



20th November, 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 – Q2 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 November 13, 2025, post declaration of Un-audited Financial Results (Standalone and Consolidated) for the quarter and half year ended September 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
Q2 FY '26 Earnings Conference Call”

November 13, 2025



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

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



Moderator: Ladies and gentlemen, good day and welcome to the Travel Food Services Q2 FY '26 Earnings Conference Call, 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 and then zero on your touchtone 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. It's a wonderful good morning or good afternoon to you, depending on the part of the world you're joining this call from. Representing ICICI Securities, it's our pleasure once again to host the management team of Travel Food Services for the 2Q FY'26 results conference call.

Now over to Ms. Chhavi Agarwal from the management, for introducing the management team and the further proceedings. Thank you and good day.

Chhavi Agarwal: Thank you, and good afternoon, everyone. This is Chhavi Agarwal, Investor Relations at Travel Food Services Limited. Welcome and thank you for joining us on the Travel Food Services Limited earnings call, for the second quarter and first half year ended September 30, 2025.

I have with me, Mr. Varun Kapur, Managing Director and CEO, Mr. Vikas Vinod Kapoor, Whole-time Director and CFO, to discuss the operational and financial performance for the second quarter and first half of the year and also address the question-and-answer session.

We will be referring to the earnings' presentation, press release and financial results uploaded on the stock exchanges. Before we proceed, here is a disclaimer to the call. A few statements by the company's management in the call can be forward looking in nature and we request you to refer to the disclaimer in the earnings presentation for further details. We will now be starting the call and I would like to hand over to Mr. Varun Kapur for opening remarks. Thank you.

Varun Kapur: Thanks, Chhavi. Good afternoon ladies and gentlemen and thank you for joining us for the second earnings call of TFS, as a listed company. Before I take you through the key performance highlights for the quarter, which many of you would have observed in our earnings presentation and press release, I would like to discuss the broader industry dynamics and emerging trends.

The Indian aviation market is currently the third largest in the world and is one of the fastest growing aviation markets globally in terms of passenger traffic. Over the next decade, passenger traffic is expected to grow at a CAGR of 8% to 9% in India. This sustained growth trajectory is driven by multiple structural factors on both the demand and supply sides. This includes rising disposable incomes, expanding middle-class demographics, continued public and private investments in infrastructure development and aircraft orders placed by domestic carriers.

While the long-term industry growth drivers remain intact, passenger traffic during the first half of the current financial year was temporarily impacted by two major external events, the India-Pakistan conflict in May and reduced flight schedules that were implemented for maintenance and safety reasons, following the unfortunate Air India airplane crash in June of this year.

Against this challenging backdrop, TFS has performed well and delivered a strong quarter with system-wide sales of INR 7.3 billion and PAT of INR 979 million, which equates to growth of 18.4% Y-o-Y in system-wide sales and 15.3% growth in consolidated PAT on a comparable basis, after adjusting for last year's deconsolidation of the Semolina business.

We achieved this by taking immediate and decisive action, managing the cost base tightly and driving efficiencies. Encouragingly, passenger traffic has shown signs of recovery in the past few weeks, and this recovery trend reaffirms the underlying strength of India's aviation sector and its strong demand fundamentals. TFS is now operating over 500 travel QSR outlets and lounges at a system-wide level, thereby reinforcing our leadership position in the sector.

We mobilized 50 travel QSR outlets and four lounges in the last 12 months, and our joint ventures are progressing well, with timely mobilization of new units and steady progress on execution. Our brand portfolio as well has expanded to 135 brands as of September 25 at a system-wide level, after the addition of 16 exciting new brands in the last one year. For example, in August, we launched India's first outlet of Gordon Ramsay Street Burger at Delhi Terminal 1, which received a very positive response from travelers and great coverage on social media. We plan to bring more Gordon Ramsay outlets at other airports as well.

At our travel QSR outlets, we have undertaken multiple initiatives to drive spend as well as enhancing the customer experience and driving higher throughput. For example, we have launched a special quick commerce menu at select outlets, which brings a commitment to deliver your food order to you within a five-minute time frame.

Within our lounges, we introduced a range of marketing activities, including festival-specific menus, theme celebrations and specially curated events such as 'Master Class with Master Chef'. These initiatives are designed to engage travelers and create memorable experiences for them during their travel and ultimately encourage repeat visits.

Additionally, at our lounges, we enable the technology platform to provide direct integration to banks and card networks for a smooth lounge access for their customers through our wholly owned subsidiary, Elite Assist Technology and Services. We have already entered strategic partnerships with multiple partners for this lounge access solution and more collaborations are underway.

We also secured two new contracts, one to operate 11 travel QSR outlets and 1 lounge at the domestic terminal of Cochin International Airport, which is the 8th busiest airport in India. With this importantly, we will expand our presence to 14 of the top 15 airports in India. Second, is the recently reopened Delhi IGI Airport Terminal 2, where we have started operating 14 travel QSR units as well.



So as you can see, we have made very good progress across the business in the first half of the year. Now as we enter the seasonally strong second half of the year, we expect passenger traffic to continue recovering, supported by improved travel sentiment, normalization of operations and sustained demand across both leisure and business segments.

We expect our performance to benefit from increase in travel demand, as we have been seeing over the last few years. We're also looking forward to commencing the travel QSR and lounge operations and the recently won F&B concessions that I mentioned, as well as at the Noida and Navi Mumbai International Airports, which are expected to open soon.

Now I would request our CFO, Mr. Vikas Kapoor, to walk you through the financial performance of the TFS business.

Vikas Kapoor:

Thank you, Varun. And once again, welcome everyone, to the second quarter's earnings call. Before moving to the performance in detail, I would like to mention, as I had highlighted in the previous earnings call as well, Semolina Kitchens was part of our consolidated financials for the first half and part of Q3 in FY25, which subsequently, as per plan was deconsolidated from October 14, 2024. Therefore, to have a like-for-like comparison and to ensure consistency in evaluating performance, Q2FY25 and H1FY25 numbers have been adjusted to exclude Semolina numbers and the details for that has been shared in the presentation.

Going to the numbers, system-wide sales reached INR 7.28 billion in Q2, growing by 18.4% year-on-year, driven by both strong like-for-like sales growth of 9.2% and net contract gains of 9.3%, resulting from the mobilization of new units across the airports for the second quarter. If we go to consolidated numbers, consolidated sales touched INR 3.5 billion with like-for-like sales growth of 3.8% and net contract gains of 3.4% for Q2.

I would like to mention that, for TFS consolidated airports, passenger traffic declined by 3.5% year-on-year in the quarter. That said, our growth has been supported by focused efforts to drive business performance. We continue to stay focused on effective cost management, which has played an important role in driving profitability. Additionally, as envisaged, the JV operations are now gaining momentum and profit from share of JV and associates also continues to see an increase.

Our consolidated PAT increased to Rs 979 million in Q2 FY'26 from Rs849 million in Q2 FY '25, registering strong 15.3% year-on-year growth on an adjusted basis compared to the previous year. The profit growth is driven by sales growth, cost efficiency and uptick in JV profit on an adjusted basis.

For the first half, system-wide sales growth was 22.4%, supported by like-for-like sales growth of 10.4% and net contract gains of 10.0%. Additionally, consolidated PAT has grown by 17.2% year-on-year in the first half, on an adjusted basis. Our balance sheet is strong with zero debt. Cash balance has grown by INR1.2 billion from INR6.3 billion in March 2025 to end at INR7.5 billion as on 30th September 25.

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 with the question-and-answer session. Our first question comes from the line of Aman Baheti from InCred Capital. Please go ahead.
- Aman Baheti:** Hi, thank you for the opportunity. So, my first question is on our gross margins. It has seen a significant jump in the first half of this year. What has led to the jump and is it sustainable ahead?
- Vikas Kapoor:** Aman, thanks for the question. This is Vikas here. I will answer this. In terms of gross margin, our gross margin tends to be in the range of 80% -82%, which gets impacted by multiple factors like the product mix, the concepts that we are bringing to the consumer for the consumer experience, as well as various other initiatives that we do to drive revenue growth. In terms of that, what we have been doing over the last two quarters is managing our cost at an optimum level, without compromising on the customer experience, and at the same time ensuring that we bring new concepts, which can enable a better revenue growth.
- Aman Baheti:** Okay. And, sir, can you walk me through gross to EBITDA margin bridge? Because if I see, our gross margins have expanded to 288 bps, but EBITDA margins are at 244 bps. So, what all costs have gone up in this pass-through?
- Vikas Kapoor:** So, in terms of the walkthrough between the gross margin to the EBITDA, quite a bit of the cost optimization has happened at various levels. In terms of us having a decent quarter, though impacted by the moderation in traffic, we have managed to control our employee costs, as well as our finance costs, and have been overall prudent in terms of the other expenses as well. This is with a clear focus in terms of ensuring that we have continued momentum and a consistent approach, in terms of driving profitability of the business.
- Aman Baheti:** So, is it fair to assume that our EBITDA margins would stay at these levels around 38%?
- Vikas Kapoor:** So, our EBITDA margin will remain in a range-bound manner, because as we bring in new concepts and mobilization of units, and which is part of our industry, it typically takes us 12 to 18 months to bring the new mobilized units to the same level of efficiency as the rest of the business. So, you will see it being range-bound. I won't say that, yes, we will let go of all the benefits that we have accrued, but at the same time, it will be a range-bound EBITDA margin. And that's something we have proven time and again by our consistent performance.
- Aman Baheti:** Okay. And one last question on our traffic growth. So, we have seen like 4%- 5% growth in traffic, but we have grown more than that. So, historically, what has been the trend? I mean, since you are in business since 15-16 years, what have you seen historically? And what is the way forward for this trend?
- Varun Kapur:** So, Aman, Varun here. So, what we were referring to earlier, this quarter, particularly, I mean, obviously, since May-June, it has been a bit of a challenging environment. You've seen that from various industry sources, airport operators, airlines, all talking the same. And very evident, I mean, to all of us as travelers. So, there has been undoubtedly a bit of weakness in travel. I think quarter t2 was where it was exacerbated.

So, traffic has been weak in the quarter. I think across our airports, we actually saw, the ones we operate, a decline in traffic, for this quarter. There was a 1% drop in traffic. In spite of that, at a system-wide level, obviously, a combination of LFL, that's been a strength of ours, which I think was seen even previously, and we've always spoken of that. In spite of the drop in traffic, we delivered LFL of over 9%. We had net contract gains of 9.3%. So, the combination of that delivered a system-wide growth of 18.4%, which I think was a very resilient, very strong performance, in spite of being a very, very challenging quarter.

And obviously, we're seeing trends come up. So, historically, I think air travel had nothing to do with us. I think just the Indian economy, the Indian story has been there over the last decade, obviously accelerating the right investments happening by private and public. The platform seems to be the best state. I mentioned in my intro as well, 8% to 9% CAGR expected over the next decade. Very few markets, and no market of our size can even speak of those type of expectations in place.

So, I think we're at a great point in time, and we see every reason that this seems a blip and already showing us reverse of the temporary blip, obviously, unforeseen events that did occur in the period.

Aman Baheti: Okay. I think that's it from my side. Thank you so much for answering.

Varun Kapur: Thanks for your question.

Moderator: Thank you. Our next question comes from the line of Nihal Mahesh Jham from HSBC. Please go ahead.

Nihal Mahesh Jham: Yes. Good evening, Vikas and Varun. I had three questions. The first one was that for the LFL growth that you reported both on system-wide sales and for the consol, what will be the element of price hike?

Vikas Kapoor: So, Nihal, the element of price hike, typically we tend to only pass on the inflation to the consumers. So, roughly, it would be in the range for the first half of the year to be around 2% to 4%, which would be the price hike which would have been passed on. But as you notice that inflation tends to come down over the months, which is there from that perspective.

Nihal Mahesh Jham: Understood. And I think you were referring to obviously a recent pickup in terms of trends of passenger traffic. For the current last few weeks, how has the trend been in terms of the pickup in passenger traffic?

Varun Kapur: Right. So, Nihal, Varun here. So, we have surely seen, from the end of September very visibly. I mean, there's also public news around it. But we've been seeing very clearly from the end of September a clear pickup across all airports in terms of passenger traffic, that whole recovery momentum coming back. I won't say it's back to where we're used to seeing it, but surely very evident week-on-week, we're seeing an improving trend. And like I mentioned, you're seeing airports, airlines all giving a similar commentary out there.

I mean, visibly, anecdotally as well from probably a few months ago, especially in leisure markets, you'll see lines are getting longer, that's coming in. So, obviously with the second half, for us, is normally the stronger half of the year historically as well, It's a good time to see that momentum coming back.

Nihal Mahesh Jham: Understood. Possible, just to get a sense, in terms of quantitative element, of what the trend is like, is it like close to double digit now, what it was like for the last CAGR?

Varun Kapur: Well, I think, it's changing week on week because it's quite, then we're pretty much in the early days without the exact, probably the sense is that for the full year, as it was negative in the quarter, I think for the full year, one may probably see an expectation of probably mid-single digit. I think that's what we're hearing industry sources talk about. I think that's the trend.

It's very difficult to say because it is changing quite evidently, what we saw from two, three weeks back to now. So, it's quite a moving target. So, probably more helpful thing will be where probably the full year is kind of what is publicly we're seeing, everyone expecting from the industry. That's probably a more useful way I would guess to look at it.

Nihal Mahesh Jham: Got it. One more question was that with the addition of the Cochin airport, if you could just give a sense of the expected pipeline or what could be the expected count for both stores and lounges by the end of FY26? So, counting Noida as well as Navi Mumbai and Cochin and the addition of the Delhi units also that you've mentioned in the PPT.

Varun Kapur: So, Nihal, normally while numbers we don't give, you know, obviously we spoke about, when I mentioned about the size in terms of units of these opportunities. Maybe I could reiterate that as well. So, Cochin will be 11 units on the travel QSR side and one lounge/bar. That's we go live there from January, in a bit of phasing, but that's the plan there. Equally, we have Delhi Terminal 2 has already gone live for us. We're already operating there. You would have seen that airport has opened up. We operate 14 travel QSR units in that airport.

Noida and Navi Mumbai being new greenfield airports, we expect that opening to be in phases. So, it wouldn't be right for me to give probably an idea of how that could play out. I think that once the airport operators, once they plan out that, probably we will be able to come and give you a specific. But as publicly available, those airports are expected to open quite soon. And once I think we're able to share with you something more specific on those, we will. But, yes, we are ready, units are in good condition of opening, so, all of that is quite in place, in both of these airports.

Nihal Mahesh Jham: Final clarification for Navi Mumbai, you have 39 or 40 QSR outlets and 1 lounge. That is the current pipeline.

Varun Kapur: Navi Mumbai is happening in phases. Like I said, that is a bit the airport operator working. So, I wouldn't want to be the one commenting on that. That airport does happen in phases. But, yes, we have both travel QSR and lounges in that airport. There will be a bit of new stuff coming in once that is firmed up and public, then probably, we can come and discuss the exact nature of how those mobilizations of the units are.



- Nihal Mahesh Jham:** Understood. That's helpful. Thank you so much.
- Varun Kapur:** Thank you.
- Moderator:** Our next question comes from the line of Vatsal Dujari from Tata AIA Life Insurance. Please go ahead.
- Vatsal Dujari:** Hi, team. Thanks for the opportunity and congratulations on a good set of results. My first question is on the new outlets you got in Delhi Terminal 2. So, they are on the concession model, but we also have a JV with GMR. So, just was wondering, how come those have come under the concession model for us?
- Varun Kapur:** Hi, Vatsal. Varun here. So, Delhi Terminal 2, as you do know, it was an airport operational earlier. It is currently reopened. Obviously, Delhi Terminal 3, there's some work happening, some traffic has transitioned to T1. But Delhi Terminal 2, currently, which is opened in terms of the contract as well that we're doing there, is a short-term contract.
- So, what we do operate, the joint venture with GMR, GHL, that does operate in other markets as well. But this particular contract is a short-term contract, which we have for three years. And therefore, the airport obviously comes up with contracts for particular needs. As you know, this airport has particular reasons it's opened up during the transition. So, for that, we are running this in that concession model as a result.
- Vatsal Dujari:** Okay. Got it. My second question is on the gap between the LFL growth and the passenger traffic growth. So, we saw in this quarter, the gap was almost close to 10%. So, could you give us some kind of breakup, in terms of how much is coming from an increase in penetration, in terms of people spending more on F&B and lounges in an airport, and also due to premiumization? And how do you see this trend going forward, of LFL being higher than the traffic growth?
- Vikas Kapoor:** So, Vatsal, this is Vikas here. In terms of LFL growth, yes, while it was a weak quarter in terms of the passenger growth, our endeavor always is to work on a couple of factors. One is that we continue to focus on improving penetration, and upselling to the customers in terms of enhancing the customer experience, by the change in brands and the new concepts that we bring, which allows us to up our overall average transaction value with them.
- So, a lot of initiatives go in-terms of that. Referring back to something which Varun also said in his speech, like the five-minute option that we have recently introduced, it's gained momentum. So, all these initiatives drive the customer penetration as well as the average transaction value at the airports that we operate in. So, that's been the trend. Going forward, as traffic recovers, these layers of initiatives and processes that we have, as part of our DNA, will be on top of the passenger growth.
- Varun Kapur:** Yes, to add to what Vikas said, Vatsal, it's exactly we had a 1% degrowth in traffic. And yes, LFL did grow at 9.2%. So, there was north of a 10% delta. And exactly, it's all those measures. And that's what I think we're able to do as a market leader, completely focus on the sector. That's what we deliver. That's what we bring to the table. And that's what separates us from anyone

else operating there, actually driving that delta, even in a period where it is highly challenging to be able to deliver those numbers. That's the focus of the business and our business model.

Vatsal Dujari:

Got it. And just a little bit more on the penetration aspect. So, could you give us some kind of ballpark numbers as to say, if 100 people walk into airports, how many of them actually consume F&B at airports or use lounges at airports, and how is that number benchmarked to say other geographies in the world?

Vikas Kapoor:

So, Vatsal, penetration, we do intend to drive and if you ask me as a finance guy, I would love to have 100% penetration and let everybody buy some sort of an F&B. But, if you look at in terms of footprint, even in the larger airports, we are not 100% present. So what happens is it becomes very difficult to calculate how the penetration works across different parts of the airport and across multiple terminals as well. Just to give a case in point, Delhi is an 80 million plus passenger airport, and there are three large terminals, and we are not present in all the terminals as such as well. So, in an ideal world, I would prefer that.

The only upside that we have is the customer can go to a lounge. And if he doesn't want to go to a lounge, or he doesn't have a lounge access, he can still have food at our F&B unit. And that does help us improve penetration or capture the customer from one angle or the other. And that's what has helped us. But overall, we do concentrate on improving penetration year-on-year.

Vatsal Dujari:

Okay. Got it. That was helpful. Thank you. That's it from my side.

Moderator:

Thank you. Our next question comes from the line of Purva Zanwar from B&K. Please go ahead.

Purva Zanwar:

Hi team. Congratulations on good set of numbers. So, my first question is regarding the difference between the LFL growth rate of consol and system-wide. There is a difference between the two. So, is it primarily because the JV portfolio has expanded into newer airports over the last few years and it's still in the ramp-up phase, therefore giving better LFL? And if so, as these JV assets mature, should we expect their LFL growth to converge with the consolidated LFL growth rate?

Varun Kapur:

Hi, Purva. Varun here. So, I think particularly on that, so yes, we had called out even last quarter and even earlier before that. So, obviously, the JVs have a lot of mobilization playing out. So, that plays out as well. You can see the net contract gains that play out in system-wide sales, as well being there. What particularly is there in consol, so that's one area, no doubt with the additional mobilization, you see the net contract gains being quite strong in those entities.

In addition to that, I think in consol, we did have one of the airports, which was Delhi, where we did see particularly the traffic de-growth in our consol versus system-wide, which is at 1%, Consol was actually about 3.5%. That was driven by Delhi, there was a de-growth in traffic, which was quite significant, almost 8%. That's available there publicly as well, with some of the airport operators. And this was due to a combination, due to the crash, it was probably one of the more affected airports because being an Air India hub. Coupled with that, this quarter and probably also seeing that weakness, there was a runway closure that happened, which everyone will be aware of, in Delhi that affected flight schedules.

And there was a PAX movement happening at T1. Obviously, we are there in T1, but that's a gradual mobilization that happens in those units, because it's a new airport. That is where our consol numbers, particularly in the quarter 2, saw a bit of dip, because Delhi sits in that, versus system-wide obviously has a lot of those other airports. So, I think that played out in the PAX difference in Delhi, did play out also in the LFL numbers that you see. So, that kind of explains the combination of the net contract, and the difference in LFL is where that difference in sales growth that you're referring comes from.

Purva Zanwar: So, you mean that this consolidated LFL should gradually now improve from here on, being not affected in future related to specific Delhi 1?

Varun Kapur: Exactly. We normally see LFLs converging there. Obviously, every market has its own dynamics, and that plays out. Our passenger traffic could be more in one area, less in one area, because of the leisure market and other drivers like that. So, obviously, those underlying effects stay the same. Those move slightly up and down, but yes, the underlying perspective of LFL converging and moving together generally tends to be very similar dynamics across all airports. So, exactly that Delhi traffic was much weaker, therefore, the LFLs were playing out weaker in that area. That was a key driver for that.

Purva Zanwar: Okay. And second question would be regarding what would be the major upcoming contract renewals apart from the Delhi one, in the future years, 2-3 years down the line, any major one?

Varun Kapur: So, we have Delhi Terminal 3. We have a list of contracts which we've already called out as well in the DRHP, that kind of lists out certain small contracts, big contracts that keep coming up for renewal. The one in this financial year is the Delhi Terminal 3 contract, that does come up for renewal for us.

Purva Zanwar: Okay. Got it. That's it from my side. Thank you.

Varun Kapur: Thank you.

Moderator: Thank you. Our next question comes from the line of Param Vora from Trinetra Asset Managers. Please go ahead.

Param Vora: Hello. Thank you for taking my question. So, my question is regarding the revenue mix. So, partner brands contribute 54% to our revenue and in-house brands contribute around 45%. So, can we expect a change in mix, like more focus on in-house brands?

Varun Kapur: Hi, Param. It's Varun here. Thanks for your question. So, in terms of our approach adopted for rollout of brands under travel QSRs is, we tend to work as you see with most of our contracts in terms of multi-outlet or a master concession way. In that case, our strategic approach has been, that it has to be a combination of both in-house brands and third-party partner brands. And even within third-party partner brands, you'll have international brand partners, international brands who are present in India like the well-known QSRs and you'll have popular regional domestic partners. You'll have even city-based brands. So, our approach always is a mix of those.

For example, in the airport, say in Chennai, you could have a KFC. You could have a Subway catering there. At the same time, you'll have a Sangeeta, or a Third Wave Coffee. So in terms of offering available, the way we look at it is that it's not a strategy where, for example, maybe if I can just give up operationally, I would work in KFC or with an in-house brand. Now, one would think in-house brands, oh, if you don't pay a royalty, COGS are better. You know, we should get only in-house brands that drive more margin as a target.

But in reality, the way we look at it is, by putting say an in-house brand, which could be, idli.com or a Curry Kitchen or a Dilli Street, and also, along with that, you have a KFC, which caters to a particular customer, which also probably drives a particular level of revenue. So, we look at the entire basket. So, we never look at how much an individual store do, but what we look at by putting these multiple brands, what is the overall basket? So, internally, there'll never be a target, say, let's do more percentage of in-house or more percentage of third-party brands.

It's always that let's do a basket that ultimately delivers the best IRR for us, and ultimately that's linked to the most sales, logically to drive. So, that's how our approach as a business tends to be. And that's why you see it just so happens that number is 54- 46 or may change to 60-40. It's not a strategy of achieving a certain number. It's more driving what we believe will achieve the best financial outcome. That's how our approach is.

Param Vora:

Okay. And my follow-up question is regarding the new units, like 50 new units are set up in QSR outlets and four new lounges this quarter. So, what is the expected payback period and margins for the new units compared to the existing ones?

Vikas Kapoor:

So, in terms of, be it travel QSR or lounge, when we are approaching any tender and applying for any concession is, looking at the overall ROCE, because that's what drives us, in terms of our profitability and our target, including the focus on IRR. We are out of the view, that whether it is a Travel QSR or a lounge, we should focus on one or the other.

Nonetheless, what we do try to do is that we get a certain payback in a set number of years, in the early start of the contract. But it typically takes us 12 to 18 months to get those units mobilized and operate at the same level of efficiency as the rest of our business. In some of the units which are in our existing airports, we do tend to turn around faster. But we will be always focused on profitability rather than growth. So, the focus will always be on getting the required IRR and ROCE back.

Param Vora:

Okay. Understood. Thank you.

Moderator:

Thank you. Our next question comes from the line of Akhil Parekh from B&K Securities. Please go ahead.

Akhil Parekh:

Hi. Thanks for the opportunity. My first question is on the LFL growth side. So, what is a sustainable LFL growth rate one should look at, especially for the airports which are there and kind of matured with us over the last two, three, four years, basically? What's a sustainable LFL growth rate in those airports?

Varun Kapur:

Hi, Akhil. Varun here. So, it's difficult to put a number only because for LFL, one of the key drivers there has been passenger traffic, right. So, I think the keyway to look at it is we obviously do a delta over that. That's been our performance and that's what we've been always doing. We deliver a delta over what the underlying passenger traffic is. Now that delta, I did talk about earlier is that we are achieving that delta by a combination of initiatives in terms of, obviously, there's some part price and there's some part of sales initiatives, all that. So, I think one should assume that there will be a combination of all of those initiatives that we will continuously be doing and always have a delta over it.

Now, so therefore it's impossible to give a LFL unlike probably on the high-street, to say this is kind of the LFL target for us, because obviously there's an underlying element that plays on top of which you have inflation and then those initiative of ours. So, you should probably look at how that combination behaves and over the long term we've always seen that delta performance be there. So, like I said, this quarter as well, we did a 10% LFL growth. A 9.2% LFL growth is a 10% delta to the minus 1% passenger traffic. So, I think that's been the nature of how our business has behaved.

Akhil Parekh:

Sure. Second, Vikas, you mentioned the penetration across the airports. Do we maintain certain data points? Like for example, let's say, what are the number of bell-cuts we are doing across our QSR, say, XYZ airport and what is the footfall basically? What kind of convergence we are seeing and what is the scope of improvement over there?

Vikas Kapoor:

Thanks Akhil for the question. Yes, to drive any business performance and the profitability that we have, you do those data insights, cuts in-terms of NOBs, in-terms of transactions, how many transactions happen on combos and stuff like that. But since they are commercially sensitive, I won't be able to share those at the moment, because its confidential.

Akhil Parekh:

Okay. The reason I was asking was, is there enough scope for the convergence to improve at the airports which we are operating? That's the reason I was asking this question.

Varun Kapur:

Sure. In terms of the opportunity, there is no level where one can say, because ultimately, it's about driving new experiences that can be driven by new brands. Ultimately, I think Vikas said earlier, but generally, it's a way that's the target we aspire to. You want every person going through the airport, you do have an offer available for them, whether it is the travel QSR and entry to lounges, you're capturing consumers in both areas. A person wants to go to a lounge, maybe today he's feeling like, no, the lounge is not right, let me go to the cafe outside it. We want to capture the consumer there as well.

So I think it's a question of having always some opportunity to keep pushing that. You want everyone going to the airport to do it. I think that only is not the driver, the way we look at it, yes, we have passenger traffic, you would also do new additional units that capture consumers, keep changing units to capture consumers. In addition to that, you'll do promotions, you'll do activities, I mentioned about the five minutes are free, something like that gets more people in. So you keep doing something different. It's to keep consumers engaged. People like choice, people like variety, people like trying. We do different stuff. We got for example, Gordon Ramsay down as a concept there. That gets more people to come and try.

Someone may have said that, listen, I'm flying out in the night, I won't have a meal, I'll come a little early to the airport, things like that. Those types of things drive more and more people. I would say that, we do a lot of analysis on our end, which obviously is commercially sensitive, but yes, the target is to keep working on ideas, to keep increasing the consumers we're targeting and driving that delta with growth.

Akhil Parekh:

One last question.

Moderator:

Akhil sir, sorry to interrupt. May we request you to return to queue for question? Our next question comes from the line of Dhiraj Mistry from ICICI Securities. Please go ahead.

Dhiraj Mistry:

Hi. So I was having particular question about the price hike, what you mentioned that usually you take a price hike in a range of around food inflation. But historically, have you done some study where that if you increase the affordability of the product, you see that there is an exponential growth in your footfall or let's say revenue drivers, rather from pricing action, it would be more driven from the volume growth which you would witness?

Vikas Kapoor:

Dhiraj, this is Vikas here. So, of course, when we do pass on any pricing increase to pass on the food inflation to the customer, we look at it in terms of customer experience, what value we can continue to give to the customer. So that is definitely the underlying business view on that.

But over and above that, what happens is we do, do studies around price elasticity, how it will impact the numbers, in terms of penetration, in terms of the uptake of a new concept and various other things and it's an ongoing exercise. It's not something that we do it only when we are doing a price hike, because the profile of the customer in an airport also keeps on changing. So that's one parameter to be kept in mind.

At the same time, if you look at the sheer range that we operate in the airport space, right from the lounges, to the bars, to the casual dining, to the QSR, to the cafes, we also now operate Udaan Yatri Cafe. So if you look at it from a price range point of view, we are covering from the guy who would be keen on having a coffee or a tea at Udaan Yatri, right up to a guy who is a first class customer and wants to have a lounge access. So that's something that we cater to and it's part of our DNA and we do it consistently.

Dhiraj Mistry:

Got it. And we have seen material improvement in our EBITDA margin. Would you like to quantify what would be the guidance in terms of near-term perspective where our EBITDA margin would lie on an annualized basis? I completely understand there would be some seasonality factor on quarter-on-quarter basis, but on an annualized basis, can you give some guidance for your EBITDA margin?

Vikas Kapoor:

EBITDA margin, gets driven by product mix, new concepts that we bring in and how the new units are getting mobilized because, like I said earlier also, it's a combination of factors. Some of the new units could take 12 months to come to the same level of efficiency and some units might take 18 months. It depends on where and how outlets are mobilized.

In an ideal scenario, yes, I believe that EBITDA margin should, over a period of time, improve as we bring in better efficiencies and the new airports stabilize. But what drives us is

predominantly our PAT, because that's our focus area in terms of the overall bottom line, after the taxes and everything.

Dhiraj Mistry:

Got it. And a very quick question on seasonality factor. Based on your historical study, what would be the contribution of second half versus first half? Or, in fact, it would be much better if you can give quarter-on-quarter, let's say Q3, Q4, and Q1, Q2. What would be the seasonality factor to their overall annualized revenue?

Varun Kapur:

Historically, we've been seeing, I think probably the way to look at it in our mind is always a 45-55 kind of level, because second half is obviously stronger of the year. You have December-January period playing out in that and we tend to see it. Plus, in Q2 besides the monsoons, plus a bit of weaker trading tends to normally be there in passenger travel as well. So, I think that, our first half always is 45, second half kind of 55. Obviously, this year has been a bit exacerbated with the whole passenger traffic in Q2, but normally a 45-55 is what we historically always consider internally.

Dhiraj Mistry:

Okay, and one last question from my end. Can you throw some light on your new subsidiary, Elite Assist Technology, in which airport you would be operating and what kind of economics we can see in that subsidiary?

Varun Kapur:

Yes, sure. So, Elite Assist Technology Services, and maybe the acronym is what would be more interesting to talk about is EATS, very relevant for our business. So, EATS is actually rolling out technology solutions for our various business lines. So the first initiative is the lounge access management solution which we've done, which is actually, we've enabled the technology platform, which gives direct integration for banks and card networks for lounge access to their customers. And so, that's generally what that business does for us and focused on currently.

Dhiraj Mistry:

Okay, where would it operate and any quantification you would like to give, or let's say revenue or as well as PAT in terms of?

Varun Kapur:

It's too preliminary to give any quantification, but where it does operate, it supports our lounge business. So, this is something we started rolling out from the quarter, in terms of supporting the lounge business for direct integration with bank and card networks. So, that's where the business would operate. And that's over the next few quarters we could be probably giving a bit more color as that rolls out. And that's the way we see this particular area you see across our lounges currently. That's the focus area for it to work.

Dhiraj Mistry:

And it will operate in our JV lounges also, or it would be 100% our lounges where we operate?

Varun Kapur:

So this would generally support the lounge business across, because it would do tie-ups and support the lounge business across. Now, maybe different in different lounges in different manners. So it is a solution we are developing. It may be, for example, the initial pieces could be more aggressively in our lounges wider, but it would work with other lounges as well. That's a solution when you develop, it can provide you and that's where our capability can play out. We can support other lounges as well. But again, like I mentioned, it's a recent rollout focused on our current lounges to get it started.



Dhiraj Mistry: Got it. Got it. Thank you very much. I will fall back in the queue.

Varun Kapur: Thank you.

Moderator: Thank you. Our next question comes from the line of Anuj Kashyap from A3 Capital. Please go ahead.

Anuj Kashyap: Hello, I'm audible?

Moderator: Yes, sir. You are. Please go ahead.

Anuj Kashyap: So, congratulations, team. So just I wanted to know what is the strategy regarding the, like our name is Travel Food Services. So beyond airports, I would like to know the strategies like railways or highways because India is roaming these days a lot. So what are the strategies that are ending up to it?

Varun Kapur: Sure, Anuj. Thanks for the question. So obviously, yes, we've been predominantly largest piece has been at airports. But we did during even our listing process in terms of our DRHP and we mentioned during that period and in the quarter as well. A focus for us, would also be two additional areas, beyond our traditional business in-terms of the airports in India. We are also looking at expanding, a, the airport business internationally with a focus on lounges, as well as highways across India. That's our immediate focus.

Railways, maybe not right now, but highways we do see as an opportunity currently for our business. The whole expansion the government is doing around investing in highways, planning these expressways, which are areas which are captive, where going from one end to the other, these are access controlled locations. So we see these WSAs, call them wayside amenities, we do see that as an opportunity. The government has particularly called it a 1000 wayside amenities over the next few years, which would be access control F&B areas. And we see that playing to our strength, where we can actually go in, multi-brand, build out, fuel, non-fuel retail, play that opportunity. We do see that area to build up, F&B hubs in those areas as an opportunity for us.

So, I think you said the right thing and we see again, but let me, if I may stress that, I think we do see at least the highway opportunity a bit more of a long-term because it's just starting, it's nascent. We won't compromise our return metrics. So we'd go in that carefully, we'll take the right opportunities, we'll get the model right. Yes, we do believe we have the strengths to make that work. And I think with that, very few others do have that whole brand mix, experience of operating these areas, financial ability to invest, all that coupled together, robust technical team to support it. We will do it in a manner without compromising our return metrics. That will be our approach to the business.

Anuj Kashyap: Yes, sir. Sir, just one add-on to it, as a team, as a company, you analyze the customer data. So do we have like loyalty programs and also the special discounts for the frequent customers, like many people are traveling day-in, day-out these days, on busy routes like Delhi, Bombay, Bangalore. Do we have loyalty programs also for the customers?



Varun Kapur:

Yes. So, two areas. So one, the previous thing I mentioned around EATS is also building a bit of that, because by having a technology solution in place, it does allow that to be much smoother. So, that is part of the plan there as well. But in addition to that, what we do is, we have various packages available for various travel groups that we believe will actually, a-, will drive customer spend incidents, but also the right thing for those groups.

So, for example, we have, I'll give you one example. We have lounge packages, which are discounted or special for senior citizens. We have a student package. We even have a family package. We have young kids going to a lounge. Not everyone may be traveling business class or they don't have a card. So there's a way we actually allow them at a discounted as a family package. So those type of things we do. And that's how we kind of address kind of different customer cohorts.

But yes, there's a deeper strategy we're working on as well. That's part of our business. We constantly work on areas. It's a good point to drive loyalty, people who fly regularly, which is more and more happening. People are more and more in the air, more regular. I think it's becoming very much in nature in our country now. Its no longer once a year flight. people are traveling maybe more than once a month as well these days.

Anuj Kashyap:

Thank you, sir. Best of luck for the future.

Varun Kapur:

Thank you, Anuj. Thanks for your question.

Moderator:

Thank you. Our next question comes from the line of Nikhil Oswal from Oswal Investment. Please go ahead.

Nikhil Oswal:

Hello, sir. Congratulations on good set of numbers and thanks for the opportunity. Sir, my question is on the number of QSRs, we have around 500 QSRs and lounges. Out of these, how many would be coming under the Adani umbrella?

Vikas Kapoor:

Just one second. Your question was you wanted to know how many of our travel QSR units are in?

Nikhil Oswal:

So how many of our travel QSRs and lounges come under airport operated by the Adani group?

Varun Kapur:

Okay. So roughly, it will be slightly over 100. I think it will be roughly around the 120 mark, is what the exact number handy with me right now, but it's roughly around that. I know it's about 120 mark roughly.

Nikhil Oswal:

Okay, sir. So, sir, one question which comes up in mind is like, see, we all know what happens to -- happen to DreamFolks. How do we protect ourselves against the risk that, if there is a risk at all that tomorrow Adani says that, under my airports, I would like to want to, you know, operate the QSRs. So how do we protect against such a risk?

Varun Kapur:

You're right. So there are two parts to that question. One, I don't want to particularly comment on DreamFolks, but that's a very different model, right? We are a brick and mortar operator.

One's just an aggregator in between. So I don't want to comment on that because it's a different thing, but our model, obviously is, we actually invest, build, and run those units.

The slight difference, probably to that as well is, many of these units we do run through joint ventures. We already are in a joint venture with Adani Airports. By doing that, our skill set in terms of operators, a lot of their learning, their expertise as airport operators, they run multiple airports, and very strong teams there. So, that skill set coming together is what creates, that's why you see many of the airports, truly have, really top concepts, those outlets run really well, you know, there's great feedback on those.

So, that mix of airport operator and F&B operator or lounge operator works very well. And especially, obviously, private airports that plays out, So that's how that model works. So, you know, it's already in a joint venture. So, they are already part of the business with us in these units that I mentioned to you.

Nikhil Oswal: Okay. So, they already have a share of the pie. So, they won't be inclined to, you know, I mean, take those fully that way. Okay.

Varun Kapur: I mean, the partners with us in these units, you know, are given through a process right. These are long-term contracts, even there would be also for the process. And ultimately, at least in our case, these units are in a joint venture with them. We operated together.

Nikhil Oswal: Okay. So, your senses, we are fairly included....

Moderator: Sorry to interrupt you, Nikhil sir, may we request you to return to the queue? Thank you. Our next question comes from the line of Vatsal Dujari from Tata AIA Life Insurance. Please go ahead.

Vatsal Dujari: Thanks for the follow up. Just had a couple of small questions. So is it possible for us to give a breakup of the LFL growth into what was the LFL growth in the lounges part and the travel QSR part?

Vikas Kapoor: So Vatsal, the like-for-like in both lounges and travel QSR, because in most of the airports that we operate they are in the same airport, they are in the similar range. Of course, the passenger traffic is one element, but in the cases of lounges, since we have tie-ups even with airlines and everything. So in terms of the overall mix, that seems to be a bit more consistent from the travel QSR. But otherwise, both are in the same range of LFL for us.

Vatsal Dujari: Got it. And just one more thing. So, how do we think about capacity utilization in our outlets and our lounges? So, like some of them are more mature lounges, like Mumbai or say Calcutta and Chennai, what kind of capacity utilization are they operating at? And even on the travel QSR side, some of the more mature airports and outlets, what kind of capacities are they operating at?

Varun Kapur: Right, that's a great question. And maybe to give a perspective, so maybe I related it to a high-street. If you look at a high-street operator, so generally, for high-street capacity tends to be driven by your lunch and dinner, people have a lunch and dinner 2, 3 hour window. Now once

your sales is set that, it's very difficult for one to fill more because that period is set, i.e. a 2-3 hour window. A consumer is not going to have lunch at that matter, 7:00 a.m. or breakfast not really work in India. You're not going to have comfort dinner at 5:00 p.m. or for that matter past midnight.

Now what works a bit different in airports is ultimately, you're tied to the flight you're taking. Now when an airport has got x percentage traffic. And normally, the capacity normally really gets into play as traffic increases, which is India is, the fastest-growing travel economy and large scale anywhere. So as that grows, what tends to happen in the airport situation, which is why you've seen our growth rates be quite consistent over a decade, the business has performed like that, is because what has happened is, that every time new capacity or new airline or new flight is there, more passengers come, they come in an incremental hour. So for example, if three hours are full, is the peak, the next will become the fourth hour, then the fifth hour.

So your travel QSR or lounge, while at that moment, they look busy during peak. But for more consumers to come, actually, the additional airline is in the off-peak hour. So our capacity is unused at that point in time. And that's why you see those units in airports actually have a long runway of growth, even just with the same investment asset, if I'm able to explain that right. So for example, if you have a flight from 7 to 10a.m. is your peak period. The next flight to come to 11. Now that's not peak. There's enough capacity as the travel QSR lounges to absorb that consumer. And that's how it tends to work. So that's therefore, the right set of outlets, the right set of space is planned in airports, considering what is there during in terms of number of flights, how many they can absorb. So it actually works quite well.

We just obviously need to strengthen the teams during those hours, right in terms of number of people, which is not that difficult and not that incremental cost, not much fixed cost goes in. So that's how our model works, very different than the high-street.

Vatsal Dujari:

Got it. Very helpful. Thanks a lot. That's it.

Moderator:

Thank you. Ladies and gentlemen, we will take that as a last question for today. I will now hand the conference over to the management for closing comments.

Varun Kapur:

Yes. Thank you very much to the ICICI Securities team for hosting us. And we appreciate all of you taking the time today to join us for the earnings call post our Q2 results. If you have any other queries, please feel free to reach out to our Investor Relations team. Thank you, everyone.

Moderator:

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