Management Discussion

Ashutosh Joytiraditya - Analyst, ICICI Securities
Yeah, thank you, Shaisha. hello and good afternoon everyone present on the call. On behalf of ICICI Securities, I welcome you to the Travel Food Services Limited Q2 FY '27 earnings call. I would like to thank the management for giving us this opportunity to host the call. I now hand the call over to Ms. Chhavi Agarwal for further proceedings. Thank you, and over to you, Chhavi.

Chhavi Agarwal - Vice President, Investor Relations, Travel Food Services Limited
Thank you, Ashutosh, and good afternoon everyone. Welcome and thank you for joining us on the Travel Food Services Limited earnings/conference call for the second quarter and first half year ended September 30, 2026. I have with me Mr. Varun Kapoor, Managing Director and CEO, and Mr. Vikas Vinod Kapoor, Whole-Time Director and CFO. We will start the call with the management presenting their perspective on the company's operational and financial performance. Post that, we will open the forum for the question-and-answer session.

Before we proceed, here is the 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 hand the call over to Mr. Varun Kapoor for opening remarks. Thank you.

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Thanks, Chhavi. Good afternoon, ladies and gentlemen, and thank you for joining us as we talk through our performance for the second quarter and first half of the financial year. I hope you have had the opportunity to review our results and the investor presentation uploaded, uploaded on the exchanges yesterday. At the halfway point of the year, three things stand out about our business. First, the passenger environment has been weaker than anticipated at the beginning of the year due to the prolonged nature of the West Asia crisis.

Second, despite that, TFS has continued to deliver on our results through a combination of disciplined execution and nimble cost management. Third, while managing the immediate environment, we have continued to expand the business at a healthy pace, opening new units entering new airports, and developing new growth platforms. For me, these points define our performance and are relevant to keep in mind as I talk through the operating environment and our results. The aviation environment has remained challenging and the situation has evolved through the first two quarters.

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

As we enter H2, we expect improvement to be gradual rather than immediate. However, there are some encouraging indicators. The second half of the year is seasonally a stronger period for travel, and the winter schedules announced by some airlines point towards a progressive restoration of capacity. Together with any moderation in crude and fuel prices, these developments should

support the operating environment as we move through the second half. We are therefore cautiously optimistic on the direction of travel while remaining measured about the pace of recovery, and we will not step back from the cost and efficiency measures we have put in place.

Important point for us is that while passenger traffic weakened as we moved through the first half, our business continued to grow. System-wide sales increased 18.8% year-on-year in Q2 to INR8.65 billion and grew 18.4% year-on-year during the first half of the year to INR17.1 billion. Importantly, this growth was achieved despite lower passenger traffic and a higher cost environment for consumers, which can weigh on discretionary spend. Underlying profitability also remained healthy. Reported PAT increased to approximately INR1.5 billion in Q2 and INR2.8 billion in H1.

More importantly, even after adjusting for the provision write-backs, PAT was approximately INR1 billion in Q2 and INR2.2 billion in H1. Vikas will take you through the reported numbers and the underlying profitability bridge in greater detail. This performance needs to be viewed in the context of the environment in which it was achieved. While we cannot influence passenger volumes, airfares, or airline capacity decisions, what we can influence is how effectively we operate our outlets, how relevant our offering is to passengers, and how quickly we respond when travel and consumption patterns change.

That has been a key area of focus for our teams over the last six months. Across our network, we have continued to work on the menu, product mix, and premiumisation while ensuring that the proposition remains relevant across different passenger segments and price points, including through festive and regional offerings such as the Onam Sadya thali and our Ganesh Chaturthi specials. At the operating level, we have remained focused on efficient inventory and supply chain management, prudent overhead controls, and flexible manpower deployment.

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

To the network. This has evidently created a meaningfully larger operating platform for us. We are continuing to deepen our presence within existing airports as well. During the quarter, we expanded our presence at Bangalore Terminal 1 beyond lounges into travel QSR with the opening of our first outlet, The Filter Coffee, a highly promising local brand. We have also opened another travel QSR unit which is currently under construction in the same terminal, and we will be opening that shortly. Our joint venture business is also progressing well across both domestic and international markets.

In India, GMR Hospitality Limited, our joint venture with GMR Airports, has recently secured the travel QSR concession for Terminal 3 at Delhi Airport. The concession covers nearly 50 travel QSR outlets A significant step up from the 32 outlets we operated earlier in that terminal and further strengthens our presence across the Delhi Airport ecosystem. Semolina Kitchens, our joint venture with Adani Airports, has also continued to grow, expanding its network from 150 to 154 outlets over the past year, including at Navi Mumbai International Airport.

During the quarter, GHL, GMR Hospitality Limited, also commenced operations at Bhogapuram Airport. We started with six travel QSR outlets with additional outlets under fit-out. Our participation in a greenfield airport at an early stage gives us the opportunity to establish our operating base and grow alongside the airport as connectivity and passenger volumes develop. Our EATS platform is

progressing well with continued efforts to broaden its ecosystem strengthen distribution capabilities, and expand its reach across the passenger services landscape.

Our priority is increasingly on scaling what we have built. Looking ahead, while we remain watchful of the near-term trends, we see a strong growth opportunity over the medium and long term. The stronger seasonal travel period and the capacity additions visible in future airline schedules give us greater confidence in the direction of the operating environment through the second half of the year. A number of our newer locations are still moving through their initial ramp-up period. At Noida, where passenger traffic is still building, and at multiple other airports like Delhi and Cochin, where further outlets and lounges are being readied, we are carrying pre-operating and ramp-up costs ahead of the revenue these units will generate.

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

As travel increases and consumer preferences evolve, evolve, we expect greater demand for branded and premium dining formats, lounges, and a broader range of airport services. This plays directly to the platform we are building across travel QSRs, lounges, and EATS. The industry outlook also points to premiumization and higher passenger spend as important drivers for airport consumption. We are therefore focused on strengthening our presence at existing airports, participating in new and greenfield airports, and building EATS into a travel hospitality platform providing access to a wider set of passenger services.

We also continue to selectively evaluate opportunities outside the existing core. Internationally, our focus remains on lounge opportunities, particularly across APAC and the Middle East. Our international credentials continue to strengthen with Kyra Lounge at Hong Kong International Airport being named Asia's Leading Airport Lounge at the World Travel Awards 2026 for the second consecutive year. This recognition, along with TFS's recent 10 wins at the Global Airport Food and Beverage FAB Awards 2026 that are actually considered the Oscars of the travel industry and the Dun & Bradstreet Business Excellence Award, reinforce the quality of our hospitality proposition and position us well as we look to expand our presence in global markets.

In India, the expanding expressway network continues to present a long-term opportunity for our travel QSR capabilities. We are currently focused on optimizing our existing portfolio while selectively evaluating new high-traffic corridors and strategic partnerships that can provide a scalable and capital-efficient route to growth. Our approach will remain disciplined, with expansion guided by traffic potential, unit economics and return thresholds. So while the first half of this year has tested the industry, our performance during that period demonstrates that the business has continued to perform even though a difficult operating period for aviation is what we had gone through.

We have delivered double-digit sales growth, maintained healthy underlying profitability, and continued to expand our operating platform despite lower traffic and elevated cost pressures. We enter the second half now with a larger network, a number of recently opened units still scaling, and early indications of improving airline capacity. As industry conditions progressively normalize, we believe this positions us well to translate an improvement in the external environment into stronger

operating performance.

With that, I will now hand over to Vikas, who will take you through our financial performance in greater detail.

Vikas Vinod Kapoor - Whole Time Director & Chief Financial Officer, Travel Food Services Limited
Thank you, Varun, and good afternoon everyone. Let me take you through our financial performance for the second quarter and first half of FY '27. Beginning with our system-wide performance, system-wide sales for Q2 FY '27 were INR8.65 billion, up 18.8% year-on-year, while for H1 FY '27, system-wide sales increased 18.4% to INR17.1 billion. Importantly, this growth was achieved despite the moderation in passenger traffic during the period. Growth was supported by both our existing portfolio and continued network expansion.

System-wide like-for-like sales grew 3.5% in Q2 and 2.2% in H1, while net contract gains were 11.1% in Q2 and 13.5% in H1. The net gains reflect more than 70 units mobilized over the last one year, primarily across Delhi, Cochin, Navi Mumbai, Noida, and Bhogapuram airports, along with contribution from the lounge aggregation business. Moving to our consolidated performance, sales increased 19.5% year-on-year to INR4.3 billion in Q2, while H1 sales increased 20.1% to INR8.8 billion. Here, the performance of the existing portfolio was stronger with like-for-like sales growth of 6.6% in Q2 and 5.3% in H1.

Net contract gains in our consolidated numbers stood at 11% in Q2 and 15.7% Coming to gross profit, the reported number was INR3.6 billion in Q2 and INR7.5 billion in H1, with a gross profit margin of 85.8% for both the periods. However, there is an important accounting point to keep in mind while looking at this number. Revenue from lounge aggregation business is recognised in sales, while the corresponding service cost of INR260 million in Q2 and INR439 million in H1 is recorded under other expenses.

Excluding this, the gross margin was 80.7% and 80.8% for Q2 and H1 respectively. This is well within our guided range, reflecting continued discipline despite an inflationary cost environment in which we operate. At the operating level, consolidated EBITDA stood at INR1.6 billion in Q2 up 16.8% year-on-year with an EBITDA margin of 37.1% compared with 37%, 38% last year. For the first half, EBITDA grew 13.8% Y-o-Y with an EBITDA margin of 36.4%. Mobilization and ramp-up of new operations resulted in higher employee and other operating expenses, which impacted EBITDA to a extent.

As Varun mentioned earlier, at the new locations, the operating cost base is being established while the revenue contribution will build progressively as operations and traffic scale up. Moving beyond EBITDA, other income was higher during the period and included provisions write-back. As a result, consolidated PAT increased 50.5% year-on-year to INR1.47 billion in Q2 and 43.2% year-on-year to INR2.76 billion in H1. PAT includes write-back provisions of INR566 million for H1, which includes INR468 million in the second quarter.

This write-back in Q2 is on account of completion of certain reconciliations with airport counterparties relating to rent and other matters. Excluding this, PAT in Q2 and H1 will be INR1 billion and INR2.2 billion respectively, reflecting a year-on-year increase of 2.7% and 13.8%. Turning to the balance sheet, we continue to remain debt-free with consolidated cash balance of approximately INR10.3 billion as of September 30, 2026. This gives us significant financial flexibility to support our growth pipeline while we continue to maintain discipline on capital allocation and returns.

As stated in the last call, we have also seen receivables progressively normalize now during the first

half following the timing-related buildup seen earlier due to the EATS platform. Overall, despite a more challenging passenger environment, we delivered double-digit growth at both system-wide and consolidated levels, continued investing behind newly mobilized operations, and maintained a strong debt-free balance sheet, building further on a strong business foundation. With that, I would like to hand the call back to the operator and open the floor for questions.

Questions & Answers

Operator
Thank you very much. We will now begin the question-and-answer session. [Operator Instructions] who wishes to ask a question may [Operator Instructions] If you wish to remove yourself from the question queue, you may [Operator Instructions] [Operator Instructions] are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sanjay Ladha from Bastion Research. Please go ahead.

Sanjay Ladha - Analyst, Bastion Research
Hi sir, thank you for the opportunity and congratulations for the good set of numbers. But so my, question regarding, given from Q3 onwards our T2 terminal impact will be visible and going forward, we are hearing that Kolkata and Chennai Airport, privatization, which will take place where, our share of revenue is 100% in our, from this airport currently. So how are we seeing this impact going forward? because that is what, that keeps an investor hangover to the, to the business per se in my view.

If you can elaborate on this side.

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Hi, Sanjay, this is Varun here. So in terms of- while I didn't catch the first part of your question, I wasn't sure which airport you're referring to, but the second part I think you asked about Chennai and Calcutta. So those are coming up in the early part of next year and in the financial year. So when those tender opportunities do come up, like we have had multiple tender renewal cycles across our operations, we normally would always bid for opportunities. We have had, as you'd see, and I mentioned this in the previous earnings call as well, I think a similar question, where we've had in general on tenders our renewal rates are north of 90%, so closer to 92 to 94% renewal rates since the start of our business.

Very much, that's part of our- one, we see ourselves as being the market-leading player in this. So we do believe the proposition we bring in terms of F&B operations, brands, best practices do put us in the best place in terms of financially bidding as well. In addition, obviously you have investments made in those airports existing. So we will be putting obviously our best foot forward like we do for any opportunity, and we've had renewal rates exceptionally high, which is part and parcel of the normal course of our business and building- bidding for these opportunities over time.

Like, I think probably what you were referring to, which I'm not too sure, in Q3, probably you're referring to the Q2, Q3 transition of Delhi, which is one which our JV won that tender. I'm guessing it's one you refer to.

Sanjay Ladha - Analyst, Bastion Research
so regarding this only, the question, remain in that way that currently we are operating on a 100%

revenue base, which sort of, 100% revenue from this airport are being, in the- in our books of account, while in the JV form it would be 20-30. Of course, I understand that expenses would be also in that form as well, but that will significantly reduce our, consolidated, so standalone revenue. And that, progress I'm just referring to.

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Yeah, so I think what maybe this- so these airports, for Chennai and Calcutta operated by us Directly. I think what you are referring probably to is the JV airports we operate, which we have a joint venture with GMR Airports, which is the Delhi one I was mentioning earlier. Or we'll have a joint venture with Adani Airports under the Semolina entity across the airports. Chennai and Calcutta is operated directly by TFS, so that doesn't fall under that JV model. similar to how other airports such as, Cochin, those Noida recent.

So those operate under directly TFS. So I think your question may be more regarding other airports that are- so like Delhi is the example, would be a JV airport that falls under that. But these would be direct concessions. So I think that question won't apply to these particular ones.

Sanjay Ladha - Analyst, Bastion Research
So why I was asking is in the news and in the media is what we have heard of and The CMhas also talked about that, of that Chennai Airport, to be privatized, and Kolkata Airport, because that, that is in the next year going in the renewal phase. So that also being government trying to bring the private- before I am referring to which you, are saying that this will not be privatized, for now.

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Yes, well, I can't comment on the privatization, but the schedule for privatization- so then, their press articles always come, like even privatization of airports generally, maybe a trend there which I think the government is doing part of its privatization pipeline. Currently they have 11 airports part of the actual privatization pipeline which are in progress. I think the government is doing that schedule. It's been in the news for quite some time, those 11 airports, for a few years.

I think that is expected to happen from whatever I see in the public forums, expected to happen anytime soon. And you've seen, I think, there are a lot of people showing interest in that. Chennai and Calcutta, I think generally, probably because of events on the ground, there's an expectation at some point those may get privatized, but it's not part of the current 11 airports from anything we've seen or any sort of announcement by the government as well. But irrespective of privatization, I mean, we operate in the private airports as strongly, probably more so than even the government airports here.

So that's, I think, for us, one way or the other, it becomes an area and opportunity to operate in, whether it is a private or a public airport.

Sanjay Ladha - Analyst, Bastion Research
Thanks for the clarification. My another question would be that the other income has increased almost double, maybe due to provision write-back. So if we adjust that, our PAT growth would be 11%. Is that understanding correct, or I, I'm missing something?

Vikas Vinod Kapoor - Whole Time Director & Chief Financial Officer, Travel Food Services Limited
So the PAT growth for Q2, yes, like we mentioned, would be roughly around 3%, if we take out the, adjustment from that perspective. But when you look at it, it is also slightly impacted due to the

higher employee and other cost, which I said. As you, reflect back that we have added roughly around 70-odd units And we are also ramping up further new units in Cochin, Bhogapuram, and other airports across our estate or the network that we operate in.

Sanjay Ladha - Analyst, Bastion Research
Thank you so much for answering my question, sir. All the best.

Thank you.

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Thank You.

Vikas Vinod Kapoor - Whole Time Director & Chief Financial Officer, Travel Food Services Limited
Thanks.

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

Achal Kumar - Analyst, HSBC
Yeah, hi. Thanks for taking my question. first of all, I wanted to understand about the new contract gains. So you reported 11% gain from new contract gains, and I believe at some point of time these gains would be in the base. So they will not- there'll be no more the sort of a new contract gains. So when these are going to fell in the base, and generally how much of the new contract gains we should believe will happen on an per annum basis every year? Okay, can you give a bit of a color on that, please?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Hi, Achal. Varun here. Thanks for your question. So in terms of net contract gains, we've had a little north of about 11% in this quarter if you see Y-on-Y, year-on-year. So that is what we referenced, the about 70 outlets which have opened up. Now if you actually see, if you go a little more in detail, the reality is that we've had a massive opening schedule. Yes, many of those have opened towards the latter part of the year as well. The full net contract gain doesn't get fully baked in. But in reality, the way net contract gains work, we see in our industries during a period of passenger, say, challenging passenger growth, which this time surely is this quarter, our net contract gains- yes, LFLs are muted and we still deliver reasonably positive LFLs irrespective of passenger degrowth.

But even net contract gains would actually be much stronger because ultimately the net contract gains come from passenger spends at those new outlets. So if passenger spends were, say, right now they're -5%, if you see this quarter versus the previous year, normally we're used to 8-9% ranges for this. So you would have actually seen almost a 15% delta. So there's a lot of, how do you say, gunpowder or firepower in our net contract gains available once traffic does come back. And we've seen that historically as well.

Once the external influences or factors, like in this case being the prolonged West Asia crisis comes back, we do, based on historic trends, see passenger traffic rebounding quite strongly. And then our true net contract gains, because the 70 outlets are quite a strong thing which potentially could have contributed to much stronger net contract gains in a normalized environment for us.

Achal Kumar - Analyst, HSBC
But, should we expect that kind of net contract gains sort of every year for the next 2-3 years, 11% or mid-teens or whatever? But do you have some, kind of numbers to give us in, terms of, the growth from the new contract gains?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Contract gains as a single, number- how do you say- a stagnant number for every year because, it tends to be lumpy. some years, some quarters may be a bit lower, some quarters a bit higher. What may be visible to you is like we've opened 70 outlets, say, in the last year. To give you a perspective, just in the last month and a half, we've opened 20 new outlets. We have about 50 more outlets in development already. So what we opened last year was one of our most aggressive opening schedules of 70 outlets.

We actually have already 70 outlets, you could say, from September onwards. So there's upside on that, will surely be there. 70 is already what we have in hand. So I mean, last year and this year, and hopefully, I mean, with the Indian aviation story, should be good years. But I wouldn't want to say that it's a standard number because it tends to be lumpy, some quarters a bit more, some a bit less in terms of net contract gains. Whereas LFL, as you imagine, tends to be more structured around passenger traffic plus, a few metrics.

So we roughly always say between that 6% to 8% above that is what one could expect LFLs to fall in at,

Achal Kumar - Analyst, HSBC
Right? and then my second question is around the LFL growth. So you reported 6.6% LFL growth. Can you just give us a breakup of that, like how much of it was because of premiumization, how much of it was because of the passing on inflation impact to the customer and definitely negatively impacted by the traffic. So can you give us a bit of a breakup of that 6.6% LFL growth? And then of course, I mean, just to extend to that, how much of premiumization can you continue to do that? I mean, if for example you did XX growth from the premiumization, can you really continue to do that for ages?

Like, so Can you give a bit of a color on that, please?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
So if you see in terms of our, the LFL numbers, we roughly have been in this quarter somewhere in the range of, 8% to 8.5%, roughly above what passenger traffic fell in terms of our LFL performance. So, and that I think is testament to our business model that we can actually deliver over and above passenger traffic. That's what I even mentioned during my opening remarks that our focus is driving, is not just growing the passenger traffic. And I think on that quarter-on-quarter we've consistently delivered, even in a period like this which is negative PAT traffic growth, we've actually delivered a strong set of overall growth, no doubt, but even if you take away net contract gains, LFLs are still positive in a period of negative passenger growth.

So to your point, the combination comes in, so there will be some element annually of price increase which actually for us may be ranging in the range of 4-5%, but the balance actually comes from premiumization that you play out. And premiumization, to give you an example, I mean, you asked me personally, I think it's a- it's not premiumization as exercise, actually understanding what the consumer wants. I think we're actually creating and seeing the consumers looking for

premiumization, therefore we have it as a strategy that works.

To give you a sense, and I believe this is- the Indian consumer is on that journey actually is one of the most discerning customers now globally, high awareness, wanting to try, by nature very strong on culinary delight, understands food very well, very strong- traditionally India is a very strong culinary country. So just logically if you compare even to a global perspective I think premiumization is a much longer story here. To give you a perspective like premiumization will always be a story to play out because say brands, right, there's always a new brand you can do.

We may be doing food say an in-house pizza concept, you may go to a Domino's the next time. Then you upgrade, say, to a- we did a Jamie's Pizzeria recently, we've got Gordon Ramsay Pizzeria in now. So you're playing the journey ahead and the consumer steps up to that, consumer actually looks for that. Could be even an Asian food. I mentioned in my opening remarks, like Pho is a brand we're excited to get in, we're doing that. So an upgrade from a- say you have a more local Asian concept in hand, like Wagamama is now another concept we've rolled out And you see that at the Mumbai Airport.

So those are examples of premiumization that are constant exercises that we as a team are working on while I say quarter on quarter, we're working on every week, every month and it's a constant exercise in terms of business.

Achal Kumar - Analyst, HSBC
Right, fair enough. And my last question is around the pricing. So basically I just want to understand how has been the pricing environment at your QSR business as well as the business lounges. I mean QSR of course the demand is probably less priced sensitive, but are you able to increase the prices at business lounges which are mainly definitely between you and banks? I mean, are you able to increase the prices there? Are banks okay with that? So if you could give a bit of a color on that please, it will be helpful.

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
So I think from an overall price environment, we ultimately are sitting in a highly inflationary environment, no doubt. September was one of the highest periods of inflation we've seen in a long while. for example, food inflation I think was a bit- I can't remember the exact number, but in the last was about, I think it's closer to 7.5% roughly. So one of the highest food inflations we've seen in a long, long while. I think the advantage for us on two sides. One is we do have long-term supply contracts, we do buy in volumes, we're quite organized in our supply chain.

So we're able to protect against a lot of those and we're giving long-term consistent volumes to suppliers, we pay well, so various relationships based on those long-term relationships. I think we've managed our supply chain quite effectively over the last 15-17 years and these are long-term relationships. So you go through periods of challenge quite well on that. Where that plays out therefore is on the front-end price, those we can therefore support in terms of pricing, not need to pass those on fully to consumers.

And therefore those metrics and those efforts at the back end we can play out, which I mentioned earlier to your question that, a 5% price- obviously that's blended across lounges, F&B. Some places, some categories may take three, some it may take seven, eight, but it blends out to about 5% is what we looked at, which actually in the inflationary environment we tried our best to keep it under control because we also thought that people- and I think that translated to good improvements in spends. We felt that people, discretionary, their pressures on spend, so let's

attempt to do this.

And I think it's played out well for us as a strategy. I think the consumers have taken to that, and I think that's how you could see in our numbers. And therefore you work on other things like premiumization, brand changes, menu engineering. You focus on those elements to achieve the performance, which is what, as a player who's been in the sector for long, who understands it with a strong team, and our guys, know this very well. Our teams know this very well. So that's what they can work on to navigate such challenging quarters.

Achal Kumar - Analyst, HSBC
So you think it's easy to pass on the pressure?

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

Achal Kumar - Analyst, HSBC
Sure.

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

Praneeth Kumar Reddy - Analyst, Kotak Securities
Yes, I hope I'm audible. thank you for the opportunity and congrats on good set of numbers. just to understand, the QSR additions outlook, what kind of outlook do we have for this year and how many additions are in the pipeline for this year? And for the next two to three years standpoint, what will be the count that you'll be internally satisfied with and where do you see opportunities emerging in terms of QSR and lounge additions?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Sure, hi, Praneeth. So the first part of the question, was similar to what I had mentioned in the previous answer. So what we've seen is we- and I can reflect on the past as well- so we opened up 70, a bit over 70 outlets in the last 12 months. We currently have a pipeline- I mean, if I look from a September point of view, we had a visible pipeline of approximately again about 70 outlets already. So we've opened 20 outlets in the last month and a half. So it's been a strong opening pipeline just through the months of October and the initial part of November.

We have visibility of different- I mean, at different stages, about 50 outlets under construction, development, design, different stages, about 50 already visibility. So we do expect that number therefore to go up. So that's in terms of where we sit in visibility over the next- and those outlets will open over the next three or four quarters. As time passes. in terms of, the second part, when you're looking at, the- I think the, I think you're mentioning particularly the longer-term, opportunity, if I got that right, where it is.

So we, the story I think on aviation continues to be very strong. So obviously we're going through a short-term, effect right now on traffic, but the reality is that both on airline orders and airports, both greenfield and expansion of existing terminals coming up. And you can see the last few years have been evidence of that as well, where new airports coming up with Noida, Navi Mumbai, new terminals expand- when new terminals coming up in Delhi like Delhi T1, you've seen new airports in Guwahati, new airports in Lucknow.

So a lot of expansion happening in Hyderabad that's happened recently, Bhogapuram that's open. So there's multiple expansion and much more happening as well in the near future. Plus, in existing airports as well, we see a lot of opportunities at airports as they go down and, open up, more F&B. I think no more non-aero is becoming a very important part. So I think the opportunity for us will constantly be there over the next decade. I think it's a never-ending cycle, probably actually going to accelerate, if anything, in terms of opportunities as the aviation sector in India really accelerates more, as is expected in every single single, report or public mention, and including the efforts done by the government, I think aviation looks to be one of the real bright stars of the economy, no doubt.

Praneeth Kumar Reddy - Analyst, Kotak Securities
thank you for that. my second question is on lounge business. I just wanted to understand if, if we are witnessing any kind of increase in competitive intensity. I mean, are we seeing more players trying to enter into this space than what we already have? And any kind of challenges that we're facing in terms of getting pricing from credit card partners or something like that? And lastly, on the international opportunities, I mean, what kind- I mean, I know you've indicated that APAC and Middle East are some emerging or some interesting opportunities, but any timeline that you're looking?

Thank you.

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Sure, I'll just touch on both the parts. So on the lounges piece, I mean, as in any business and always there, I think competition has always been there. I think it's difficult to say it's more or less because it's always been there and we have a particular product, we are market leaders, we focus on what we deliver. So I think it's in that sense it's normal, I mean it's business there, business as usual means you're dealing with competition. We have obviously the largest presence in it and we work- what we've done obviously is we've through our EATS platform much more closely integrated with many of our customers and directly tied up.

So those relationships are stronger than ever. And part of- I mean, any year, I think, price rise in any year, it's not that it's difficult or easy. I think any year is a price rise, is a price rise because that's costs go up, that's what the demand does. You may- every year there are different services required. So it's not only about just the price increase, sometimes you're creating a new product for a premium customer. So I think there are various ways your sales go up. Price goes up.

So I don't believe it's more a challenge or less anything this year versus previous. It's just that we look at what the costs are, we discuss transparently with clients, and I think we've done the necessary increases. Equally, they've passed on the necessary price increases. So I think that's been a long-term relationship, which these are. I think that's how we work year-on-year through price increases. In terms of the international opportunity, we've obviously had success in Malaysia, followed up with success in Hong Kong.

Kong. In the last call we had, we spoke about the recent- the second lounge we've opened up in Hong Kong as well, which we opened up in this calendar year. We are looking at further opportunities in APAC and the Middle East particularly. We set up subsidiaries in Dubai and Indonesia for those very things, and we've- we're actually building up- we have teams, we're building up those teams even further because with the success we're seeing in that segment and with the skill set we've developed on lounges over more than a decade, we believe we're in a very, very good position to grow that on a global scale.

Praneeth Kumar Reddy - Analyst, Kotak Securities
Thank you. Thank you so much.

Operator
Thank you very much. The next question is from the line of Aachal Pal from Monarch Networth. Please go ahead.

Aachal Pal - Analyst, Monarch Networth Capital Limited
Hi, thank you for the opportunity. So my first question on QSR outlets. So in, as of Q2 FY '27, the outlet stands around 535 and it was, 541 in Q1 FY '27. So that means we have closed six outlets. so I believe this is of Mumbai Terminal 1. Is the understanding correct?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Yes. So, there are a bunch of outlets. Yes, that's a, larger portion of it because the, there are renovations happening in that terminal. But that's, what we go through cycles every time. So I mean, it was timing with the September 30th, but it just happened in October, November we opened 20 more outlets. So just with the September end date, that closures of few outlets that had happened, showed up as well.

Aachal Pal - Analyst, Monarch Networth Capital Limited
Okay, okay, got it. and so which are the other outlets we are evaluating to have presence on?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
So I think, Aachal, we would look at, I mean, anything starting our core business, so anything across airports in India, which are of certain, size and scale, the very- some probably very small airports in some areas may not be because, our business model, the type of brands we bring, may not always work. But the majority of the, Tier 2 and larger airports especially, we're looking at that entire ecosystem. So there's quite a wide piece. Like you see, even our presence across number of airports is now about 22 airports, went up from 18 airports.

So we're constantly going into new airports. But I think what also many times gets missed is existing airports are growing also very fast. So you see, you're seeing the existing airports, whether it's Bangalore, whether it's Delhi, look at Mumbai. While Mumbai is obviously, it's a new airport, but from a city point of view It's the big airports are equally growing. So even existing airports, we have presence, we are expanding that. Prime example is Bangalore. I mentioned earlier in my remarks that we were present at T2 with F&B.

We've actually entered T1 now, which we were not present at. We've opened one outlet, we have a second under construction there as well. So even it's not only new airports, which yes, undoubtedly we look at like Navi Mumbai, Noida, Cochin was a new airport for us. This year. But equally, existing airports are present at those footprints, those opportunities are expanding with equal pace, which is where we get growth as well coming in from.

Aachal Pal - Analyst, Monarch Networth Capital Limited
Okay, understood. so my last question, on balance sheet. As of Q2 FY '27, we have INR1,000 crore, plus cash and cash equivalents. So what are we thinking? where are we going to utilize it? Are we looking for any kind of acquisition?

Vikas Vinod Kapoor - Whole Time Director & Chief Financial Officer, Travel Food Services Limited
Hi, this is Vikas here. So yes, we are a growing company and our business is such that we do generate cash quarter on quarter. We will require capital for future expansion of the projects that we have to deliver within India and also outside India. So at this moment, we keep on exploring new opportunities as they come by. The yardstick always for our capital allocation will be the return metrics for our shareholders, and that will be how we will go about deploying the capital. We see quite a bit of opportunities in the highway and the international expansion, and for that very purpose, we have the cash handy with us from that perspective.

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

Aniket Kamble - Analyst, ICICI Securities
Yeah, hi team. Congrats on a good set of performance. My question is on the lounge business. So recently we have been seeing that banks are starting to curtail the free offers that they give on lounge access, and also they are putting some minimum spends, like that kind of limits. What is your sense on this? And also continuation to this question is that, is there a shift in consumer behavior that you are observing if you compare it to let's say last two years or five years, is the consumer behavior shifting to being less dependent on cards?

If you can share some color on this, sir.

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Yeah, sure, Aniket. Hi. So in terms of I think what we're seeing and probably you're also referring to in terms of the lounge access where it went through a phase probably actually a bit while ago, maybe about 18 months back where spend-based cards started coming in, for example, where credit cards, a lot of certain segments started offering that to consumers, that you had to spend X amount to be able to access lounges in the subsequent period. So while that was evident, in reality what we've seen, we've not seen an effect of that over a longer period of time.

And the rationale that we've kind of taken away from it is that yes, there is a large segment of consumers obviously you could call the mass card market where probably growing in the range of maybe 8-10-15% and those consumers also may not fly very frequently and they may be spend-based. So your accesses may be there where you had 8-10 accesses may get restricted to four times or three times which probably is how many times did any event fly during the year. However, the premium card segment which tends to be more frequent flyers, growing there you've seen those growth rates normally north of 50%.

And actually there the banks on the flip side have given more access, so you're seeing many more cards with unlimited lounge access coming in. So in reality actually the lounge business- I mean evident by how busy when you go as a traveler, but the lounge business actually is trading very strong, you're seeing consumers coming there, and I think by nature I think on a broader basis whether lounge or travel QSR coming to second part of your question what's very evident is non-aero experiences at airports all of that is becoming more and more strong.

So whether it is lounge whether it is travel QSR people are surely looking for experiences at airports and I think so all of that is seeing a positive trend that I think is very evidently playing out year-on-year especially post the 2020. 2021, that's been a very, very clear trend globally, no doubt,

but I think in India even stronger than the rest.

Aniket Kamble - Analyst, ICICI Securities
So, sir, very clear. And just one follow-up on the- so we had put some outlets on highway as well, right? So initially that was in a pilot stage. So right now where are we? Have we cracked the model and can we scale it fast? Any sense or any color you can give on this also?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
So our understanding of the model is, the idea to do pilots to understand how the model works. Yes, we have what is clearly evident to us is our skill set of multiple brands and obviously our financial strength coupled with it and the experience to operate in captive environments does play out for us very well when we look at these opportunities. And also, trust with larger landlords that a player like us come in can actually create a long-term sustainable business model there for them.

What's evident to us is the right place to focus on it is on expressways. What we have- we've obviously understood the model, calibrated based on experiences, and therefore we are now focused on that segment of the opportunity, which sometimes you may have larger landlords, road development companies, and many times it's the large oil marketing companies which are actually evaluating opportunities within those segments. So what we are clear is that we look at these larger, bigger opportunities that are on these expressways that we can create similar to this, multiple brands, captive experience, good quality facilities built for consumers.

And we believe that's the long-term model. Now again, this is not- like I've always clearly mentioned, this is not a short-term opportunity. We see this as being a clear long-term opportunity as roads are being built, investment is being done by the government done by the government in a big way. That takes time to play out. Consumer trends will come in, traffic will go more, and as all of that plays out, therefore we see it as a little- as a long-term opportunity, as a decade opportunity, rather than saying that we want to just go head-on into it on an immediate basis.

And that's how we view this particular opportunity.

Aniket Kamble - Analyst, ICICI Securities
Sure, sir. And one last question on the EATS business, the EATS platform. Does the EATS platform also give us some kind of benefit in terms of we have direct relationships with the banks or card network? Does it benefit us in some other way or something like that, sir?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
So EATS, I think what it does is it straightaway gives you the opportunity, one, it improves the starting of the customer experience. They come, it's immediate, you're live checking your transaction. You can do it not only through the EVC machine now, you can do it online on a web platform. So, it's a very QR code generation. So, all of that has been able to play out with that solution in place. I think what it also does is while yes, it does give us the ability while tying directly, it allows us to premiumize offerings as well, which is something not visible.

So, today say a bank has multiple card customers. Wants to create a different experience for each consumer base. Today with EATS we can actually do that and say if you have X card we can create X experience, you're Y customer we can create a different experience, a different zone for you which was not possible earlier. It would be just a single swipe access for everyone. Now that is slowly changing and which is now being rolled out. So obviously it started for us in the second half of last year, over the last you could say nine months it's been about getting live, stabilizing it,

running it, which has actually happened quite well, maybe a bit ahead of schedule as well.

And you can see the performance of that platform, which, in our last post-annual results we spoke about that in some detail, how it played out. We can see that actually working out well, and therefore it will allow us now multiple new opportunities, which is the next phase of leveraging that platform better in offering differential services, more passenger services, much easier to get more past partners onboarded to it because now it's a single one-point access directly to us. So it will have multiple benefits in terms going forward as well for us.

Aniket Kamble - Analyst, ICICI Securities
Very helpful. Thank you.

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Thank you. Thanks.

Operator
Thank you very much. The next question is from the line of Riddhansh Chandak from Unify AMC. Please go ahead.

Riddhansh Chandak - Analyst, Unifi AMC
Hi team, congratulations on a strong set of numbers in a tough operating environment. I had a couple of questions. the first one is in relation to the drop in your outlet count. I think a previous participant had asked the same question and said that these outlets might be in Mumbai. Is this true for London as well? And when do we expect these to come back, into operation?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
So many of these shutdowns of areas would normally be outlets, not all will come back. So there's a- so what happens many times is the earlier outlets we had from an outlet count may not be the right benchmark possibly look at. So I think what the way we look at outlet count is more gives a directional movement over a longer period of time rather than directly linked to revenue potential, because in some sense if you'd see that very evidently in airports today. If you look at Mumbai T1 with the Mumbai T2, a Mumbai T1 would have, say, small units of outlets that would be there.

Now that unit, for example, would be multiple kiosks, and therefore you have more units, say, shut down but tomorrow when it opens. If you go to T2 or you go to Navi Mumbai, you see the units there, they're much larger, 3,000-4,000 square feet, like the Wagamama. If you've seen T1 and even in T2, we go, we open the similar one in Navi Mumbai as well. Those are big units, multiple seats. But if you go to T1, you don't have that size of restaurants at all. It's normally kiosks, grab-and-go. So outlet count is not the best indicator, and I've always mentioned that, of revenue potential.

I think it actually just gives us sense always that as the business is growing across airports, that is over a longer period of time. So if on a quarter-by-quarter, it's not grown very related with revenue, it may start five or six outlets, one to two open in a new airport, with a larger footprint, like Bangalore T2 is a prime example. All of those restaurants are large, casual dining, and the number of units will be less than T1, but the earning potential is likely higher. So that's the way it would work.

And equally, like a lounge, you look at, for example, in Mumbai T2, you have the Amex Lounge shut, but then their consumers from that are going to the- because renovations are happening in that area of the airport, but consumers are going to the business class lounge and it's going there. So, that's

the way many of times that piece works in the lounge as well.

Riddhansh Chandak - Analyst, Unifi AMC
So the four lounges which shut were also Mumbai T1, is that what I need to understand?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
No, it was Mumbai T2, the Amex was the one, and then there was a movement in- there was a shutdown of- we operated two temporary lounges and one was in Ahmedabad if I recollect right, and there was a movement. I just remembering which Mumbai was. Yeah, my T two was the one with the Amex and which moved in. So T one was the F&B units which shut.

Riddhansh Chandak - Analyst, Unifi AMC
Thanks. And on the fifty outlet addition guidance over what period of time would be?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Sorry, I didn't catch

Riddhansh Chandak - Analyst, Unifi AMC
Line that you guys. Sorry, the 50 outlets that you guys have visibility on in your pipeline, over what period of time should we see these? So sorry

Operator
To interrupt, but can you please go back in the queue?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
I just answered that piece. I just quickly get to it. Sure. I didn't mention it earlier, so 50 outlets we are expecting to roll out over the next three to fuorfpir quarters. So, it was 70 the end of September. 20 have already been rolled out. The balance 50, you could say over the next three, maybe some may go into the fourth quarter, but in a- it'll be in gradual phases because some are still in the design phase, and that's what we have visibility to already.

Riddhansh Chandak - Analyst, Unifi AMC
Yeah, got it. Thank You.

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Thanks.

Operator
Thank you very much. The next question is from the line of Anuj Kashyap from A3 Capital. Please go ahead.

Anuj Kashyap - Analyst, A3 Capital
Hi, good afternoon. I'm audible?

Operator
Yes, sir.

Anuj Kashyap - Analyst, A3 Capital
Okay, thanks for the opportunity, sir. What I wanted to know is that in our presentation it's mentioned that this platform, we want to develop it as a holistic platform beyond banking and the-

and cards channel. So can you please elaborate on it?

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
So yes, so it's for us, so it's, just maybe expand on that a bit on my earlier answer that EATS is a solution that we have which is a technology platform that we started to give direct tie-ups with banking and card partners to access the lounge versus say going through other aggregators or other tie-ups in between. It allowed us to directly tie up with our clients and that works smoothly both from them directly working with the partner where we can create offerings for different consumer subsets.

You can check eligibility much cleaner directly, but also for the consumer experience you can add in more layers like the QR codes, web-based journeys. It becomes a much more smoother product which ultimately leads to a better consumer experience and easier relationship and much more smoother relationship with your banking and card partners. Now over time we've obviously onboarded the partners over the last nine to 12 months that this solution has been there. We've onboarded every partner which was there prior to this, and that's therefore it's working very well for us.

You can see on the ground if you go to our lounges that access is going quite smoothly. And so we've seen, that's where the business comes from. Now obviously putting that platform in place, the advantage is that like I said, you can create customized products. But tomorrow in terms of additional tie-ups or more services that we can easily onboard onto the same platform that consumers can access through the same. So that's the advantage of any technology platform, that once, we have the initial period working, we can actually make other consumer services.

Could be F&B itself, could be tomorrow a meet-and-greet. So once you have that platform working and you're connecting the consumer access, you're connecting, clients are tied into it I think unlocking next level of passenger services is just about building the code and building that solution there. So that's what our plan is, and we're actually in quite a good place about it with the success and the smoothness with this platform has worked. We're in a very good place in that strategic objectives of ours.

Anuj Kashyap - Analyst, A3 Capital
I'm right in understanding that this will help us to transform into a full-service service or a solution type of thing? I would look at it- the

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Way you should look at it, our core will be a lounge and travel QSR business will be the core of what we do.

Anuj Kashyap - Analyst, A3 Capital
But beyond that, beyond that we can offer many things.

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Exactly, so you look at two aspects, one, if we strengthen that and improve the delivery of those services to consumer, that's where the journey started and that's where we always called out, but what it will add on a layer is allow us to mobilize and use the same, say, our presence, our footprint to open up more services for, say, consumers' digital experience, ease of access to the services. So today if you come, you can generate a promo on an F&B outlet, you can provide that access visible

to the consumer, they can go prepay, go and get an experience at a particular outlet, have awareness of an outlet more so.

What happens with EATS as a platform, we do believe that as time goes we'll unlock more and more and more services as the- because the platform is working today, consumers now have access to that platform, they're accessing the lounge. That tomorrow will enable us to put more and more services and help our core plus unlock more ancillary businesses which are supporting that core business. That's the way we look at it. So the core will very much remain, so it won't become a replacement of what we do.

Anuj Kashyap - Analyst, A3 Capital
Thank you, sir, for the elaborate answer. And one more, if I can pick in.

Operator
So sorry to interrupt, but can you please join in the queue?

Anuj Kashyap - Analyst, A3 Capital
Thank you.

Operator
Thank you very much. The next question is from the line of Purva Zanwar from 360 ONE Capital. Please go ahead.

Purva Zanwar - Analyst, 360 ONE Capital
Yeah, hi, thanks for the opportunity. So my question was regarding other financial liabilities. We have seen a sharp increase as compared to FY '26. So what would be the reason for the same?

Vikas Vinod Kapoor - Whole Time Director & Chief Financial Officer, Travel Food Services Limited
Hi, Purva, this is Vikas here. So the- you're talking about other financial liabilities. Financial liabilities in terms of quarter on quarter?

Purva Zanwar - Analyst, 360 ONE Capital
If you compare It to FY '26 level, it was roughly 55-odd crore, odd crore. That has increased to roughly 190-odd crores in the current one.

Vikas Vinod Kapoor - Whole Time Director & Chief Financial Officer, Travel Food Services Limited
It is predominantly the dividend payable which was, paid subsequently, which is part of that liability. so as you are aware, we had announced the dividend in August and it was paid subsequently, post 30th September. So it was staying in part of the liability and subsequently has been paid.

Purva Zanwar - Analyst, 360 ONE Capital
Okay. And another question was that in terms of cash conversion cycle, in 1H FY '27 as compared to 1H FY '26, we have seen, increase in terms of that, mainly led by, payable days decrease. So what would be the reason for the same and how should we look at the normal cash conversion cycle?

Vikas Vinod Kapoor - Whole Time Director & Chief Financial Officer, Travel Food Services Limited
So our cash conversion cycle, for a large portion, more than 50% of our business is negative working capital because it's a pure travel QSR business. It is only on our lounge business wherein we do have a bit of debtors, mainly the airlines who pay at 30 to 35 days and our Lounge aggregation business, which hovers around 45 to 50-odd days. If you recollect back, when we

kickstarted the EATS platform, our data side shot up. And as I had commented at that time also, as the business stabilizes and comes into a running state, we will hover around the 45 to 52 days outstanding on the data side.

And that is where we have now reached at H1. And that will be the steady state of TFS. In terms of creditors, we keep on evaluating credit terms with our vendors, looking at our size and other aspects, and accordingly manage our working capital much efficiently.

Purva Zanwar - Analyst, 360 ONE Capital
Okay. And, last question from my side was there is a sharp increase in terms of interest cost also. So what would be the reason for the same?

Vikas Vinod Kapoor - Whole Time Director & Chief Financial Officer, Travel Food Services Limited
So, that pertains to the finance lease component, which is, pertaining to the units that we have mobilized at Delhi, T1 and T2. So it is the impact of that. It will stabilize as we continue, adding fresh units and the revenue starts kicking in much stronger.

Purva Zanwar - Analyst, 360 ONE Capital
Okay, thank you very much.

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

Varun Kapur - Managing Director & Chief Executive Officer, Travel Food Services Limited
Yes, no, thank you to the ICICI Securities team for hosting us, and we appreciate all of you taking the time today to join us for the earnings call post our Q2 results. If you have any further questions, please feel free to reach out to our Investor Relations team. Thanks everyone.

Operator
Thank you very much. On behalf of Travel Food Services Limited, that concludes this conference. Thank you for joining us and [Operator Closing Remarks] Thank you.