hotel has allowed us to continue to manage the hotel. So, we are very happy to have taken that because we want our brand IRA to grow. Plus, , there has been a substantial reduction of approximately INR25 crores in interest, that saving, and we expect to earn approximately INR5 crores from operating the hotel.

So, net-to-net, the company will still benefit by INR10 crores for the year. That is the working which we have seen. And there are certain other opportunities also, which we see by doing these transaction. So, that's how the thing is.

- Guneet Singh:** All right. So, I mean, what kind of -- how much lease are we paying annually for that?
- Vishal Kamat:** We will be paying approximately INR20 crores per annum, sir.
- Guneet Singh:** All right. And we are saving around INR25 crores in interest. So, net, we will be saving INR5 crores.
- Vishal Kamat:** And from operations, the revenue which we will earn will be INR5 crores. So, net-to-net, we will be saving INR10 crores and earning INR10 crores rather for the company in total.
- Guneet Singh:** All right. Got it. And this quarter, we saw a fall in our margins, operating margins. So, I mean, what is the primary reason for that?
- Vishal Kamat:** As explained by Smita ji, basically, we have been growing and expanding. So, there have been a lot of payments which we have paid as brokerage, we have paid as stamp duty, and also to mobilize these hotels, there are certain mobilization costs. Unlike other hotel companies who are more interested in management, management is a good model, but it's a very safe model. And operator may not necessarily get the advantage of the upside. We are very confident in whichever location we are taking.
- So, we are willing to take them on lease, which helps us take the upside benefit, especially for our company. And for that, there is obviously going to be more payout in terms of materials, in terms of manpower, in terms of other things. But that's part of your initial setup cost. So, all those costs also have, which for the eight properties which you signed up, have been borne by the company till now.
- And that all will start getting offset once the operations of the various units will start, infact it will be starting from tomorrow itself. As I mentioned, we are opening IRA by Orchid Nashik tomorrow. So, systematically, all these will again fall into the operational expenses and will get evened out.
- Guneet Singh:** All right. So, I mean, what kind of operating margins can we expect Q3 onwards and, I mean, for FY '25?
- Vishal Kamat:** As per our company, which we have always been doing, they will come between 30%, 35% depending on unit-to-unit. Okay. So, that's broadly how it has always been and that's how it will remain. We are very diligent as operators and that is, as you can see with our stagnant performance, there is a consistency in the stagnation. That's because whichever hotel, once it stabilizes, we are able to get the kind of margins which we expect.
- Guneet Singh:** Got it. That's all from my side. Thank you and all the best.
- Vishal Kamat:** Thank you, sir. Thank you.
- Moderator:** Thank you very much. The next question is from Neeraj Mansingka from White Pine Investing Private Limited. Please go ahead, sir.

- Neeraj Mansingka:** Thank you. I had two-three questions. One, what will be your interest expenses in FY '24 and FY '25?
- Vishal Kamat:** So, sir, the interest expenses for the remaining six months you are asking?
- Neeraj Mansingka:** Total of FY '24 and total of FY '25?
- Vishal Kamat:** So, basically, it will be INR35 crores approximately. INR34 crores-point something to be exact. 20% of INR172.5 crores if we do the full year.
- Neeraj Mansingka:** Okay. And next year, what should it be? FY '25, the year ending March '25?
- Vishal Kamat:** But, sir, just to add to that, basically, for the remaining loan amount we have a lock-in which is till July 2024. And the company expects, to refinance this to a more reasonable loan, which the company today also is eligible for but because we have a lock-in, we have to wait till our tenure of July '24. So, once that happens, substantially, even this figure will come down in terms of the interest payment. What it will come down to, sir, will be subject of at that time whatever the finance, refinance is done. But it will definitely not be at the percentage which we see today because the company, touchwood, is in a different position.
- Neeraj Mansingka:** Just to understand, obviously, not an exact number we want. We just want a range. Because, see, you will be having around INR175 crores-plus you'll be having cash in the hand in July 2024. So, our run rate would be close to, say, INR15 crores, INR16 crores a year?
- Vishal Kamat:** So, sir, let's assume that after the month of July, considering, let's hypothetically say, the company decides to utilize cash flows in its hand of up to INR25 crores. Then on INR150 crores, if we take a 10%, it will come to INR15 crores. If we take a 12%, it will come to INR18 crores. So, it is a matter of that particular time.
- But broadly, we today will assume, just for discussion's sake, that the company will re-finance INR172.5 crores, which it is. Because at that time, based on the outlook, based on cash in hand and based on future growth, we will basically look at the final number of refinance. It may be INR150 crores, maybe INR160 crores, maybe even lesser than that. That's, I think, a call which we will take based on the situation at the time.
- Neeraj Mansingka:** So, to rephrase, the current expense run rate of INR35 crores can go down to INR15 crores to INR18 crores range in FY '25 on a run rate basis?
- Vishal Kamat:** Yes, sir. Yes, sir.
- Neeraj .Mansingka:** Okay. So, the other question is on the revenue. Are you seeing a traction in the ARR right now or it is flattish on a YoY basis?
- Vishal Kamat:** So, market to market, there has been either flattening or there has still been a growth in ARR. It is again a very market-driven thing because with G20 Summit happening, though we don't have a presence in Delhi, I can give you an example. Because of G20 Summit happening in Delhi, ARR's were boosted, thanks to the summit.

So, the government also is supporting various initiatives because of which there is a market to market, India's too vast a market to generalize. So, based on every state government and central government's efforts, there is definitely spurt which we see, which helps the overall month. So, by and large, the performance of the company has been in sync with last time. That's why we find only a 6-odd percent growth, 6% to 7% Y-o-Y growth.

Neeraj Mansingka:

Okay, got it. But what is the outlook like? Do you see this improvement coming in? Is this a demand-supply equation considering the pricing that you are having and the fact that Lemon Tree has started the hotels? Any thoughts on that?

Vishal Kamat:

So, sir, basically, if we look at the hotels where we already have a mature market presence, there would be a marginal growth, not an exceptional growth. But the company will have an exceptional growth as per what we have given as a guidance because of the number of new units coming in, because of the number of new hotels being added. So, our guidance is based on the growth of additional hotels rather than existing hotels doing better because they've already been at their peak performance in terms of 85% for the year.

So, there is no point in us trying to extract more from them. That we will obviously do based on revenue management which we do on a daily basis. But the real growth will come from our expansion which we can see.

Neeraj Mansingka:

And you have actually given a guidance of the keys increasing to a large number from the current number to almost 25 properties from 21 right now. FY '23 was 13. Sorry, FY '23 was 13 and you are targeting 25 properties and 2,200 keys by FY' 25. What kind of revenues can you achieve and what is the confidence of operationalizing those assets till March 25?

Vishal Kamat:

So, sir, we have basically given a guidance of approximately from the current level of INR300 crores to INR400 crores for the FY '25. Now, that is based on simple logic that we are adding approximately 10 more hotels. These 10 hotels shall do INR10 crores each. They will do more than that because they are of different size and scale. But on an average, if you look at it, a conservative outlook of INR10 crores per hotel is not a big achievement for us to do as a target. So, we will definitely achieve our guidance of INR400 crores which while it looks substantial, it is based on a simple explanation. So, from INR300 crores, next year we expect to cross the INR400 crores mark on a consolidated basis.

Neeraj Mansingka:

And what is the EBITDA margin you are forecasting because INR400 crores is a good jump on FY '23?

Vishal Kamat:

As per the company's past performance, in the present case also and as in the future case, we will be doing anywhere between 30% to 35% which is our standard operating margins as Kamat Group.

Neeraj Mansingka:

This is despite the new hotels coming in because these would be all new properties for you, right?

- Vishal Kamat:** Even if they are new properties, players are old, we know what to do in terms of our cost management. It is only the initial cost that costs us in terms of setup cost. But once that is done and stabilized, then the operating margins are not an issue for us.
- Moderator:** Thank you very much. The next question is from the line of Sakshee from Svan Investment. Please go ahead.
- Sakshee:** Hi, sir. Firstly, congratulations that you have been able to reduce your debt. I wanted to understand that going forward, what is going to be the further debt reduction plan?
- Vishal Kamat:** Thank you, madam. Smitaji, will answer this
- Smita Nanda:** Thank you. Namaskar. This is related to the debt reduction. Yesterday, we have reduced debt by INR125 crores. Now, we don't have any room to reduce it further till next July as per our agreement between the lender and the borrower, which will happen in the month of July 2024 and where we will refinance and completely pay off this INR172.5 crores debt to the current lender. We will get it refinanced with a lower rate of interest.
- Vishal Kamat:** So, to answer your question, madam, broadly we are saying that at INR172.5 crores, even if the amount of debt is not reduced, the worst-case scenario for us would be to refinance it at a lower rate, much substantially lower interest cost. So, you can look at it in both ways. Principal reduction also, if at that time it permits and we do feel it permits considering the overall outlook, we have decided that we will review our stance every 6 months. So, at that particular time in the month of May, we will review how the outlook is for the coming time and based on that, either we will reduce this INR172.5 crores to a much lower figure or we will retain it and we will bring down drastically the interest cost. So, one of these two is what we will look at.
- Sakshee:** Okay. But on a long-term basis, considering that we have such a strong growth plan, so what is the debt number that you are comfortable with, on a long-term basis?
- Vishal Kamat:** Madam, comfortable we are today also because even at INR172.5 crores, our debt outflow for the next quarter is only INR17 crores, which is not much. So, it's not about being comfortable. It's about doing what will be best for our growth and our shareholders. So, we will work out that equation and we will see accordingly. So, if you are trying to ask me that will the company be looking at taking on more debt for growth and expansion, that is not required because the company cash flows are strong, and we are using that money itself for growth.
- To give you an example, we have renovated our Nashik Hotel entirely from internal accruals. We have not taken a single rupee borrowing and yet the project was completed on time because, like I said, use of internal funds for renovation and upgradation and expansion. So, we are not intending in taking on any more debt and the company will work towards bringing this 172 figure also further down so that it frees up the company for more cash flow for more expansion.
- Sakshee:** And sir on the occupancy side, I just wanted to understand that how are the occupancy been for our hotels in this quarter in Q2?

- Vishal Kamat:** So, there has been some dents in our occupancy because of the extreme monsoon and since we don't have any additional properties so hence, we did not have an additional growth in revenue but even then, based on the traditional hotels which were already in the portfolio which you are aware, based on that also we have done a Y-on-Y 6.5%-7% growth. So, the occupancies were affected especially for hotels in Manali, Shimla and the hills it was affected and even on certain times in Mumbai there were certain heavy rains at that time so there was some affecting of the markets in our main Mumbai and all also. So, monsoon this year did play, while India was looking at a deficit monsoon net to net it came to zero which is good news for us all. But at the same time that came at a cost of some occupancy for us but the long term horizon is great for us all so that's fine.
- Sakshee:** And rates remain flat?
- Vishal Kamat:** , they remain the same as last year which are excellent ARR so there is a marginal increment but it is not extraordinary so you can say they are flattish but the rates /ARRs itself still remain high compared to 2019.
- Sakshee:** Going forward?
- Vishal Kamat:** The rates will hold. They will hold, if not grow. I would want it to grow but going forward, I can definitely see it holding because what has happened is a fundamental change if I can give you, as a hotelier, a broader perspective the fundamental change within the industry has come from playing an insecure competitive environment to a very strong robust, collaborative is not the right word but I would say that as an industry everyone has come together saying - It's okay if we do less but we will do what we deserve. Because our costs are going up, the expenses are not in sync with what was in 2019, electricity has gone up, labour has gone up, world uncertainties are so high, so it's okay if we have a hit on our occupancy but we will not reduce the ARR. I think that is coming out equivalently in all the listed and non-listed entities whenever they speak, so this is an industry mindset which has fundamentally changed which is very good for all of us because there is no unnecessary competition or insecurity saying I gave less, you gave more so that's why the ARR's are holding and that's why the occupancies are supporting those high ARR's, not high but those holding ARR's as a whole.
- So, next year also the same mindset is continuing because there is no reason for any hospitality player to now cut his sale or cut his ARR because all of them are, touchwood, in very good positions financially.
- Sakshee:** And are there any new properties that are going to be coming up in this year so those will also be at similar rates or is there any difference in the ARR's?
- Vishal Kamat:** Within their market, they will be in the top brackets of the ARR, within their own markets as it's a market-to-market thing.
- Sakshee:** I just wanted to understand, compared to the rates that our current hotels are at?

- Vishal Kamat:** So current hotels ma'am, range from a Jadhavgadh selling at INR15,000 to INR20,000 to our Lotus Konark selling at INR5000 to INR6000, so it's a very too generic a question but what I can say is, within each market, we will be in the upper bracket within our segment.
- Moderator:** Thank you very much. The next question is from the line of Pradyumna Choudhary from JM Financial. Please go ahead sir.
- Pradyumna Choudhury:** Yes, so what are our capex stands for the next couple of years what I can see is our keys will be increasing by almost 50% from FY '23 levels?
- Vishal Kamat:** So the company only needs upgradation capex, which already falls within its budgets. In the starting of the year, we allot budgets for upgradation and capex. The company does not have any major capex for its own existing properties in the sense. So, we don't have any major spend per se, whatever is there is within the framework of our existing budgets, which we have in mind. As of now, there is no unforeseen or foreseen large capex which is of material nature.
- Pradyumna Choudhury:** So basically all these keys will be in lease properties is that the case?
- Vishal Kamat:** So sir in lease properties the company takes properties which are on almost turn-key basis. The only thing the company needs to bring in, apart from its manpower is may be sometimes some additional things, like software, may be computers and in some cases may be movables, disposables, which we call like linen and may be in some cases cutlery, crockery. So it's not to do with the furniture fixtures and fixed items, which are the main cost. Like air conditioning is not part of our scope. These are basically much more lighter material, so that at the end of our lease we can take those materials and go away. But if it's of a fixed nature, it is from the land owner itself, the hotel owner itself. So there is no major capex in that sense. Yet every hotel depending on its size can have an outlay initially of ranging between INR30 lakhs to INR70 lakhs, depending on the number of rooms and other things. And main thing is the qualitative manpower which we hire in advance, so that, we do the market mapping, so that we do various other initiatives, which are there. So those all have a higher cost.
- Pradyumna Choudhury:** Understood, but in terms of the keys that we are adding, most of it is happening in this way only where we will be leasing the property from the property owner? That's the sense.
- Vishal Kamat:** Yes sir, so if I got you correctly, yes, the property owner gives it to us and all the properties which we are doing as of now, all are on that model. If I have answered your question, I didn't get you, I thought it cracked in the middle.
- Pradyumna Choudhury:** Yes, understood and second question is regarding the upcoming properties like from what I can see are a lot of smaller properties, let's say, less than 50 keys in each of them. So do you think, we will be, like you spoke about the Jadhavgadh property where occupancies are lower because we cannot host too many functions, so, do you think that could be generally an issue in these smaller properties as well, the upcoming ones?
- Vishal Kamat:** That's a very good question basically that case of Jadhavgadh being little different from the other properties which we have. Many of them are within the city and their nature of -- so Jadhavgadh does not attract FIT which we call in our parlance of people who are transiting or people who

are coming in for the day. People who come to a place like Jadhavgad come particularly for Jadhavgad. This is a destination end on its own as compared to even say an Orchid Mumbai, which is 372 rooms but caters to a wide variety of people, who are doing a conference for two days to people who are catching a flight, from come in the morning and taking an international flight out, so that kind. So the market is very diverse,

To give you an example of IRA by Orchid Nashik, it's only a 32 room hotel but it basically caters to a lot of corporates. It caters to a lot of people who come for a one night stay, so there even though its 32 rooms, it does high occupancy and it does well or rather it was doing now that we have renovated, it will do even better. So there is a difference between hotel to hotel. So in some cases, we have compromised with the inventory being small like in the case of Aurangabad, its only a 33 room IRA by Orchid hotel, but the location at which it is, we expect it to do a good ARR and it is our entry point. Unfortunately for us, we have not been expanding till Jan this year and now that we are getting these opportunities, it is sending the right signal to the market and in fact, the hotel which we signed up in Chandigarh, that is a 128 room hotel. Now that would not have come if the market would not have known that Kamats are again on expansion. Oh, that's great. I want to give them my hotel. So Dehradun, is a 90 plus room hotel. So that maybe almost, if things go well, may almost reach 100 rooms and it's in the prime city. So a lot of things depend on various things, which the company has been doing in terms of sending the signal to the market that the company is again expanding. Then owners wake up and realize that, oh, I would like to give my hotel for Orchid, I would like to give for IRA. So that is what is happening.

Pradyumna Choudhury: Understood. Thank you

Vishal Kamat: Thank you, sir.

Moderator: Thank you very much. The next question is from the line of Kinnar Mehta from Eureka Investments. Please go ahead.

Kinnar Mehta: Greeting, sir. Thank you and congratulations for a beautiful turnaround of the Kamat Group. Sir, my first question is related to this VITS sale, so I see the Lateral Hospitality registered at the very same address. So is it the group company? Number one. Number two, sir, if I heard you correctly, it will have a INR20 crores of lease payment from Kamat and it will generate INR5 crores of EBITDA. So what is the rationale now to continue this arrangement, can't we give it up? So that was the second question.

I had a question about interest rate, but I got it that, its 19% till lock in period i.e. for FY24. My another question is, sir, you issued shares to promoters and other shareholders at INR97 but I guess, still we are yet to receive some money on that. Is it received? I mean, since we have given it reasonable discount, so whether that transaction is over or there are still few warrants which are outstanding?

Vishal Kamat: Sir, I will just take up these three questions because otherwise I will forget. So let me just answer you. Sir, this Lateral Hospitality is basically a gentleman from Mauritius. He is already owning multiple hotels across in London and in Mauritius and they have other allied business, and they are wanting to grow in India.

So basically, we had a certain timeline and based on that timeline because he is a foreign national and various other aspects, we wanted to facilitate as fast as possible so that we stand by the statements given to our lenders. So we were pressed for time. We were hoping that, this transaction would be completed by August, unfortunately it has got delayed due to various factors and touch wood, it has finished yesterday. So Mr. Kohli is the promoter, he has no relation whatsoever by any means. It's just that, we wanted to facilitate and do fast. Now that it has happened, they will be shifting and doing as per their own thing there. So, that is one.

Secondly, sir, we actually had two options, one option was that, we not run this hotel. We had very clearly, a very nice option that we not run this hotel and we say that, we have sold it and now we have got nothing to do with it but looking at the person and looking at our vision that today, when we are looking at growing our brand IRA by Orchid Hotel and we want to take it forward, today having a flagship in Mumbai with our brand name is a big marketing and a big image plus. Today bigger hotel chains than us have sacrificed much more by trying to put up a hotel in Delhi and other places because if you are not in Mumbai, Delhi, sir, then you are nowhere. Today our aspiration also is that, we should have a fantastic Orchid Hotel in Delhi and we will work towards it, if we get the chance and the opportunity.

So in terms of taking this hotel, it was very easy for us to say, we don't want to but when the person is good and if I am taking today other people's hotel on lease, here is a hotel which we have only made it grow up. Now, sir, like if we see Mahabharata, we know Karna is a good boy, and everything is good, so it is our duty that we also consider him as our son and make him grow further and that is where our benefit lies, we are going to basically earn from Mr. Kohli and from Lateral Hospitality. So it is a win-win-win for us. Today it helps us that, our 1,600 rooms which are there, it would have dropped down to 1,400, but that still remains. It helps that our turnover from INR300 crores would still remain at INR300 crores. It helps that our EBITDA which was down by INR24 crores will now only be down by INR10 crores. So, it's a win-win-win for Kamat as a whole otherwise we would have not done it. And looking at how Mr. Kohli is looking at expanding in India and building the relationship with him, we hope that he will invest elsewhere, and we will be the first choice of his partnership, which is what we can see. So, there is not one Mr. Kohli, there are two-three other Mr. Kohli's also. After we have been expanding and doing well, people have been seeing, there have been other opportunities also which have come, which are as of now not concrete. So it makes no sense for me to share any details on that but at the appropriate time, I will be very happy, Mehta bhai, to give you good news on such a con-calls.

Kinnar Mehta:

Yes, sir. Sir, about shares you were...

Vishal Kamat:

Coming to the shares, sir, these were warrants issued and as per law, according to the warrants, there is a timeline and within that timeline, we are very sure that the promoters and the investors who have been allotted will give their balance money because sir, it is but natural. They have invested at a value which you mentioned and by the time it will be, whatever it will be they will still be up. So it is natural that they will consume it because they have confidence in the promoters and the company.

- Kinnar Mehta:** And, sir, last question is about the revenue growth in EBITDA, so we are confident about that because most of now next hotels would come in Tier 2, Tier 3 cities. So we are confident about meeting our INR100 crores additional revenue and EBITDA margins?
- Vishal Kamat:** Sir, INR100 crores is not EBITDA margins growth.
- Kinnar Mehta:** No, INR100 crores revenue, I said.
- Vishal Kamat:** The growth will be of revenue of INR100 crores and EBITDA based on what I said would be around 30%- 35% on the INR100 crores growth of revenue. We will obviously work towards exceeding that, sir, both the top line and the bottom line but this is our guidance.
- Kinnar Mehta:** Thank you, sir, and wish you best of luck.
- Vishal Kamat:** Thank you, sir.
- Moderator:** Thank you very much. The next question is from the line of Hiten Boricha from Sequent Investments. Please go ahead.
- Hiten Boricha:** Good afternoon, sir. Sir, I have one question, which is related to margin. You mentioned, our margins are impacted largely because of one-time expenses of stamp duties and other related properties, so can you quantify the same, what is the one-time expenses this quarter?
- Vishal Kamat:** I just asked Smitaji to share with you this details.
- Smita Nanda:** Sir, we will get back to you on with a detailed note.
- Hiten Boricha:** Okay. And one more question to you ma'am, you mentioned current interest cost is around 20%, which is going to reduce around 15%- 16%, is my understanding correct or is the...
- Smita Nanda:** Sir, let me correct you over here, my interest cost would remain 20% but my principal amount will go down by INR150 crores because of that my interest amount will go down.
- Hiten Boricha:** Understood, ma'am, Yes. Thank you. I will get the numbers offline, ma'am.
- Vishal Kamat:** Because we don't have it on hand and there are many more questions actually, so we will definitely get this to you. Thank you.
- Hiten Boricha:** Sure, ma'am. Sure, sir. Thank you.
- Moderator:** Thank you very much The next question is from the line of Aashav Patel from Molecule Ventures PMS. Please go ahead.
- Aashav Patel:** Very good afternoon. Thank you for the opportunity. Greeting, Vishalji. First of all I would like to congratulate you and the entire KHIL team for absolutely turning around the balance sheet and now we are standing at a very robust balance sheet. Our debt levels are only around INR170 crores, which is equal to our two years of EBITDA and cash flow and our upcoming properties are all under the lease model, which doesn't require any upfront capex as explained in detail by

you. So how do you plan to use around INR90 crores of annual EBITDA, which we are already generating from the existing properties?

Vishal Kamat:

Sir, thank you, Aashavji, basically, sir, the INR90 crores, there have been many expenses related to the past, which is one of the reasons why you see that the overall PAT is down because there have been various fees. This one year is a very important year for us to clean up our balance sheet and to remove many things. So there have been many extraordinary fees, which normally are not there, which are one time, that have been paid. Then there are certain other expenses which have come one time, then as part of expansion also whatever expenses have been there those one time. So in this INR90 crores, it is not INR90 crores that as a whole will remain with us as a surplus, it would be lesser, I don't have the exact quantifiable number. But I would say that whatever would be, we will utilize that probably in the month of June, July when our refinance comes for INR172 crores, at that time we will see how much the company should keep cash in hand and how much the company will use to bring down the INR172 crores and then refi the balance.

So like hypothetically if the company has say INR40 crores in hand company may decide let us keep INR10 crores in hand for expansion and for any surprise and 30 will be probably given and then 140, 130, 150 whatever again -- just again, like I said it is all hypothetical so we will know more about that final figure in June. But obviously the company will look at trying to bring this INR172.5 crores figure further down because there is no need for the company to continue the high interest loan.

Aashav Patel:

Sure, got it. And sir from having almost no upcoming hotels in the pipeline to having eight hotels in the pipeline at the same time, we have charted out excellent growth path for our company under the lease hold model. So in fact three properties were announced this quarter itself which is Noida, Toyam and Ayodhya. What gives you the confidence that he would be able to scale up and what are your future aspirations and vision in terms of growth coming from this?

Vishal Kamat:

That's a very good question sir. Sir, scaling for Kamat has not been an issue ever, in fact being patient and waiting the storm out was the real skill because, we are always known for our expansion. Kamat has, as a family, we are known for growing. It is in fact been against our nature to be patient, make sure that the things are done diligently, cleaned up and weathered that storm which we basically have concluded in January 2023, so that was actually not our nature. So now growing and growing with learnings of the past that is basically what we are banking on so expansion per say is not an issue.

What is basically you asked about the second part which is what is our vision forward, there is a reason that we are looking at leasing or ownership, ownership I just mean that we have ownership hotel, but these models why they are more interesting to us is because in management, unfortunately, even now there are a lot of challenges where many a times the owner is not qualitatively involved in your brand the way you are in it. And they would want to take shortcuts, they would want to do certain things because their whole agenda is something else and is not necessarily aligned with the operator. Now yes, out of 10, I may get five very good owners but five are very difficult owners.

So if I have confidence that I know this property will do well and I am willing to put my money where my say is there, then I will be able to take that full benefit and that full value. It doesn't mean that we are not open to management like in Lonavala we have good owners and we have done a management with them and that is doing exceedingly well, there have been some other opportunities also which we took on management which have been converted which we are looking at again further also. So management is our more pick and choose, based on the person. Seeing the person, seeing his family and seeing their core business, if their core business is hospitality we may not be interested in taking their property on management because then they know more than us, but yet they have come to us for management. But if their business is something else and they have done this out of diversification or some other interest factor then they are more open minded and they will listen to us as the operator because, then they recognize that we know more than them. And they are wanting a result and when we give them that result they don't interfere.

So that's the kind of management which we will look at and we are looking at but like I said its a pick and choose more like the Orchid Toyam. The Orchid Toyam is a management property though its a very upscale property and we intend to sell it at a very high ARR of you know anywhere between INR15 to INR25 thousand the idea behind taking it on management was that the owners are good, and we thought why not do it. So, this is more important. So its not that we are not taking on management, we are very choosy on management, and if we have confidence in a product, we are willing to take the bet on it. So that's the thing.

Aashav Patel:

Sure. Thank you for the detailed explanation I got it. And sir, next question is that subsidiary contribution has meaningfully increased compared to FY'20. Our sales from subsidiary are up 70% and the subsidiary contribution to the EBITDA is up three-fold almost from 6% contribution to 18% contribution in the consolidated EBITDA. So which key properties under our subsidiaries are driving this growth and what is your future guidance for the same?

Vishal Kamat:

So sir, basically, what has happened is post COVID with the scenario changing drastically, our 100% subsidiary of Kamat Hotel India Limited, Orchid Hotels Pune Private Limited has been doing exceedingly well. That property particularly is the main cause for the increase in the overall EBITDA growth which you have seen from the subsidiaries in the consol.

That was also one of the problems, the properties which we had initially had an issue based on which the entire turnaround has happened and consolidated wise all the properties are doing exceedingly well. We also have Bhubaneshwar, we also have this Pune and going forward, we see the market stabilizing and Pune Orchid continuing to do what it is doing right now.

Aashav Patel:

Ok, got it. Super and sir just to summarize what you have earlier mentioned that our existing run rate of including that VITS, sorry, IRA Mumbai lease property coming INR10 crores from there and INR290 crores from the existing city, we are looking forward for around INR100 crores of top line, on top of it from the eight properties, is it correct to summarize we can get close to INR30 crores EBITDA incremental and so next year FY'25 we could be looking at around INR130 crores EBITDA?

Vishal Kamat: It would be fair to assume that we will achieve a INR130 crores EBITDA based on what guidance we have given and that is our conservative estimate which we have given based on this thing, yes.

Aashav Patel: And sir what would be the total annual lease amount cumulative, I understand case by case, property by property basis would be too complex, but what would be the cumulative annual lease amount for the upcoming eight properties?

Vishal Kamat: Actually this was a question already asked by Mr. Mehta and we weren't prepared for it. So we will definitely get this detail and share it because since it is all different properties with different thing, we will work out that chart and we will share the details with you.

Aashav Patel: I also request you to mention the detail of cumulative expense happening on account of renovation, because as far as I understand over last two quarters there has been renovation done at our Orchid Mumbai, IRA Mumbai, Nashik, Orchid Pune as well, along with that even the lease which we have signed for the new properties and all the legal expenses associated with that. I think that is what is causing pressure to the margins, as margins are down sequentially from 40% to 30%. So if you could state out that in future that would be very helpful?

Vishal Kamat: We will definitely do the needful as suggested by you. It's a very good suggestion. We have not done major capex, but there have been certain minor upgradations which are required to remain competitive, unfortunately, and fortunately. The occupancy being so high, the wear and tear is more. So because of that, we need to constantly do upgradation within a running environment. So while it is not a massive renovation, it is definitely there. So yes, we will take note of that, , and accordingly we will add it in our presentation also next time.

Aashav Patel: Sure, sir. Last question from my side sir. So we recently announced acquisition of Envotel Hotel Himachal Private Limited. So can you please give more details on that acquisition and how would it be more beneficial to us?

Vishal Kamat: So basically, what has happened is that, it was doing very well. Unfortunately, in July, there were certain challenges which came in the entire Himachal which is well covered by everybody in media. But Himachal as a whole still has great scope and we are seeing that kind of recovery in the coming season.

So this was an opportunity for us, where we were able to take it over, because unfortunately, many people do things out of interest but then they may not sustain. So we had this opportunity, where we have the holding power and we have the growth vision also. So we decided to take this opportunity up and we made it into our own subsidiary.

So that's basically now our Orchid Shimla and Orchid Manali, are our subsidiary's leased property. So the turnover of that will add entirely to the company or as a consol and what we have as a company thought is that, there are few other opportunities which have come in Kasauli and in Dalhousie and we will be taking more of the Himachal properties within that entity, so that entity itself will have a focus of Himachal and will grow further in that. So it's a good opportunity for us and looking at how the books are in November and December, I think that it's a really good timing for what we have done.

- Aashav Patel:** Okay, sir. And earlier we were going to spend around INR50 lakh to acquire that company, but recently there was an announcement that there will be revised cost and now the acquisition will be at face value. So can you please reiterate as to what will be the cost?
- Vishal Kamat:** The cost is at face value which is approximately.
- Smita Nanda:** INR1 lakh.
- Vishal Kamat:** INR1 lakh, so, basically as part of our negotiations and as part of certain other things also we were able to create that value for our shareholders by bringing it further down and we have taken it over on that front. So that will come to around INR1 lakh. We have taken it at face value and not spend that kind of thing because we've ultimately would do whatever is best for our overall. So we did that. So we were able to bring that down.
- Aashav Patel:** And then new upcoming property Lemon Tree Hotel, which is upcoming near our Orchid, Vile Parle as far as I understand that is at a very different price point of around INR20,000 to INR25,000 ARR so we won't be competing with them is that the correct understanding?
- Vishal Kamat:** No, it's not like that. See whatever ARR they are projecting at that will be a marketing strategy for them. I am nobody to comment on their marketing and their thoughts. I do not know, while I do know, but it is all hearsay in terms of what is their ARR and occupancy. So I would not like to comment on them what I can say is that, Mumbai is an evergreen market where more people are coming on board, okay.
- You don't find a major impact. Lemon Tree as a hotel came before also next to IRA and still the occupancy and the ARRs are what they are for the city. So a new entrant coming in Mumbai has the ability to absorb and expand on that. So its welcome then they are good people, they are good chain, they are our friends also. So there is no issue if more and more people come.
- Moderator:** We move to the next question due to time constraint, we will take Harshit from the line of Harshit from Robo Capital. Please go ahead.
- Harshit:** I just wanted to confirm that the debt is reduced to INR172 crores and the yearly payment will be around INR34 crores, am I right?
- Vishal Kamat:** Yes sir. You are correct, sir.
- Harshit:** Okay. And the interest rate is around 20% current interest rate?
- Vishal Kamat:** Correct, sir.
- Harshit:** Yes. I just wanted to confirm.
- Vishal Kamat:** So with that we would be happy if anyone has any other questions then they can send it to us and we will get back to them. I apologize due to the constraint of time and everybody has taken their time out and heard us patiently. I hope that we have been able to satisfy the queries of even the other listeners who may have had the doubts in their mind.

We are committed to staying on path in terms of what we have shown, and we will be very happy that if there are additional news to share, then we will do the needful through our team at EY and also the company directly. So thank you everyone thanks a lot and I appreciate everybody taking the time out today. Thank you all.

Moderator:

So on behalf of Kamat Hotels India Limited that concludes this conference. Thank you for joining us and now you may disconnect your lines.

Vishal Kamat:

Thank you.