21st August, 2026

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

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

Dear Sir/Madam,

Sub: Earning Call Transcript – Q1 FY2026-27 Results

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the earnings/conference call hosted by the Company on August 14, 2026, post declaration of Un-audited Financial Results (Standalone and Consolidated) for the quarter ended June 30, 2026.

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

This is for your information and records.

Thanking you,

Yours truly,
For Travel Food Services Limited

NEETA ARVIND SINGH
Digitally signed by NEETA ARVIND SINGH
Date: 2026.08.21 14:58:29 +05'30'

Neeta Arvind Singh
Company Secretary and Compliance Officer

Encl.: as above

"Travel Food Services Limited
Q1 FY27 Earnings Conference Call"
August 14, 2026

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

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY27 Earnings Conference Call of Travel Food Services Limited, hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashutosh Joytiraditya. Thank you, and over to you, sir.

Ashutosh Joytiraditya: Yes, thank you, Anushka. Hello and good afternoon everyone present on the call. I, on behalf of ICICI Securities, welcome you on the Travel Food Services Limited's Q1 FY27 Earnings Call. I would like to thank the management for giving us this opportunity of hosting the call.

From the management, we have with us Mr. Varun Kapur, 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. Yes, thank you.

Chhavi Agarwal: Thank you, Ashutosh, and good afternoon. Welcome and thank you for joining us on the Travel Food Services Limited 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 the financial results uploaded on the stock exchanges.

Before we proceed, here is a disclaimer to the call. A few statements by the company's management in the call can be forward-looking in nature, and we request you to refer to the disclaimer in the earnings presentation for further details.

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

Varun Kapur: Good afternoon, ladies and gentlemen, and thank you for joining us for the earnings call of TFS 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 added colour, 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.

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 traveller 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 travel, resulting in the highest ever single month of domestic air traffic in India, particularly notable against a softer base in the same month last year and underscoring 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 INR8.4 billion, while consolidated profit after tax increased by 35.6% year-on-year to INR1.3 billion. 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 the system-wide level. A few markets saw softer like-for-like performance during the quarter, notably Mumbai and Guwahati owing to traffic migration to new airport infrastructure and certain South 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 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 two lounges across the network, with significant additions at Mumbai, Delhi, Hyderabad, Cochin, Navi Mumbai, and Noida airports.

Our system-wide footprint as of June end 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 travellers through a carefully curated portfolio of international brands, regional favourites, and our own in-house concepts.

On the lounge 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 EATS technology platform, allowing passengers to use them alongside other experiences, further strengthening 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 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.

So, 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 17th 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 to 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 Kapoor: 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 INR8.4 billion, representing a growth of 18% year-on-year.

At a consolidated level, revenue from operations grew by 20.6% year-on-year to INR4.5 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, Cochin, Noida, and other key locations. Also, like-for-like sales growth was driven by menu innovations, promotional initiatives, and calibrated pricing.

On the margin front, reported gross profit stood at INR3.9 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 the sales while the related service costs are classified under other expenses. Adjusting for this reclassification of INR223 million of lounge aggregation cost from other expenses to cost of sales, the adjusted gross profit stands at INR3.65 billion, translating into an adjusted gross profit margin of around 81%, which remains well within our guided range.

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 Cochin airports, both of which are currently in the 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 INR1.6 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 of the business.

On the profitability front, our performance remains strong. Consolidated profit after tax increased by 35.6% year-on-year to INR1.3 billion, 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 INR131 million arising from 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 and 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 30th, we maintain a debt-free balance sheet and a consolidated cash balance of approximately INR9.7 billion.

This provides substantial headroom to fund airport expansions, 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.

Moderator: Thank you very much. We will now begin the question-and-answer session. We take the first question from the line of Akshay from ICICI Securities Limited. Please proceed.

Akshay: Hi, Varun and Vikas, kudos to the team. My first question is on the passenger traffic. So, we had a flat base on the passenger traffic while the LFL still grew 4.2%. I just want to understand how much of the LFL growth came from the higher spend per passenger versus other initiatives, and what is the sustainable level of the LFL growth as passenger traffic returns to normal growth?

Varun Kapur: Hi, Akshay. So, thanks for your question. So, what you would have seen, across the last few quarters as well, always passenger traffic is a very important driver of ultimately the LFL growth that's there in the market.

What we did see during this period, as I mentioned there, very pronounced drop in passenger traffic, especially on the international side. So, while traffic was flat largely, because of May bounce back that kind of made the number flat for the quarter, the other 2 months we saw actually, traffic dropping down, especially on the international side, and which are generally, good spending consumers that come in there. So, with that, when I was talking earlier, 0.8% system-wide number LFL was there, but actually if you remove some of those external effects for the markets that were more affected, you saw 7% LFL growth.

So, in a sense, if you see, we tend to be in that range of more than passenger traffic, somewhere in the 5% to 7% above that at least in terms of performance. And that's what, last few quarters showed us as well. So, as we expect passenger traffic to come back, as you were saying, that trend is what we expect to continue seeing going forward as passengers continue to spend as more come through and, many of these sectors come back which were temporarily disrupted.

Akshay: But given the 4.2%, what will be the growth from the higher spend per passenger?

Varun Kapur: So, 4.2% relates to consolidated LFL that you're talking about. In terms of higher spend, see the way it works out, I think, it's a blend of different areas. So, it wouldn't be wrong to look at single perspective, because obviously there were effects where, you know, we have not been, for example, on price we've not done a significant price escalation as well this year, with the challenge around it, we've been a bit tempered in that.

So, I think what has been there is that just in terms of normal, initiatives that we've done around, we still kept that delta of around 5% to 7%. So, a combination is coming, from a part of it from price, but no as much, a part of it is coming from initiatives we would do around premiumization, initiatives we would do around, big bundles together, also in some cases, in few cases, brand edits or changes in limited cases. So, all of those combined kind of get blended into that number of change.

Akshay: Got it. My second is on the economics of scale. So, over the next 3 years to 5 years, what will improve the economics of TFS beyond the passenger traffic growth? So, if you have to go on a pecking order, will it be more on the premiumization, or the higher spend per passenger or a better contract terms?

Varun Kapur: So, I think the way our contracts work, and I think that's a important reference point to look at, is that when our model is that we invest upfront, the nature of our contracts is that, in the early days of any contract, the numbers tend to take some time to hit normalisation.

And that's because you can imagine, when you go into a new airport, you invest, it takes you that period maybe 12 months to 18 months for a running airport, maybe 24 months for a greenfield, because passenger traffic takes a bit of time, we also understand where gates are being used more, what type of brand works, some location had some challenges.

So, all of that plays out, sometimes we even change the brand at some point of time if it’s not fitting in. So, all of that probably plays out over that 12-month to 24-month horizon depending on the nature of the terminal. A new terminal like a Noida, Navi Mumbai, as you've seen in the press, would take some time for traffic to pick up and that to normalize, whereas running airports are a bit faster, where they're already there.

So, I think that combination is the way our numbers play out. So, therefore, we're already always, as you saw, winning new contracts over the last year would be evident, we had quite a strong pipeline. So, existing units that are there perform well, that's where economics improve, but then obviously you have this bunch of new units come, and yes, the last year we've had a strong pipeline of almost 90 units across travel QSR and lounges come online.

So, quite a big pipeline, which I think is obviously for a short term you have an increased cost that plays out, but in the long term, you know, there's a lot of firepower there that will unlock earnings potential as we go, as those units normalize over the next 12 months, 18 months, 24 months, those benefits would play out in our business.

Akshay: Perfect. Last question from me, is on the capital allocation front and the balance sheet. So, we have a sizeable, good balance sheet and also the given the current expansion opportunity. Now, how do you decide where to deploy capital? So, what I'm looking is more importantly what return threshold do you look for when bidding for a new airport or adding an outlets, and what is the competitive bidding putting pressure on these returns expectations?

Vikas Kapoor: So, I will take that question, Vikas here. So, we are a cash-generating company and a growing company. Like we have clarified in the past as well that we are extremely prudent with our capital allocation strategy. It's more driven by the units that we are currently in the phase of ramp-up. Over and above that, we constantly explore new opportunities that open up in airports which are on our target.

In terms of that, the entire approach that we take is that we should be getting returns which at a maturity level mimic our rest of the portfolio, and that's wherein our focus is there. We won't be chasing growth unnecessarily unless and until it gives sustainable long-term profits for all our stakeholders.

Akshay: Got it. But I just wanted to understand the economics on bidding and also the opening of the new outlets. So, what will be the maturity period, and also the operating leverage that we'll be getting in from here?

Varun Kapur: So, I would to mention, the maturity in a sense what happens is you start hitting normalized profit levels for a existing airport. So, today, you know, it's an airport which is already running, say a Delhi or a Bangalore, existing terminals you come in, you take say 12 months to 18 months to get because those are running, you understand it, your teams get used to it, any issues on operation side, production side to get those streamlined, 12 months to 18 months is normally the level we see.

And for a greenfield, which is a brand-new airport constructed from scratch, it goes into the 18-month to 24-month type of horizon, where you get to those normalized profit levels. And I think that's where, I think TFS, from a point of view in this sector in terms of market leadership, I think the brands we bring, the understanding of the sector, the larger investments on back-end areas, we do enjoy, I think significant strength in terms of getting, operating these contracts, winning these contracts, running these contracts, which is where I think and that's why you kind of see the performance levels that come in.

It's that discipline on execution, which I think becomes a hallmark of our performance and that's why we can achieve these results because of all those strengths which have been built up over multiple years and experience and with the teams that we have here who've done it for many, many airports, many outlets across the board.

Akshay: Thank you and good luck.

Varun Kapur: Thanks Akshay.

Moderator: Thank you. We take the next question from the line of Achal Kumar from HSBC. Please proceed.

Achal Kumar: Hi. Thanks for taking my question. My first question is on your guidance as such you mentioned that 50 outlets under development and you're expecting meaningful uplift to the earnings. So, is that I mean that's on what time horizon are we talking about? Are we talking about Q2, are we talking about full year? So, can you please give a bit of colour? And then when we say 50 outlets, is that total QSRs or are you adding some business lounges also?

Varun Kapur: Hi, Achal. Thanks for your question. So, two parts to that, one to just give a bit of colour around it. So, I think from an earnings potential point of view going forward, there are two aspects that play out. One, we have existing units that we built say over the last 12 months, which is the roughly about 90 units we've already mobilized and activated.

Those, some of them which were in the early part of the year are hitting the little coming to normalization or maturity levels. A large part of those happened, in the last 2 quarters and those outlets will hit normalization over the next say 12 months approximately. So, that benefit yes will play out over the next 12 months and we see kind of a double impact of that, you know, with traffic coming back as well, which has been a hallmark, I think, of the Indian aviation industry being growing strongly. So, I think that's the expectation in the second half of the year.

In terms of the 50 units you're referring to, those are more outlets we're actually constructing as we speak. So, those are not even online. Those will come online say in this fiscal year, a large part of those is the plan that they will open up. Some are being constructed, some are about to start construction.

So, in a sense, that's the pipeline that we already have signed up and once those mobilize, again it will follow the same sort of scenario of 12 months to 18 months for the ones that are in existing terminals and a little bit longer for the greenfield ones that are in new airports like Noida, for example, we have a set of outlets coming up there, Navi Mumbai as well. So, those take a little bit more time to normalize with traffic coming in slowly in those airports, etc. So, that's how we see it playing out.

Achal Kumar: So, all these 50 units which you're talking about which are under development, all these are on the existing airports, right?

Varun Kapur: I sorry, I didn't catch that fully Achal. Could you repeat that?

Achal Kumar: So, I said so all these 50 units which you're talking about which are under development, all these are on the existing airports? can you give a bit of colour and in which airports are you talking about? Is it like Noida, Navi Mumbai, or is it like on the existing airports also?

Varun Kapur: So, these 50 would be in airports we've already announced. And these are build-outs which may have been won on contracts 3 months, 6 months, 8 months ago and build-outs are happening. So, a good example would be it could be outlets that are happening in say Delhi, but at the same time it could be outlets happening in a Navi Mumbai where we've activated some already, as well as some outlets say happening in a Bhogapuram.

So, it's a blend of multiple airport outlets that are there which are already secured by us and we're basically in the process of mobilizing those outlets in these ones.

Achal Kumar: Okay. Perfect. Second question is about the near term. So, basically, the second quarter, I can see that the traffic is already down, like domestic traffic is down 6%, international traffic is down about 4%, while in the Q1, of course, the traffic was flat but your major growth will came from the new contracts. How do you see the second quarter and we are standing in the middle of August, so you must have got very clear picture. So, any colour on the second quarter please?

Varun Kapur: So, the second quarter in a sense, I tried to give limited passenger traffic information that's visible and public now. So, I think in terms of what you're seeing out there and you've seen a similar commentary across, I think it's currently till about August, it's a similar trend to Q1. Traffic is around at similar levels as what we're seeing playing out.

And I think international traffic is where a bit of the delta sits again. that's the thing. But I think you may have got visibility because the airlines have all come out and mentioned particularly. So, if you saw, I think it was the month of May, towards the end of May, our two of the largest airlines here, suspended a lot of international routes.

A few happened earlier and then as well there were quite a few international routes, especially long-haul, right, logically with fuel prices where they were, being suspended. I think they've already come out and called that you start seeing from September & October, restoration of many of those long-haul international routes. And that's automatically where we expect to see that flow through.

So, the expectation is H2 of this year should be a good bounce back on passenger traffic. And I think that's also been a call-out by many independent research, what they expect passenger traffic this year in India to be, a strong H2.

Achal Kumar: Right. Fair enough. And then finally, I also want to understand about your plan on the international side. I think previously you mentioned that you're looking for the growth in the international markets. Any thought on that, please?

Varun Kapur: Yes, I can talk a bit about that. So, as you know, we've had success in Malaysia, which we expanded post-COVID. Hong Kong as well we went in, we won a second lounge in Hong Kong, in January. Those are performing well, maturing, again like I said ramp-up stage happening on many of those units that have opened say in the last 2 years.

But those are doing well for us. Our focus, which I had always called out was to look at the Middle East and Asia. I think just with the way situation is right now, I think Asia is a bit more of the focus until things in the Middle East normalize. We have set up an entity in Dubai to focus at the region.

We set up another entity recently in Indonesia to look at opportunities there because you need those local entities to be able to bid for opportunities in the markets. We are quite focused on that. We do see opportunity clearly coming up to bid for, pitch for, in those markets and we will be quite focused to take part in those opportunities and, you know, that's the plan at least for the year as well.

Achal Kumar: Okay. Fair enough. So, sir, last question on the cost.

Moderator: Sorry to interrupt Mr. Achal.

Achal Kumar: Yes.

Moderator: I would request you to join back the queue as there are several participants waiting for their turn.

Anchal Kumar: Sure.

Moderator: Thank you. We take the next question from the line of Purva from 360 One Capital. Please proceed.

Purva: Hi. Thanks for the opportunity. So my question was on the growth of associate and JV business. It was relatively muted compared to your consol growth. But if I see Adani F&B and lounge revenue, it has grown by 55% y-on-y. GHL GMR reported, in the presentation reported by GHL, it's around 22% y-on-y growth. So what's the reason for our 15% growth in this associate and JV business?

Vikas Kapoor: So Purva, hi, this is Vikas here. In the case of the JV business, there are other players as well as in some of the markets that where our JVs operate and some of the units, have to move to us or the JV structure over a scheduled period of time, which we have clarified in the past as those contracts move over. From that perspective, there would be definitely a mismatch between the growth trajectory of our JV models compared to the overall growth that could be experienced at some of our airport operator partners, number 1.

The second important fact is, that a lot of the airports on the western side, which had Middle East as a strong market, have been impacted in terms of the passenger traffic as well as the overall sales part. So that forms a bulk of our JV portfolio. So that is where you see the gap in terms of our system-wide revenues versus the overall revenues.

Purva: Got it. And secondly, are there any new upcoming airports which we are planning to bid for? And the recent Bangalore contract which we won, how many outlets are we looking at there?

Varun Kapur: Purva, hi, Varun here. So, to answer your question, so first part I did talk about a bit earlier about the international piece, so I won't touch on that again, because there we are looking at expansion, especially on the Asia opportunities.

But in India, looking particularly in airports, so Bangalore T1 we do see opportunity, yes we did win one outlet which is a very prominent outlet, for those of you flying through T1, you normally see a KFC, it's one of the busiest outlets there.

So we won. We're doing a KFC in that airport. That's what we had called out. That was the first set outlet part of, Bangalore T1 is going through a massive upgradation plan, the airport's really creating something spectacular. So we do see a lot of opportunities coming up there which we will bid for over the next 12 months. Those will come up in phases, that's our expectation.

Tier 2, lot of airports are there as well, part of that also, there's few other AAI airports coming up, example being next 2 years I think Pune is coming up, again it's one of the top 15 we're not there at. So I think we've quite a bit of opportunity there, but aside from even airports, we're seeing even highways as an opportunity which we're looking at, and we're seeing that particularly, with the wayside amenities plan that the government announced and the expressway rollout, we see that also as a medium-term to long-term plan part of our strategy.

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

Varun Kapur: Thank you.

Moderator: Thank you. We take the next question from the line of Aachal Pal from Monarch Networth. Please proceed.

Aachal Pal: Yes, hi. Thank you for the opportunity. So my first question is, what is the sustainable LFL and net contract gain we are targeting to grow y-o-y?

Varun Kapur: Hi Aachal. Varun here. So I think in terms of net contract gains, first of all, I wouldn't call out a number, because I think that depends year-on-year, what we win. It's a bit, we've seen quite good success as you would have seen our results, which we've always been calling out, plus part of our when we went for an IPO, we put those numbers out.

So, you've seen that being consistent there year-on-year, but it's something which is a bit lumpy, right? Sometimes you win 30 outlets, sometimes another time 50 outlets, 20 outlets. So it's not exactly a more of a straight line, so it tends to be a bit lumpy, but we've been quite successful over the last few years in terms of our net contract gains. And currently we did about 16% system-wide. I think historically we've kind of been in that ballpark with our numbers.

In terms of LFL, so what we see and I think I mentioned in one of the earlier questions, the LFL tends to be largely impacted by passenger traffic as a single biggest external factor. I think we've been quite consistent in terms of how we've been able to initiatives around price, around driving brand changes, to all push LFL. So you know in that range of at least being 5% to 7% above passenger traffic, that's been a strength of our model, which normally in the high street is a bit of a challenge.

We've traditionally been where, we're used to passenger traffic somewhere around 8% to 9% in normal years, and drive maybe 5% to 7% more of LFL growth over that to kind of reach an LFL percentage maybe around 14%-15%. That's been a more of a normalized year. Obviously, a year like this where passenger traffic has been flat, the idea is, LFLs would be about in that similar range as what we would normally see.

Challenge being that some of the particular airports where the international traffic was not strong this year, like I mentioned the Southern India markets plus some of the terminal transfers, this quarter was a bit of an anomaly. But that's how normally we look at LFL, which tends to be more passenger traffic kind of the barometer linked to that.

Aachal Pal: Okay, got it. So sir, this quarter we have seen an increase in other expense by 540 bps. So what lead to increase this, and how much we are targeting going forward?

Vikas Kapoor: Hi, Vikas here. So the reason for higher other expenses in the quarter is, here was roughly around INR223 million of lounge aggregation cost which has been classified in other expenses. As the business becomes meaningful, most likely we will show it as cost of sales separately. But excluding that also, the other expenses while they have increased by 22% year-on-year, which is in line with the business growth.

This is currently, as you are aware, that we are in the ramp-up stage of opening or mobilizing units in airports like Cochin, Delhi, as well as Noida. And as part of that, there are higher pre-operating cost which increases during this period, but it tends to normalize between the 12 to 18 months time frame. From that perspective, we believe that we should be coming back to our original numbers what we have been traditionally showing within another 12 month odd or so.

Aachal Pal: Okay. So one more, just the clarification that I need. So Delhi T3 we have just for first half and in the second half it is moving to JV, right?

Vikas Kapoor: So at this moment, Delhi T3 which is a material subsidiary, the contract is till 30th September 2026. The JV GHL has bid for the contract, but the results are not out at this moment. So I can't comment on H2 as of now.

Aachal Pal: Okay. And sir, which are the other airports which are coming for the renewal?

Vikas Kapoor: So, like we had clarified in earlier calls as well, there would be Chennai and Kolkata airports which would be coming at the end of March 2027 and early quarter 1 of 2027-2028 for renewal purposes.

Aachal Pal: Okay. Thank you. That's it from my side.

Moderator: Thank you. We take the next question from the line of Navin from IthoughtPMS. Please proceed.

Navin: Good morning team. Congratulations on a good set of numbers and thank you for taking my question. So, moving forward, my understanding is that the JV business will predominantly come from the airports that are managed by our JV partners, India, Adani, and other operators. But I'm more concerned about the non-like JV business side on the consol level.

So could you just maybe comment on the contract gains and the quality of contract gains in these airports and your general expectations of how that market will evolve? Like will we see a discrepancy between our JV entities and the consol business? One of my main concerns is to do with the profit share, right? So the JV profit share is significantly lesser than the consol business. So just want to qualitatively understand the difference between these 2 businesses.

Varun Kapur: Yes, hi Navin, thanks for the wishes. So in terms of one thing just to clarify, our JVs are not only the ones you mentioned here in India, but also we have a significant portion of the JVs, our Malaysia business, international business is also the JVs. So it's a broader set of joint venture business that you see in our numbers.

But in terms of how the JV business and the non-JV that we have here. So to give a perspective, like this year which we had won earlier during the year and announced the different times, so Cochin for example was one we picked up directly. Another one which we mobilized currently in this month part of our earnings presentation was Noida Airport as well. We mobilized a few units, still to mobilize a set of units. So there has been quite a bit of openings there as well, and Bangalore we spoke about, there, we picked up a unit in T1 when we see quite a bit of opportunity coming there as well.

So I think the way we look at it is there are 2 clear drivers of the business, even in the Indian market aside from even the international opportunity, where we have kind of these 2 opportunities of growing both through joint ventures with partners we work closely with, and at the same time we have a large part of the airports where we work with, which could be a combination of private owned, which could be a combination of run by AAI, which also is a large opportunity.

And in terms of growth, very similar drivers for both, ultimately, we are operating these businesses and very similar drivers because in terms of passenger traffic, it tends to be, obviously, you have some nuances like what happened this quarter with certain markets logically being more affected for international traffic to the Middle East. But largely, the growth has been quite democratic across India in air traffic.

So you've seen strong growth across whether JV, non-JV, large, small airports, they've been quite robust and balanced growth across all. So therefore we see these 2 avenues actually growing hand-in-hand during normalized periods.

Navin: Okay. Just a small follow-up before I move to my final question. So my understanding about the industry as a whole globally and in India, is that the standard operating model whenever there's like a private player involved is through a JV, right? So just want your thoughts on whether we see the consol business shrinking and the JV taking up a bigger chunk of the business or not, is what I was trying to get some clarity on?

Varun Kapur: Yes. So actually that just to correct, that information would be incorrect where you'd have got it from, because the majority of airports work directly where JVs are, probably what you were referring to, is where multi-airport operators. So a JV generally work where someone is running multiple airports, it makes sense for them to have a partner across this multiple, because the effort of putting a JV and running it, the cost with that of a separate individual vehicle, with a set, makes sense when you're running multiple airports.

When you have a single airport, those efficiencies don't play out in the same manner. So globally, more often than not, by a wide margin, they are direct concessions is the norm. JVs tend to be in these type of examples where you have, say an operator maybe running 5, 6, 7 airports and that's where we've seen, so globally as well. May be 1 or 2 exceptions, but largely that's how the model what we've seen in our experience.

Navin: Got it. So my next question is just like on a bookkeeping level only, it's a small question. So between the gross level and the operating level, there's like around 45% to 50% of sales as costs. So just want to understand how much of this is fixed and how much of this is variable, because I feel like both the other expenses and the employee line item, have both variable and fixed components. So just want to understand what percent of costs would be fixed, basically trying to understand how operating leverage might play out in this business?

Vikas Kapoor: So by default, roughly around 8% to 10% of our cost tends to be fixed because in terms of occupancy cost, you have these CAM charges and other charges which are levied by airport operators which are fixed in nature, which we have complete visibility how they grow or ramp up over the course of the contract.

Further to that, there are only limited amount of fixed costs per se. Labour is semi-variable in the sense, because India as a market is a fixed wage market. But where the economies of scale for a player like us step in, is our size and scale at existing airports wherein we are able to bring in efficiencies in back of the house, be it stores, be it in terms of procurement strategies, be it in terms of that if suddenly international traffic is impacted, we can move our staff or manpower from international to the domestic side of the terminal. Those are the leverages that we tend to enjoy, in terms of bringing the required economies of scale.

Navin: Got it, sir. Very clear qualitatively. Just a small follow-up quantitatively. So out of this fixed, I mean, this 50% cost base, how much grow detached from the growth of the business, and how much is tied to the growth of the business?

Vikas Kapoor: That is actually quite variable depending on year-on-year, to be fair, because what happens is, in some years wherein you have a ramp-up in the cost, your variable cost would go up because you would have higher pre-operating cost expense base which would come in. And like I said, the limited fixed amount would be more in terms of occupancy and a certain amount of manpower that you require, to ensure that operations are running in the way that is expected.

Navin: Got it, sir. Thanks a lot for the clarification.

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

Sumant Kumar: Yes, my question is, couple of airport going to expire and considering the cost is going to increase, so how are we going to retain the margin of that airports?

Varun Kapur: Hi Sumant. So I think the cost increase which you're mentioning, I think relates more to when a new contract starts. Since, we've had a lot of new build, the cost increase actually plays out at that point in time. So, when we start these new units, you'd have this cost increase, and especially in a greenfield, it probably plays out more, because in a greenfield airport, passenger traffic takes a bit of time to come.

So like prime example being Noida Airport started. We have teams there providing the services. You have pre-operating costs because those teams need to come in advance before sales are even there, right? They have to go for training for many of the brands, even 2, 3 months of training in advance. Leadership teams going in, travel, various pre-operating expenses. So those tend to be quite larger and yes, we've been through, in a positive sense a strong, new opening cycle. So that has played out in the cost, which will be basically our earnings potential for the period ahead, it unlocks that.

At the same time, to your question that when things go for expiry and they get renewed, yes, there will logically be some cost escalation again at that point in time, because there would be new brands we change. Now yes, in renewals, the changes you do may be more limited than a fresh construction, but yes you'd still have some brand changes what's relevant there, some assets you would refresh. So there would be some level of reset and some level of cost hitting in, but that again would normalize probably on the lower end of that 12 month scenario, is the way we see it playing out.

Sumant Kumar: When we talk about, this time we have a top-line growth of 20% plus and EBITDA growth of 11%, so our more than 9% margin has gone because of higher employee cost and other expenses because of commissioning of new site. So, is that big impact because of Noida or any other places?

Varun Kapur: So, we had mobilization in Noida. We had mobilization in Cochin as well. So, we had 2 airports that came in place, plus we had a lot of new units coming online in Delhi as well, and new terminals, that were there. So for example, we had presence in Delhi Airport, but with the set of new outlets. So, it's a combination of when a greenfield happens, it is much larger because you need a full set of teams, but even in existing terminal when you have a large set of outlets coming in, the teams for those outlets, for example, you need to recruit in advance and train for those outlets.

Now if it's 1, 2 outlets here there, it gets subsumed in the numbers, but when you have a large opening cycle that plays out, that tends to bunch up and get a number like, you'd say, an impact on the EBITDA as we had. So that obviously has played out in our numbers as well.

Sumant Kumar: Any inflation impact because of the change in labour cost or labour code and also other expenses increase any other bifurcation. Can you tell us what are the other factor apart from that, the other expense increase significantly?

Vikas Kapoor: So, on the other expenses, the labour code, we roughly have around 5,000 plus employees and majority are on company roll. The impact of the new labour code is very minimal for us, which we had clarified earlier, and it was below like INR8 crores to INR10 crores kind of a number.

Other than that, there isn't any other jump up in the cost except annual increments and the higher pre-operating cost for the ramp-up of units that happened for Cochin, Noida, as well as Delhi units which we were in the process of commissioning or ramping up as we go along. So, it will equate or be in line over a period of time as those units start performing.

Sumant Kumar: Okay. Thank you so much.

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

Sanjay Ladha: Yes, hi, sir. Thank you for the opportunity and congratulations on a great set of numbers. Sir, I just wanted to know we see a small moderation in our contract renewal rate. It used to be approximately 94% and now it stands around 92%. So is this just an adjustment made for Delhi Terminal 3 or has any of the concession expired which we did not renew?

Varun Kapur: Yes, hi Sanjay. Thanks again. So in terms of that number, if I recollect, I'm just trying to put, while probably it was nothing material in there, but if I remember right, it was some highway outlets, which part of our strategy, which were some we entered earlier, which we didn't see a intention to renew. So, because our strategy is now to go with the WSA larger investments.

We had done a few pilots on the highway a bit of smaller size, so those outlets we didn't look at renewing. So, I think that's why you've seen that marginal moving in that number that's been there, I think 94 to 92, that's the right numbers, but it has been probably because of the mathematics around those highway sites.

Sanjay Ladha: Okay. Sir, my another question would be, since you already alluded the couple of manpower and operating cost has been done for the last, we have won for 4 airports and all of them , and the Bhogapuram airport is also coming up as you mentioned on the 17th August. So the cost has been escalated, but the margin has been coming forward in the couple of quarters back. So maybe H2 onwards the margin will start kicking in from there. Is the understanding correct?

Varun Kapur: So, if I can get, if I understood your question right, just tell me at the end if I got it, but generally our margin on most fronts I think we've been around the ranges we've set. There may be some level in terms of the, especially like things around the employee piece, which logically are the ones you need to get in advance in terms of you have your team members, they train.

So there has obviously been one-time impacts currently, even in the backdrop of a challenging operating environment because of the Middle East, we've still I think kept quite a bit of discipline around costs and you can see that across various of other cost lines as well and the ultimate delivery in the numbers.

But yes, compared to what we normally have seen, there's a little bit of, you've seen that little bit of extra cost coming through in the few lines like you said, that impacts our EBITDA margin, you know, largely I think it was labor which was the one that gets affected because of the pre-op and the advance cost that you need to take when you're opening new units.

Sanjay Ladha: Sir, my last question would be regarding you are now alluding to the opportunity which is highways and all that. So for the last few quarters you've only said that it's a long-term play, but now when I see you have started alluding that you are looking forward to this opportunity quite robust. So is there government policies that been changing? Are we changing some sort of strategically? So what is the strategy you are looking forward in that space?

Can you know be bit louder on that side and explain more into that, because until now it was just an opportunity we were figuring out and we are saying that it's a 3 to 5 year down time frame, but currently what I able to understand is, we are aggressively looking into that highway space more. So if you can explain me more into that.

Varun Kapur: Sure, I can talk a bit about that, but just as a bit of a context. So I think as a general business, we look at opportunities, we would obviously look at it aggressively. But at the same time, cash generation return is top of agenda. So I think in any method, we won't compromise that.

And that's been something I think the USP of the TFS business over the last decade and a half, that's been the way we've run the business and that's why we achieved the financial results plus the cash balance, no debt, there as well on our balance sheet. So that's the approach.

And coming to highways particularly, our plan is obviously from a company point of view, I do talk about future opportunities as well. And I think rightfully I've always stressed that highways are probably what airports were when we entered in 2008, 2009. And then you know there's a journey, obviously, we're talking about a time almost 17, 18 years later today where we sit.

So I think highways are at the point where now government investment is coming, expressways are being built, these wide multi-lane expressways, access controlled, limited developments for retail F&B through these wayside amenities WSAs and there's about a thousand wayside amenity plan already announced by the government. But that is to come. So what I've been announcing is that we will be targeting those as those come online and that's basically a future opportunity.

So while I do talk and give a sense of the opportunity, obviously there's a lot of work going on the back end and we're doing a lot of work, analysis, engagement, talking with potential partner brands, landlords, companies out there, oil marketing companies, you'll see some press around that as well. And so all of that is going on, but like I said as we roll out, it's not something that we say we need to do immediate. We are looking at this as a medium-long term with a very clear condition that financial return, our benchmarks, we need to be in line with those and therefore you'll see that happening in a calibrated manner to unlock a long-term opportunity rather than something we want to say, we want to jump into on an absolute immediate basis.

Sanjay Ladha: Thank you, sir. All the best. Thank you.

Varun Kapur: Thanks Sanjay. Thanks.

Moderator: Thank you. We take the next question from the line of Vansh Gupta from Prescient Capital. Please proceed.

Vansh Gupta: Hi, sir. Thank you for the opportunity. Am I audible? Hello?

Varun Kapur: Yes, Vansh, hi. clear. Please, I can hear you.

Vansh Gupta: Hi, sir. Thank you for the opportunity. So just a couple of questions from my end. Given that some of our airports like the Delhi T3 airport, they might be moving towards the JV, and given that Delhi and Mumbai airports are perhaps the 2 biggest airports in the country, and they should be contributing to a large part of your revenue and margins. I wanted to understand is the EBITDA margin profile similar for our other airports which is beyond Mumbai, Delhi, and Bangalore? So essentially, will our EBITDA margin profile be the same if our Delhi airport were to move towards the JV or the other airports?

Varun Kapur: Hi Vansh. So, just 2 things. One, just a point of clarification. So Delhi T3 was already operating in a joint venture. It's currently that joint venture was in the form of an SPV and that contract expires. The plan is we will be building bidding through an other joint venture with GMR, that is a long-term joint venture, which is not in the form of an SPV. So that's been one which we've been calling out since a while.

In terms of margin profile, I think irrespective it's a joint venture or it's direct concession, the nature of that is quite similar. I think that plays out -- I think what's more relevant is if it's new build and starting to normalize takes a bit of time irrespective it's a JV or non-JV.

So, I think that's the more important criteria that as contracts mature, profitability levels start kicking in more and more because running it well, you understand the market, you built all the changes in, teams also clued on, ultimately it's a human business selling. So all of that plays out. So I think the timing is a more relevant point that plays out than say, in the type of entity it operates in.

Vansh Gupta: Got it, sir. Again, just for clarity, so you're saying that the Delhi airport was already operating under the SPV, it was not a part of your consolidated revenues as in the consolidated revenue that the company reports?

Varun Kapur: No, Delhi T3 was part of it. It was a JV. In the JV, historically we had a majority share, so we used to consolidate it. In the new SPV, our shareholding with GMR is 30% and therefore it doesn't get consolidated going forward. So it would still be a JV, but it would be a part of our profit pick-up that would come through.

Vansh Gupta: Got it, sir. And so it's not the case that we have like lower average selling prices across our airports other than Delhi and Mumbai and so margins would drop for other airports, right, even if this were to move to JV wherein, we have a lower share of the profit and the revenue?

Varun Kapur: The margins won't drop. You just have your share of the number is what it is. But obviously I think the tender, for example, is for a larger set of outlets than what we currently had in T3. So that's been a strategy we called out always plays out, When you operate directly or something you have a limited set of outlets. The joint venture, when these larger tenders come in, it's sizeable and much more in terms of scale than what the earlier opportunity was.

Vansh Gupta: Right. And so, do our ASPs also remain broadly along the same level across all our airports, sir?

Varun Kapur: That's right.

Vansh Gupta: Average selling price.

Varun Kapur: So I'll just clarify. So between JV and as it moves, that would be similar, because the same way of operating. But yes, across airports, just logically, the larger airports, metros, just because of the nature of travel, international travel, propensity, per capita income in those cities, spends would be a bit higher.

And that's why you see brands. Today you go to Delhi Airport T1, you see a Gordon Ramsay there. You go to a Mumbai you're seeing a Wagamama in the airport. So automatically, those spends in those airports because the premium offer type of brands, the absorption ability, the spends per consumer would be higher in that sense.

Vansh Gupta: Right, sir. Understood. Just one more question from my end. So all of our concession agreements, are they like baked-in step-ups to the minimum guaranteed rents that we pay to the landlords? Or is that like the rent, the percentage of revenue both the fixed part as well as the variable part, that gets renewed only after the concession agreement expires?

Varun Kapur: Yes. So our contracts are largely of the nature of a minimum guarantee and/or a revenue share which is higher. That's the majority of our contracts how they sit. And that would be in our performance, because we've been there. I think we run well. You see the numbers. We tend to always go above the minimum guarantee. That's predominantly I would say probably across all the real estate we're running in that manner where we're paying the revenue share amount.

So the airports also happy because you're beating the minimum guarantee they targeted, and you're delivering a higher revenue share, which is where a partner like us comes in. We don't just deliver the MG. Airports would look at us as a partner who gets the right brands, the right experience, and actually over-delivers in terms of sales performance and therefore the airport earns more from the incremental revenue share that we can drive.

Vansh Gupta: Right, sir. So my question was largely whether that minimum guarantee that we...

Moderator: Sorry to interrupt Mr. Vansh.

Vansh Gupta: Ma'am just follow up to a previous question. So my question was largely whether the minimum guarantee that we give to all these airports as well as the revenue share percentage that we give to these airports, are there like yearly step-ups to these percentage of revenue shares every year, or they get revised only upon contract renewals?

Varun Kapur: So normally the contracts every airport would have a differing way. I wouldn't say there's one set manner. So MGs normally would have an escalation. Revenue shares potentially could be a scenario where you have a revenue share, in some contracts may be the same amount, some may have marginal escalation, but not really meaningful. Like you don't see any sort of a real jump up that comes in, or there's a meaningful jump there.

So in terms of what plays out more than that, is probably, the maturity of the contract more than covers that. You know, as the contract matures and you get a profitability, even if there are certain contracts may have revenue shares logically a small jump here or there, 0.1%, 0.2% or something of that nature, it doesn't really meaningfully influence the return benchmarks in the later years, because the upside on maturity performance, because of our ability, when you get longer term, the profitability as traffic picks in, the same assets are performing better, that aspect actually flows in much stronger.

Vansh Gupta: Understood, sir. So hypothetically, what the landlords can revise the revenue share percentage every year with you?

Varun Kapur: No, that's actually, no, it's contractually built in. That's what I mentioned.

Vansh Gupta: The minimum guarantee.

Varun Kapur: Everything is backed.

Vansh Gupta: Okay. So they can't revise it every year as long as the contract is valid, the revenue share percentage as well as the minimum guarantee, they remain stagnant. Of course, the minimum guarantee has some step-ups every year, but the revenue share, that percentage remains constant throughout the life of the contract?

Varun Kapur: That's right.

Vansh Gupta: Understood, sir. Right. That's all from my end. Thank you so much for all that clarity. Wish you the best of luck. Thank you.

Varun Kapur: Thanks a lot.

Moderator: 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 their closing comments. Over to you, sir.

Varun Kapur: Great. Thank you to the ICICI Securities team for hosting us and we appreciate all of you taking the time out today to join us for this earnings call post our Q1 results. If you have any further queries, please feel free to reach out to our investor relations team. A happy Independence Day in advance to all my fellow Indians. Thanks a lot.

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