Travel Food Services

Operator: Ladies and gentlemen, good day and welcome to Travel Food Services Ltd.'s Q2 FY27 conference call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in 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 Ashutosh. Sir, please go ahead.

Ashutosh – ICICI Securities: Thank you, Shasha. Hello and good afternoon, everyone present on the call. On behalf of ICICI Securities, I welcome you to the Travel Food Services Ltd. Q2 FY27 earnings call. I would like to thank the management for giving us this opportunity to host the call. I now hand the call over to Ms. Chhavi Agarwal for further proceedings. Thank you, and over to you, Chhavi.

Chhavi Agarwal: Thank you, Ashutosh, and good afternoon, everyone. Welcome, and thank you for joining us on the Travel Food Services Ltd. earnings conference call for the second quarter and first half-year ended September 30, 2026. I have with me Mr. Varun Kapoor, Managing Director and CEO, and Mr. Vikas Vinod Kapoor, Whole-time Director and CFO. We will start the call with management presenting its perspective on the company's operational and financial performance. After that, we will open the forum for the question-and-answer section. Before we proceed, here is the disclaimer for the call. A few statements by the company's management during the call may be forward-looking in nature, and we request you to refer to the disclaimer in the earnings presentation for further details. Now, I will hand the call over to Mr. Varun Kapoor for his opening remarks. Thank you.

Varun Kapoor – MD & CEO: Thank you, Chhavi. Good afternoon, ladies and gentlemen, and thank you for joining us as we talk through our performance for the second quarter and first half of the financial year. I hope you have had the opportunity to review our results and the investor presentation uploaded on the exchanges yesterday.

At the halfway point of the year, three things stand out about our business. First, the passenger environment has been weaker than anticipated at the beginning of the year due to the prolonged nature of the West Asia crisis. Second, despite that, TFS has continued to deliver on our results through a combination of disciplined execution and nimble cost management. Third, while managing the immediate environment, we have continued to expand the business at a healthy pace, opening new units, entering new airports, and developing new growth platforms. For me, these points define our performance and are relevant to keep in mind as I talk through the operating environment and our results.

The aviation environment has remained challenging, and the situation has evolved through the first 2 quarters. Passenger traffic at TFS-managed airports declined 2.2% in the first half of the year, with the fall in passenger numbers becoming more pronounced during quarter 2, when traffic fell 4.8% year-on-year. Q2 was arguably one of the toughest operating quarters for Indian aviation in the post-COVID period. This time, it was domestic traffic that was most affected by higher airfares, airline capacity rationalization, and changes in schedules. International traffic, which bore the brunt of the West Asia conflict in the first quarter, remained lower year-on-year, but the pace of decline eased.

Report is AI-generated and may contain inaccuracies.

As we enter H2, we expect improvement to be gradual rather than immediate. However, there are some encouraging indicators. The second half of the year is seasonally a stronger period for travel, and the winter schedules announced by some airlines point toward a progressive restoration of capacity. Together with any moderation in crude and fuel prices, these developments should support the operating environment as we move through the second half. We are therefore cautiously optimistic about the direction of travel while remaining measured about the pace of recovery, and we will not step back from the cost and efficiency measures we have put in place.

The important point for us is that while passenger traffic weakened as we moved through the first half, our business continued to grow. System-wide sales increased 18.8% year-on-year in quarter 2 to 8.65 billion rupees and grew 18.4% year-on-year during the first half of the year to 17.1 billion rupees. Importantly, this growth was achieved despite lower passenger traffic and a higher cost environment for consumers, which can weigh on discretionary spending.

Underlying profitability also remains healthy. Reported PAT increased to approximately 1.5 billion in Q2 and 2.8 billion in H1. More importantly, even after adjusting for the provision write-back, PAT was approximately 1 billion in Q2 and 2.2 billion in H1. Vikas will take you through the reported numbers and the underlying profitability bridge in greater detail.

This performance needs to be viewed in the context of the environment in which it was achieved. While we cannot influence passenger volumes, airfares, or airline capacity decisions, what we can influence is how effectively we operate our outlets, how relevant our offering is to passengers, and how quickly we respond when travel and consumption patterns change. That has been a key area of focus for our teams over the last 6 months.

Across our network, we have continued to work on the menu, product mix, and premiumization, while ensuring that the proposition remains relevant across different passenger segments and price points, including through festive and regional offerings such as the Onam Sadhya Thali and our Ganesh Chaturthi specials. At the operating level, we have remained focused on efficient inventory and supply chain management, prudent overhead controls, and flexible manpower deployment.

At the same time, we have continued to expand our presence and build the business to be ready for the long-term opportunity that is clearly ahead of us. Over the last 12 months, we have mobilized more than 70 travel kiosk outlets. Our presence has increased from 18 airports to 22 airports, while our overall outlet count has expanded from 501 to 570 outlets. Our brand portfolio now stands at 156 brands, with 21 brands added over the year, including the addition of certain popular brand partners such as Foo and Brijwasi to the network. This has evidently created a meaningfully larger operating platform for us.

We are continuing to deepen our presence within existing airports as well. During the quarter, we expanded our presence at Bangalore Terminal 1 beyond lounges into travel QSR with the opening of our first outlet, The Filter Coffee, a highly promising local brand. We have also opened another travel QSR unit, which is currently under construction in the same terminal, and we will be opening that shortly.

Varun: Our joint venture business is also progressing well across both domestic and international markets. In India, GMR Hospitality Limited, our joint venture with GMR Airports, has recently

Report is AI-generated and may contain inaccuracies.

secured the travel QSR concession for Terminal 3 at Delhi Airport. The concession covers nearly 50 travel QSR outlets, a significant step up from the 32 outlets we operated earlier in that terminal, and further strengthens our presence across the Delhi Airport ecosystem.

Similarly, {? Serniva ?} Kitchens, our joint venture with Adani Airports, has also continued to grow, expanding its network from 150 to 154 outlets over the past year, including at Navi Mumbai International Airport. During the quarter, GHL, GMR Hospitality Limited, also commenced operations at Bhogapuram Airport. We started with 6 travel QSR outlets, with additional outlets under fit-out. Our participation in a greenfield airport at an early stage gives us the opportunity to establish our operating base and grow alongside the airport as connectivity and passenger volumes develop.

Our Eats platform is progressing well, with continued efforts to broaden its ecosystem, strengthen distribution capabilities, and expand its reach across the passenger services landscape. Our priority is increasingly on scaling what we have built.

Looking ahead, while we remain watchful of the near-term trends, we see a strong growth opportunity over the medium and long term. The stronger seasonal travel period and the capacity additions visible in future airline schedules give us greater confidence in the direction of the operating environment through the second half of the year.

A number of our new locations are still moving through their initial ramp-up period. [pause] At Noida, where passenger traffic is still building, and at multiple other airports like Delhi and Cochin, where further outlets and lounges are being readied, we are carrying pre-operating and ramp-up costs ahead of the revenue these units will generate. As these operations mature, we expect their contribution to increase progressively.

Beyond the near term, our conviction in the growth of Indian travel and aviation remains intact. Indian passenger traffic is expected to grow at a 7%-8% CAGR over the next decade, materially ahead of global growth, driven by rising disposable incomes, increasing travel propensity, and low air travel penetration, alongside continued expansion in airport and airline capacity. For TFS, the opportunity is larger than passenger growth alone.

As travel increases and consumer preferences evolve, we expect greater demand for branded and premium dining formats, lounges, and a broader range of airport services. This plays directly to the platform we are building across travel QSR, lounges, and Eats.

The industry outlook also points to premiumization and higher passenger spend as important drivers for airport consumption. We are therefore focused on strengthening our presence at existing airports, participating in new and greenfield airports, and building Eats into a travel hospitality platform providing access to a wider set of passenger services. We also continue to selectively evaluate opportunities outside the existing core. Internationally, our focus remains on lounge opportunities, particularly across APAC and the Middle East.

Our international credentials continue to strengthen, with Plaza Lounge Hong Kong International Airport being named Asia's leading airport lounge at the World Travel Awards 2026 for the second consecutive year. This recognition, along with TFS's recent 10 wins at the Global Airport Food &

Report is AI-generated and may contain inaccuracies.

Beverage (FAB) Awards 2026, which are actually considered the Oscars of the travel industry, and the Dun & Bradstreet Business Excellence Award, reinforces the quality of our hospitality proposition and positions us well as we look to expand our presence in global markets.

In India, the expanding expressway network continues to present a long-term opportunity for our travel QSR capabilities. We are currently focused on optimizing our existing portfolio while selectively evaluating new high-traffic corridors and strategic partnerships that can provide a scalable and capital-efficient route to growth. Our approach will remain disciplined, with expansion guided by traffic potential, unit economics, and return thresholds.

So, while the first half of this year has tested the industry, our performance during that period demonstrates that the business has continued to perform, even though we have gone through a difficult operating period for aviation. We have delivered double-digit sales growth, maintained healthy underlying profitability, and continued to expand our operating platform despite lower traffic and elevated cost pressures.

We enter the second half now with a larger network, a number of recently opened units still scaling, and early indications of improving airline capacity. As industry conditions progressively normalize, we believe this positions us well to translate an improvement in the external environment into stronger operating performance. With that, I will now hand over to Vikas, who will take you through our financial performance in greater detail.

Vikas: Thank you, Varun, and good afternoon, everyone. Let me take you through our financial performance for the second quarter and first half of FY27.

Beginning with our system-wide performance, system-wide sales for Q2 FY27 were 8.65 billion, up 18.8% year-on-year, while for H1 FY27, system-wide sales increased 18.4% to 17.1 billion. Importantly, this growth was achieved despite the moderation in passenger traffic during the period. Growth was supported by both our existing portfolio and continued network expansion.

System-wide like-for-like sales grew 3.5% in Q2 and 2.2% in H1, while net contract gains were 11.1% in Q2 and 13.5% in H1. The net gains reflect more than 70 units mobilized over the last 1 year, primarily across Delhi, Cochin, Navi Mumbai, Noida, and Bhogapuram airports, along with contribution from the lounge aggregation business.

Moving to our consolidated performance, sales increased 19.5% year-on-year to 4.3 billion in Q2, while H1 sales increased 20.1% to 8.8 billion. Here, the performance of the existing portfolio was stronger, with like-for-like sales growth of 6.6% in Q2 and 5.3% in H1. Net contract gains in our consolidated numbers stood at 11% in Q2 and 13.7% in H1.

Coming to gross profit, the reported number was 3.6 billion in Q2 and 7.5 billion in H1, with a gross profit margin of 85.8% for both periods. However, there is an important accounting point to keep in mind while looking at this number. [pause] Revenue from the lounge aggregation business is recognized in sales, while the corresponding service cost of 216 million in Q2 and 439 million in H1 is recorded under other expenses. Excluding this, the gross margin was 80.7% and 80.8% for Q2 and H1, respectively. This is well within our guided range, reflecting continued discipline despite the inflationary cost environment in which we operate.

Report is AI-generated and may contain inaccuracies.

At the operating level, consolidated EBITDA stood at 1.6 billion in Q2, up 16.8% year-on-year, with an EBITDA margin of 37.1% compared with 38% last year. For the first half, EBITDA grew 13.8% year-on-year, with an EBITDA margin of 36.4%. Mobilization and ramp-up of new operations resulted in higher employee and other operating expenses, which impacted EBITDA to an extent. As Varun mentioned earlier, at the new locations, the operating cost base is being established, while the revenue contribution will build progressively as operations and traffic scale up.

Moving beyond EBITDA, other income was higher during the period and included a provision write-back. As a result, consolidated PAT increased 50.5% year-on-year to 1.47 billion in Q2 and 43.2% year-on-year to 2.76 billion in H1. PAT includes provision write-backs of 566 million for H1, including 468 million in the second quarter. This write-back in Q2 is on account of the completion of certain reconciliations with airport counterparts relating to rent and other matters. Excluding this, PAT in Q2 and H1 would be 1 billion and 2.2 billion, respectively, reflecting a year-on-year increase of 2.7% and 13.8%.

Turning to the balance sheet, we continue to remain debt-free, with a consolidated cash balance of approximately 10.3 billion as of September 30, 2026. This gives us significant financial flexibility to support our growth pipeline while we continue to maintain discipline.

Management: On capital allocation and return. As stated in the last call, we have also seen receivables progressively normalize during the first half, following the timing-related build-up seen earlier due to the E-S platform. Overall, despite a more challenging passenger environment, we delivered double-digit growth at both system-wide and consolidated levels. We continued investing behind newly mobilized operations and maintained a strong debt-free balance sheet, building further on our strong business foundation. With that, I would like to hand the call back to the operator and open the floor for questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star 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 Sanjay Ladha from B&K Securities. Please go ahead.

Sanjay Ladha – B&K Securities: Hi, sir. Thank you for the opportunity, and congratulations on the good set of numbers. My question is regarding the fact that even from Q3 onward, our T2 terminal impact will be visible. Going forward, we are hearing that the privatization of Kolkata and Chennai airports will take place, where our share of revenue from these airports is currently 100% in our books. How are we viewing this impact going forward? That is what keeps investors concerned about the business, in my view. If you can elaborate on this aspect.

Varun: Hi, Sanjay. This is Varun here. In terms of the first part of your question, I did not catch it. I was not sure which airport you were referring to. But regarding the second part, if you are asking about Chennai and Kolkata, those are coming up in the early part of next year in the financial year. So when those tender opportunities come up, as we have had multiple tender renewal cycles across our operations, we normally always bid for opportunities.

Report is AI-generated and may contain inaccuracies.

As you would have seen, and as I mentioned in the previous earnings call as well in response to a similar question, our renewal rates on tenders are generally north of 90%. They have been closer to 92%-94% since the start of our business. This is very much part of our approach. First, we see ourselves as the market-leading player in this space. We do believe that the proposition we bring in terms of F&B operations, brands, and best practices puts us in the best position from a financial bidding perspective as well.

In addition, investments have already been made in those airports. Therefore, we will obviously be putting our best foot forward, as we do for any opportunity. We have had exceptionally high renewal rates, which is part and parcel of the normal course of our business and our bidding for these opportunities over time.

I think what you were referring to, although I am not entirely sure, is the Q2-to-Q3 transition of Delhi, which is probably the tender that our joint venture won. I am guessing that is the one you referred to.

Sanjay Ladha – B&K Securities: Sir, regarding this only, the question remains that we are currently operating on a 100% revenue base. In other words, 100% of the revenue from these airports is being recorded in our books of account. In the JV structure, it would be 20%-30%. Of course, I understand that expenses would also be recorded in that proportion, but that would significantly reduce our consolidated or standalone revenue. I am referring to that progression.

Varun: Sanjay, just to bridge that point, these airports—Chennai and Kolkata—are operated by us directly. I think what you were referring to is the JV airports we operate. We have a joint venture with GMR Airports, which was the Delhi airport arrangement I mentioned earlier, and we will have a joint venture with Adani Airports under the same-line entity across their airports.

Chennai and Kolkata are operated directly by TFS, so they do not fall under that JV model. It is similar to how other airports such as Bangalore, Cochin, and, more recently, Noida operate under TFS directly. I think your question may relate more to other airports that are operated through a JV, with Delhi being the example. These would be direct concessions for TFS, so I think that question will not apply to these particular airports.

Sanjay Ladha – B&K Securities: Sir, I was asking because of what we have heard in the news and media, and the Chief Minister has also spoken about it: Chennai Airport is to be privatized, and Kolkata Airport is going into the renewal phase next year. The government is also trying to bring in private participation, which is why I am referring to this. You are saying that these airports will not be privatized for now.

Varun: I cannot comment on the privatization or the schedule for privatization. There are always press articles regarding the privatization of airports in general, which I think is part of the government's privatization pipeline. Currently, 11 airports are part of the actual privatization pipeline, and the process is in progress. I think the government has been working on that schedule. Those 11 airports have been in the news for quite some time, for a few years.

I think that is expected to happen whenever it does. From what I see in the public domain, it is expected to happen sometime soon, and you have seen a lot of people showing interest in it.

Report is AI-generated and may contain inaccuracies.

Chennai and Kolkata, probably because of events on the ground, are expected to be privatized at some point. However, they are not part of the current 11 airports, based on anything we have seen or any announcement by the government.

Regardless of privatization, we operate in private airports strongly, probably more so than even in government airports here. For us, one way or the other, it becomes an area and an opportunity to operate in, whether it is a private or a public airport.

Sanjay Ladha – B&K Securities: Thank you for the clarification, sir. My other question is that other income has increased almost twofold, possibly due to provision write-backs. If we adjust for that, our PAT growth would be 11%. Is that understanding correct, or am I missing something?

Varun: [pause] The PAT growth for Q2, yes, as we mentioned, would be roughly around 3% if we take out the adjustment from that perspective. However, it is also slightly impacted by the higher employee and other costs, as I said. As you reflect back, we have added roughly 70-odd units, and we are also ramping up further new units in Cochin, Bhogapuram, and other airports across the estate or network that we operate in.

Sanjay Ladha – B&K Securities: Thank you very much for answering my questions, sir. All the best. Thank you.

Varun: Thank you.

Operator: Thank you very much. The next question is from the line of Arun Kumar from HSBC. Please go ahead.

Arun Kumar – HSBC: Hi, and thanks for taking my question. First of all, I wanted to understand the new contract gains. You reported an 11% gain from new contract gains, and I believe that at some point these gains will be included in the base. They will no longer be considered new contract gains. When will these be included in the base? Generally, how much of the new contract gains should we expect on an annual basis every year? Can you provide some color on that?

Varun: Hi, Arun. Varun here. Thanks for your question. In terms of net contract gains, we had a little over 11% in this quarter, on a year-on-year basis. That relates to the approximately 70 outlets we have opened.

If you look at this in a little more detail, the reality is that we have had a massive opening schedule. Many of those outlets opened toward the latter part of the year as well, so the full net contract gain is not fully reflected yet.

In reality, the way net contract gains work in our industry is that during a period of challenging passenger growth, which this quarter certainly has been, our net contract gains and our LFLs are still delivering reasonably positive LFLs irrespective of passenger-day growth. Net contract gains would actually be much stronger because, ultimately, the net contract gains come from passenger spending at those new outlets.

If passenger spending is currently down 5% this quarter versus the previous year, whereas we are normally used to an 8%-9% range, you would have seen almost a 15% delta. There is a lot of, so to

Report is AI-generated and may contain inaccuracies.

speak, gunpowder or firepower in our net contract gains once traffic returns. We have seen that historically as well. Once the external influences, such as the prolonged West Asia crisis in this case, ease, we see passenger traffic rebounding quite strongly based on historical trends. Then our true net contract gains, because 70 outlets is quite a strong addition, could potentially contribute significantly in a normalized environment for us.

But should we expect that kind of net contract gain every year for the next 2-3 years—11%, 15%, or whatever? Do you have some numbers to give us in terms of the growth from new contract gains?

Management: Net contract gains are not a single number that can be stated for every year, as I was just saying, because they are essentially lumpy. Some years or some quarters may be a bit lower, and some quarters may be a bit higher.

What may be visible to you is that we opened 70 outlets in the last year, to give you a perspective. In just the last 1.5 months, we have opened 20 new outlets. We have about 50 more outlets already in development. What we opened last year was one of our most aggressive opening schedules, with 70 outlets.

We already have 70 outlets to open from September onward, so there is certainly upside from that. We already have 70 outlets in hand. Last year and this year should hopefully be good years, given the Indian aviation story, but I would not want to say that it is a standard number because it tends to be lumpy, with some quarters contributing a bit more and some a bit less in terms of net contract gains.

LFL, on the other hand, tends to be more structured around passenger traffic plus a few metrics. We have roughly always stayed between 6% and 8% above that, which is what one could expect LFLs to be.

Arun Kumar - HSBC: Right, fair enough. My second question is around LFL growth. You reported 6.6% LFL growth. Can you give us a breakdown of that? How much was due to premiumization, how much was due to passing on inflationary impact to the customer, and how much was negatively impacted by traffic? Can you provide some breakdown of the 6.6% LFL growth?

Also, to extend that, how much premiumization can you continue to do? For example, if you achieved a certain amount of growth from premiumization, can you really continue to do that indefinitely? Can you provide some color on that?

Management: In terms of our LFL numbers, we have been in the range of approximately 8%-8.5% above the decline in passenger traffic in terms of our LFL performance this quarter. That is a testament to our business model, which allows us to deliver over and above passenger traffic.

As I mentioned during my opening remarks, our focus is not merely on moving in line with passenger traffic. On a quarter-on-quarter basis, we have consistently delivered. Even in a period of negative passenger traffic growth, we have delivered a strong set of overall growth. Even if you take away net contract gains, LFLs are still positive in a period of negative passenger growth.

To your point, the combination includes an annual element of price increases, which for us may range from 4% to 5%. The balance actually comes from the premiumization you mentioned.

Report is AI-generated and may contain inaccuracies.

To give you an example, if you ask me personally, I think it is not simply premiumization; it is actually understanding what the consumer wants. We are seeing consumers looking for premiumization, and therefore we have it as a strategy that works.

To give you a sense, I believe the Indian consumer is on that journey and is now one of the most discerning customers globally. There is high awareness, a desire to try new things, and, by nature, a very strong interest in culinary delights. Indian consumers understand food very well, and India has traditionally been a very strong culinary country.

If we compare this logically even from a global perspective, I think premiumization is a much longer story here. To give you a perspective, premiumization will always be a story that can play out because there is always a new brand that can be introduced.

We may be doing an in-house pizza concept; you may go to a Domino's the next time, and then upgrade to a Jamie's Pizzeria. Recently, we brought in Gordon Ramsay Pizzeria. You are playing out the journey ahead, and the consumer steps up to that. The consumer actually looks for it.

It could also be Asian food. I mentioned in my opening remarks that Foo is a brand we are excited to bring in. We are doing that. You may have a more local Asian concept in hand, such as Wagamama, which is another concept we have rolled out and which we see at the Mumbai airport.

Those are examples of premiumization. These are constant exercises that we as a team are working on. As I said, quarter-on-quarter, we work on this every week and every month. It is a constant exercise in terms of the business.

Arun Kumar - HSBC: Right, fair enough. My last question is around pricing. I want to understand the pricing environment in your QSR business as well as in the business lounges. QSR demand is probably less price-sensitive, but are you able to increase prices in business lounges, which are mainly between you and the banks? Are you able to increase prices there? Are the banks comfortable with that? Some color on this would be helpful.

Management: We are ultimately operating in a highly inflationary environment. September was one of the highest periods of inflation we have seen in a long while. For example, food inflation was, I do not have the exact number, but my last figure was about {? 10.5%, 7.5% ?}, roughly. It was one of the highest food inflation levels we have seen in a very long while.

I think we have an advantage in 2 respects. First, we have long-term supply contracts and buy in volume. We have an organized supply chain, which enables us to protect against a lot of those pressures. We provide consistent long-term volumes to suppliers and pay them well. Through these relationships, we have managed our supply chain quite effectively over the last 15-17 years. These are long-term relationships, so we are able to move through challenging periods quite well.

Where that plays out is in front-end pricing. We can therefore support pricing without fully passing those costs on to consumers. We can manage those metrics and efforts at the back end. As I mentioned earlier in response to your question, a 5% price increase is blended across lounges. There can be some places or categories where we take 3%, and others where we take 7%-8%, but it blends out to about 5%.

Report is AI-generated and may contain inaccuracies.

In an inflationary environment, we tried our best to keep it under control because we also felt that people were facing pressure on discretionary spending. That has translated into good improvements in spending. We felt that people were under pressure even on discretionary spending, so we attempted to manage this, and I think the strategy has worked well for us. I think consumers have responded positively to it.

You can see that in our numbers. Therefore, we work on other aspects such as premiumization, brand changes, and menu engineering. We focus on those elements to achieve the performance. As a player that has been in the sector for a long time, with a strong team, we understand this. Our teams know this very well, and that is what they can work on to navigate challenging quarters.

Arun Kumar – HSBC: Right, and it is easy to pass on the pressure to consumers as well...

Operator: Sir, sorry to interrupt, but can you please rejoin the queue?

Arun Kumar – HSBC: Sure.

Operator: Thank you very much. The next question is from the line of Praneeth Kumar Reddy from Kotak Securities. Please go ahead.

Praneeth Kumar Reddy – Kotak Securities: Yes, I hope I am audible. Thank you for the opportunity, and congratulations on the good set of numbers. I want to understand the outlook for QSR additions. How many outlets do we have for this year? How many additions are in the pipeline for this year? From a 2- to 3-year perspective, what count would satisfy you internally, and where do you see opportunities emerging in terms of QSR and lounge expansion?

Management: [pause] To address the first part of the question, similar to what I mentioned in the previous answer, over the past 12 months we opened a little over 70 outlets. As of September, we had a visible pipeline of approximately 70 outlets already.

We opened 20 outlets in the last 1.5 months, so there has been a strong opening pipeline through October and the initial part of November. We have visibility of approximately 50 outlets at different stages—under construction, in development, or in design. Approximately 50 are already visible. We therefore expect that number to increase. That is where we stand in terms of visibility over the next 3–4 quarters as time passes.

In terms of the second part, regarding the longer-term opportunity, if I understood that correctly, the aviation story continues to be very strong, although we are going through a short-term traffic effect right now.

The reality is that there are significant airline orders and airport developments, including both greenfield airports and expansions of existing terminals. The last few years have provided evidence of that. New airports have come up, such as Noida and Navi Mumbai, and new terminal expansions have taken place, such as Delhi T1. We have also seen new airports in Guwahati and Lucknow, the recent expansion in Hyderabad, and the opening of Mopa Goa.

There is multiple expansion activity, with much more happening in the near future. In existing airports as well, we see many opportunities as airports open up and offer more F&B. The non-aero

Report is AI-generated and may contain inaccuracies.

component is becoming increasingly important.

The opportunity for us will therefore continue to exist over the next decade. I think it is a never-ending cycle and is probably going to accelerate, if anything, in terms of opportunities as the aviation sector in India grows.

Management: It is really accelerating further, as we expect in every report or public statement, including through the actions taken by the government. Aviation looks to be one of the real bright stars of the economy, without a doubt.

Praneeth Kumar Reddy – Kotak Securities: Thank you for that. My second question is on the lounge business. I wanted to understand whether, as we speak, we are witnessing any increase in competitive intensity. Are we seeing more players trying to enter this space than those already present? Are you facing any challenges in getting pricing from credit card partners or anything of that nature? Lastly, regarding international opportunities, I know you have indicated that APAC and the Middle East are interesting opportunities, but are there any timelines you are looking at? Thank you.

Management: I will touch on those points as well. On the lounge business, as in any business, competition has always been present. I would say it is more or less business as usual because competition has always been there. We have a particular product and are market leaders, and we focus on what we deliver. In that sense, it is normal business activity involving competition.

We obviously have the largest presence in this space. Through our platform, we have integrated much more closely with many of our customers and directly strengthened those relationships. Those relationships are stronger than ever.

In any year, a price increase is neither particularly difficult nor easy. A price increase is a price increase because basic costs go up, and that is what inflation does. However, every year there are different services required. It is not only about a price increase; sometimes you are creating a new product for a premium customer. There are various ways in which sales and prices go up.

I do not believe it is more or less of a challenge this year than in previous years. We look at the costs, discuss them transparently with clients, and implement the necessary increases. Equally, clients have passed on the necessary price increases. This has been a long-term relationship, and that is how we work year-on-year through price increases.

In terms of the international opportunity, we have had success in Malaysia followed by success in Hong Kong. In the last call, we spoke about the second lounge we had recently opened in Hong Kong, which opened in this calendar year.

We are looking at further opportunities in APAC and the Middle East in particular. We set up subsidiaries in Dubai and Indonesia for those purposes, and we are gradually building up our teams. We are building the teams further because, with the success we are seeing in that segment and the skill set we have developed in lounges over more than a decade, we believe we are in a very strong position to grow that business on a global scale.

Praneeth Kumar Reddy – Kotak Securities: Thank you. Thank you so much.

Report is AI-generated and may contain inaccuracies.

Operator: Thank you very much. The next question is from the line of Achal Pal from Monarch Network. Please go ahead.

Achal Pal – Monarch Network: Hi, and thank you for the opportunity. My first question is on QSR outlets. As of Q2 FY27, the outlet count stands at around 535, compared with 541 in Q1 FY27. That means we have closed 6 outlets. I believe these are from Mumbai Terminal 1. Is that understanding correct?

Management: Hi, Achal. Yes, a larger portion of those outlets is from Mumbai Terminal 1 because renovations are taking place in that terminal. This is the kind of cycle we go through each time.

With the September 30 date, and the fact that the activity happened in October and November, the closure of a few outlets showed up in the reported number. However, we have opened 20 more outlets in the last 1.5 months.

Achal Pal – Monarch Network: Okay, understood. Which other outlets are we evaluating for a presence?

Management: We would look at anything within our core business across airports in India that are of a certain size and scale. Some very small airports in certain areas may not be suitable because our business model and the types of brands we bring do not always work there.

However, we are looking at the entire ecosystem across the majority of tier-2 and larger airports. That is a fairly wide opportunity. As you can see, our presence across the number of airports is now approximately 22, up from 18 airports. We are constantly entering new airports.

What is also often missed is that existing airports are growing very quickly. You are seeing existing airports such as Bangalore and Delhi grow. Mumbai is another example. While Navi Mumbai is obviously the new airport, from a city perspective it is a large airport that is also growing.

We are expanding at existing airports where we are already present. Bangalore is a prime example. As I mentioned earlier in my remarks, we were present at T2 with F&B. We have now entered T1, where we were not previously present, and opened 1 outlet, with a second under construction.

Therefore, it is not only new airports that we are looking at, although we are undoubtedly looking at airports such as Navi Mumbai and Noida. Kochi was a new airport for us this year. Equally, at existing airports where we are present, the footprints and opportunities are expanding at a similar pace. This is where a significant amount of the growth is also coming from.

Achal Pal – Monarch Network: Understood. My last question is on the balance sheet. As of Q2 FY27, we have more than 1,000 crore in cash and cash equivalents. What are we thinking about its utilization? Are we looking for any kind of acquisition?

Vikas: Sure. Hi, Achal. This is Vikas here. We are a growing company, and our business is such that we generate cash quarter-on-quarter. We will require capital for future expansion of the projects that we have to deliver within India and outside India as well.

Report is AI-generated and may contain inaccuracies.

At this moment, we continue to explore new opportunities as they arise. The yardstick for our capital allocation will always be the return metrics for our shareholders, and that will determine how we deploy the capital.

We see quite a few opportunities in highways and international expansion, and for that very purpose we have cash available with us.

Achal Pal – Monarch Network: Understood. Thank you.

Operator: Thank you very much. The next question is from the line of Aniket Kamble from ICICI Securities. Please go ahead.

Aniket Kamble – ICICI Securities: Hi, team. Congratulations on the good performance. My question is on the lounge business. Recently, we have seen banks start to curtail the free offers they provide on lounge access, and they are also imposing minimum-spend limits. What is your sense of this? As a continuation of that question, are you observing a shift in consumer behavior compared with, say, the last 2 years or 5 years? Is consumer behavior shifting toward being less dependent on cards? Can you share some color on this?

Management: In terms of what we are seeing, you are probably referring to lounge access, which went through a phase some time ago, perhaps approximately 18 months ago, when spend-based cards started to come in. For example, in certain segments, many credit cards began offering lounge access subject to consumers spending a certain amount to access lounges in the subsequent period.

While that was evident, in reality we have not seen an effect from it over a longer period of time. The rationale we have taken away from it is that there is a large segment of consumers, which you could call the mass card market, probably growing in the range of 10%–15%. Those consumers may not fly very frequently, and their cards were spend-based.

Access may have been available for 8–10 visits, but it has been restricted to 4 or 3 times, which is probably how many times they fly during the year in any event. However, in the premium card segment, which tends to consist of more frequent flyers, we have seen growth rates normally north of 50%.

On the other hand, banks have provided more access in that segment, and we are seeing many more cards with unlimited lounge access being introduced. In reality, the lounge business is trending very strongly. This is evident from how busy the lounges are when you travel as a passenger. Consumers are coming to the lounges.

Broadly, whether it is lounges or travel QSR, the second part of your question is that non-aero experiences at airports are becoming increasingly important. Whether it is a lounge or travel QSR, people are certainly looking for experiences at airports.

All of this is showing a positive trend that is very clearly playing out year-on-year, especially post-2020-2021. This has been a very clear global trend, without a doubt, but I think it is even stronger in India than in the rest of the world.

Report is AI-generated and may contain inaccuracies.

Aniket Kamble – ICICI Securities: Sure, sir, very clear. I have one follow-up. We had put up some highway outlets as well, right? Initially, that was at the pilot stage. Where are we now? Have we cracked the model, and can we scale it quickly? Can you provide any sense or color on this?

Management: Our understanding of the model is that the idea was to conduct pilots to understand how the model works. What is clearly evident to us is that our skill set of multiple brands [trails off]

Management: Our financial strength, coupled with our experience in operating in captive environments, plays out very well when we look at these opportunities. Our relationship with larger landlords also helps, because a player like us can come in and create a long-term, sustainable business model for them.

What is evident to us is that the right place to focus on is expressways. We have understood the model and calibrated it based on our experience. Therefore, we are now focusing on that segment of the opportunity, where the counterparties may include larger landlords, road development companies, and, many times, large oil marketing companies that are evaluating opportunities within their segments.

What we are clear about is that we will look at larger opportunities on these expressways where we can create multiple brands, a captive experience, and good-quality facilities for consumers, similar to what we have done in this model. We believe that is the long-term model.

As I have always clearly mentioned, this is not a short-term opportunity. We see it as a pure long-term opportunity. As roads are built and the government invests significantly in them, it takes time for the opportunity to develop. Consumer trends will emerge, traffic will increase, and as all of that plays out, we see this as a long-term opportunity.

It is a decadal opportunity rather than something we are going to pursue aggressively on an immediate basis. That is how we view this particular opportunity.

Aniket Kamble – ICICI Securities: [pause] Sure, sir. One last question on the E-S business, the E-S platform. Does the E-S platform also provide us some benefit in terms of having direct relationships with banks or card networks? Does it benefit us in some other way?

Management: E-S gives us the opportunity, first, to improve the beginning of the customer experience. Customers arrive, and the live checking and transaction process is immediate. It can now be done not only through the EDC machine but also online through a web platform. QR code generation is also available. All of that has been enabled by the solution.

It also gives us the ability, through direct integration, to premiumize our offerings, which is sometimes not visible. Today, a bank may have multiple card customers and may want to create a different experience for each consumer base. With E-S, we can do that.

If a customer has X Card, we can create an X experience. For a Y customer, we can create a different experience or a different zone, which was not possible earlier. Previously, it was simply one swipe and access for everyone. That is now gradually changing and being rolled out.

Report is AI-generated and may contain inaccuracies.

We started this for ourselves in the second half of last year. Over the last 9 months, we have been getting it live, stabilizing it, and operating it. That has happened quite well, perhaps even a little ahead of schedule. You can see the performance of the platform. In our last post-annual-results communication, we discussed in some detail how it played out.

We can see that it is working well. Therefore, it will allow us to pursue multiple new opportunities in the next phase by leveraging the platform more effectively, offering differentiated services and more passenger services, and making it much easier to onboard more partners because it is now a single point of access directly to us.

It will have multiple benefits for us going forward.

Aniket Kamble – ICICI Securities: Okay, sir. Very helpful. Thank you.

Management: Thank you, thank you.

Operator: Thank you very much. The next question is from the line of Vedansh Chanda from UniFi AMC. Please go ahead.

Vedansh Chanda – UniFi AMC: Hi, good evening. Congratulations on a strong set of numbers in a tough operating environment. I had a couple of questions. The first one relates to the drop in your outlet count. I think you briefly mentioned earlier that these outlets might have been in Mumbai T2 for the most part. When do we expect these to come back in terms of operations?

Management: Many of the shutdowns that occurred involved outlets that will not all come back. What happens in many cases is that the earlier outlet count may not be the right benchmark to use.

The way we look at outlet count is that it provides directional movement over a longer period rather than being directly linked to revenue potential. This is evident in airports today.

If you look at Mumbai T1 and Mumbai T2, Mumbai T1 would have more outlet units. Those units, for example, may consist of multiple kiosks. Therefore, more units may shut down, but when operations resume, if you go to T2 or Navi Mumbai, you will see that the units there are much larger—3,000 or 4,000 square feet—like the Wagamama units you have seen in T1. We have opened a similar one in T2 and Navi Mumbai as well.

Those are large units with multiple seats. In T1, you do not have restaurants of that size. They are normally kiosks offering grab-and-go products.

Therefore, outlet count is not the best indicator of revenue potential, and we have always mentioned that. It directionally provides a sense over a longer period as the business grows across airports.

On a quarter-by-quarter basis, outlet count will not necessarily relate to revenue. Many times, we may shut 5 or 6 outlets but open 1 or 2 outlets in a new airport with a larger footprint. Bangalore T2 is a prime example. All of those restaurants are large, upscale, and focused on dining. The number of units will be lower than in T1, but the revenue potential is likely to be higher.

Report is AI-generated and may contain inaccuracies.

That is how it works. Similarly, in Mumbai T2, the Amex lounge was shut, but consumers from that lounge moved to the business-class lounge because of the renovations taking place in that area of the airport. That is how the lounge component works in many cases as well.

Vedansh Chanda – UniFi AMC: Of the 4 lounges that shut, were all of them in Mumbai T2, or were some other outlets involved as well?

Management: It was Mumbai T2. The Amex lounge was one, and there was also a movement involving the temporary lounges we operated. I believe one was in Ahmedabad, if I remember correctly. There was a movement, and I think Mumbai was involved as well. Mumbai T2 was the one with the Amex lounge, which moved. T1 was where the F&B units shut.

Vedansh Chanda – UniFi AMC: Regarding the 60-outlet addition guidance, over what period does this apply?

Management: I am sorry, I did not catch that.

Vedansh Chanda – UniFi AMC: The 60 outlets that you have visibility on in the pipeline—over what period should we expect these to be added?

Operator: Sorry to interrupt, but can you please come back into the queue?

Management: I will answer that quickly. Regarding the 60 outlets, we are expecting to roll them out over the next 3-4 quarters. I mentioned this earlier. There were 70 at the end of September, and 20 have already been rolled out. The balance of 50 should be rolled out over the next 3 quarters. Some may move into the fourth quarter, but they will be added in gradual phases because some are still in the design phase. That is what we already have visibility on.

Vedansh Chanda – UniFi AMC: Okay, understood. Thank you.

Management: Excellent, thank you.

Operator: Thank you very much. The next question is from the line of Anuj Kashyap from H3 Capital. Please go ahead.

Anuj Kashyap – H3 Capital: Hi, good afternoon. Am I audible?

Operator: Yes, sir.

Anuj Kashyap – H3 Capital: Thank you for the opportunity. What I wanted to understand is that our presentation mentions that we want to develop the E-S platform as a holistic platform beyond banking and card channels. Can you please elaborate on this?

Management: [pause] Yes. To expand on my earlier answer, E-S is a solution and technology platform that we started to provide direct tie-ups with banking and card partners to access lounges, rather than going through other aggregators or intermediaries. It allowed us to tie up directly with our clients.

Report is AI-generated and may contain inaccuracies.

This has worked smoothly. We can work directly with the partner to create offerings for different consumer subsets. Eligibility can be checked more cleanly and directly. For the consumer experience, we can also add more layers, such as QR codes and web-based journeys. It becomes a much smoother product, which ultimately leads to a better consumer experience and an easier, smoother relationship with our banking and card partners.

Over time, we have onboarded partners. Over the last 9-12 months, since this solution has been in place, we have onboarded every partner that was present before this. It is therefore working very well for us. You can see on the ground, if you visit our lounges, that access is working quite smoothly.

That is where the business comes from. The advantage of putting this platform in place is that, as I said, we can create customized products. Tomorrow, in terms of additional tie-ups or more services, we can easily onboard them onto the same platform, and consumers can access them through the same platform.

That is the advantage of any technology platform. Once you have the initial phase working, you can add other services for consumers. It could be F&B itself, or it could be a meet-and-greet service in the future. Once the platform is working, the consumer has access to it, the consumer is connected to the platform, and clients are tied into it.

I think unlocking the next level of passenger services is a matter of building the codes and developing the solution. That is our plan, and we are in a very good position because of the success and smooth rollout.

Anuj Kashyap - H3 Capital: Am I right in understanding that this will help us transform into a full-service or solution-type platform?

Management: I would look at it this way: our core will be the lounge and travel QSR business. That will remain the core of what we do. Beyond that, we can add services on top of it.

There are 2 aspects. First, it will strengthen the core and improve the delivery of those services to consumers. That is where the journey started, and that is what we have always highlighted. Second, it will add a layer that allows us to use our presence and footprint to open up more services, improve consumers' digital experience, and provide easier access to services.

Today, a consumer can come to an F&B outlet, generate a promotion, and receive that access digitally. The consumer can also prepay, visit the outlet, and have an experience at a particular outlet with greater awareness of the outlet.

What we believe will happen with the E-S platform is that, as time passes, we will unlock more and more services. The platform is working today, and consumers now have access to it and are using it to access lounges. Tomorrow, that will enable us to add more services and help strengthen our core while unlocking more ancillary businesses that support the core business.

That is how we look at it. The core will very much remain the core, so this will not replace what we do.

Report is AI-generated and may contain inaccuracies.

Anuj Kashyap – H3 Capital: Thank you for the detailed answer. I have one more question, if I can just [cut off]

Operator: Sir, sorry to interrupt, but can you please join the queue?

Anuj Kashyap – H3 Capital: Thank you.

Operator: Thank you very much. The next question is from the line of Purva Zanwar from 361 Capital. Please go ahead.

Purva Zanwar – 361 Capital: Hi, and thank you for the opportunity. My question was regarding other financial liabilities. We have seen a sharp increase compared with FY26. What would be the reason for this?

Vikas: Hi, Purva. This is Vikas here. Are you referring to other financial liabilities on a quarter-on-quarter basis?

Purva Zanwar – 361 Capital: If we compare it with the FY26 level, it was approximately 55-odd crores. That has increased to approximately 190-odd crores in the current 1H.

Vikas: It is predominantly the dividend payable, which was paid subsequently and formed part of that liability. As you are aware, we announced the dividend in August, and it was paid subsequently, after the budget and after September. It therefore remained part of the liability and was subsequently paid.

Purva Zanwar – 361 Capital: Okay. Another question is regarding the cash conversion cycle. In 1H FY27 compared with 1H FY26, we have seen an increase, mainly led by a decrease in payable days. What would be the reason for this, and how should we view the normal cash conversion cycle?

Vikas: For a large portion of our business, more than 50%, the cash conversion cycle reflects negative working capital because it is a pure travel QSR business. It is only in our lounge business that we have some debtors, mainly airlines that pay in 30-35 days, and our lounge aggregation business, which is around 45-50-odd days.

If you recall, when we started the E-S platform, our debtors had increased. As I commented at that time, as the business stabilizes and reaches a steady operating state, we would settle at approximately 45-50 days of outstanding receivables. That is where we have now reached in H1, and that will be the steady state.

In terms of creditors, we continue to evaluate credit terms with our vendors, taking into account our size and other aspects, and accordingly manage our working capital efficiently.

Purva Zanwar – 361 Capital: Okay. My last question is about the sharp increase in interest cost. What would be the reason for that?

Vikas: [pause] Purva, that relates to the finance lease component pertaining to the units we have mobilized at Delhi T1 and T2. That is the impact. It will stabilize as we continue adding fresh units and revenue starts contributing more strongly.

Report is AI-generated and may contain inaccuracies.

Purva Zanwar – 361 Capital: Okay. Thank you. That is all from my side.

Operator: Thank you very much. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to management for closing comments.

Management: We thank the ICICI Securities team for hosting us, and we appreciate all of you taking the time today to join us for the earnings call following our H1 results. If you have any further questions, please feel free to reach out to our investor relations team. Thank you, everyone.

Operator: Thank you very much. On behalf of Travel Food Services Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.