Apeejay Surrendra Park Hotels Limited (ASPHL)

Q2 & H1 FY25 Earnings Conference Call Transcript

November 13, 2024

Moderator: Ladies and gentlemen, good day, and welcome to the earnings conference call of Apeejay Surrendra Park Hotels Limited. 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 the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you, and over to you, sir.

Anoop Poojari: Thank you. Good evening, everyone, and thank you for joining us on Apeejay Surrendra Park Hotels Q2 & H1 FY25 earnings conference call. We have with us, Mr. Vijay Dewan – Managing Director and Mr. Atul Khosla – SVP Finance and Chief Financial Officer of the Company. We will begin the call with opening remarks from the management, followed by an interactive Q&A session.

Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. I would now like to invite Mr. Dewan to make his opening remarks.

Vijay Dewan: Thank you, Anoop, and good evening, everyone. On behalf of the management team at Apeejay Surrendra Park Hotels, I would like to welcome you all to our earnings conference call. Your confidence in our vision and business strategy is greatly appreciated and we are committed to delivering long-term value for all our shareholders.

We are pleased to report a steady and healthy quarter two for Apeejay Surrendra Park Hotels Limited with consolidated revenue growth of 10% and an EBITDA growth of 11%. In this quarter, topline growth coupled with lower interest costs resulted in a remarkable PAT growth of 80% and our earnings per share significantly grew by 47% from 0.85 to Rs. 1.15 per share.

Leadership in occupancy remains our biggest strength. We have India's leading occupancy rate of 93% in our owned hotels. We have once again achieved record-breaking occupancy of 100% at The Park Calcutta, 94% at The Park Chennai and Navi Mumbai, 93% at the Park New Delhi, 91% in Bangalore and

90% at the Park Hyderabad. We maintain our leadership in RevPAR in the upper upscale segment.

Our expansion journey has made significant progress with recent openings of the Lotus Palace Chettinad and Ran Baas The Palace at Patiala. These luxury hotels are said to establish new benchmarks in palace design and customer experiences in the hospitality sector and will contribute positively to our ARR growth in the quarters and years ahead.

Opening rates and bookings at the Lotus Palace Chettinad are in the range of Rs. 12,000 to Rs. 20,000 and at Ran Baas The Palace at Patiala in the range of Rs. 35,000 to Rs. 40,000. During this season between October and March, we feel that this range is expected to go up further.

Currently, we operate 34 hotels totaling 2,410 keys and over the next five years, we plan to more than double the number of keys, taking the total number of keys to 5,048. This inventory of 5,048 rooms will include 830 keys, which we will build on our own and will be owned by us.

Considerable progress has been made in the development of our owned hotels. Design and development work has commenced on all projects, including a mega project at Kolkata's EM Bypass. This mixed-use development, as communicated earlier, features 250 hotel rooms and 100 apartments, and with the sale of apartments, expected to generate substantial cash flows over the next three years. Roughly Rs. 100 crore of cash flow will be added every year from the sale of these apartments starting the next financial year for three years.

Our project team is diligently working to expedite our development plans. The 200-room, The Park Pune, is now on course to open in April 2027. The Park Vizag additional 100 rooms by October 2027 and the Park EM Bypass Kolkata by April 2028.

Our cash approvals arising out of operations and sale proceeds of apartments will keep us net cash positive throughout the development cycle and this is a significant part of our strategy. The 10 lakh square feet of development adding 830 rooms is actually on our legacy land parcels and will ensure high IRRs for these projects in the range of 30% to 40%.

We expect ROCE to go up from the present level of 12.5% to over 20% in the years to come. During the course of this year, we have refurnished and renovated over 100 rooms, and these will significantly help us in improving our ARRs in the quarters ahead.

Our F&B segment continues to be the cornerstone of our business. Flurys, our iconic brand, added 10 new stores this quarter, bringing us closer to the milestone of 100 locations. Over the next five years, we aim to approximately add 250 new Flurys outlets, significantly enhancing our presence and market share in the fast-growing bakery and confectionery sector.

Now with 16 outlets, we have a very strong presence in Mumbai. New flagship stores have recently opened in BKC and Lower Parel and during this quarter, we have also entered the cities of Hyderabad in Siliguri.

Coming to our current financial performance; - Consolidated total income Q2 FY 25 stood at Rs. 156 crore, reflecting a healthy 10.5% Y-o-Y growth. RevPAR reached 6,440 supported by a steady ARR of 6,888. ARR growth Y-o-Y has been 5.2%, RevPAR growth has been close to 7%.

Normalized EBITDA for the quarter was Rs. 57 crore, marking 11.3% Y-o-Y growth, with margins holding at 36.7%. Going forward, the Company will continue to focus on operational efficiencies and maintain its leadership in the upper upscale segment.

The F&B segment contributed 38% of total income in Q2 FY25. Flurys business achieved remarkable growth of 41% Y-o-Y for Q2 and a staggering triple-digit growth during this period. Looking ahead, our goal for each mature Flurys stores is to achieve a revenue milestone of Rs. 1 crore annually in the coming years, reflecting our confidence in this vertical, which we believe has the potential to become one of the strongest pan-India brands. We expect the Flurys business to grow at 40% by the end of this year.

The Company's profit before tax stood at Rs. 39 crore in Q2 FY25, achieving an 82% Y-o-Y growth. This performance was supported by a notable reduction in interest costs following the repayment of our debt. As a result, normalized PAT for the quarter reached Rs. 27 crore, demonstrating an impressive 80% Y-o-Y growth.

Overall, our performance in Q2 FY25 has been encouraging, reflecting considerable progress toward our long-term strategic vision. This vision includes the expansion of our hotel portfolio, strengthening our F&B segment and the introduction of innovative offerings that further solidify our market leadership in the upper-upscale segment.

Our strategy is firmly anchored in the synergy of 3Gs, driving simultaneous growth, governance and being green. Initiatives to forge a sustainable and durable future for our shareholders, employees and the society at large. We plan to achieve waste management neutrality by '25, water neutrality by '28 and carbon neutrality by '32. We are in the starting phase of the hospitality sector super cycle and expect this cycle to last for over a decade, if not more.

The industry's growth will be driven by improved connectivity, increased business travel, recovery of FTAs and the expansion of the middle-income segment. Spiritual tourism, weddings, MICE, events and wildlife tourism and a new segment of de-leisure are also expected to contribute to the sector's growth. We expect sustained double-digit growth in our business in the quarters ahead.

In conclusion, I would like to express my gratitude to all our shareholders, customers, team members, well-wishers, friends and business partners for their trust in us. Thank you.

Moderator: We will now begin the Q&A session. The first question is from the line of Archana Gude from IDBI Capital.

Archana Gude: I have two questions. Firstly on the hotel segment, while this increase in occupancy by 130 bps on same quarter last year is commendable, this 5.2% increase in ADR looks subdued given the industry has witnessed almost 7% to 9% growth in ADR in Q2 FY25. So, what kind of growth rate should be pencil-in for H2 FY25 in ADR?

Vijay Dewan: See, firstly, there is a huge demand-supply mismatch, which continues in the industry. And particularly, firstly, the demand is expected to continue to grow at the rate of 10.6% and the supply side is only going to be at 8%. More importantly here, that in the key growth markets where we are present, the supply is actually going to grow only by 5% and the demand is expected to be at 9.2%. So, based on these statistics, we strongly feel that our growth rate will be in excess of 10% in terms of ARRs. Another very significant point is that we are now entering the festive and wedding season. This will also help in terms of the business and in terms of the ARRs going up. Last year, the ARR during H2 actually increased by close to 15%. And this year also, we expect that the ARRs would increase definitely in double-digits going forward.

Archana Gude: That is helpful. On the Flurys, again we had another quarter of strong performance. Can you give us growth on Q-o-Q basis on the same store, like compared to Q2 FY24 versus Q2 FY25 on same store basis?

Atul Khosla: Same store basis, the growth in Mumbai it is 30% and overall, it is 10%.

Archana Gude: Okay. And, you said that Flurys would grow at 40% in FY25 versus FY24. Obviously, the growth will be driven by the higher number of Flurys. For a longer term, what kind of store per revenue we should model in for, let's say, 3 years down the line, as we said the number of 150 plus stores.

Vijay Dewan: So, as I mentioned, firstly, we are going to be more focused on opening more cafes and tea rooms. Our earlier strategy was to have a blend of kiosk cafes and tea rooms. There is a slight change in strategy. We are going to be opening more cafes and more tea rooms. As you would have seen, there are more cafes and tea rooms in the city of Mumbai because we feel that after understanding the business, we feel that this is the best way forward for us. And we feel that in each of the stores, we have to bring them to a level of Rs. 1 crore per store. And so, expect this kind of growth, which we are showing in the range of 25% to 30% to continue in the years ahead as we take the stores from close to 100 to about 350 over the next five years.

Archana Gude: And lastly, if you can touch upon the margins in Flurys for kiosks, cafes and tea rooms respectively.

Vijay Dewan: So, margins, we have been very strong in our margins in our Flurys business. For H1, the margin has been at 10% but bulk of the business of Flurys takes place in H2. And we have always delivered industry-leading margins. And at the end of this financial year, we will deliver 18% to 20% EBITDA margin in the Flurys business.

Archana Gude: But my question was more of, as you said, we will be focusing more on cafes and tea rooms. What kind of margins it will have compared to kiosks? I just wanted to understand.

Atul Khosla: See in tea room, I will just give you the EBIT. In case of tearoom, as we opened in Mumbai, near the Gateway of India; so overall, the margin is 20% and for that tearoom margin will be around 35%. The cafe margin is also higher. Kiosk margin is on the lower side. So example, a standalone tearoom will give me a payback of about 30%, a 3-years payback, whereas Mumbai one will give a much higher payback, about 1.5, 2 years. But in the case of other cafes would give 1.5 years of payback, so 2 years payback. So, you can say the margins are also above 20% in cafe and tearoom. But in the case of kiosk, the margins are on a lower side. And earlier mix had more of a kiosk, now the mix is towards the cafe and the tea room. So, therefore, the margins are expected to be over 20% and 21%. Kiosk you can say is about 10% of the margin. Kiosk and cafe are about 15% to 20% and tea room is higher, 30%.

Moderator: The next question is from the line of Sagarika Chetty from Anand Rathi Shares and Stock Brokers.

Sagarika Chetty: I just wanted to understand that what kind of ARRs, and occupancy levels are we looking at currently in our Park Chettinad and Patiala property, which we recently opened?

Vijay Dewan: So, these are super luxury properties and on a YTD basis these occupancies would be in the range of 40% to 50%. But the ARRs are going to be record breaking or market leading ARRs in the cities of their operations. As I mentioned that we are already in the range of Rs. 12,000 to Rs. 20,000 for The Park Chettinad, for the Lotus Palace Chettinad. And for Ran Baas The Palace at Patiala, we are currently doing ARR of Rs. 35,000 and it is expected to be, actually at the end of the year, it could be anywhere between Rs. 40,000 to Rs. 50,000 or even higher. Currently the hotel is going to be absolutely full between our first set of full bookings as this is the season time is from the 15th to the 18th and all these rooms are booked at Rs. 35,000. So, as I mentioned that we expect the occupancies on a yearly basis to be in the range of 40% to 50% in both the hotels.

Sagarika Chetty: On the CAPEX outlook, has there been any change or it remains the same at Rs. 1.5 to Rs. 1.7 billion as you have guided before?

Atul Khosla: CAPEX, can you just repeat the question? How much is the guidance you are asking?

Sagarika Chetty: I wanted to understand what the CAPEX guidance for FY25 is?

Atul Khosla: We have said the CAPEX will remain in the range of Rs. 150 crore to Rs. 160 crore. That will remain the same.

Sagarika Chetty: Okay, so there is no change on that stand, correct?

Atul Khosla: No change.

Sagarika Chetty: And thirdly in terms of Flurys expansion, are you looking at targeting the same cities as currently or are you looking at other geographies as well in your plan of taking the number to 350 in the next five years?

Vijay Dewan: So we have a properly laid out plan. As we have mentioned earlier, we are in a very strong position in West Bengal where we have 64 outlets in the city of Calcutta itself and overall, in the state of West Bengal we have close to 75 outlets. We have opened 16 stores, as I mentioned, in Mumbai and we have stores opening in Hyderabad. So, the new market which we have entered is the market of Hyderabad where we plan to have at least by the end of this financial year, we should have hit 10 stores in Hyderabad. Our flagship store in Hyderabad, which is a 1,000 square feet key room is expected to open this month itself at Banjara Hills. So, we plan after consolidating in Hyderabad, we will enter the city of Delhi where work is about to commence in terms of the setting up of the commissary and this commissary, which we are setting up in Delhi which will be ready in the first half of the next financial year, is actually going to service the whole of North India. Once we are ready, we plan to have, next year about 20 outlets in the city of Delhi and similarly, equal number of outlets next year in North India, because we will be able to, the way the plan and the roll out is that we will have one strong commissary, a big commissary in Delhi and from there we plan to service the cities in and around Delhi, Chandigarh, Lucknow, Kanpur, Jaipur. So, virtually, all the cities which are in North India in and around Delhi will be covered and the expansion plan is very robust and once we have consolidated in North India, we plan to enter the cities of Bangalore and Chennai. So, taking the total number of outlets at the end of five years to 350 and our plan to add 40 to 50 outlets virtually every year. And this has been demonstrated by us. We have opened almost 20 outlets this year and 20 more outlets are about to open in the remaining five months of this financial year. In fact, we are working on a new plan to further fast-track Flurys growth and possibly, we will make an announcement in the next earnings call as to at what speed we will be growing Flurys, and it will be definitely at a much faster speed.

Moderator: The next question is from the line of Sarthak Awasthi from IDBI Capital and Securities.

Sarthak Awasthi: My question is on Flurys. Which city's expansions are we planning after Mumbai? Like, we have expanded really well in Mumbai, so then, which major city we are targeting?

Vijay Dewan: So, as I mentioned, let me tell you in much greater detail as to what's happening in this quarter itself. I plan to open about 12 stores of Flurys within this quarter. 3 outlets are going to open in West Bengal, 5 in Hyderabad, 2 in Indore and 2 more in Bhubaneswar.

In quarter four, we plan to open another 3 outlets in West Bengal, 3 in Mumbai and 5 more in Hyderabad. So, taking the total number of stores in Hyderabad to

10 and taking the total number of stores in Mumbai past the 20 mark. And next year, we enter the city of Delhi, where we open 20 stores. And during the course of the next financial year, we will continue to build on the cities where we already are, that is in Calcutta, in Mumbai and Hyderabad to deliver 50 stores by the end of the next financial year. And there on, as I mentioned, we will enter the city of Bangalore and Chennai.

Sarthak Awasthi: How is the wedding season looking currently? Like what kind of bookings we have for the December and the season of the wedding?

Vijay Dewan: So, this year has been a very unusual year in terms of the wedding because the bulk of the weddings, the 30 wedding dates are actually in the second half of the year, which is centered from now right up to March, which is a good thing. And this will really propel the hospitality business, not only for us, but for industry. We are well booked on all the wedding dates in our hotel.

Most important thing other than weddings that The Park's biggest advantage is in running nightclubs, bars. So, we are very strong in the entertainment space. And this is looking strong now from here onwards, right up to the end of March. And we have planned a series of entertainment events and festive season events around Christmas and New Year where we expect very high revenues going forward.

Sarthak Awasthi: What is the plan for adding hotels under the management contracts; what is the pipeline for that?

Vijay Dewan: So, as I mentioned earlier that we have currently 2,410 keys. We plan to double our inventory over the next five years. And currently, we have 1,050 keys at the moment on the management side. And we have 259 keys on the lease side of the business.

So, the management side of the business where we have 1,050 keys, we plan to add close to about 1,750 keys over the next five years, taking the total number of keys on the management side of the business to 2,776.

On the lease side of the business also, we are going to be adding keys. So, we plan to add about 82 keys there taking it to 341. And lastly, on the ownership side of the business, where we have 1,101 keys, we plan to add 830 keys or even more and take it to 1,931 keys. So, total number of keys will increase from 2,410 to 5,048.

So, during the course of this year itself, we are going to open about 160 rooms, out of which The Ran Baas The Palace is 35 rooms, which actually just opened on November 1st. Then we have Zone Connect Prayagraj, which is 40 rooms, Zone Connect Ranthambore, 47 rooms, which is a property on lease and Zone Connect Jaisalmer, which is 38 rooms. So, total of 160 rooms are going to open in H2.

The most important thing is these two properties on lease, which is a 50-year lease for the Ran Baas Palace and of course the property in Ranthambore, which is close to 50 rooms. The Ran Baas the Palace has already opened. The Ranthambore property should open towards the end of December or early January, adding another 50 rooms.

Sarthak Awasthi: Why kiosk has so less margin as compared to cafe and tearoom; what is the reason behind it?

Vijay Dewan: Kiosk also has lower investments. So, let's look at how the Flurys's structure is in terms of the investment. The Kiosk costing has roughly about 20 to 25 lakhs. So, the return is proportionate to that. And then we have the cafes which are in the range of Rs. 40 lakhs to Rs. 50 lakhs per cafe. And then we have the tearoom, which is the size is anywhere between 800 to 1,000 square feet and the cost is in or around Rs. 1 crore. So, the return of 10%, 20% and 30% EBITDA for these outlets is based on the investments which we are making.

So, the sizes are also Kiosk, in fact, our margins are industry leading margins because we have standardized it to the extent that we get industry leading margins, whether it is kiosk, cafe or restaurant. The critical thing is the size in the Kiosk. Typically, the competitors are doing the kiosk in the range of 120 to 150 square feet, whereas in our case, the kiosk size is anywhere between 80 to 120 square feet.

As you would have seen at Terminal 2 in Mumbai, we have two kiosks, one at gate number 41, the second is between number 46 and 47. So, they are in the range of that 80 square feet to get to the maximum return.

Sarthak Awasthi: So, if we add more CAPEX in Kiosk, so that will lead to better margins if we have more square feet area, that's what the rationale is?

Vijay Dewan: You are absolutely right there. So, what we have done is that we have kept the Kiosk model, largely it's going to be confined to the airports. Presently, we are present in four airports, that is Calcutta, Bhubaneswar, Durgapur and Mumbai. We plan to capture all metro city airports at least in the next five years or even earlier through the kiosk model. But in most of the other high street and malls, we will be having cafes and restaurants.

I do not know if you have had the chance in Mumbai to be at BKC in the Crescenzo building. It is also now, it's a cafe, but it is our flagship cafe. Similarly, in the OWC at Lower Parel, if you have had the chance to visit, it is also another flagship cafe of ours. So, in high street and in business complexes, as well as in malls, we plan to have cafes and at the airport we definitely plan to have kiosks, or we are going to be present in the food court. In Bombay we have entered the food court at T2, and this store is also extremely successful.

Sarthak Awasthi: So when it comes to kiosk, we will only focus on airports or we will go to metro stations and all because that is one area where we can also focus?

Vijay Dewan: So, far we have to analyze, we have to do a little bit more research in terms of the railways or metro stations. Our previous experience has not been as exciting. In fact, we did open some stores because people have very limited time at hand.

So, our experience has been that stores generally do not do so well in metro stations because people have very limited time, and the customer is of a very different segment and the capacity to buy.

Moderator: The next question is from the line of Pranay Shah from Anand Rathi.

Pranay Shah: I have a couple of questions on the ARR side. So, you mentioned that in H2 we are expecting around 15% ARR. What gives us the confidence to grow at that level? So, it would be more on the renovated rooms which are coming and the palaces which are there, or it is something else, like how do you see that?

Vijay Dewan: So, it is a combination of all the three things which you have mentioned. The palace hotels are definitely going to add to the ARR growth, and our confidence comes from how the hospitality industry behaves. The second half is always a stronger half and last year and compared to the previous year, that is '22-'23 to '23-'24, we had registered a 15% ARR growth which actually increased from 6,600 in '22-'23 to 7,700, which is a 15% increase. And our confidence comes from that. So, there is no reason that we will not achieve a double-digit ARR growth in Quarter 3 and Quarter 4. And this is going to be also backed by newly refurbished and renovated rooms and also backed by the high ARRs of the Palace hotels.

Pranay Shah: So sir, just in that, what percentage of our current rooms are under renovation and when do you expect the renovation activity to be completed, and we can see the full impact of that new refurbished rooms to back the ARRs?

Vijay Dewan: Most of the refurbished rooms are back with us. Because of the high occupancy of 90% plus, we can only take roughly about 10% of our inventory under refurbishment or renovation. So, most of the rooms, barring 24 rooms at New Delhi, are back with us. And the 24 new rooms at Delhi are also expected to be back with us during the course of this month.

Pranay Shah: And one question specifically on the market of, like in the Navi Mumbai property, we are seeing an occupancy of around +90% and 94% which is nice compared to the industry which are having a higher occupancy. But then on the ARR basis, we are at the lower end of the ARR as compared to the industry that is in the Navi Mumbai. So, being such a high occupancy, what is impacting our capability to charge higher ARRs over there?

Vijay Dewan: So, let me first tell you as to how the ARRs have behaved in Quarter 2 in the city of Mumbai. As per the HBS support, the city of Mumbai had an ARR increase of 13% to 15% in Quarter 2 compared to Y-to-Y basis. And in our case, the ARR increase in Navi Mumbai, I am saying not in Mumbai, has been at 11% and it is in line with the business, with the trend in the market.

And let me tell you one very significant thing about Navi Mumbai. We have opened a new bar outlet at Navi Mumbai. Also, we have currently 80 rooms and we were planning to add 80 more rooms in our expansion plan. Now we planned, we have been in touch with the corporation there in Navi Mumbai and we have, instead of, we were to add 1 lakh square feet, but we have now found out that we are entitled to a total FSI built up of about 4 lakh square feet. So, instead of adding and making it like a 160-room hotel, this is actually, over the next four or five years, it's going to be actually a 300-room hotel in Navi Mumbai. So, it's going to, and because this is already part of our balance sheet, this will add tremendous value as we go along for our shareholders and for our business.

Pranay Shah: And on the Flurys side, you said that there is a change of the strategy, like you would look forward for rapid expansion. So, are we exploring the franchise route on that front? And secondly, we see that the margins in H2 we had put in 7.8% and FY24, it is around 18%-odd on the EBITDA front. So, we are expecting the margin to peak at around 22%-23% range for the Flurys. So, what peak margins are we expecting to be contribution point from the Flurys?

Atul Khosla: Firstly, we are on a rental model, we want to reach at the 300 plus target of Flurys over 4 to 5 years in turnover. Then we may look at the franchise; at present we are not looking at the franchise model. That could be the second stage, we may look at that growth. In terms of, you are right, as the mix of Flurys model is changing, we will be looking at peak margins could from the range of 18% to 20%-22%.

Moderator: The next question is from the line of Anuj Kashyap, an individual investor.

Anuj Kashyap: In the presentation it is mentioned that we will look for organic and inorganic opportunities. So, is there anything on the table right now?

Atul Khosla : We are exploring inorganic opportunities, which are acquisition including lease. One lease we have just specified, 50 room on lease, which has been concluded at the stage, which is the Ranthambore property. So, ready-made rooms now will be available from December or early January. We are trying additional lease properties also and, acquisition opportunities. But they are under discussion. We will share regarding them as the conclusions are done because we cannot at present share due to confidentiality.

Anuj Kashyap: What I could understand is that Flurys is very niche business for you, like you have some unique business model or the offerings which are not present right now in many cities. But what is our strategy to fight the local competition which every city has some unique cafes and all? What is our strategy in regard to that?

Vijay Dewan: So, Flurys is actually an iconic heritage brand out of Calcutta and the recipes, the craftsmanship of Flurys is fully preserved to give our customers a unique experience in confections. So, this is being carefully planned that we are able to provide consistency in our product. And we definitely have competition in mind. The new age competitors which have just come into the market as well as international brands. So, we are constantly monitoring, and we feel that the bakery and confectionery business is the fastest growing business. This confectionery and cafe business is the fastest growing business in the market. And there are very few players in this. There are a lot of players in the cafe segment or in the coffee segment. But in real sense, there is no real pan-India player on the bakery confectionery and cafe side. And we want to occupy the space, and we feel that we are totally on track to occupy that space to lead the market.

The Flurys' differentiating factor is a combination of confection, celebration and cafe. So, the confectionery element, which is the cakes and the pastries along with cafe gives Flurys that added edge that you are coming to Flurys for the product, you are coming to Flurys for the environment, and you are coming to Flurys for celebration. And this is the differentiating factor which currently we feel is that there is no player in this segment offering this.

Anuj Kashyap: Sir, you answered on the very line which I was wanting to focus this. So, the USP which is very unique to Flurys Kolkata will be maintained all over India, I am right?

Vijay Dewan: Yes, the heritage, the recipes.

Anuj Kashyap: The taste and all?

Vijay Dewan: Yes, it is there, and if you see the products which we have, there is some innovation on products. There is no substitute to innovation. So, we maintain our fastest selling items in all cities whether it is Bhubaneswar, Bombay or Siliguri. So, the heritage is preserved plus there is innovation on products. So, we have demonstrated that through high growth in the city of Mumbai. The same store growth in Mumbai is in excess of 30% and growth in the Mumbai market is in triple digits which is obviously also related to new stores opening. So, we are going to preserve the heritage of the brand. And in fact, the entire Flurys has got completely reorganized in terms of design but yet maintaining the element of Kolkata to it which you would have seen. So, as we entered at the Gateway of India, we had clearly said that one heritage brand has arrived from one city to the other city at Mumbai.

Anuj Kashyap: Sir, the locations which you mentioned, the legend of Kolkata is in legend of Mumbai, like Gateway of India, metaphorically. So, the locations which you are choosing, like you said in Hyderabad, you are going to open in Banjara Hills. So, your main idea of my moat question is, are you going for the main prime hubs of the main cities, like what is your strategy for locations?

Vijay Dewan: So, locations are obviously selected very carefully, whether it is the locations even at the airport. We were not present earlier in Bombay. So, we made a lot of effort to be there. So, we have entered the food court at the T2 terminal. We plan to be at T1 also at the moment in the arrival area. That will be our first store in T1.

These stores are selected with great degree of care. They have to be at the location which is very critical in this business. And if you were to see all the new stores, which have opened in Mumbai, they are at the best locations. Whether it is at the airport, whether it is at the Apollo Bandar in Colaba, whether it is at Colaba Causeway, whether it is in Lower Parel in OWC, or whether it is in Thane in the Viviana Mall, or whether it is at Malad in the Inorbit Mall, the locations are very, very carefully selected.

We are very particular in terms of the footfalls at these locations, as well as if it is a high street location, like in Kolkata, we are obviously at Park Street, but the second tearoom we open is at Jatin Bagchi Road. There also we have selected a heritage property, and it is the hub of food and beverage activity. Then we are at

South City Mall within the food court in Kolkata, and we have selected an outstanding location for a tearoom in Salt Lake in Kolkata.

So, we see the footfall, we see the location. It has to be a good location, it has to be a reputed mall or a reputed area in a high street. So, it is carefully done. And then, of course, the rental, the size is very critical. And then, of course, based on the assessment, then only the investment decision is made.

Anuj Kashyap: And what is the average time for a store to breakeven?

Atul Khosla: The store normally break-evens in 3 to 4 months.

Anuj Kashyap: That is quite a good number. And like, in our balance sheet or in total revenue, the 44% is weightages of food and beverages. So, as you said that we have independent bars or independent restaurants, like one in Jio Drive, I think. So, what is the margin number, like those margins are always more than the hotel, restaurants or the hotel food and beverage side, am I right?

Atul Khosla: See, the F&B, when you ask for the F&B, the gross margin is about 70%, but the margin from F&B is around 40%.

Anuj Kashyap: Thank you.

Moderator: As there are no further questions, I would now like to hand the conference over to the management for the closing comments.

Vijay Dewan: I would like to thank everyone for attending this call and for showing interest in Apeejay Surrendra Park Hotels. I hope we have been able to answer all your questions. Should you actually need any further clarification or would like to know more about our Company, please feel free to reach out to us or to CDR India. And thank you once again for taking time to join the call and see you all next quarter and wish you a very Happy New Year. Thank you.

Moderator: On behalf of Apeejay Surrendra Park Hotels Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.
