

Travel Food Services

14 August 2026

Operator: Ladies and gentlemen, good day and welcome to the Q1 FY27 earnings conference call of Travel Food Services Ltd., 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 the 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. Ashutosh Jyotiaditya. Thank you, and over to you, sir.

Ashutosh Jyotiaditya – ICICI Securities: Thank you, Anushka. Hello and good afternoon, everyone present on the call. On behalf of ICICI Securities, I welcome you to Travel Food Services Ltd.'s Q1 FY27 earnings call. I would like to thank the management for giving us this opportunity to host the call. From the management, we have with us Mr. Varun Kapoor, MD and CEO; Mr. Vikas Vinod Kapoor, whole-time director and CFO; and Ms. Chhavi Agarwal, vice president, investor relations. I now hand the call over to Ms. Chhavi Agarwal for the opening remarks. Thank you.

Chhavi Agarwal – VP Investor Relations: Thank you, Ashutosh, and good afternoon. Welcome, and thank you for joining us on the Travel Food Services Ltd. earnings conference call for the first quarter ended June 30, 2026. The management will discuss the operational and financial performance for the quarter and 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 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 would like to hand over the call to Mr. Varun Kapoor for the opening remarks. Thank you.

Varun Kapoor – MD & CEO: Good afternoon, ladies and gentlemen, and thank you for joining us for TFS's earnings call for the first quarter of this financial year. I hope you have had the opportunity to review our Q1 FY27 results and the investor presentation released yesterday. Let me begin with an update on the operating environment, followed by the key highlights of our performance, after which our CFO, Vikas, will take you through the financials in greater detail.

We have begun the new financial year on a strong note. Despite the disruptions arising from the ongoing conflict in the Middle East, we delivered double-digit growth in both sales and profitability, continued to expand our network, and further strengthened our position across key airport markets.

Let me start with the operating environment. Passenger traffic remains the single most important external driver of our business, and during the quarter it was impacted by the Middle East conflict, particularly on international routes. Domestic traffic registered modest growth, but a significant decline in international traffic resulted in overall passenger traffic being broadly flat year-on-year for the quarter.

For some additional context, the quarter began with a decline in overall traffic in April. May saw a gradual stabilization in traffic trends as disruptions eased, with domestic traffic returning to growth while international traffic continued to face headwinds despite improving conditions. In June, traffic softened again following renewed conflict-related disruptions.

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That said, one of the clearest lessons of the past several years has been the resilience of travel demand. Time and again, we have seen passenger traffic and traveler spending rebound strongly once disruptions ease. Even during the current quarter, the temporary easing of geopolitical tensions in May led to a sharp rebound in travel activity, particularly in domestic traffic, resulting in the highest-ever single month of domestic air traffic in India. This was particularly notable against a softer base in the same month last year and underscored the resilience and strong bounce-back capability of the Indian travel market.

Against this softer traffic backdrop, where we also saw higher cost and inflation pressures, TFS delivered another quarter of strong performance. System-wide sales grew by 18% year-on-year to 8.4 billion rupees, while consolidated profit after tax increased by 35.6% year-on-year to 1.3 billion rupees.

Vikas will cover the financials in detail, so let me focus on what these numbers tell us about the business. We sustained strong momentum in new outlet openings, backed by recent contract wins and a robust pipeline, which translated into net contract gains of 15.9% year-on-year at a system-wide level.

A few markets saw softer like-for-like performance during the quarter, notably Mumbai and Goa, owing to traffic migration to new airport infrastructure, and certain Southern India markets, given their relatively higher exposure to Middle East traffic. As a result, system-wide LFL sales growth was 0.8% for the quarter. Importantly, excluding these specific markets, like-for-like sales grew by around 7% year-on-year across our wider network.

During the quarter, we commenced operations at Noida International Airport, taking our system-wide presence to 21 airports. Over the last 12 months, we have added 87 travel QSR outlets and 2 lounges across the network, with significant additions at Mumbai, Delhi, Hyderabad, Kochi, Navi Mumbai, and Noida airports. Our system-wide footprint as of the end of June stands at 580 travel QSR outlets and lounges, while our brand portfolio has expanded to 153 brands.

We remain focused on creating a differentiated food and hospitality experience for travelers through a carefully curated portfolio of international brands, regional favorites, and our own in-house concepts. On the lounges side, we continue to see an encouraging response to our premium offerings and customer experience initiatives. We are also increasingly leveraging technology to deepen engagement with passengers and partners while creating additional avenues for monetization.

Another important milestone during the quarter was the successful launch of our passenger services at Noida International Airport under our Elite Assist brand, including meet-and-greet and porter services. These offerings complement our existing lounge network and will integrate into our EAT'S technology platform, allowing passengers to use them alongside other experiences. This further strengthens our ability to offer a comprehensive suite of airport hospitality and services and to enhance the passenger experience through a single connected ecosystem.

Beyond the quarterly numbers, what excites us most is the scale of the performance we have built for future growth. Over the past year, we have expanded meaningfully across new airports and terminals, commissioning a large number of new outlets. Importantly, many of these assets are still

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in the early stages of ramp-up, which means a significant part of their earning potential is yet to be realized.

As passenger traffic normalizes and builds, these units are positioned to contribute progressively and increasingly to our performance. The investment is already made, the capacity is in place, and we are ready. When traffic returns—and history tells us it will—TFS is well-positioned to benefit from the network and groundwork we have put in place over the past 12 months.

Looking ahead, several important growth catalysts are set to come online. The opening of Bhogapuram Airport on 17 August marks another significant milestone, where we will operate multiple outlets under our JV, GHL. In parallel, we intend to progressively expand our passenger services platform to additional airports, building on the encouraging early response at Noida.

We also have a strong pipeline of growth opportunities, with over 50 outlets currently under development across our network. As these locations open and then mature over the coming 12–18 months, they are expected to provide a meaningful uplift to both revenue and earnings.

The current environment reflects a temporary disruption. The long-term drivers of Indian aviation remain firmly intact, supported by rising air travel penetration, expanding airport infrastructure, increasing connectivity, and a growing propensity to travel.

With a combination of network expansion, a robust pipeline of new units underway, expanding passenger service offerings, the effective and efficient use of technology, and a strong debt-free balance sheet, we believe TFS is better positioned than ever to capture the opportunities ahead and to continue creating long-term value for all our stakeholders. I am genuinely excited about the path ahead. With that, I will now hand over to Vikas, who will take you through our financial performance in greater detail.

Vikas Vinod Kapoor – Whole-time Director & CFO: Thank you, Varun, and good afternoon, everyone. I will now take you through the financial performance of the company for Q1 FY27.

System-wide sales for the quarter reached 8.4 billion, representing growth of 18% year-on-year. At a consolidated level, revenue from operations grew by 20.6% year-on-year to 4.5 billion. Consolidated like-for-like sales growth stood at 4.2%, while net contract gains remained strong at 20.2%, reflecting the contribution from recently commissioned units across Delhi, Kochi, Noida, and other key locations. Like-for-like sales growth was also driven by menu innovations, promotional initiatives, and calibrated pricing.

On the margin front, reported gross profit stood at 3.9 billion, with a gross profit margin of 85.7%. As highlighted in our presentation, gross profit margin reflects the accounting treatment of the lounge aggregation business, where revenues are recorded in sales while the related service costs are classified under other expenses.

Adjusting for this reclassification of 223 million of lounge aggregation cost from other expenses to cost of sales, the adjusted gross profit stands at 3.655 billion, translating into an adjusted gross profit margin of around 81%, which remains well within our guided range.

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Further, employee cost increased during the quarter, primarily due to annual compensation revisions and the onboarding of additional manpower to support recently opened outlets at Noida and Kochi airports, both of which are currently in their ramp-up phase. The increase also reflects staffing for the newly launched passenger services business at Noida Airport.

Other expenses witnessed a similar trend, driven by investments in these growth initiatives. EBITDA stood at 1.6 billion, up 11% year-on-year, and EBITDA margin moderated to 35.8% for the quarter, reflecting the impact of higher employee cost and operating cost associated with recently commissioned airports and new business initiatives. These investments are strategic in nature and are aimed at supporting future growth and scaling up the business.

On the profitability front, our performance remains strong. Consolidated profit after tax increased by 35.6% year-on-year to 1.3 billion rupees, and PAT margin expanded to 28.5% compared with 25.3% in the corresponding quarter last year.

The overall improvement in profitability was driven by continued sales growth despite flat passenger traffic, along with higher other income, which included a benefit of 131 million arising from the write-back of a GST provision following a favorable rectification order received by the company.

Our JV portfolio continues to ramp up and has also performed well across both domestic and international markets during the quarter. It is expected to benefit further as operating conditions improve and new units mobilize.

Our balance sheet remains a significant source of strength. As of June 30, we maintain a debt-free balance sheet and a consolidated cash balance of approximately 9.7 billion.

This provides substantial headroom to fund airport expansion, lounge and highway growth opportunities, passenger services, and other strategic initiatives. While near-term operating conditions continue to be influenced by external developments, we believe these factors are temporary in nature.

The investments we have made across new airports, outlets, lounges, and passenger services are still in the early stages of ramp-up and provide a strong platform for future growth. Combined with our strong balance sheet, healthy cash position, disciplined approach to execution, and proven ability to navigate external headwinds, we believe TFS remains well-positioned to continue delivering sustainable growth and long-term value creation for all our stakeholders. With that, I would like to hand the call back to the operator and open the floor for questions.

Operator: Thank you very much.

Operator: We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

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Operator: We take the first question from the line of Akshay from ICICI Securities Limited. Please proceed.

Akshay – ICICI Securities: Hi, Varun and Vikas. Good afternoon to the team. My first question is on passenger traffic. We had a flat base in passenger traffic, while LFL still grew by 4.2%. I just want to understand how much of the LFL growth came from higher spend per passenger versus other initiatives. What is the sustainable trend or sustainable level of LFL growth if passenger traffic returns to normal growth?

Varun: Hi, Akshay. Thanks for your question. What you have seen, and I think this has also been the case across the last few quarters, is that passenger traffic is always a very important driver of the LFL growth in the market.

What we did see during this period was a very pronounced drop in passenger traffic, especially on the international side. While traffic was flat, largely because of the domestic bounce-back that made the overall number flat, the other months saw traffic actually dropping, especially on the international side. These are generally consumers who spend well.

As I mentioned earlier, the system-wide LFL number was 0.8%, but if you remove some of those external effects in the markets that were more affected, you saw 7% LFL growth in the more stable markets.

In that sense, we tend to be in a range of more than passenger traffic, somewhere in the 5–7% range, or at least above that in terms of performance. That is what the last few quarters showed as well.

As we expect passenger traffic to come back, as you are saying, that is the trend we expect to continue seeing going forward. This will happen as passengers continue to spend, as more passengers come through, and as many of these sectors come back, which were [inaudible] temporarily disrupted.

Akshay – ICICI Securities: But given the 4.2%, what will be the growth from higher-spend passengers? What will be the contribution?

Varun: I mentioned that the 7% relates to consolidated performance, which I was talking about. In terms of higher spend, the way it works out is that it is an approach involving a blend of different areas.

It would be hard to look at a single effect because, obviously, there were areas where we have not made a significant price increase. We have also not done a significant price escalation this year. Given the challenges around it, we have been a bit tempered in that as well.

What has been happening is that, through the normal initiatives we have undertaken, we have still maintained a delta of around 5–7%. The combination is coming partly from price, no doubt, but not as much. Part of it is coming from initiatives around premiumization, initiatives involving bigger products together, and, in a few cases, brand edits or changes. All of those factors combined are blended into that change.

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Akshay – ICICI Securities: Got it. My second question is on economies of scale. Over the next 3–5 years, what will improve the economics of TFS beyond passenger traffic growth? If you had to rank them, would it be more about premiumization, higher spend per passenger, or better contract terms?

Varun: I think the way our contracts work, and an important reference point to consider, is that our model involves investing upfront. The nature of our contracts is such that, in the early days of any contract, the numbers take some time to reach normalization.

When you go into a new airport and invest, it may take 12–18 months for a running airport and perhaps 24 months for a greenfield airport. Passenger traffic takes some time, and we also need to understand which gates are being used more, what type of brand works, and whether a particular location presents challenges.

All of that plays out over the 12–24-month horizon, depending on the nature of the terminal. Sometimes we even change the brand at some point if it is not fitting in.

A new terminal such as Noida or Navi Mumbai, as you have seen in the press, would take some time for traffic to pick up and normalize, whereas running airports are somewhat faster because they are already operational.

That combination is the way our numbers play out. Therefore, as you have seen, we are always winning new contracts. The contracts we won over the last year are evidence of that, and we have quite a strong pipeline.

The existing units perform well, and that is where the economics improve. However, we also have this group of new units coming in. Over the last year, we have had a strong pipeline of almost 50 units across travel QSR and lounges coming online.

It is quite a large pipeline. In the short term, it results in increased costs, but in the long term there is a lot of potential that will unlock earnings as these units normalize. As these units normalize over the next 12, 18, and 24 months, those benefits will play out in our results.

Akshay – ICICI Securities: Perfect. Lastly, if I may, on capital allocation and the balance sheet, we have a sizable and strong balance sheet, as well as the current expansion opportunity. How do you decide where to deploy capital? More importantly, what return threshold do you look for when bidding for a new airport or adding an outlet? How is competitive bidding putting pressure on these return expectations?

Vikas: I will take that question. We are a cash-generating company and a growing company at that. As we have clarified in the past, we are extremely prudent with our capital allocation strategy.

It is driven more by the units that are currently in the ramp-up phase. Over and above that, we constantly explore new opportunities that open up in airports that are on our target list.

Our entire approach is that we should be getting returns which, at a maturity level, are similar to the rest of our portfolio. That is where our focus is. We will not chase growth unnecessarily unless it provides sustainable, long-term prospects for all our stakeholders.

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Akshay – ICICI Securities: Got it. I wanted to understand the economics of bidding and opening a new outlet. What will be the maturity period, and what operating leverage will we get from it?

Varun: As I mentioned, maturity means that you start reaching normalized profit levels for an existing airport.

Today, for an airport that is already running, such as Terminal 1 in Delhi or an airport in [inaudible] or Goa, we take about 12–18 months to understand what fits there. For a greenfield airport, it takes a little longer.

The airport sector has been a hallmark of the Indian aviation industry, which has been growing strongly. That is the expectation for the 50 units in the pipeline. Some will come online in this financial year, and a large part of the plan is for them to open up. Some are being constructed, and some are about to start construction. In that sense, this is the pipeline that we have already secured.

Once those units mobilize, the same scenario follows: 12–18 months for the units in existing terminals and a little longer for the greenfield units in new airports such as Noida. We have a set of outlets coming up there, as well as in Navi Mumbai. These take a little more time to normalize as traffic comes in slowly at those airports. That is how we see it playing out.

Akshay – ICICI Securities: Is this 50 outlets that you are talking about mainly in existing airports?

Varun: I am sorry, I did not catch that fully, Akshay. Could you repeat that?

Akshay – ICICI Securities: I said, are all these 50 units that you are talking about, which are under development, in existing airports? Can you give us some color on which airports you are referring to? Are they Noida and Navi Mumbai, or are they also in existing airports?

Varun: These 50 units would be in airports that we have already announced. These are build-outs that may have been won through contracts 3, 6, or 8 months ago, and the build-outs are now happening.

A good example would be outlets being developed in Delhi. At the same time, there could be outlets being developed in Navi Mumbai, where we have already activated some outlets and have others in development. There could also be outlets being developed in Bhogapuram.

It is a blend of outlets across multiple airports that have already been secured by us, and we are in the process of mobilizing those outlets.

Akshay – ICICI Securities: Perfect. My second question is about the near term, essentially the second quarter. I can see that traffic is already down, with domestic traffic down 6% and international traffic down about 4%. In Q1, traffic was flat, but your major growth came from new contracts. How do you see the second quarter? We are standing in the middle of August, so you must have a very clear picture. Can you provide any color on the second quarter?

Varun: In the second quarter, I will try to limit my comments to passenger traffic information that is visible and public. Based on what you are seeing, and as you would have seen in similar commentary across the industry, the trend is currently similar to Q1, at least until August. Traffic is

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at similar levels to what we are seeing now.

The rationale is that international traffic is where some of the delta lies. You may have gained visibility on this because the airlines have all come out with their commentary.

If you saw what happened toward the end of May, 2 of the largest airlines here suspended a number of international routes. A few suspensions happened earlier as well, and quite a few international routes, especially long-haul routes, were suspended, logically because of the fuel prices at that time.

The airlines have already announced that restoration of many of those long-haul international routes will begin from September into October. That is where we automatically expect to see the flow-through.

The expectation is that H2 of this year should see a good bounce-back in passenger traffic. Many independent research reports have also highlighted their expectation that passenger traffic in India will have a strong H2 this year.

Akshay – ICICI Securities: Right, fair enough. Finally, I also want to understand your plan on the international side. Previously, you mentioned that you were looking for growth in international markets. Do you have any thoughts on that?

Varun: Yes, completely. We have had quite a lot of success in Malaysia, where we expanded post-COVID. We also entered Hong Kong and won a second lounge there. We entered that business in January as well.

Those operations are performing well and maturing. As I said, many of the units that opened in the last 2 years are still in the ramp-up stage, but they are doing well for us.

Our focus, as I have always said, is to look at the Middle East. For now, Asia is somewhat more of a focus until things in the Middle East normalize.

We had set up an entity in Dubai earlier to focus on the Middle East region. We recently set up another entity in Indonesia to look at opportunities there because you need local entities to be able to bid for opportunities in those markets.

We are quite focused on this. We clearly see opportunities coming up to bid or pitch for in those markets, and we will be focused on participating in those opportunities. That is the plan for the year as well.

Operator: Sorry to interrupt, Mr. Akshay. I would request you to join the queue again, as there are several participants waiting for their turn.

Akshay – ICICI Securities: Thank you.

Operator: Thank you. We take the next question from the line of Purva from 361 Capital. Please proceed.

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Purva – 361 Capital: Thank you for the opportunity. My question is on the growth of the associate and JV business. It was relatively lower compared with your consolidated growth. However, if I look at Adani F&B and lounge revenue, it grew by 55% year-on-year. GHL and JMR, as reported in the presentation by GHL, showed around 22% year-on-year growth. What is the reason for our 15% growth in the associate and JV business?

Vikas: Purva, hi, this is Vikas. In the JV business, there are other players in some of the markets where our JVs operate, and some units have to move to us or to the JV structure over a scheduled period of time, as we have clarified in the past when those contracts move over.

From that perspective, there would definitely be a mismatch between the growth trajectory of our JV models and the overall growth that could be experienced at some of our airport operator partners.

The second important factor is that a lot of the airports on the western side, where the Middle East was a strong market, have been impacted in terms of passenger traffic as well as overall sales performance. That forms a bulk of our JV portfolio from that perspective.

That is where you see the gap between our system-wide revenues and our overall revenues.

Purva – 361 Capital: Got it. Secondly, are there any new upcoming airports that we are planning to bid for? Also, regarding the recent Bangalore contract that we won, how many outlets are we looking at there?

Varun: Hi, Varun here. To answer your questions, on the first part, I did talk about it briefly—

Management: —about the international piece, so I will not touch on that again because we are looking at expansion, especially in Asian opportunities.

In India, looking particularly at airports, we do see an opportunity at Bangalore T1. We won 1 outlet there, which is a very prominent outlet. For those of you flying through T1, you normally see a KFC, which is one of the busiest outlets there.

We won the opportunity to operate a KFC at that airport, and that is what we had called out. That was the first outlet. Bangalore T1 is going through a massive upgrade plan, and the airport is creating something spectacular. We see a lot of opportunities coming up there, which we will bid for over the next 12 months. These opportunities will come up in phases, which is the expectation.

There are also a lot of Tier 2 airports. A few other AAI airports are coming up as well. For example, Pune is expected to come up in the next 2 years. It is one of the top 15 airports, and we are not present there currently.

There is quite a bit of opportunity there. Apart from airports, we are also seeing highways as an opportunity. We are looking at this particularly in the context of the wayside amenities plans announced by the government and the expressway rollout. We see that as part of our medium- to long-term strategy as well.

Purva – 361 Capital: Got it. That is all from my side. Thank you.

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Management: Thank you.

Operator: Thank you. We take the next question from the line of Aachal Pals from Monark Network. Please proceed.

Aachal Pals – Monark Network: Thank you for the opportunity. My first question is: what sustainable LFL and net contract gain are we targeting to grow year-on-year?

Management: Hi, Aachal. In terms of net contract gains, first of all, I would not call out a number because that depends on what we win from year to year.

Generally, we have seen quite good success, as you would have seen in our results, which we have consistently called out. When we went for the IPO, we also put those numbers out. You have seen that remain consistent year-on-year, but it is somewhat lumpy.

Sometimes you win 30 outlets, sometimes another 50 outlets, and sometimes 20 outlets. It is not exactly a straight line, so it tends to be somewhat lumpy. However, we have been quite successful over the last few years in terms of our net contract gains.

Currently, we achieved about 16% at the system-wide level. Historically, our numbers have generally been in that range.

In terms of LFL, as I mentioned in one of the earlier questions, LFL is largely impacted by passenger traffic, which is the single biggest external factor. I think we have been quite consistent in terms of the initiatives we have undertaken around pricing and driving brand changes, all of which support LFL.

Maintaining at least 5–7% above passenger traffic has been a strength of our model, which is normally a challenge on the high street. Traditionally, passenger traffic in normal years has been somewhere around 8–9%, and we drive perhaps another 5–7% of LFL growth on top of that, resulting in LFL growth of around 14–15% in a normalized year.

Obviously, in a year such as this, where passenger traffic has been flat, the expectation is that LFL would be in a similar range to what we would normally see. The challenge is that some of the particular airports where international traffic was strong were impacted this year, such as the Southern India markets that I mentioned. There were also some terminal transfers this year, so this quarter was somewhat anomalous.

That is how we normally look at LFL. It tends to be linked to passenger traffic, which acts as the barometer.

Aachal Pals – Monark Network: Got it. This quarter, we have seen an increase in other expenses of 540 basis points. What led to this increase, and how much are we targeting going forward?

Vikas: Hi, this is Vikas. The reason for the higher other expenses in the quarter is, as I clarified in my speech, that roughly 223 million of lounge aggregation cost has been classified under other expenses. As the business becomes meaningful, we will most likely show it separately as cost of sales.

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Excluding that, other expenses have increased by 22% year-on-year, which is in line with business growth. As you are aware, we are currently in the ramp-up stage of opening or mobilizing units at airports such as Cochin, Delhi, and Noida.

As part of that, there are higher pre-operating costs during this period, but they tend to normalize over a 12-18-month timeframe. From that perspective, we believe that we should return to the original numbers that we have traditionally reported within approximately another 12 months.

Aachal Pals – Monark Network: Got it. I need one clarification. Delhi T3 is consolidated only for the first half, and in the second half it is moving to the JV, right?

Vikas: At this moment, the contract for Delhi T3, which is a material subsidiary, runs until September 30, 2026. The JV, GHL, has bid for the contract, but the results are not out at this moment, so I cannot comment on H2 as of now.

Aachal Pals – Monark Network: Which are the other airports that are coming up for renewal?

Vikas: As we clarified in earlier calls, Chennai and Calcutta airports will come up for renewal at the end of March 2027 and in early Q1 FY28, respectively.

Aachal Pals – Monark Network: Okay, thank you. That is all from my side.

Operator: Thank you. We take the next question from the line of Naveen from Ithought PMS. Please proceed.

Naveen – Ithought PMS: Good morning, team. Congratulations on a good set of numbers, and thank you for taking my question.

Moving forward, my understanding is that the JV business will predominantly come from airports managed by our JV partners, mainly Adani and other operators. However, I am more concerned about the non-JV business at the consolidated level.

Could you comment on the contract gains and the quality of contract gains at these airports, as well as your general expectations for how that market will evolve? Will we see a discrepancy between the JV entities and the consolidated business?

One of my main concerns relates to the profit share. The JV profit share is significantly lower than the consolidated business. I would like to understand the qualitative difference between these 2 businesses.

Management: Hi, Naveen. Thank you for the wishes. One thing to clarify is that our JVs are not limited to the ones you mentioned in India. A significant portion of our JV business is also our Malaysia and international business. It is therefore a broader set of joint venture businesses that you see in our numbers.

In terms of the JV business and the non-JV business that we have here, let me give you some perspective. During this year, we won various contracts, which were announced at different times.

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Cochin, for example, was a win that we picked up directly. Another opportunity that we are currently mobilizing this month, and which was part of our earnings presentation, was Noida Airport. We have mobilized a few units there and still have a set of units to mobilize, so there have been quite a few openings there as well.

We also spoke about Bangalore, where we picked up a unit in T1 and see quite a bit of opportunity coming up.

We look at the business as having 2 clear drivers, even in the Indian market, apart from the international opportunity. We have the opportunity to grow through joint ventures with partners with whom we work closely. At the same time, we have a large part of the airports where we work that could be a combination of privately owned airports and airports run by AAI, which also represents a large opportunity.

In terms of growth, the drivers are very similar for both businesses. Ultimately, we are operating these businesses, and the drivers are similar. In terms of passenger traffic, there are obviously some nuances, such as what happened this quarter, with the Southern markets being more affected by international traffic to the Middle East.

However, growth has largely been broad-based across India in terms of air traffic. We have seen strong growth across JV and non-JV airports, as well as across large and small airports. Growth has been robust and balanced across all of them.

Therefore, we see these 2 avenues growing hand in hand during normalized periods.

Naveen – I thought PMS: I have one more small follow-up before I move to my last question. My understanding of the industry as a whole, globally and in India, is that the standard operating model whenever there is a private player involved is through a JV. I would like your thoughts on whether we will see the consolidated business shrinking and the JV business taking up a larger share of the business.

Management: To correct that information, that understanding would be incorrect, depending on where you got it from. The majority of airports work directly. What you may be referring to is a situation involving multi-airport operators.

A JV generally works where someone is running multiple airports. It makes sense for them to have a partner across those multiple airports because the effort of setting up and running a JV, along with the cost of a separate individual vehicle and team, makes sense when you are running multiple airports.

When you have a single airport, those efficiencies do not play out in the same manner. Globally, direct concessions are the norm by a wide margin. JVs tend to arise in examples where an operator may be running 5, 6, or 7 airports.

That is where we have historically seen this model globally as well. More often than not, there may be 1 or 2 exceptions, but largely that is the model we have seen in our experience.

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Naveen – Ithought PMS: Got it. My next question is only at the bookkeeping level. Between the gross level and the operating level, around 45–50% of sales is cost, right? I want to understand how much of this is fixed and how much is variable because I feel that both other expenses and the employee line item have variable and fixed components. What percentage of costs would be fixed? I am trying to understand how operating leverage might play out in this business.

Management: By default, roughly 8–10% of our cost tends to be fixed. In terms of occupancy cost, we have CAM charges and other charges levied by airport operators that are fixed in nature. We have complete visibility on how those costs grow or ramp up over the course of the contract.

Apart from that, there is only a limited amount of fixed cost. Labor is semi-variable in the sense that India is a fixed-wage market.

However, the economies of scale for a player like us come from our size and scale at existing airports. We are able to bring in efficiencies in the back of the house, whether through stores, procurement strategies, or the ability to move staff or manpower from the international side to the domestic side of the terminal if international traffic is suddenly impacted.

Those are the operating levers that we tend to enjoy in terms of bringing in the required economies of scale.

Naveen – Ithought PMS: Got it. That is very clear qualitatively. As a small quantitative follow-up, out of this 50% cost base, how much will grow independently of the growth of the business, and how much is tied to the growth of the business?

Vikas: That is quite variable from year to year, to be fair. In some years, when there is a ramp-up in costs, variable costs go up because there is a higher pre-operating cost base.

As I said, the limited fixed amount would primarily consist of occupancy costs and a certain amount of manpower required to ensure that operations are running at the expected rate.

Naveen – Ithought PMS: Got it. Thank you very much for the clarifications.

Operator: Thank you. We take the next question from the line of Sumant Kumar from Motilal Oswal. Please proceed.

Sumant Kumar – Motilal Oswal: A couple of airports are going to expire, and considering that costs are going to increase, how are we going to retain the margin at those airports?

Management: Hi, Sumant. The cost increase you are mentioning probably relates more to when a new contract starts. Since we have had a lot of new builds, the cost increase actually plays out at that point in time.

When we start these new units, there is a cost increase. This is especially the case in a greenfield airport, where passenger traffic takes some time to come in.

A prime example is Noida Airport. It has started, and we have teams there providing the services. There are pre-operating costs because those teams need to come in advance, before sales are even there. They have to undergo training, and for many brands there may be 2–3 months of

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training in advance. Leadership teams also need to go in, along with travel and various pre-operating expenses.

Those costs tend to be quite substantial. We have been through a strong new net-gain and new-opening cycle, which has resulted in these costs. These investments will represent our earnings potential for the period ahead and will unlock that potential.

At the same time, regarding your question about expiries and renewals, there would logically be some cost escalation again when things are renewed because there may be new brands that we change.

In renewals, the changes may be more limited than in a fresh construction. However, there would still be some brand changes, and some assets would be refreshed. Therefore, there would be some level of reset and some level of cost setting.

That would probably normalize toward the lower end of the 12-month scenario, which is the norm.

Sumant Kumar – Motilal Oswal: When we talk about this, we have topline growth of more than 20% and EBITDA growth of 11%. More than 9% of margin has gone because of higher employee costs and other expenses due to the opening and commissioning of new sites. Is that impact primarily because of Noida or because of other locations as well?

Management: We had mobilization in Noida and in Kochi. Therefore, we had 2 airports coming into operation at the same time. We also had a lot of new units coming online in Delhi in new terminals.

For example, we already had a presence in some of the terminals at Delhi airport, but we added a set of new outlets. Therefore, it is a combination of factors.

When a greenfield airport opens, the impact is much larger because you need a full set of teams. However, even in an existing terminal, when you have a large set of outlets coming in, you need to recruit and train the teams for those outlets in advance.

If it is 1 or 2 outlets here and there, the impact gets subsumed in the numbers. However, when you have a large opening cycle, the impact tends to bunch up and result in the type of EBITDA impact that you saw. That has played out in our numbers as well.

Sumant Kumar – Motilal Oswal: Has there been any inflationary impact because of current labor costs or the labor code? Other expenses have also increased. Can you provide a bifurcation and tell us what the other factors are apart from that increase in other expenses?

Management: On other expenses, regarding the labor code, we have roughly 5,000-plus employees, and the majority are on the company payroll. The impact of the new labor code is very minimal for us, as we clarified earlier. It was below {? 8 to 10 crores ?} from that perspective.

Other than that, there has not been any other increase in costs apart from annual increments and the higher pre-operating costs for the ramp-up of units at Kochi, Noida, and Delhi, which we are in the process of commissioning or ramping up.

This will even out over a period of time as those units start performing.

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Sumant Kumar – Motilal Oswal: Thank you very much.

Operator: Thank you. We take the next question from the line of Sanjay Ladha from Bastian Research. Please proceed.

Sanjay Ladha – Bastian Research: Thank you for the opportunity, and congratulations on a great set of numbers. We see a small moderation in our contract renewal rate. It used to be approximately 94% and now stands at around 92%. Is this just an adjustment made for Delhi Terminal 3, or has any concession expired that we did not renew?

Management: Hi, Sanjay. Thank you again. Regarding that number, if I recall correctly, and while it is probably not material, it related to some highway outlets that were part of our earlier strategy. We did not intend to renew those outlets.

Our strategy now is to pursue the larger investments under the WSA model. We had conducted a few smaller-sized pilots on the highways, and we did not pursue renewal of those outlets.

I think that is why you see the marginal movement in the number from 94% to 92%, if those are the correct numbers. It was probably due to the mathematics relating to those highway sites.

Sanjay Ladha – Bastian Research: Since you already alluded to it, manpower and operating costs were incurred in Q1 for 4 airports, and {? Barampur ?} is also coming up, as you mentioned, on 17 August. Costs have therefore increased, but margins had been improving over the last couple of quarters. Is it correct to understand that margins will start improving from H2 onward?

Management: If I understood your question correctly, please tell me at the end if I did not. Generally, our margins on most fronts have remained within the ranges we set.

There may be some additional costs, particularly relating to employee costs, which are incurred in advance because we need to have team members in place and train them. Therefore, there have been some one-time impacts.

Even against the backdrop of a challenging operating environment because of the Middle East, we have maintained quite a bit of cost discipline. You can see that in the performance of our other cost lines as well and in the ultimate delivery in the numbers.

Compared with what we have normally seen, there has been some additional cost in a few lines, as you mentioned, and that has impacted our EBITDA margin. Largely, the affected line was labor because of the pre-operating and advance costs required when opening new units.

Sanjay Ladha – Bastian Research: My last question relates to the opportunity in highways that you mentioned. For the last 2 quarters, you have described it as a long-term opportunity. However, now you are alluding to this opportunity quite strongly.

Has the government policy changed? Are we changing our strategy in some way? What strategy are you considering in that space? Could you explain this in more detail?

Until now, it was an opportunity that we were evaluating, and we were saying that it was a 3–5-year opportunity. However, my current understanding is that we are looking at the highway space more

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aggressively. Could you explain this further?

Management: I can talk about that. As context, as a general business, we look at opportunities and would obviously look at them aggressively. At the same time, cash generation and returns remain at the top of the agenda. We will not compromise on that under any circumstances.

That has been the USP of {? Sapphire's ?} business over the last decade and a half. That is how we have run the business, and that is how we have achieved our financial results, cash balance, and debt-free balance sheet. That remains our approach.

Coming specifically to highways, our plan as a company is also to discuss future opportunities. As we have always stressed, highways are probably what airports were when we entered the airport business in 2008 or 2009.

We are now discussing a journey that has taken almost 17-18 years to reach this point. Highways are at the stage where government investment is now coming in, expressways are being built, and wide, multi-lane, access-controlled expressways are being developed.

There are limited retail and F&B developments through these wayside amenities, or WSAs. There is also a wayside amenities plan involving approximately 1,000 sites that has already been announced by the government. However, that plan is yet to come.

What I have been announcing is that we will target these opportunities as they come online. That represents a future opportunity.

While I discuss and provide a sense of the opportunity, a lot of work is taking place in the background. We are conducting significant analysis and engaging with potential partner brands, landlords, companies in the sector, and oil marketing companies. You will also see some press coverage around that.

All of this is ongoing. However, as I said, this is not something that we need to implement immediately. We are looking at it as a medium- to long-term opportunity, subject to the clear condition that financial returns and our benchmarks must be in line with our requirements.

Therefore, you will see this happen in a calibrated manner to unlock a long-term opportunity, rather than us attempting to enter the space immediately.

Sanjay Ladha – Bastian Research: Thank you, sir. All the best.

Management: Thank you, Sanjay. Thank you.

Operator: Thank you. We take the next question from the line of Vansh Gupta from Pre-scient Capital. Please proceed.

Vansh Gupta – Pre-scient Capital: Thank you for the opportunity. Am I audible? Hello?

Management: Yes, Vansh. I can hear you.

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Vansh Gupta – Pre-scient Capital: Thank you. I have a couple of questions. Given that some of our airports, such as Delhi T3, might be moving toward the JV, and given that Delhi and Mumbai airports are perhaps the 2 biggest airports in the country and should contribute a large part of our revenue and margins, I wanted to understand whether the EBITDA margin profile is similar for our other airports beyond Mumbai, Delhi, and Bangalore.

Essentially, would our EBITDA margin profile remain the same for the other airports if our Delhi airport were to move toward the JV?

Management: Vansh, there are 2 points. First, as a point of clarification, Delhi T3 was already operating in a joint venture. Currently, that joint venture is in the form of an SPV, and that contract expires.

The plan is that we will bid through another joint venture with GMR. That is a long-term joint venture that is not in the form of an SPV. This is something we have been highlighting for some time.

In terms of the margin profile, irrespective of whether it is a joint venture or a direct concession, the nature of the business is quite similar. That is how it plays out.

What is more relevant is whether it is a new build that is still starting to normalize. That takes some time, irrespective of whether it is a JV or non-JV.

As contracts mature, profitability levels start improving because we are running the operation well, understanding the market, making changes, and training the teams. Ultimately, this is a human business involving sales, and all of those factors play out.

Therefore, the timing is more relevant than the type of entity through which the business operates.

Vansh Gupta – Pre-scient Capital: For clarity, are you saying that the Delhi airport was already operating under the SPV, but it was not part of the consolidated revenues reported by the company?

Management: No, Delhi T3 was part of the consolidated business. It was a JV, and historically we had a majority share in that JV, so we used to consolidate it.

In the new entity, our shareholding with GMR is 30%, so it will not be consolidated going forward. It will still be a JV, but it will come through as our share of the profit.

Vansh Gupta – Pre-scient Capital: Got it. So it is not the case that we have lower average selling prices across our other airports compared with Delhi and Mumbai, and therefore margins would drop at the other airports, even if Delhi T3 moves into a JV where we have a lower share of the profit and revenue?

Management: The margins will not drop. You will have your share of the revenue and your share of the number, as applicable.

However, the tender, for example, is for a larger set of outlets than what we currently had in T3. This is a strategy that we have consistently highlighted. When you operate directly, you may have a

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limited set of outlets. When larger tenders come through a joint venture, they are sizeable and represent much greater scale than the earlier opportunity.

Vansh Gupta – Pre-scient Capital: Do our ASPs also remain broadly at the same level across all our airports?

Management: The ASP between the JV and the direct operation would be similar because they operate in the same way.

However, across airports, logically, the larger airports and metros have higher spending because of the nature of travel, the level of international travel, and per capita income in those cities.

That is why, when you go to Delhi Airport T1, you see a Gordon Ramsay outlet. When you go to Mumbai, you see a Wagamama in the airport.

Automatically, spending at those airports is higher because premium brands have greater acceptance and consumers have a higher ability to absorb those offerings. Spending per consumer is therefore higher in that sense.

Vansh Gupta – Pre-scient Capital: Understood. I have one more question. Are all our concession agreements structured with built-in step-ups to the minimum guaranteed rents that we pay to landlords? Or are the rent and the percentage of revenue—the fixed and variable components—renewed only after the concession agreement expires?

Management: Our contracts are largely structured around either a minimum guarantee or a revenue share, whichever is higher. That is the majority of our contracts as they stand.

Touchwood, because of our performance and because we have been operating these businesses well, we tend to always go above the minimum guarantee. Predominantly, across the real estate that we operate, we pay the revenue share amount.

The airport is also happy because we are exceeding the minimum guarantee it targeted and delivering a high revenue share. This is why a partner such as us comes in.

We do not just deliver the minimum guarantee. Airports look at us as a partner that brings the right brands and the right experience and actually over-delivers in terms of sales performance. Therefore, the airport earns more from the incremental revenue share that we can generate.

Vansh Gupta – Pre-scient Capital: My question was whether the minimum guarantee that we give to these airports, as well as the revenue share percentage, has yearly step-ups. Does the percentage of revenue share increase every year, or is it revised only upon contract renewals?

Management: Every airport has a different contractual structure, so I would not say there is one standard method.

Minimum guarantees would normally have an escalation. Regarding revenue share, there could be a scenario where the percentage remains the same in some contracts, while in others there may be a marginal escalation. However, it is generally not meaningful. You do not see a significant increase in the revenue share percentage.

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What matters more is the maturity of the contract. As the contract matures and profitability improves, that more than offsets any small increase. Even if certain contracts have a small increase in revenue share of 0.1% or 0.2%, it does not meaningfully impact the numbers.

Vansh Gupta – Pre-scient Capital: Got it. Thank you.

Management: The return benchmarks are influenced more strongly in the later years because of the upside and maturity performance. As the assets scale over the longer term, profitability improves when traffic comes in, and the same assets perform better. That aspect becomes much stronger.

Vansh Gupta – Pre-scient Capital: Understood. Hypothetically, can landlords revise the revenue share percentage every year with you?

Management: No, that is contractually built in. That is what I mentioned.

Vansh Gupta – Pre-scient Capital: As with the minimum guarantee?

Management: Everything is [inaudible]

Vansh Gupta – Pre-scient Capital: So they cannot revise it every year as long as the contract is valid. The revenue share percentage and the minimum guarantee remain unchanged. Of course, the minimum guarantee has some step-ups every year, but the revenue share percentage remains constant throughout the life of the contract.

Management: That is right.

Vansh Gupta – Pre-scient Capital: Understood. That is all from my end. Thank you very much for all the clarity. I wish you all the best of luck. Thank you.

Management: Thanks a lot.

Operator: Thank you. Ladies and gentlemen, we take that as the last question for the day and would now like to hand the conference over to the management for closing comments. Over to you, sir.

Management: Thank you to the ICICI Securities team for hosting us. We appreciate all of you taking the time today to join us for this earnings call following our Q1 results.

If you have any further queries, please feel free to reach out to our investor relations team. Happy Independence Day in advance to all my fellow Indians. Thank you very much.

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

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.

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