Apeejay Surrendra Park Hotels Limited
Q1 FY2027 Earnings Conference Call
August 17, 2026

Moderator: Ladies and gentlemen, good day and welcome to Apeejay Surrendra Pak Hotels Limited Q1 FY2027 Earnings Conference Call.

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 this conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone.

Please note that this conference is being recorded. And now in the conference, over to Mr. Shreeyut Daga from SMIFS Limited. Thank you and over to you, sir.

Shreeyut Daga: Thank you. Good evening, everyone and a very warm welcome to you all. My name is Shreeyut Daga from SMIFS Limited.

On behalf of the company, I would like to thank you all for participating in the Apeejay Surrendra Pak Hotels Earnings Call for the 1st Quarter of FY2027.

We have with us the Management represented by Ms. Priya Paul – Chairperson and Executive Director, Mr. Vijay Diwan – Managing Director, and Mr. Atul Khosla – Senior Vice-Chair in Finance and CFO.

Without any further delay, I request Ms. Priya Paul to start with her opening remarks followed by operational and financial highlights of the company. Thank you and over to you, ma'am.

Priya Paul: Thank you so much. Good afternoon, everyone. Thank you for joining us today to discuss our earnings for the 1st Quarter of FY2027.

On behalf of the Board and Management Team at Apeejay Surrendra Pak Hotels, I would like to extend a very warm welcome to all participants on this call. Let me begin with the broader hospitality environment. The 1st Quarter of FY2027 was marked by a dynamic operating environment for the hospitality industry.

Geopolitical developments during the quarter created some temporary disruption to international travel and air connectivity. However, domestic travel remained largely resilient, supported by leisure travel, domestic corporate movement, weddings, and social occasions.

This resilience continues to provide a strong foundation for the industry's growth as well as ours.

The demand-supply environment also remained favorable with limited editions of quality hotel rooms across several key markets. At the same time, improving connectivity and rising travel aspirations are broadening the opportunity for branded hospitality beyond the traditional metropolitan markets, with select Tier-2 and Tier-3 cities emerging as increasingly attractive destinations. We believe that structural opportunity for Indian hospitality remains strong.

The combination of rising domestic travel, increasing preference for branded accommodation improving connectivity, and measured supply addition should continue to support the sector over the medium to long term. For Apeejay Surrendra Park Hotels, our focus remains on building a differentiated hospitality platform across hotels, food, beverage, and lifestyle experiences. Our portfolio across luxury, upscale, and upper mid-scale segments allows us to address diverse customer requirements while maintaining the distinctive positioning of all our brands.

Our F&B and entertainment ecosystem remains an important differentiator for us. We have built a strong presence across restaurants, nightclubs, and bars, allowing us to participate in the broader lifestyle opportunity alongside our core business. Flurys is an important part of this platform.

This 100-year-old brand has continued to expand beyond its heritage Kolkata presence. I am delighted that we have started our expansion in Delhi NCR with the opening of a new cafe in Gurugram. We see significant opportunity to build it into a larger national premium cafe and retail F&B network through an asset-light model. The brand now has 111 outlets across cafes, kiosks, and tea rooms.

Looking ahead, our growth strategy remains focused on expanding our presence selectively across attractive markets while maintaining capital discipline. We see increasing opportunities to scale through managed properties and other asset-light formats, particularly across emerging leisure, pilgrimage, and urban destinations.

Our longer-term ambition is to build a larger and more scalable hospitality platform with more than 6,000 keys by FY 2030. As we pursue this ambition, we will remain selective in our market choices and continue to focus on strengthening our brand and enhancing the quality of our portfolio. Alongside expansion, we remain committed to unlocking the potential from our existing assets and maintaining the high standards of hospitality and guest experience for what we are known for. Activity at our new properties in Juhu, Kolkata, and Vishakhapatnam continues to be steady and openings are on schedule.

Overall, we remain confident in the long-term prospects of Indian hospitality and the opportunities available to Apeejay Surrendra Park Hotels. Our differentiated brands, diversified portfolio, and scalable growth strategy provides a strong foundation for the next phase of our journey.

With this, I would now like to hand over to Mr. Vijay Dewan – Managing Director of the company, who will take you through the detailed operational and financial highlights for the quarter and the year. Thank you.

Vijay Dewan: Thank you, Ms. Paul. Good afternoon, everyone. A very warm welcome to all of you for being with us today.

We have started FY27 with a positive momentum demonstrating the resilience and strength of our business model. 33 of the 69 apartments available for sale have been sold in our EM Bypass Hotel and Residential project at Kolkata. This will lead to improved cash flow of Rs.70 to Rs.80 crores during the course of the year, of which Rs.21 crores is already received. Continuous stream of income from this project will help propel growth for the company.

Despite headwinds on account of West Asia crisis, near-flat air traffic growth during this quarter, high energy cost and supply chain disruptions, we have retained India's leading occupancy position of 92% and have maintained our leadership in RevPAR in the upper upscale segment.

In Q1 FY27, we have delivered operating revenue of Rs.167 crores reflecting a growth of 8% year-on-year. EBITDA stood at Rs.47 crores up 3% year-on-year with EBITDA margin at 28.12%. At the consolidated level, revenue achieved was Rs.172 crores up 10% and EBITDA at Rs.52 crores up 8% over last year. This performance once again affirms the strength of our brand and the relevance of our differentiated hospitality proposition.

PAT for the quarter stood close to Rs.12 crores, a decline of 14% year-on-year with PAT margin close to 7%. This decline is due to the impact of higher finance costs to propel expansion during this period as well as deferred tax provision of Rs.2.2 crores as the company shifts to the new favorable income tax regime.

The debt-to-equity ratio remains extremely favorable at 0.12 and net debt-to-EBITDA at 0.70. Food and Beverage remain an important part of our overall hospitality ecosystem, contributing approximately 43% of total revenue during the quarter. Our restaurants, nightlife and experiential dining formats continue to complement our hotel business and provide additional revenues for customer engagement and revenue generation.

Ran Baas - The Palace - Patiala, remains featured in the Pre-Versailles Global List of Architecture and Design Hotels and this July, Ran Baas hosted the prestigious Rayleigh and Chateau Annual Regional Conference of which Ran Baas is also a member. Several Zone by The Park and Zone Connect properties received TripAdvisor Traveler Choice Awards and recognitions during this quarter. These recognitions reinforce the strength of our brands and our continued focus on delivering differentiated guest experiences.

Coming to Flurys:

The brand continues to strengthen its presence and now has 111 outlets across cafes, shops and tea rooms. During the quarter, we added a new outlet at Inorbit Mall Vishakhapatnam. Subsequent to the quarter, we have further expanded into North India with the opening of our first stand-alone Flurys Cafe in Gurugram in August.

Flurys enters New Delhi with the openings at Green Park in September '26 and at Greater Kailash 2 in October 26. We continue to see opportunities to expand the Flurys brand across Delhi and other markets through an asset-light model. By the end of this year, we are working to deliver 29 additional outlets to take the overall Flurys store count to 140 stores.

Looking ahead to FY27, we now have a pipeline of 12 hotels comprising of 472 keys for this year. These additions are expected to take our portfolio from the current 42 hotels with 2,677 keys to 3,149 keys by the end of FY27. On the development front, we have made continued progress across several strategic projects.

At EM Bypass Calcutta, our integrated hospitality-led mixed-use development comprising of 218 hotel rooms and 69 service apartments. The project has witnessed record-breaking sales of service apartments and continues to demonstrate encouraging traction with 33 apartments being already sold. The project has also seen healthy realization with average realization at approximately INR 20,633 per square foot.

The strong sales momentum from this project, as stated earlier as well, is significantly improving our cash flows and will provide additional support for the ongoing growth of initiatives and opportunities. This project is slated to be completed by early 2030. We have also made significant progress on The Park Mumbai at Juhu.

The 78-room project has completed its design phase and is targeted to be launched in October27. It will further strengthen our presence in one of India's important hospitality markets. In Vizag, we have made good progress on the upcoming 100-room hotel with the project teams already on site.

The project is expected to be launched during the course of this month and is expected to be completed by early 2030. We also continue to evaluate opportunities that can strengthen our portfolio in high-potential major markets. The acquisition of the Malabar House in Fort Kochi is currently in progress. The property comprises of 17 keys on approximately half an acre of land and this acquisition is expected to be completed by October-November of 2026.

At Pune, the FSI available to us on our land has changed from 2.5 lakh square feet to 6.7 lakh square feet. This will add immense value to our business.

Our plan is now to utilize 2.5 lakh square feet of FSI towards hotel development and 4 lakh plus square feet of FSI towards residential development, enhancing value for our company. Overall, over the next four years, we plan to double the number of hotels from 42 hotels with 2,667 keys to 87 hotels totaling to 6,719 keys. 2x growth in our own assets and 3x plus growth in the asset-light model.

Flury's growth in outlets is planned to reach 400 outlets in the same period by 2030. Operational efficiency and technology also remain key priorities for us. During the quarter, we completed the implementation of SAP S4 HANA for Finance.

This will strengthen our financial controls, improve the quality and timeliness of reporting and enhance operational efficiency across the organization. We believe these investments in our internal systems and processes will become increasingly important as we scale our portfolio. At Apeejay Surrendra Park Hotels Limited, our journey continues to be guided by the 3G principles of growth, governance and green.

These provide the strategic foundation for the business while our focus on purpose, people and performance defines how we translate our strategy into action. The 3Gs and 3Ps together shape our organization that is ambitious in its growth, responsible in the way it operates, committed to its people and focused on delivering sustained value for all our shareholders. We are well placed for the opportunities ahead, supported by a healthy balance sheet, a strong development pipeline, growing brand equity and an experienced leadership team.

Our focus now is on disciplined execution, expanding in high potential markets, strengthening our brand and improving return on capital. With the Indian hospitality sector in a compelling growth cycle, we believe we are well positioned to capture a higher share of the opportunity and deliver sustained long-term growth. The subsequent quarters in the industry will be supported by the upcoming BRICS Summit in Delhi.

There are about 40 wedding dates during the course from now to March'27, Aero Show at Bangalore and the Bharat Mobility Expo among others. On behalf of my team across the organization, I would like to thank you for your continued trust and confidence in our journey, your support and belief in what we are building at Apeejay Surrendra Park Hotels inspires us to aim higher and create enduring value. With this, I would now like to hand over to the moderator to open the floor for the question-and-answer session.

Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Archana Gode from IDBI Capital. Please go ahead.

Archana Gode: Hi, sir. Thank you for the opportunity. I have three questions. Firstly, on occupancy, we have one of the highest occupancies among the organized players and at 92% more or less, it looks we are at peak level of occupancy. So, since we have to play on ADR, how we should look at that part of operating metrics evolving for us? I do understand due to West Asia crisis; ADR could have been slightly under pressure in Q1. However, on the long term, what kind of growth should we expect? Your guidance on that will be helpful, sir.

Vijay Dewan: So, thank you, Archana. First and foremost, we have definitely done exceedingly well in achieving 92% occupancy and also outperformed the market in terms of the RevPAR. The quarter, as I mentioned, has seen a lot of pressure building in because of the West Asia crisis as well as the oil crisis, one could say, in India. And also for the reason that the domestic air travel growth has actually been quite subdued. In fact, domestic passenger traffic has been flat and international air traffic into India during this course of this quarter has declined by almost 10%. And also, there have been supply side disruptions.

Now, as we are moving into the Quarter 2 and Quarter 3 and Quarter 4, things have sort of stabilized and normalized. And as I mentioned, there are going to be a lot of conferences and conventions which India is going to be full of, starting with the BRIC Summit in Delhi. In fact, the tourism section of the BRIC Summit has already started.

And this is going to really drive occupancies and demand in the city of Delhi. Apart from that, there are many other conferences and conventions which are planned, as I mentioned, the Aero Show in Bangalore, as well as the Bharat Mobility Expo, which is actually going to take place in Delhi in both the venues, which is the Mandapam, which is at Pragati Nagar, and the Yash Bhoomi at, near Dwarka. So, both the convention facilities and exhibition facilities are going to be used for the Bharat Mobility Expo.

So, there is, and then along with that, there are going to be almost 40 wedding dates which are there between November and March. So, we are expecting that the ADRs from now, because starting with the BRIC Summit and then wedding season and all these conferences and exhibitions, to definitely keep growing. So, we expect the ADRs to improve, and based on that, the performances to also improve as we move forward.

So, expect good ARR growth as we move forward. And obviously, we are market leaders in occupancy in RevPAR. So, we expect that the quarters ahead are going to be distinctly better than the quarter which has gone by.

And we are very positive on the quarter which has gone by as well, because overall, if you will see, the growth is 10%, and with other income, our EBIDTA growth has also been 8%. So, we expect that this trend to continue.

Archana Gode: ADR growth of 2%, if you can just guide us some more on this, what would have been our ADR growth in absence of the disruptions we had? Some of you are talking about lifting kind of growth on top line. So, if I want to achieve that, 2% I think will be behind the schedule. So, can we read that?

Vijay Dewan: So, ARR growth in the market has particularly, first let's look at the market on the whole. The All-India market growth in ADRs during the quarter has only been 6%. And again, as I'm mentioning, the reason for this is because the passenger, air traffic passenger growth has been quite depressed.

In fact, if we are to remove the city of Delhi, there has been a deep contraction in terms of the air passenger traffic. Mumbai has actually declined by 3.5%, and Hyderabad has declined by over 12%. Similarly, Chennai dropped by 13% in terms of domestic passenger arrivals.

So, there has been pressure in terms of the ARR, largely because of the, as I mentioned, the west Asia crisis , and this air passenger traffic demand going down, but things are stabilizing. So, we can expect definitely high single digit ARR growth as we go forward. Plus, we are going to be also helped by the stabilization of palace properties, which is the Ras Baan Patiala, where we are experiencing very high ARR growth.

Already it is at 33,000, and in Lotus Palace, Chettinad, we are at 13,000. So, we expect that as the season comes in, the ARR growth should be in the range of high single digit, for sure.

Archana Gode: That was helpful. So, my second question is on Flurys. As mentioned in the opening remarks, we are now at 111 outlets. A few quarters before, we had aggressive plans on expansion of Flurys, but number-wise, we are yet to get there. So, what is really missing here, sir, if you can elaborate? I know you spoke about adding 40 Flurys in FY27, but at 111, we are still 29 flurries away. So, how should we plan that addition going forward?

Vijay Dewan: So, Flurys, as you know, has been growing at a very steady pace since 2019, when it had 17 outlets. It has now moved to 111 outlets, with a CAGR growth of 21.5%. And it continues to grow. We have opened, by now we have opened five outlets, but all the other part of the growth has been completely mapped.

We are going to open 29 outlets as we go forward. During the course of the year, we are going to open three more outlets in Pune. We are going to be expanding into Pune with five outlets, Mumbai three outlets.

We are going to further expand in Hyderabad by adding five outlets. NCR, we have already signed these outlets. We are expected to be opening seven more outlets during the course of the year.

As I mentioned, we are opening at Green Park by September, by the end of this month or early September. And then we open greater Kailash outlet at the end of September or early October. And then other outlets are also being signed to open during the course of the year.

So, we will have about seven outlets further opening in Delhi. In Bangalore, we plan to open, we want to enter the market of Bangalore. We plan to open four outlets there.

There are a lot of other tie-ups which we are exploring. One is tie-up with the Adani Group for airports across India. And second most important is that we are very close to signing all India deals with the Phoenix Mill as well as with DLF.

Alongside this, Flurys has a plan to, is very close to finalizing deals with PVRs and where we could open ten outlets simultaneously. So, Flurys has very strong growth plans and we plan to add 29 outlets from here on to end the year at about 140 outlets by the end of the year. And then of course the overall plan is that by the time we reach 2030, we have 400 outlets of Flurys.

So, it is committed to its strategy. Also Flurys celebrates 100 years and as we celebrate 100 years of Flurys next year, we are also looking at having 100 outlets of Flurys in West Bengal alone by the time we complete 100 years of Flurys.

Archana Gode: Sure sir, that was helpful.

Vijay Dewan: Thank you, Archana.

Moderator: Archana, we are unable to hear you. Can you repeat your question once again please?

Archana Gode: So, my question was on other income. Is the run rate sustainable over the next three quarters?

Atul Khosla: We have other income of 4.79 crores which includes about 2.7 crores from mutual funds which will be sustainable over the other quarters. So, around 4 crores will be sustainable quarter by quarter. So, that is how the mutual fund income, which this quarter was 2.73 crores and there was some small other income from scrap sales and other miscellaneous income. So, I think around 3.5 – 4 crores will be sustainable on a quarter-on-quarter basis.

Vijay Dewan: To add to what Mr. Khosla has just said. You know as I mentioned so far, 21 crores of additional cash flow has come into the company because of the sale of EM Bypass. We expect that by the end of the year additional we should have another 50 crores coming in and this will get added to the mutual funds which we have at the moment which is close to 97 crores.

So, this should be plus with EBITDA income this should substantially increase and keep on increasing our other income. So, this other income is likely to remain stable. Not stable I would say likely to further increase during the course of the year because of the sale of VM Bypass and of course because of good performance on account of EBITDA.

Archana Gode: Sure, sir that was helpful. Thank you so much sir.

Moderator: Thank you. Thank you. Next question is from the line of Devansh Patel, Individual Investor. Please go ahead.

Devansh Patel: Good evening, everyone. Thanks for the opportunity. Firstly, I just wanted to ask what proportion of your existing hotel portfolio is currently mature and how much of your performance improvement over the next 2 years would simply come from the newer properties turning mature.

Vijay Dewan: So, currently as you know we are operating hotels under different brands. One is of course we are operating under the Park brand, Park collection brand then Zone by the Park and Zone Connect by the Park. Now all the properties at the moment which we have are in mature stage or they are entering maturity stage. The 2 properties which we opened last year that is Ran Baas Palace at Patiala and the Lotus Palace Chettinad they are already entering the maturity phase. As I mentioned that the Ran Baas has already clocked 33,000 ARR during the course of this year and it is likely to further go up and then of course the Lotus Palace has recorded 13,000 ARR and is also likely to go up. The occupancy at these 2 important hotels is expected to stabilize fully during the course of the year. So, we are expecting good results on account of stabilization at Patiala as well as stabilization at the Lotus Palace in Chettinad. Also as you would know that we also acquired 15 room properties at the Vembanad Lake. This property we acquired this year and this property is also likely to stabilize during the course of the year.

The season time for Vembanad Lake starts in Q3 and it reaches peak form in Q4. So, these 3 properties which are there which were acquired are also supposed to stabilize and add immense value to our ARRs and also to our overall performance. The other properties which are under development which is Calcutta and Vishakhapatnam these properties are expected to open in 2030 and normally hotel properties take about 2-3 years to stabilize but at Calcutta since the demand supply imbalance is huge Calcutta has the lowest inventory in terms of metro cities only 5111 keys and not much of inventory is coming in.

We expect very high performance at our hotel in Calcutta the second hotel in EM Bypass as it opens. Similarly in Vishakhapatnam there is very limited inventory in fact inventory is really short in Vishakhapatnam and that hotel also when it opens in 2030 should open with a very high performance and high ARRs and also because of its location these properties should open with very high performance and high ARRs.

Devansh Patel: Sure sir, got it. Just a follow up on that side only. How long does it typically take for a newly opened property to reach its targeted operating metrics and what is the trend for this stabilization period? So, is this decreasing in the coming years? So, just wanted to know on that.

Vijay Dewan: So, good question Mr. Patel. So, normally hotels normally take 2-3 years but it depends on the selection of the market more than anything else. So, Park's strategy firstly is that we operate hotels in great locations and it will continue to be the strategy. So, location makes a very big difference. The second is that we are looking at opportunities in high potential markets. Now as we have entered, we already had park hotel in Navi Mumbai and we are going to enter the city of Mumbai. So, Mumbai is a very high potential market. High potential markets you can stabilize within 1-1.5 years only of your operation you will stand to stabilize. You may actually in a market like Mumbai actually outperform the market itself with a new product. So, similarly we are entering the market of Pune. Again, a very high potential market. So, we expect to stabilize in the very first year itself.

Same goes for our second hotel in Calcutta. So, our strategy is based on location. Strategy is based on high potential markets. So, with limited stabilization time. So, yes, if you are entering a resort market or a new market it takes about 2-3 years as we are also experiencing in the Lotus Palace at Chettinad and in the Ran Baas Palace at Patiala.

Devansh Patel: Sure sir. That answers my question. That's it from my side. Thank you.

Moderator: Thank you. Next question is from the line of Jayanth Singh, an individual investor. Please go ahead.

Jayanth Singh: Thank you sir for the opportunity. So, could the service apartment component at EM Bypass ultimately generate a higher return on the underlying land than a conventional hotel development? And is this influencing how you evaluate future land parcel? How do you see that?

Vijay Dewan: So, as we are gaining experience through the sale of service apartments in EM Bypass, we or I and we strongly feel that this could be the right way for this mixed-use development could be the right way to move forward. Because typically hotels you know they have the return on capital employed in hotels tend to be have a longer, longer. Firstly, it's difficult to get double-digit return on capital unless of course as we are in high potential markets.

So, this could be the best way to move forward. Now looking at EM Bypass project itself, it is going to give us cash flows of Rs. 70 crores this year, almost Rs. 120 crores next year followed by another 100 crores in the third year. And the remaining 30 to 40 crores in the fourth year.

So, we expect to have sale of Rs. 300 crores to Rs. 325 crores which is our share in this mixed-use development. And the same amount of money is going to be used for the development of the hotel at EM Bypass which is going on at the same time. So, the hotel is going to be virtually free.

So, obviously the return on capital employed not only for this project but for the company could actually very soon be heading from where we are at the moment and just sort of double digits at around 10% to actually go way past 20% as this project goes live. So, similar model we are going to show, it's a high potential company at the moment where we are placed. So, as soon as this project goes live from where we are sitting on return on capital employed at roughly about 9% to 10%, it can sort of really double by the time we reach 2030.

Similarly in Pune we have this advantage of land and FSI. Originally the FSI changed from 2.5 lakh square feet to now 6.7 lakh or close to 7 lakh. So, there also we are planning a similar model.

So, expect very high return on capital in our business as I said sort of doubling by the time we reach 2030. So, it's a good way forward mixed-use development as we have also learned is a good way to develop hotels. Otherwise, the cost of land in India is significantly higher.

Typically, if you are doing a hotel, it should be not exceeding 20%. But in all these markets the cost of land in India is very high. So, our return on capital employed as a result of it is not proportionate.

But our company is very, very cautious on this, very focused on this I would say. As I am again saying this, expect that proceeds frankly go through the roof and beat sort of all competitors.

Moderator: Thank you. Next question is from Ramesh Ravikar from ICICI Securities. Please go ahead.

Ramesh Ravikar: Thank you for the opportunity. Sir, my first question is I want your capital guidance updated for FY27. If you can provide the split between old project, maintenance capital and refurbishment.

Vijay Dewan: So, Mr. Khosla will take this question for you.

Atul Khosla: Sir, we have earlier also guided for all these projects over a period of 4 to 5 years, which is Pune 200 rooms, Navi Mumbai 250 rooms, Vizag 100 rooms, EM Bypass 220 rooms and Jaipur 150 rooms. We will have a CAPEX of approx. INR. 1,140 Crores @ of Rs. 1.2 crore per room. Plus we have overall acquisition cost of Zillion of about Rs. 210 crores and additional Juhu renovation will be about 80 crore and Kochi acquisition of Rs. 64 crores which comes to about Rs. 350 crores. Out of which from EM Bypass we will get funding of about Rs. 350 crore. So, now in addition we will have operational CAPEX of 40 crores per year for about 4 to 5 years and Flurys is again Rs. 40 crores per annum, which will help us in achieving the target of Flurys of 400 outlets by FY30-31.

Now this overall CAPEX requirement net EM Bypass contribution comes to about Rs. 1500 crore. Even with the current average EBITDA level of about Rs. 240 crores- Rs. 250 crores we should be able to finance about Rs. 1300 crore in over a period of 4-5 years. So, that's how the CAPEX will be taken care of.

And in case some 100-200 crore is required our net debt to EBITDA is very low. We will be able to finance it. Within this year there could be around Rs. 200 crores - Rs. 250 crore of the CAPEX requirement.

So for Zillion Juhu property, long term financing line is already tied up.

Ramesh Ravikar: Sir I have one more question. You know year on year revenue increased by 8% but PAT is contracted to 14% provided a 60% spike in interest cost. So, I just wanted to ask can you elaborate on this?

Atul Khosla: So, the PAT of course we did mention there is a finance charge increase of about Rs. 2.5 crore over the same time last year mainly on account of acquisition financing of Zillion which will get charged off. So, that is the reason for lower PAT. The second thing is which we have also said, we have now shifted to new regime of taxation.

So, if you see in Q1 the amount of tax is Rs. 8.71 crore in CFS compared to Rs. 12 crores of the Q4 and Rs. 8.9 crore of the Q1 last year. So, at present our tax rate from next quarter will go down from 35 to 25% as we are coming under new regime.

So, this time it does have a 40% tax rate but in future in Q2, Q3, Q4 our tax rate is going to come down to around 30% to 35%. And it will improve substantially the PAT further going forward under new regime. And I would also request that if you are comparing PAT compare with the Q4 not to the tax rate with the Q4 not to the Q1.

Moderator: Thank you. Next question is from Rohan Jain, individual investor. Please go ahead.

Rohan Jain: Hi sir, thank you for the opportunity. So, sir my question was on the lines that how do you assess a new market before committing an expansion to it? What are the thresholds or the return expectations you set that determine whether you enter or don't enter a particular market?

Vijay Dewan: So, Juhu has been an amazing acquisition for us. Firstly, the acquisition cost is roughly below INR. 40,000 per square feet. This market because of the change in rules has already can be purchased and it was very high so it has been a great acquisition.

Market rates in Juhu for acquisition are roughly plus of INR. 1 lakh per square foot. And this is actually the trend across Mumbai but at least in Juhu it is definitely being premium market is always being at INR. 1 lakh per square foot. Now in our case we have done a great acquisition and it's at INR. 40,000 per square foot.

So, that is one big plus for the Juhu market. And as the rules are changing in Juhu I expect these valuations to go up. Bombay in fact in terms of real estate is the best performing market with properties even selling at INR. 1.5 crores to INR. 2 lakh per square foot. The Juhu market is by itself a high fashion and a high star market or high Bollywood market. It's a strong market for good hotels, for boutique hotels where we are. So, this market is enjoying ARRs in the range of 18,000 to 20,000.

By the time we are ready next year expect these ARRs to further go up. At least Bombay market ARRs are going up in double digits in 10% to 15%. There is not much of hotel supply coming up in Juhu.

Bombay on the whole and Juhu as well is a very high potential market. And our hotel is very strategically located in Juhu. So, we expect very high results from year one itself in terms of revenue as well as profitability.

It's going to be when we acquired it had 60 service apartments. Now it is being converted into 70 to 80 room hotels. And our strength will play out very strong in this hotel which is on the F&B side of the business.

We are market leaders in providing as I said 43% is our share of F&B. And in this market F&B is expected to be even stronger. We are market leaders in nightlife as well.

So, we are coming up with a rooftop bar. So, we expect this hotel to perform exceptionally well for us in this high potential area as well as the high potential market.

Rohan Jain: Sure sir. That was it from my side. Thank you. Thank you so much.

Moderator: Thank you. Next question is from the line of Sahil Mahajan. Individual investor. Please go ahead

Sahil Mahajan: Hello. Yes. So, I was looking at your annual report. And while looking at your balance sheet I could see that the mutual funds you have are regular mutual funds and not direct mutual funds. So, one of the questions was why is that? And the second thing is there are a lot of spelling mistakes in this list of mutual funds. I also mailed to the investor relations but never got a reply back. So, I cannot see which exact mutual funds you have. Yes. Thank you.

Atul Khosla: I think yes. We have reverted to the mail but we will again forward it to you. We do have the mutual fund portfolio consisting of All-season bond fund growth of the ICICI and three to six months Debt Index Fund growth of again ICICI, 360 one Bond as the growth fund. We have a lot of debt funds so that in case of availability we will have this. Nippon about INR 23 corers which is again giving me 5.91% yield. And ICICI 3-6 fund which gives me about 7% yield. So, if you want, we can have it separately mailed to you also. And we have reverted to that mail as of now. There was one particular fund which was ICICI Mutual Fund.

Sahil Mahajan: So, I was asking for all the funds. I am telling you. And the other thing was why aren't we buying direct mutual funds?

Atul Khosla: To propel the inorganic growth and keeping the money readily available so that whenever acquisition opportunity comes. That is why keeping these funds.

Sahil Mahajan: So, I understood that why are you buying debt mutual funds. I could not understand why are we not buying direct mutual funds. And why are we paying higher fees by buying regular mutual funds.

Atul Khosla: So, I think that we can have an offline query. But we are not paying higher fees. We can have a comparison with both things. We are not paying higher fees as I said. So, my net cost, net return from mutual fund is competitive than the market. To highlight the point even in this Quarter INR. 2.8 crores is on account of mutual fund only.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as the last question. And now in the conference back to the Management for closing comments.

Vijay Dewan: So, thank you. I would like to thank you all for joining the call today. And I hope we were able to address all your queries. If you have any further questions. You can reach out to our Investor Relations team at Valorem Advisors. Or directly to us. And thank you once again for participating in this call.

Moderator: Thank you, members of the Management. On behalf of SMIFS Limited that concludes this conference. Thank you all for joining us today. You may now disconnect your lines. Thank you.