

19th August, 2025

To,
Department of Corporate Services
BSE Limited
P.J. Towers, Dalal Street,
Mumbai-400 001.
Scrip Code: 544443

To,
Listing Department
The National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Bandra Kurla Complex,
Bandra (East), Mumbai-400 051
Scrip Code: TRAVELFOOD

Dear Sir/Madam,

Sub: Earning Call Transcript - Q1 FY2025-26 Results

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the earnings/conference call hosted by the Company on August 11, 2025, post declaration of Un-audited Financial Results (Standalone and Consolidated) for the quarter ended June 30, 2025.

The above information is also being uploaded on the website of the Company-
www.travelfoodservices.com.

This is for your information and records.

Thanking you,

Yours truly,
For Travel Food Services Limited

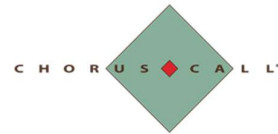
Neeta Arvind Singh
Company Secretary and Compliance Officer

Encl.: as above



“Travel Food Services Limited
Q1 FY'26 Earnings Conference Call”

August 11, 2025



MANAGEMENT: **MR. VARUN KAPUR – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – TRAVEL FOOD
SERVICES LIMITED**
**MR. VIKAS VINOD KAPOOR – WHOLE-TIME
DIRECTOR AND CHIEF FINANCIAL OFFICER – TRAVEL
FOOD SERVICES LIMITED**
**MS. CHHAVI AGARWAL – VICE PRESIDENT, INVESTOR
RELATIONS – TRAVEL FOOD SERVICES LIMITED**

MODERATOR: **MR. MANOJ MENON – ICICI SECURITIES LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY '26 Earnings Conference Call of Travel Food Services hosted by ICICI Securities 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 star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manoj Menon from ICICI Securities Limited. Thank you and over to you, Sir.

Manoj Menon: Hi, everyone. Representing ISEC, it's our absolute pleasure to host the first-ever quarterly results conference call of Travel Food Services. Handing over to Ms. Chhavi Agarwal from the Company, Vice President- Investor Relations, for the further proceedings. Thank you.

Chhavi Agarwal: Thank you, Manoj. Good evening to all. From Travel Food Services, we have with us Managing Director and CEO, Mr. Varun Kapur and Whole-Time Director and CFO, Mr. Vikas Vinod Kapoor, to discuss the first quarter financial performance and address the question and answer session.

Before we proceed, here's a disclaimer for the call. A few statements by the Company's management in the call will be forward-looking in nature and we request you to refer to the disclaimer in the earnings presentation for further details. We'll start the call with an opening remarks from the management, followed by the Q&A session.

I would now like to hand over the call to Mr. Varun Kapur for opening remarks. Thank you and over to you.

Varun Kapur: Yes good evening ladies and gentlemen, and thank you for joining us on the call. I would like to start by first extending my gratitude to all our stakeholders- investors, customers, regulators, employees, as well as very much our airport and brand partners, for the invaluable support extended throughout the IPO process. The trust by them and confidence through the years have been a very important contributor to achieve this milestone.

So, before we move into the quarterly performance, since this is our first earnings call post-listing, I would like to take a few minutes to briefly explain our business.

So, here at TFS, we primarily operate in two categories, travel QSR and lounges at airports. So, travel QSR is mainly the F&B outlets you see at the airports. We call it travel QSR, as it's a required attribute for all the outlets to deliver their product in a quick manner, given the time-sensitive customers at airports that we all see. Within travel QSR, we are a one-stop shop offering a whole range of concepts, formats, and cuisines.

Further, we also operate lounges at multiple airports, and the lounge business model has gained a lot of prominence in the last decade, not just in India, but globally as well. This is mainly due to the combination of increasing travel, higher disposable income, and increasing credit card adoption. Within travel QSR, we are the leading player with 26% market share and have 454 outlets as of June 30, 2025. This continues to grow as we speak.

We are a unique multi-brand platform with 130 brands, including global and regional partner brands, as well as our own popular in-house brands. We are also the leading lounge operator in the Country with 45% market share and operate 37 lounges in India, Malaysia, and Hong Kong.

So, we started our journey in 2009, and we operated airports through long-term contracts with airport operators, and they often prefer a master concession for similar services by bundling multiple units to award one concessionaire, capable of providing comprehensive F&B coverage and lounge services at the airports.

There are many complexities and challenges involved in operating in a restricted space such as airports- ranging from security issues, construction challenges, large back-of-house investments in stores and central kitchens, to name a few. Our ability to navigate through these complexities and successfully run the business differentiates us, and acts as a high entry barrier for others and a competitive moat for our business.

I would also like to emphasize, our business and growth has been complemented by our long-term partnerships with leading airport operators in the country. We have formed strategic joint venture partnerships with two of the largest multi-airport operators, with whom we have had the experience of working with for many years. This structure covers lounges and QSR outlets in key locations like Mumbai, Hyderabad, Ahmedabad, Navi Mumbai, Lucknow, and Goa Mopa, amongst others.

We have been successfully delivering strong performance for years and therefore we have a contract renewal rate of 94%, since the inception of our business in 2009, which is a key strength of the business, demonstrating our success in operating our existing contracts and the strength of our partnerships.

Coming to our financial performance, our focus has been always on sustainable growth, coupled with efficient capital management and a healthy generation of consistent profits. The same is also reflected in our financial performance, as our system-wide revenue and profit after tax have grown at a CAGR of over 20% consistently over the past decade and our ROCE, our return on capital employed, which is a key statistic we look at for the nature of our business, has been steady at around 50% over the last few years.

Going forward, we see a large and fast expanding opportunity in the Indian air travel space in which we operate. We are also well positioned to scale our footprints in the international markets, with the success seen in Malaysia and Hong Kong. In addition, the highway F&B business in India is at a very nascent stage, and with the large public and private investments planned in the sector, coupled with the growth of access-controlled expressways, we do see that being an area of growth for the TFS business over the next decade, which we shall tap in a strategic and prudent manner.

So, our strategy has three key pillars- growth, optimisation of our financial performance and delivery with focus on strong people practices. As part of our strategic priorities as well, we continue to strengthen partnerships with leading global brands, including the opening of Nando's

at the Delhi Terminal 3 recently, and the upcoming launch of two Gordon Ramsay concepts at Delhi Terminal 1 and Mumbai Terminal 2, respectively.

We also forged a national tie-up with Coca-Cola to further enhance our beverage offerings across outlets and rolled out a technology solution enabling direct collaborations with banking and credit card partners, eliminating intermediaries, delivering tailored solutions for distinct customer segments, driving economic value and ensuring a more seamless passenger experience. We will continuously strive to expand our business while delivering operational and capital efficiency and driving earnings, with a focus on customer experience enhancement.

So, before I move on to our quarterly performance, I would like to take a moment on behalf of the company to express our deepest condolences to the families of the people affected by the tragic Air India plane crash in Ahmedabad, that had a profound impact not only in the aviation industry, but I think as well on each and every single Indian.

Coming to the quarterly performance, our system-wide sales, which is sales including our JVs and associates that we operate, have grown at a very healthy rate of 26.7%, with like-for-like growth of 12.5% and net contract gains of 10.1%. And this is in spite of certain temporary headwinds, that have caused moderation of air passenger growth in the quarter, as visible to everyone. These have been namely- geopolitical events of recent past as well as the after-effects of the aircraft maintenance and grounding, due to the unfortunate crash of the Air India Boeing-787 in early June. And there has been a short-term effect on the growth of passenger traffic towards the second half of the quarter. So, despite that, our numbers have grown at the level that you see here.

And we see the effects of this temporary traffic moderation continue into the current quarter with recovery trends already underway, in line with Air India's indications, suggesting the recovery is underway from August and we expect these temporary effects to return to normalcy ahead of the second half of the year as well.

In the business as well, we have a strong focus on profit generation, which is an important tenant for the business. We delivered a 59.5% year-on-year growth in reported PAT (Profit After Tax), which also equated to a 19.3% year-on-year growth in our adjusted PAT, which Vikas will also elaborate on specifically shortly, showing the robustness of our business model. This is a clear testament to the resilience of our business model and the exceptional efforts of our highly motivated team.

Now I request our CFO, Vikas Kapoor, to take you through the quarterly numbers in detail.

Vikas Kapoor:

Thank you, Varun. And once again, welcome you all to the Q1 FY'26 earnings call. Before I talk about numbers, I would like to explain our commercial models that drive our revenues.

We operate our units under two key models, long-term contracts and strategic partnership arrangements. Long-term contracts are fully consolidated into our P&L and strategic partnerships are accounted as JVs or Associates under the equity pickup model. In long-term contracts, we own and consolidate the full P&L after paying a concession fee to the airport owner. As a result, we invest the complete capital into the unit.

In joint ventures, as the operations are overseen by us, we receive a management fee for operating the units and a share of PAT of the joint venture entity as per our equity shareholding. The capital investment is also proportionately shared along with the JV partner.

In both models, we manage the units in the same way, but the accounting treatments are different. Therefore, we talk about system-wide sales which represent TFS-managed airports including the subsidiaries, JVs and Associates, in line with what Varun explained a bit earlier. In addition to our long-term contracts, the JV arrangement enables us to be in a strong position to operate the F&B and lounges in many existing and new airports, operated by the multi-airport operators.

Before I move to talk about our performance in detail, I would like to mention that since Semolina Kitchens was part of our consolidated financials for the first half and part of Q3 last year, we have adopted a like-for-like comparison to ensure consistency in evaluating business performance. Accordingly, Semolina's Q1 losses for FY'25 have been added back to the results. In Q2 FY'25, as Semolina turned profitable following unit mobilization, the corresponding profit will be adjusted to maintain similar comparability to Q2 FY'26 results.

Now coming to the numbers, the system-wide sales touch INR7.15 billion, growing by 26.7% Y-o-Y. As Varun brought out earlier, the growth was supported by a healthy like-for-like growth of 12.5% and net contract gains of nearly 10.1%. LFL is driven by effective revenue optimization initiatives, despite a short-term moderation in air passenger traffic growth. Net contract gains are driven by mobilization of new travel QSR outlets and lounges at the airport, primarily at Mumbai, Hyderabad, Ahmedabad and Lucknow airports.

If we go to consolidated sales, we have reported sales of INR3.75 billion, representing a year-on-year growth of 6.3%. Like-for-like growth for consolidated sales was 5.5%, impacted by short-term moderation in passenger traffic growth. Net contract gains showed a decrease by 2.7% year-on-year, due to expiry of a few contracts and subsequent pickup of new contracts by the JV.

Gross margin increased to 83% as lower inflation, efficient procurement strategies coupled with effective supply chain lowered production costs. Additionally, continuous focus on process optimization and operational discipline lowered other expenses as percentage of sales by more than 150bps. Share of profit from JVs and Associates was INR80 million this quarter, which was due to a one-time deferred tax adjustment, along with certain pre-operating expenses being for the units that are being mobilized as of now. Our consolidated PAT increased to INR950 million in Q1 FY '26, delivering a strong 19.3% Y-o-Y growth compared to the previous year.

With that, I will close the opening remarks and will hand it back to the operator to open it for Q&A.

Moderator:

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask question may press * and 1 on the touchtone telephone. If you wish to remove yourself from question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue

assembles. The first question is from the line of Jai Doshi from Kotak Securities. Please go ahead.

Jai Doshi:

Hi, team. Congratulations on good results. Just a request in future, if you could upload the presentation a little bit earlier, so that we get some chance to go through it before the earnings call. One quick question from my end is, could you explain the seasonality in your business? Typically, if there are no net contract gains during course of a year, how should one think about profitability of 1Q and how does it progressively change from 1Q to Q3, Q4?

Varun Kapur:

Hi, Jai. Good evening. Thanks for your question. This is Varun here. So, in terms of what we see in the business, which I think has been quite consistent over the last few years, is normally for us in terms of seasonality, which is why Y-o-Y is a useful indicator to see, H1 tends to be a slightly lower percentage versus H2. You could roughly consider it as being 45% H1 and 55% H2, driven by the passenger traffic.

So that ratio comes from passenger traffic is roughly 45% towards H1, 55% H2, as the holiday season, you have the months of December, January, February, where air traffic tends to be stronger. As well as consumer spend during the holiday period as well, people on leisure travel tend to spend a bit more. So that is something we have generally seen across the business. And particularly looking at and therefore you see that trend happening year-on-year and playing out in the numbers as well.

If you see in terms of particularly referring to the profitability and how that plays out over a period, I think, what one surely does see is that Q3 and Q4, with that same logic, are the quarters that do stand out, as you would see reflected in our numbers as well. And I think maybe, we can make reference to this particular quarter as well, while looking at it, traffic has been in slight moderation towards the end of the quarter. But like you said, you see those effects on normal period where Q3, Q4 would be much stronger from Q1, Q2.

Jai Doshi:

Sure. Any colour you can provide which helps us appreciate the operating leverage advantage you get in 2Q, second half better? Because when we look at historical numbers, given that accounting changes and it is a little difficult for us to sort of, or if you can just tell us broadly, everything else being same, if the revenue split is 45-55, first half versus second half, what could potentially be the profit split, first half versus second half?

Varun Kapur:

Sure. I'll may be hand it over to Vikas. But before I take, I think there was a part of your question which I didn't address. I think you were talking about the net contract gain. So that may be just a perspective to give there. In our business, that tends to be a bit lumpy by nature of our business. While on a system-wide basis, we've had a growth, there in terms of new units being mobilizing across airports there. But in terms of that, it tends to be a bit lumpy. So, it's not year-on-year basis. It tends to be, may not be one quarter, but it could very well be in the next quarter you have a significant jump. That's by nature of our business where these units come in a master concession there versus obviously LFL coming consistently. But I'll may be hand it over to Vikas to address your question right now.

Vikas Kapoor:

So, Jai, as we progress quarter-on-quarter, what we see, despite the moderation in air traffic, we believe that the moderation will wear-out by the end of H1 and traffic should come back to normal, in terms of the historical trends at which it has grown. From that perspective, we are well equipped to kind of capitalize on the opportunities looking at the real estate that we operate across airports. As more units are getting mobilized, we are talking about roughly around 50 plus units that are going to be mobilized during the current year in our system. From that perspective, we believe that, yes, we are well on track to achieve our budgeted numbers.

Coming back to your efficiency point, in terms of efficiency, as we have typically seen that in our real estate, we operate not only central kitchens, but central stores. And because we operate in the entire ecosystem of the airport F&B and the lounge parameters, we are able to bring in certain efficiencies due to our scale, also in-terms of manpower deployment. So those efficiencies will continue from that perspective. And our operating margin overall in H2 should only improve, looking at how we have traditionally also performed.

Jai Doshi:

One more question, if I may. So, 12.5% like-for-like sales growth and 4.5% traffic growth. So, I'm assuming the balance, the gap between the two is largely driven by pricing. Is that right understanding?

Varun Kapur:

It's a combination. So, it partly comes in from pricing, but partly because obviously it's been a year from that point of view. But in addition to that, I think in this particular instance, there's a large amount of initiatives around. So, a lot of new brands coming in. And if you see the number of units that have opened in that period as well, have been quite significant. So, that pushing the existing units, premiumising their offer, that plays out quite well in our LFL in terms of so we've done a lot of promotions around it. And to your point, I think, make sure the deck, I think that feedback is taken. So, we do talk about a lot of the efforts initiatives we've done there in existing units to push like-for-like sales.

So, I think that's something as a business we do consistently to push up like-for-like sales is very much the nature of the business. So, it's a combination of no doubt price, but there's a lot of efficiency gain initiatives on the ground, which translates over and above the air passenger traffic, as our numbers show.

Jay Doshi:

Do you expect this to...

Moderator:

Mr. Jai, I just request you to.

Jay Doshi:

Sure. I'll get back in the queue.

Moderator:

Thank you so much. The next question is from the line of Nihal Jham from HSBC Securities. Please go ahead.

Nihal Jham:

So, two questions. One, a clarification that when you've given the like-for-like growth for the consol. business and system-wide, I believe for the consol. sales, it is basically the existing airports have given a 6% LFL, whereas the system-wide, which is at 12.5% is basically the new airports which have come in. So that is what explains the differential. That's the right understanding to clarify?

- Vikas Kapoor:** Yes, Nihal, you're absolutely right. The LFL for system-wide is a combination of both your consolidated numbers, as well as the JV & associates, because as Varun had spoken earlier, the system-wide sales represent revenues from the entire footprint of QSR and lounges, that are managed by TFS under long-term contracts as well as JV partnerships.
- Nihal Jham:** Understood that. And is it possible to get a sense, you mentioned there were disruptions towards the second half of the quarter because of certain incidents, that what was the LFL trending at before some of these incidents played out? So just to get a sense that once things normalise in H2, maybe to get a sense of how it can improve towards?
- Varun Kapur:** So, I think, particularly these sales, as you see, I think those incidents were primarily before starting of May, we had the geopolitical event, particularly in India with India-Pakistan happening. That had some effects on traffic, but I think it was June, the mid of June as well, where you had the unfortunate crash as well. I think those were the effects that happened towards the second half of the quarter.
- So, you did see those play out and probably play out on certain particular markets, a bit more prominently. I think that's been the nature because as you know, there were slight aircrafts were partly taken off by Air India. I think it was 15% reduction in international wide-body flights and a 5% of the narrow-body flights as well. So, I think that combination was there from June as well, that drop. And you could see that particularly playing out in certain airports like maybe Delhi, it was in Calcutta, played out in Goa. So, these airports, you did see that effect probably play out a bit more versus the other airports.
- But what's happened, I think, which is evident from Air India's own indication, from around August, those numbers have been coming back. We can see those green shoots very much, in our numbers in terms of the growth versus last year. I think you can see that kind of playing out from those very indications by H1 of this year, the end of H1, kind of normalizing to normalcy. When I say normalcy, I mean normalcy of the growth levels we've been quite used to. While we've been able to have consistent, strong growth, by LFL growth being still strong with our initiatives, plus the combination of new units, we've nonetheless had 26% system-wide growth as well. But I think that perspective, just for the sector, it looks to be on the trend of improvement currently.
- Nihal Jham:** So, Varun, would it be possible to give a sense of April or say till mid-May, what the consol. LFL and the system-wide LFL was trending at?
- Vikas Kapoor:** So, Nihal, the overall passenger growth, which is in the public domain, April kind of grew around 10%. But from the mid of May, it kind of tapered down due to the geopolitical events. And unfortunately, at the end of June and some bit of July, what we are seeing is the passenger traffic growth has been impacted due to the unfortunate accident of Air India crash. So, from that angle, but as Varun said earlier, we are seeing the offshoots coming.
- Nihal Jham:** Just one more question before I go back in the queue, that you could just give a sense of the expansion plans at Navi Mumbai and Jewar about when does it expect to operationalize, and how our units will build up through the year?



Varun Kapur:

Yes, in terms of dates, I think, Nihal what, they've publicly announced information we can, hear those airports particularly. We can see that and probably refer to you. So, we have currently in our system about, we're giving a broader perspective which may be helpful. We have about 70 outlets roughly under construction, which includes Navi Mumbai and Noida.

So, these outlets are actually in design, construction phase as we speak, in addition to the 491 outlets. So, we have about 454 travel QSR and 37 lounges. And that number we have, so in addition to that 70 is over and above that. That's those 491. So, that's currently in place. So, both of these airports, I believe, are opening in this particular calendar year is what is called out from their dates.

So, our constructions are well underway. Many of these outlets are even ready as we speak. And I think the dates of those airports as those come live, those units will be trending, probably in some degree of phasing, but those would be coming online in the next few quarters.

Nihal Jham:

Got that. Thank you. Thank you so much.

Moderator:

Thank you. The next question is from the line of Vedant Rane from Unifi Capital. Please go ahead.

Vedant Rane:

Hi, sir. Congratulations on the good set of numbers. I just have one question. If it is possible to give expiry date or expiry year of key contracts such as Delhi T3 or Airport Authority of India, where you have some airports?

Varun Kapur:

Some of the data we have particularly while individual contract data as you would understand would be commercially sensitive. We had in the RHP called out some of this information particularly on contracts, that was needed. So, it may be best to refer on specific contracts to the RHP. I think, it has that specific details there.

Vedant Rane:

Okay, sir. And just one last question. So, Delhi T3 is now under subsidiary. Is it possible that in future it will follow same trend as GMR JV, like, will it get converted into a JV?

Varun Kapur:

Currently, the entity just to clarify, it is under a subsidiary which is also a joint venture with the airport operator there. That contract when it comes up particularly because there would be different contracts there. At that point in time there may be an evaluation one would do. But that currently it is operating under already a joint venture with the airport operator. So, while it's a subsidiary, it is a joint venture with the airport operator.

Vedant Rane:

Okay, sir. Got it. But the PAT gets consolidated with your Consol. P&L, right?

Vikas Kapoor:

Yes. This is Vikas here. The PAT does get consolidated, but under the equity accounting method the non-owner share is kind of clarified as well, in our results.

Vedant Rane:

Right. Got it, sir. Thank you so much. All the best.

Vikas Kapoor:

Thank you.

- Moderator:** Thank you. The next question is from the line of Akhilesh Bhatte from IKIGAI Assets. Please go ahead.
- Akhilesh Bhatte:** Hello. Hi, team. Congratulations on a good set of results. I have two questions. First one, mainly I just wanted to get some more colour on the deceleration in profit flowing into JV, and how do you expect that to pan out for this year?
- Varun Kapur:** Hi, Akhilesh. Akhilesh, if you could just repeat that again.
- Akhilesh Bhatte:** Yes. So, I just wanted some more colour on the deceleration in profits flowing from JV and how do you expect that to pan out for this year?
- Varun Kapur:** Sure. So Akhilesh, maybe to give a perspective. So, the JVs, as you know, are in the process, as we called out in the RHP as well, in the process of mobilization. And part of that mobilization, many new units are being activated as would be evident in our system-wide sales, growing as well. So, that perspective are the JVs currently where they're at.
- The cost, the way it plays out is, when we mobilize new units, we tend to have pre-opening costs, as well as it takes us roughly 12 to 18 months of operation, for those units to operate at levels that we normally see in other units, in terms of new outlets coming in, operating them efficiently, getting them up to the PAT levels. Not that they may not reach break-even earlier, but, getting them to the required PAT levels, that we see for the rest of the mature business, it takes that bit of time as normal practice. So, most of the joint ventures, or all the joint ventures for that matter are in the state of heavy mobilizations, as we speak. And that's why, part of the cost, those would obviously as those come in, that profit would be on a trend of those costs decreasing and that's the direction there, on those joint ventures.
- Akhilesh Bhatte:** Got it. Thank you. And there's some more colour on your international expansion. So, how does it look like? How's the ramp up going in the new airports? And any colour for this year or any future expansions that are in the pipeline?
- Varun Kapur:** Sure. So, in terms of we had over the last 12 months mobilized the lounge in Malaysia. We have also mobilized the lounge in Hong Kong as well over the last 12 months. That business is trading. The business in both of these market, like I said, is in relatively early days in terms of the period and trading strongly as well.
- We continue to look at new opportunities, but by nature of our business, once we have the stage where we would have an opportunity while we're constantly doing a business development program and efforts in markets that's part of our continuing strategy for this year as well. As there are any wins and victories, we would be coming here, but there is quite a well-organized and efficient effort being put in for those opportunities.
- Akhilesh Bhatte:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Arvind R from Dam Capital. Please go ahead.

Arvind R:

Thank you for giving me the opportunity. I have a couple of questions. Firstly, since Airport Lounge is your major business, major contributing business, and the contracts at some of the locations like Chennai and Kolkata are about to expire. So, how do you foresee growth and is the majority of your business, which is 50% from Airport Lounge, at risk because of that?

Varun Kapur:

Hi. So by nature of our business and I referred to as well earlier, so we have been operating since 2009 in this sector. And we operate both travel QSR and lounges. Then obviously, our breakup of that is quite evident. Roughly you could say, about relatively equally, from a system-wide point of view.

In terms of our contracts, I think what has been evident from the 2009 till now, a very important part of the business is contract retention. So, what we always would focus on, part of our business strategy, yes, one part is net gains and business development, which comes at certain frequencies and tends to be lumpy, but retaining contract is as much a part of development strategy.

So, we've had a retention rate in our business since 2009 of 94% of contracts. I think that's evident to the ability to perform well, as well as the long-term relationships that we have with the airport partners. So, we constantly have contracts coming up for renewal and us obviously having quite good success at renewing the various contracts, when they do come up for renewal.

Arvind R:

Okay. Just to add on that, so, as your contract, as Adani is also creating a partnership with the likes of lounge operators, like Plaza Premium, and as it is evident in the news as well that there is some friction with Adani with your partnership with Adani, so do you want to comment on that?

Varun Kapur:

So, what is evident is our outlets under any joint venture are particularly called out. That's been part of our, both the numbers that are there in the RHP, as well as currently that we have in the business. So, we have our footprint in the airport. That, I think, you see from in terms of the LFL and the net gains account for any other stores which may be operated by any other partners or anything else. So, in any point of time, we don't say we have the full market in terms of that. We have put our market share as well. I think I mentioned earlier as well, we have a 45% market share on lounges and roughly 26% on travel QSR. And what we have been seeing, the general trend is we have been increasing our market share.

So do we no point see that being overnight exercise, but that is something that generally by we believe the strengths and our focus on this particular segment, that has been happening in a steady and gradual manner. Plus, we operate in a sector that is itself growing quite well. So, I think that's been our strategy going around. We have been very clear that we operate a large amount of outlets and there's an ecosystem, there'll be different operators, different players. But I think we have been seeing consistently our market share, which is part of our strategy as well, has been growing quite well.

And plus, as airports in India, which are growing – grow larger, more airports come in the purview for what we would look at as opportunities. Because we tend to look at obviously the larger airports because of our product mix, what we do on lounges, what we do on premium

travel QSR. As airports grow larger, they tend to be airports that we would look at in terms of taking our model to.

Arvind R: So just to add on that, so the airport operators now are coming up with their lounges like at Bangalore T2 and GMR as well as the Lounge. I mean, won't they be able to make you walk up business if they come up with their own?

Varun Kapur: Could you repeat that question? Your voice was a little muffled, if you don't mind.

Arvind R: So, I will repeat again, airport operators also have their own lounges, like at Bangalore Terminal 2 and GMR is also coming up with its own lounges. So how do you cover up that risk?

Varun Kapur: So, I think so different airports have different players which may be doing individual lounge opportunities. I am not aware of GMR doing its own lounges. I don't think that's a reality. But I think there, for example, there is one in Delhi, like the new one I know at T1 is operated by Encalm. So, there would be different operators there, which is very much part of the ecosystem.

And we would have market leadership, but nowhere do we say we have 100% of the market. That's the opportunity of growth that's there in any market. So, those would no doubt operate in different markets. But I think that information may be slightly incorrect in terms of there. But you would have different lounges, could be done by different operators, could be joint ventures with the airport operators.

Moderator: Hello, Mr. Arvind. Does that answer your question? The next question is from the line of Dhiraj Mistry from ICICI Securities. Please go ahead.

Dhiraj Mistry: Yes. Hi. Good evening, sir, and congratulations on a good set of numbers. Sir, one question regarding your, no doubt your disclosure is better. But the disclosure which you had in DRHP that in terms of revenue from the lounge and QSR, can you give that break-up for the quarter?

Varun Kapur: Hi, Dhiraj. Sure. If you just give us some time to just look up, so we can refer to that and answer your question.

Vikas Kapoor: So, Dhiraj, our overall breakdown between travel QSRs and lounge for Q1 FY'26 is roughly around 50% via travel QSRs and around 46% via the lounges business.

Dhiraj Mistry: Got it. And what was that in the base year, sir?

Vikas Kapoor: So, in the base year, it was on a similar plan, roughly around 48% again in travel QSR and around 50% in the lounges section. So, that's where we are.

Dhiraj Mistry: Yes. And this you are talking on consolidated sales, that is on system level sales or consolidated sales, reported sales?

Vikas Kapoor: This is on system-wide sales because from all practical aspects, we do monitor what we manage and operate at a system-wide, both the travel QSR and lounges, because for that same services, we do get also a management fee.



- Dhiraj Mistry:** Got it. Got it. And, sir, second question is regarding your QSR business. So, if we take a slightly longer, let's say over the last 5 years period, what is your life-for-life growth? And if you can divide that between pricing growth and traffic-led growth over the long-term period. So that it would be very helpful as an analyst to forecast the growth going ahead.
- Varun Kapur:** Yes. So, we may not have those numbers handy. We're happy to engage if you could send that communication and we can probably get back to you particularly on that breakup over a longer period of time, but what is evident is the last decade we've seen those numbers. We've had a consistent more than 20% CAGR. That's with obviously COVID in between.
- But I think from point-to-point, CAGR has been more than 20% in terms of our sales growth as well system-wide, plus PAT has been even larger than that. So, that's been the general trend of the business over a long period of time. In terms of specific areas carve out of that, if you'd be able to reach out, we could be happy to engage with you and share some of that. We don't have that handy, for a longer period of time right now.
- Dhiraj Mistry:** Got it. And, sir, last question, the gross margin expansion, what we have seen during the quarter at the adjusted sales level, what are the reasons for that? Is it purely the mix or is there any pricing element also in that?
- Vikas Kapoor:** So, Dhiraj, I'll take this one. So, the gross margin improvement is mainly due to the lower food inflation and efficient procurement strategies, as I had called out, coupled with that effective supply chain management, which kind of lowered all the overall COGS. Additionally, because of the real estate and the volume that we manage, we have negotiated our annual contracts with suppliers effectively, given the increase in scale of operations.
- Dhiraj Mistry:** Okay. Thank you. That's it from my side.
- Moderator:** Thank you. The next question is from the line of Rahul Agarwal from IKIGAI Assets. Please go ahead.
- Rahul Agarwal:** Hi, good evening. This is Rahul from IKIGAI Assets. Just continuing on the questions asked earlier on lounge versus QSR, more on the growth trends, next three years, if you can talk about how would you foresee your growth between these two formats? Will it be similar, or one would be higher or lower? And secondly, on the same question, from a return on investment perspective, what is more lucrative? That's the first question?
- Varun Kapur:** Yes. Hi, Rahul. So generally, Rahul, I think from a perspective, see a lot of the dynamics that drive passenger spending in airports tend to be passenger growth. Those tend to be quite common among both businesses.
- In our RHP particularly, there's a call out around the expected, the industry report over the next 10 years. Both are expected to grow quite similarly, at a 20% CAGR over a 10-year period with, I think, lounges expected to go slightly more, because the extra kickoff credit card, other penetration, premiumization of airlines, white bodies, etcetera. So those areas, but generally we see these as being quite similar in-terms of the dynamics and the growth expected in both of these sectors.

For us particularly, obviously year-on-year you may get some opportunities in a particular year on travel QSR and lounge. So, quarters and individual years, you may have one growing slightly above. But I think from a general trend, structurally both are in quite a strong perspective. Consumers in both areas are eating at airports, want premium experiences at airports. So that, I think, generally is very evident to grow together.

I think for us probably the additional area is we're also looking at lounges internationally as well. So over and above the current growth expectation in India, we do see that as in the medium term opportunity. And a longer-term opportunity on travel QSR, which we called out as well, was the highway opportunity. The significant private and public investments happening on highways, we see that as an opportunity in the long-term as that ramps up, for us to take the travel QSR opportunity there as well. So those are additional drivers of growth we see, for each of the segments.

Rahul Agarwal:

Got it. And for both these formats, because you've been operating both formats for a long time, would you just talk about a bit of innovation, or maybe some global benchmarks, which you have tried to get to the Indian market, and how are you doing things differently, purely from an operations perspective?

Varun Kapur:

Sure. Maybe I can touch on maybe one-one aspect for both. There's a list of things, maybe one-one aspect, I could address in the question. So, for example, in terms of the travel QSR side, brands are a big part of our portfolio. What separates us from peers in the segment and makes TFS stand out, is our brand relationships. So, we currently have 130 brand relationships as of June-end.

Some of the ones I did allude to in the call, but maybe just reinforcing that again, we had earlier, we did Nando's recently, again, a global leading brand. The first one at the airports in India. We did that at Delhi Terminal 3. We also are getting one of the world's most prominent chefs, Gordon Ramsay. Two of his concepts we're launching shortly in India. So, one is going to be at Delhi Terminal 1. That's launching shortly this month. And then subsequently Mumbai Terminal 2 as well.

So those brand relationships, the brands we get, is a big separator, that allows us to get incremental customer spend, and also premiumization. You're playing that opportunity, which I think from an Indian consumer point of view, I think we're Indian consumers more than ready for some of the concepts that are world leading in premium. And actually, the demand sometimes I would think is actually more than most other parts of the world. Actually, our consumer here, is looking for those type of experiences. So, I think that's one driver there, we do see, to drive upside.

In addition, on lounges, there are various initiatives, but I think one thing we're doing, for example, is we are increasing and cementing much more deeper, our tie-ups, our relationship, with our lounge partners there. So, we've actually developed a technology platform, integrated one, there ourselves, to do direct tie ups with our banking and credit card network partners, where we can actually tie up directly. So, it provides a much direct consumer and a seamless consumer experience. It doesn't go through aggregators or intermediaries. It's a direct tie up.

Customer experience on the ground is much better. It's an integrated single platform. You know, it doesn't matter what you have. It's a much more seamless experience.

We can address different cohorts, right, depending on the card. You have an X card for this customer cohort versus Y, because today lounges is one experience. But by having a direct tie up, you can actually partner with our credit card networks and banking partners much deeper, and create different experiences, because we see the consumer directly. We can create different experiences for each credit card. You know, whether you have X card or Y card, the nature of the consumer for our partners, we can create those, and ultimately, that is where we see an opportunity, which also would potentially margin accretive in the long term as well.

Rahul Agarwal: Got it. And just your comments on the return on investment for lounge versus QSR. Is there any difference, or both are similar?

Varun Kapur: So, return on investment tends to be quite similar, because the way we approach, this is a portfolio approach. For us, we look at it not from a single brand. Sometimes, we always say that even within travel QSR versus lounges, within travel QSR, there's probably more variation than between travel QSR and lounges itself, because within travel QSR, you have your normal QSR outlets, what you traditionally call the high-street, but you also have casual dine, you would also have in bar concepts. You could have varying different offers that would be there, more sit down restaurant, grab and go, various things. So, I think within, that sometimes you see more variation.

But our general perspective is on the return on investment, we tend to look at portfolio approach. So, it tends to be quite similar across both of these, in terms of the investment versus what the return for us, or ROCE is.

Rahul Agarwal: Got it. And just one small last question, on the revenue salience. Just from a risk perspective, today, if we talk about the India business for you, let's say, how is your revenue concentration, like let's say top three airports, top five or top 10, however you want to break down it, where is, how is the revenue concentration for the business?

Varun Kapur: So, some of these details we have, I think, are specifically called out in the RHP, in quite a bit of detail. I won't have it handy now, but that would be the best place to look at, because I think those particular things are called out in quite detail there.

Rahul Agarwal: Sure, I'll refer to that. Thank you so much Varun and thanks. All the best for the rest of the year.

Varun Kapur: Thank you. Much appreciated.

Moderator: Thank you. The next question is from the line of Akhil Parekh from B&K. Please go ahead.

Akhil Parekh: Thanks for the opportunity. My first question is on the margins front. We have seen a significant gain at EBITDA level, almost 400bps of jump on a Y-o-Y basis. Do we see that margin gains in what we have achieved in 1Q, to be sustainable? Because historically we have been in range of 30% to 33%, so 38%-39% of EBITDA margin is sustainable going forward. That's my first question?



Vikas Kapoor:

Hi Akhil, Vikas here. So, our EBITDA margin, like since we pride ourselves on our financial discipline. In terms of, as I had explained earlier, in terms of procurement of goods, we have been efficient in terms of managing our food inflation, as well as entering into annual tenders which has brought down our costs down, and that has given us a certain uptake in terms of this. We believe the gross margin to be in a range bound manner of around 80% to 82% throughout the year. And further to that, the EBITDA margin is also in terms of the fiscal discipline that we have done in other expenses as well as the contract management part, which has improved the overall EBITDA. So, we believe it to be a sustainable margin gain, which should be there throughout the year, as we proceed.

Akhil Parekh:

That's really good to hear. Second, would it be possible for you to share the profitability, JV-wise for the quarter or at least give some color which of the JVs have performed better? We did around INR8 crores of, that's the contribution in TFS from the JVs at that level, across the three JVs if it's possible to share.

Vikas Kapoor:

So, two things, Akhil, since we operate both the JV and Associates, as well as our own business in the same manner, so the endeavor is always to improve on the margin profile as we go. But as you would appreciate that we are mobilizing quite a bit of units, as Varun and I have spoken at the start, in the JVs and Associates as well. What I can give you a bit of color is more in terms of the sales of the JV and Associates, if that is fine from your perspective.

Akhil Parekh:

Yes. That would be helpful.

Vikas Kapoor:

Yes. So roughly, if you look at it from an overall perspective, since our own consolidated numbers were roughly around INR3.75 billion and JVs and Associates kind of formed roughly around INR3.4 billion, out of which roughly around INR 2 billion is what we have seen from our JVs, under Semolina Kitchens and overall, the rest with the other partners.

Akhil Parekh:

Okay. Sure. This is helpful. And third and last question, just for clarity, in terms of the differential between the LFL growth system-wide, SSG is 13%, while console is 6%. Sir, it's right to assume, right, the JVs, I mean, the airports under the newly formed JVs have performed better in terms of LFL growth compared to the non-JV airports?

Varun Kapur:

Yes. That would be a correct assumption. So, some of those airports, which and as you mentioned earlier in the call, so some of those airports during this moderation, like you had Delhi, you had Calcutta, you had Goa, which probably form a larger proportion of the consolidated, those showed a bit of softness versus the others. Obviously temporary, but there. So, you can see that's why, there is slight difference in consol. versus system-wide. And many of the system-wide units also are trading relatively new in their first year. So, all of those coupled together is where you see that slight, you see that difference of LFL and system-wide versus consol.

Akhil Parekh:

Okay. Great. That's all from my side and best wishes for coming contests.

Varun Kapur:

Thank you.

- Moderator:** Thank you. The next question is from the line of Jai Doshi from Kotak Securities. Please go ahead.
- Jai Doshi:** Hi. Thanks for the follow-up opportunity. You did mention about direct dealing with credit card issuers. Can you tell us at this point of time, among your key credit card customers, with whom you are dealing directly? And what is the extent of benefit typically you accrue, when you go from dealing through intermediaries, to dealing directly?
- Varun Kapur:** Yes. Hi there. So, we're currently doing this exercise, which we do see, to your point directly, we do see as it being, obviously there, will be other points, we think this to be margin accretive, but we do see the other points, about primary reasons of doing it is a better customer experience, as well as it addresses multiple cohorts, right? You're not saying different card levels, you have customized solutions. So, I think on various fronts, it is positive for the business.
- We are currently in exercise. A few accounts have been, we are working with, for example, we have American Express, which is now working with us directly. This quarter, we are currently in the process of ICICI Bank and Axis Bank already directly working. IndusInd is working directly. Other banks, it's a process we're creating this technological platform is performing extremely well, working, plus we're seeing the benefits on other fronts as well.
- And currently, since we're in the exercise, probably the numbers will be clear post the completion of this process. I think at the right time, we'll share that relevant information and be evident in the numbers as well. But I think the trend is very much a positive trend.
- Jai Doshi:** Sure. And last one is, are you evaluating any opportunities, international opportunities that can sort of materialize and have a meaningful benefit for you anytime in this financial year?
- Varun Kapur:** Yes. It's a continuous process we're doing, so, Asia-Pac and the Middle East are areas we're looking at for opportunities. We have teams actually working on that even based out of the country and looking at those opportunities. Because of the nature of these opportunities, once you obviously don't want that going on, these are commercially sensitive. So, there is work, no doubt, maybe answering your question.
- But as they materialize, and as we see our business development efforts come together, we should no doubt share that and put that forward. But yes, coming from the success in Malaysia and Hong Kong, getting those opportunities, there are similar opportunities which we are actively working on, part of a continuing exercise like we do in India, internationally as well, the same efforts.
- Jai Doshi:** Sure. Thank you so much.
- Varun Kapur:** Thank you, Jai.
- Moderator:** Thank you. Ladies and gentlemen, as that was the last question for the day, I would now hand the conference over to the management for the closing comments. Over to you, sir.



Varun Kapur:

Thank you very much. So, we do appreciate all of you taking the time today to join us at TFS for our first earnings call post-listing and hearing us patiently. And at the same time, if you have any further queries, please feel free to reach out to our Investor Relations team. So, wish you all a good evening and Thank you.

Moderator:

Thank you. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

Note: This transcript has been edited for readability purpose only.