SAMHI Hotels Ltd.
CIN: L55101DL2010PLC211816
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06th June 2024

BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001
Maharashtra, India
Scrip Code: 543984

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex,
Bandra (East)
Mumbai – 400 051
Scrip Code: SAMHI

Sub: Transcript of Q4 FY24 Earnings Conference Call

Dear Sir / Madam,

Please find enclosed the transcripts of the Q4 FY24 Earnings Conference Call held on **Thursday, 30th May 2024 at 03:30 P.M. IST**.

You are requested to kindly take the same on your records.

Thanking You.

Yours faithfully,

For **SAMHI Hotels Limited**

SANJAY JAIN
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Date: 2024.06.06 16:15:35 +05'30'

Sanjay Jain
Senior Director- Corporate Affairs,
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SAMHI Hotels Limited

Q4 & FY24 Earnings Conference Call

May 30, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 30th May 2024 will prevail.

MANAGEMENT:

MR. ASHISH JAKHANWALA – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER
MR. RAJAT MEHRA – CHIEF FINANCIAL OFFICER
MR. GYANA DAS – EXECUTIVE VICE PRESIDENT AND HEAD OF INVESTMENTS
MR. NAKUL MANAKTALA – VICE PRESIDENT, INVESTMENTS

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY24 Earnings Conference call of SAMHI Hotels Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashish Jakhanwala, MD and CEO of SAMHI Hotels Limited. Thank you and over to you.

Ashish Jakhanwala: Thank you so much. Good afternoon everyone and thank you for taking out time today. With me I have Gyana Das who is the Executive Vice President and Head of Investment, Rajat Mehra who is Chief Financial Officer, Nakul Manaktala who is Vice President of Investments and also our Investor Relations Advisors, Strategic Growth Advisors.

We have uploaded our result presentation on the exchanges and I hope everybody had an opportunity to go through the same. To begin with, I will request Rajat to give us a summary of financial performance after which I will give you a small brief on business and then open the floor for Q&A. Rajat, over to you.

Rajat Mehra: Good afternoon. Our asset income for Q4 FY24 increased by 35% YoY from INR 208 crores to INR 281 crores. Occupancy remained healthy at 76% with majority of RevPAR growth being driven by rates. EBITDA for Q4 FY24 prior to changes with respect to ESOP was INR108 crores a healthy increase of 36% over the same period last year and representing a margin of 37%. This included a one-time cost in corporate G&A relating to the ACIC integration. On a full-year basis, our asset income increased from INR750 crores in FY23 to INR963 crores in FY24 representing an increase of 28%.

EBITDA prior to ESOP for the full year increased from INR 263 crores in FY23 to INR 348 crores in FY24 representing an increase of 32%. With strong operational performance and continuous reduction in finance cost, I am happy to inform you that the company has reported positive PAT of INR 11 crores for the quarter. However, if we were to include ACIC performance for that period that is not consolidated in our financial statements, that we report as pro-forma, we have reached a strategic milestone of revenues crossing INR 1,000 crores and EBITDA pre ESOP at INR 368 crores which provides the company a solid base for future growth in FY25 and beyond.

Our Net Debt stands at INR1,824 crores which is about 4.9 times EBITDA for a full-year period on a pro-forma basis. Given strong performance and reduced leverage, we have been able to reduce our cost of debt from 13% pre-IPO to about 9.8% and have further room for reduction in the coming quarters. In the second half of FY24, post the IPO, the business produced about INR100 crores of incremental free cash post-debt servicing.

Our total cash balance is about INR 260 crores and growing each quarter with free cash from the business. This gives us tremendous flexibility to achieve both our goals, that is growth as well as further reduction of debt. I will now request Ashish to take us through market and business updates.

Ashish Jakhanwala: Thanks, Rajat. So I will start by reiterating that the pro-forma performance for FY25 which as Rajat clarified included ACIC performance for the non-consolidated period. It actually truly reflects the potential for SAMHI. So we actually start FY25 with a portfolio which has delivered INR 1,000 crores of revenue, an EBITDA of about INR 370 crores and we have gotten the business to deliver profits in the last quarter. So how do we use this base to grow? I will focus on three areas.

First is market performance and our ability to leverage that. Second is operational performance of the business and opportunities therein and the last bit is about the opportunity, ability and the direction to grow SAMHI. On market performance, the macro environment remains very promising and I am very pleased with the efforts my team has put in creating a large portfolio in some of the strongest performing markets across India.

Hyderabad, Bangalore, Pune and NCR are the top markets in India for aviation growth over the past decade and also basis the size of the office space per hotel room. These would also be the top four markets for SAMHI in terms of revenue and contribute about 70% of our total revenue in the last year.

These locations and also the strong brand partnerships that we have will continue to drive our hotels to capitalize on a very strong market opportunity. Given our locations across all key office markets other than Mumbai, and across price points, we remain very well positioned to capitalize on India's growth story.

Our overall portfolio RevPAR growth was 17% YoY and each of the segments we operate in have delivered good RevPAR growth, though with some variance.

Our Upper Upscale segment, which represents about 43% of our total revenue, leads the pack and delivered a 22% RevPAR growth for the entire year. Given these hotels are located in key markets of Bangalore, Hyderabad, Pune and Gurgaon, we see RevPAR growth in these hotels growing at a higher pace than for comparable Upscale, Upper Upscale hotels in other markets. In terms of operational performance, we see tremendous value to be unlocked in our operating margins during FY25.

For the last reported quarter, i.e. Q4, we reported an EBITDA margin of about 33%. This was basis an asset level EBITDA of 41%, a further 3% expense for corporate G&A and an additional 4% cost towards ESOP costs. This breakup is important because we see material reduction in ESOP expenses during FY25. Corporate G&A which saw an increase in FY25 will also see material reduction during FY25 and will reverse to FY23 numbers if not below, as the ACIC corporate team integration is now completed.

ACIC portfolio that you know we acquired in August had reported a 30% EBITDA margin for the period prior to acquisition has already reached 37.5% EBITDA in the second half and almost touching 39% in the last quarter. Therefore, we see a margin expand by about 5 percentage points in FY25 even if we take the same revenue levels. And again, there will be some quarterly variations, but overall for the entire year we feel fairly confident that there is an inherent embedded advantage for our P&L.

The last bit is about opportunity and ability to grow and first I will take up some low hanging fruits. So we are ready to open about 300 new rooms in the next few months. This includes the first hotel in Kolkata, rebranding of our hotel in Greater Noida, an addition of 54 rooms to our existing Holiday Inn Express hotel in Bangalore.

Since this inventory will be opened by beginning of quarter 3, we expect this inventory to benefit from a relatively stronger H2 during FY25. We are also in the planning stages to renovate and rebrand two of our other large hotels and this will further help us drive their performance.

We now have a strong visibility of free cash from business. If I take the last 6 months run rate of INR100 crores free cash, we expect to accumulate a minimum of INR 450 crores of cash in the next few years adding to about INR 260 crores of cash we hold with us today. We will use this to pare down our debt, renovate our existing hotels, but in addition to that we are evaluating certain opportunities to continue to grow SAMHI's portfolio.

These follow our cardinal rules. Stick to core markets. Do not take the development risk and maintain a discount to replacement costs. Thank you for your time and we will now take questions.

Moderator: Thank you very much. We will now begin the question and answer session. We will take our first question from the line of Karan Khanna from Ambit Capital. Please go ahead.

Karan Khanna: Thanks for the opportunity and congrats team on first quarter of operational turnaround. Firstly, just a clarification in the investor presentation you have mentioned about INR225, INR250 crores of free cash flows in FY25. Could you confirm if the same is after reducing around INR200 crores of interest payment. So if you could just confirm that?

Ashish Jakhanwala: That's right, Karan.

Karan Khanna: So resultantly Ashish what kind of debt reduction do you foresee by end of FY25 and starting which quarter do you really start seeing an inflection point in terms of free cash flows translating into debt reduction for the business?

Ashish Jakhanwala: So Karan if you see since just after IPO, our net debt to EBITDA has been falling every quarter. We have stated an objective to get to about 3.5 times Net Debt to EBITDA by end of FY25. And I think given the accumulation of the free cash in the business we feel reasonably confident about achieving that target.

So that's our stated target that we should get to about 3.5 times Net Debt to EBITDA by end of FY25. Now if you're asking me to give a definitive numerical number on debt as of end of FY25, I'll reserve to say that because we're also seeing some incremental EBITDA opportunities both from the hotels we are ready to open and also potentially from some of the growth opportunities that we are pursuing right now.

Karan Khanna: Sure. And that's fair. So second question Ashish while I look at your exit RevPAR growth which has been around mid-teens, do you believe you can sustain this or perhaps a low-teens sort of a RevPAR growth in FY25-26 as well given going by the results you've seen with other listed companies in the overall industry? I think the RevPAR growth has seen some moderation in potentially the fourth quarter of last year. So how should we read that and even in April?

Ashish Jakhanwala: So Karan quarter-on-quarter RevPAR growth sometimes tends to be a little misleading. If we look at the full-year RevPAR growth for most of the players at least the ones who reported we've seen that to be in the mid-teen ranges. When we look at the growth in demand coming in the key markets and we extrapolate that against these very well-known supply growth, there is no reason to believe that the industry cannot sustain. As you rightly said an early teen to a mid-teen RevPAR growth.

We've always said that we will be happy if the markets that we are in can operate anywhere between high single-digit to early double-digit RevPAR growth because there is operating leverage that results in pretty good EBITDA growth.

Karan Khanna: Sure. And thirdly, Ashish I think last quarter obviously we've seen some issues with the Navi Mumbai acquisition. So any update on the Navi Mumbai land issue at this point or is it still under litigation?

Ashish Jakhanwala: So it is still subjudice. The courts are closed. We will not comment on anything which is subjudice, but we continue to believe that we have both a strong case and also very strong merits to undertake that development. We have communicated that to the authorities. We still expect a favorable response and outcome. But as I said because the matter is subjudice, I would not comment beyond that.

Karan Khanna: Sure. And lastly if I look at the fourth quarter your other expenses have increased almost 16% Q-o-Q versus 4% growth in revenue. So what explains the delta of around INR17 crores this quarter? Is there any one-offs there or is it just normal business?

Ashish Jakhanwala: No, that actually includes a one-off. So as you know we acquired ACIC in August of 2023. We have indicated an integration of that business with ours and integration happens at two levels. One is the corporate level and then obviously at the hotel level. At the hotel level the integration is going very well.

You've seen the margins expand. We have taken a one-time cost of about INR4.5 - 5 crores in quarter 4 on account of completing the integration of the corporate team. So Karan that's one-off and non-repeatable.

Karan Khanna: Great. Thank you, Ashish and all the best to you.

Ashish Jakhanwala: Thank you, Karan.

Moderator: Thank you. The next question is from the line of Yash from Stallion Asset. Please go ahead.

Yash: Thank you for the opportunity. I just wanted to understand what would be your interest cost and depreciation for FY25?

Rajat Mehra: With the current pricing that we have reached to a 9.8% and further reduction, we are expecting our interest cost to be in the range of about INR 200 crores for next year. And our guidance for depreciation is about INR 130 odd crores.

Yash: So I was just trying to understand more in terms of, I mean, how confident are you on a huge delta of PAT for FY25 or you think given the sort of or you think that the growth will more sort of come from increased level of RevPAR I'm just trying to understand what makes you confident that we'll sustain profitability going ahead this year?

Ashish Jakhanwala: So I think there are a couple of pivots to maintaining PAT growth. First, of course, as you rightly said is facing healthy RevPAR growth, but I think people often focus too much on RevPAR growth. We need to also focus on operating leverage. So if you look at our investor presentation, we have segregated same store from overall company and that's important because for a high growth company like ours acquisitions can always lead to a good revenue and EBITDA growth.

If you look at the same store approximately 13%, 14% revenue growth led to about 19% EBITDA growth and that's operating leverage. So therefore we believe that we're not necessarily dependent on high teens revenue growth or RevPAR growth. All we need is the market to maintain as Karan said earlier, early teens RevPAR growth which should deliver a really healthy EBITDA growth. So that's one delta.

The second big delta is, as I said, production and corporate G&A. So rather than doing that piece by piece you're expecting about 4 to 5% point improvement in EBITDA on the same revenue itself. So if you take a total revenue of about INR 1000 crores which is on a pro-forma basis, you're almost getting INR40 crores to INR50 crores added to the PAT because of the improvement in ESOP expenses and corporate G&A.

And on top of that if the market delivers another 10% revenue growth which is about, let's say, additional INR100 crores of revenue growth, you will see a commensurate EBITDA growth coming from the business. So when you combine the market opportunity being delivered through RevPAR, operating performance through the flow-through or the EBITDA expansions, a definitive decrease in ESOP and corporate G&A. I think we'll remain fairly confident about delivering a very differentiated EBITDA, PAT in FY25 and I'm not even relying on certain accounting gains that Rajat is hitting on which Rajat can speak to all of you about actually.

Rajat Mehra: So if you see in the quarter 4 results there's an exception income of about INR3 crores which is actually a reversal of an impairment hit that we had taken. In 2020 when we actually entered COVID there was a large hit of impairment expense that we booked in our books. And as we speak, we are actually sitting on about INR660 crores of that impairment losses which includes the write-off that we took for the Navi Mumbai as well.

Now as we go along, when auditors are looking at the performance of the hotel, for one of the hotels, they have reversed impairment. And as we go along during the year you will see similar kind of reversal of impairments over this year as well as next year.

Yash: Okay. So would that be a significantly large number this year or that again depends on how the auditors see it out of the INR660 crores?

Rajat Mehra: I don't want to give a specific number to this and leaving aside what's the outcome of the Navi Mumbai, but I still feel there's going to be a decent amount of reversal that we can expect. Along with that, we are also sitting on a huge amount of tax losses against which we never created a deferred tax asset. Now as our companies are turning positive and one of the companies actually turned positive last year, we are also expecting deferred tax assets to be created.

And at this point of time by March end we are sitting on close to about INR600 crores of such deferred tax assets which are not recognized in the books. And so those are also some kind of an accounting write back that you would see coming over this year, next year. So impairment reversal you can see during the year, but most likely the deferred tax creation of the assets will happen by the end of the year.

But we are pretty confident that some bit of reversal will definitely hit both on the impairment reversal as well as creation of deferred tax.

Yash: Sure. Thank you. Very clear.Thanks.

Moderator: Thank you. Next question is from the line of Murtuza Arsiwalla from Kotak Securities. Please go ahead.

Murtuza Arsiwalla: Yeah. Hi, gentlemen. Just a question on the Caspia Pro Greater Noida which is currently under renovation. So when we say it's under renovation does it mean that it's in a complete shutdown mode or it's in a partial shutdown mode how does it work? And how soon do we expect it to be back and up in terms of the new rebranded hotel?

Ashish Jakhanwala: Yeah, Murtuza, Greater Noida Caspia Pro is in a full shutdown mode since February of this year and this hotel will reopen in October.

Murtuza Arsiwalla: Okay. Thank you.

Ashish Jakhanwala: Alongside Calcutta and additional rooms in Bangalore as I mentioned earlier.

Moderator: Thank you. Next question is from the line of Bhaskar Chaudhry from Entrust. Please go ahead.

Bhaskar Chaudhry: So a couple of questions on the pipeline. Could you tell us quarter wise how many rooms are you adding for the next 2 years? And what is the capex that you will need to incur for these and how much have you already incurred?

Ashish Jakhanwala: So Bhaskar we are adding about. Okay. So for Greater Noida we are having 137 rooms. These rooms were open till about January and then we shut them down for full renovation and rebranding. So these 137 rooms, alongside 111 rooms in Kolkata and 54 rooms in Bangalore Whitefield, gives us a total of 302 rooms. As it happens, they will all open in the quarter ending September starting October. So that's the zip code.

After that, we don't have any openings during the course of the year. Next year we add apartments to our Hyatt Regency in Pune. We add about 22 apartments to that hotel. We are also then undertaking expansion of our hotel in Chennai, Sriperumbudur. Currently, we have 155 rooms. We expect to add about 86 rooms to that hotel, but Hyatt Regency Pune we expect to add the apartments by same time next year. Sriperumbudur we have not started the work as yet. So we would not like to give a definitive opening date for that. This obviously excludes any new opportunities that we can identify.

And as I stated in my opening remarks we stay away from Greenfield development and anything we would look at as an opportunity will always be a quick capex to revenue cycle. So that we can't discuss today. As and when we find those opportunities and secure them, we can obviously discuss those as well.

Bhaskar Chaudhry: So any quick capex that you're planning to do for these three, four additions and Brownfield expansion?

Ashish Jakhanwala: So for the three hotels that are about to open, we have actually incurred large part of the capital expenditure. The total capital expenditure we have actually spent is about INR 30 crores. So only on these three hotels about INR 70 crores was the total capital expenditure. 30 spent, 40 is what we'll spend in the next quarter.

Bhaskar Chaudhry: Okay. 40 to be spent.

Ashish Jakhanwala: That's right.

Bhaskar Chaudhry: Okay thanks. I'll come back in the queue.

Moderator: Thank you. Next question is from the line of Raghav Malik from Jefferies. Please go ahead.

Raghav Malik: Yeah. Hi, sir. Thank you for the opportunity and congrats on a good set of numbers. I just wanted to dive into one of the earlier questions on RevPAR guidance. So you said high single digits to low double digits is what we can expect going ahead. Could you provide some sort of granularity on amongst our three segments where would you probably see the higher end of the RevPAR or would it be divided kind of value?

Ashish Jakhanwala: So Raghav I'm sorry to bust the myth, but we don't think RevPAR has moved by segment. They actually move by cities and this has been a raging debate in our ecosystem. So if you look at cities and in our investor presentation slide 17 we have the city-wise RevPAR growth where you can clearly see that you pick the large office aviation markets, they've all grown, Hyderabad 22, Bangalore 12, Delhi 24, Pune 17 so on and so forth.

And it's the other cities which are lagging at about 6% RevPAR growth. So we continue to believe that the RevPAR growth story is very relevant to cities and markets and within those markets, if that city is growing well, all segments will tend to benefit. We haven't really seen in the same micro market different segments behaving differently in terms of RevPAR growth. There are always differences numerically, but not really material to discuss.

We believe that Hyderabad and Bangalore are getting so much of new office supply and if you look at the data that we've been able to collect for last year, Bangalore added 14 million square feet of new office space, Hyderabad 7.5 million square feet of new office space and that's really ahead of, let's say something like a Delhi-Mumbai which is 5.2 million and 6.2 million respectively.

So these two cities clearly in our opinion are leading the pack in terms of expansion of organized market And we are direct benefactor of when the organized markets grow. So we believe Bangalore and Hyderabad are poised to continue to grow really strong. In terms of absolute RevPAR, we believe Hyderabad still can catch up to Bangalore and therefore can deliver higher growth in the next 2 years, but both these markets put together should deliver easily mid-teen RevPAR growth.

So I think for us we believe that it's a very market-driven outcome. That's what we've always focussed on and listen I have no surprises. I think 100 years back Conrad Hilton said that there's three things important in a hotel: location, location, and location. And we see that when you look at slide number 17, the big cities are driving RevPAR growth. So I think I remain very upbeat when I look at the growth of the office market. I remain very upbeat when I realize that the air passenger movement has crossed last peak of 68 million to get to 69 million passengers in the last reported quarter. Put these few things together and negligible supply, I think statistics clearly are showing a very strong RevPAR growth and that's the basis of our guidance. It's not a hope. It's not an expectation. It's just statistical derivation from demand and supply.

Raghav Malik: Okay. Thank you, sir. Thank you for that detailed answer. I have just one more question if I can go ahead. So in the Upper Mid-scale assets that we have which is a majority of our revenue, it appears that occupancy out here is slightly lower than our average occupancy that we've seen. Just wanted to understand if that is because of the integration of the ACIC portfolio and addition of new rooms or is it like a portfolio-specific?

Ashish Jakhanwala: Just, Raghav clarifying. You're talking about Upper Mid-scale, right?

Raghav Malik: Yes sir upper Mid-Scale Slide 24 I think in your presentation.

Ashish Jakhanwala: So Upper Mid-scale includes, if you look at slide 24, that actually includes the ACIC portfolio. Also, if you look at the fact the Upper Mid-scale has a higher proportion of other cities, the Coimbatore, the Vizag, Goa. So Upper Mid-scale clearly saw a little bit of relatively lower RevPAR growth compared to an Upper Upscale as a combination of the fact that it has some portion of ACIC.

It has some portion of hotels which have not been yet renovated and rebranded like Caspia in Delhi and also the fact there are markets like Vizag, Coimbatore and Goa which have not performed as good as the larger markets. They're all doing well to be clear, but not as strong as the bigger markets.

If you look at and just to clarify actually the contribution of this segment to our total revenue is about 42%. About equal contribution comes from our Upper Upscale & Upscale. That segment Raghav on an yearly basis, delivered a 22% RevPAR growth. And I would like to take your attention to that. There's a lot of future strategy built into that. Why has our upper upscale delivered a 22% RevPAR when most other Upper Upscale portfolios have delivered 15%, 16% RevPAR growth.

And the answer lies in the fact that our Upper Upscale & Upscale is concentrated in Hyderabad, Bangalore and then, of course, sprinkling in Dehli and Ahmadabad, but majority is Hyderabad and Bangalore. So our Upper Upscale has delivered 22% RevPARgrowth, but that's not the segment which is the hero. The fact is it is maturity Hyderabad, Bangalore which are the heroes within there.

Raghav Malik: Okay, so again city-specific is the way to kind of look at this. Got it. Okay, thank you. I'll come back in a few. Thank you so much.

Ashish Jakhanwala: Thanks Raghav.

Moderator: Thank you. We'll take our next question from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

Sunil Jain: Thanks for this opportunity. Can you spell out how much is the ACIC revenue and the EBITDA in the current year and what is the scope for improvement in margin for the ACIC portfolio alone?

Ashish Jakhanwala: So if you look at total income the contribution of ACIC is about INR 134 crores to total revenue. That's in the reported financials and the impact in EBITDA is in addition of about INR 48.8 crores of almost INR 49 crores. So that's the ACIC contribution to the overall portfolio in FY24. So that's your first question.

I think your second question was with respect to the margins. So in H2 of FY24 which is period post-acquisition, ACIC has delivered a margin of 37.5%. This is what we call asset EBITDA and this compares to about 42% asset EBITDA for Non-ACIC hotels.

Sunil Jain: Yeah. So that much scope is there?

Ashish Jakhanwala: Yes. As I mentioned Sunil, in quarter 4 this portfolio already reached 39%, but full admission quarter 4 is a strong quarter. So I would not say that that's copy and paste for the rest of the year without incremental efforts, but absolutely we think ACIC portfolio should deliver an asset-level EBITDA of 42% and above. And interestingly as we integrate that completely, it will also have a snowball effect on our balanced Marriott operated hotels. Because ACIC is all Marriott brands.

So whatever was the operating expense in our pre ACIC Marriott operated hotels eventually they will also benefit in terms of some margin expansion because some of the cluster overheads that we have there would get amortized of over 6 additional hotels.

Sunil Jain: Yes true. And whether we need to do some capex or some expenses to make it full-fledged?

Ashish Jakhanwala: INR 25 crores.

Sunil Jain: And that will be over a period of what?

Ashish Jakhanwala: So we've already started that work. We believe over the next two quarters we'll spend about INR25 crores in the entire ACIC portfolio for it to be fully integrated. So there are really two steps to doing that Sunil. The first was making sure these hotels. So there were really three things to be done.

The first was the integration of the corporate office. The second was to ensure that these hotels would be sales and revenue support from Marriott. And third would be then transitioning into a full management contract under Marriott. So we've ticked the first two boxes which is integration of the corporate infrastructure that is why we took a hit of INR 4 crores in the last quarter in our corporate G&A, but we'll go back to what it used to be.

These hotels are now being sold by Marriott sales and revenue cluster teams across cities starting February. So we will see some improvement and how they are priced and the last bit as they move towards a full management contract is when you'll start releasing the full benefits. So all that process is going to take another quarter to two and during which we'll have to spend that money.

Sunil Jain: Okay. And second question is related to the city-wise market. This Bangalore no doubt a lot of office addition are there, but the IT industry is not adding any workforce over there. So are you seeing any impact of that or likely to see?

Ashish Jakhanwala: So Sunil good news. India is a real economy and no longer a call center and that reflects in Bangalore also. So if you see at page number 21 of the investor presentation you would realize that the contribution of IT/ITeS to room sales has gone down from almost 15% to about 10%. So even in a city like Bangalore we were used to see IT/ITeS contribute about 28% to the total revenues and that over the years has now come down to about 17%, 18%.

So yes IT/ITeS potentially is seeing some pressures, more global than local, but the fact is that Bangalore is a macrocosm of India which perhaps 20 years back started as a cheap labor cost arbitrage destination, but today is a real economy. So Bangalore also over the last 20 years has evolved into a large commercial center. A part of that is IT/ITeS, but a large part of that today is you know what business as usual.

Insurance companies, banking and finance, a lot of tech innovation startups, defense, pharma. So good news is that we are now getting our customers from many more segments than we used to get let's say 5 years back.

Sunil Jain: That is great. But this Chennai market is seeing extraordinary growth. So anything specific to industry or it's our property?

Ashish Jakhanwala: That's the problem with data Sunil that sometimes it misleads. So Chennai has two different clusters. One is the Chennai city and the other is Sriperumbudur. So we have a hotel in Sriperumbudur and given India's focus on Make in India a lot of manufacturing shifting to India I am really pleased to report you that the Sriperumbudur Hotel actually saw 37% RevPAR growth.

So it's not whole of Chennai. It is actually the Make in India which is becoming successful, largely concentrated in an industrial park called Sriperumbudur. If you were to have asked me the same question a decade back, Sunil, I would have said I don't believe in industrial parks. I will always go to an office market, but I must admit that now several industrial parks across the country are seeing so much of build-up of production capacities and growth that they are becoming really attractive markets for hotels to invest in.

So this is Sriperumbudur and not just Chennai. This is for people who are looking to invest in Chennai, looking at that 31% RevPAR growth. I want to be very transparent its Sriperumbudur and not all of Chennai.

Sunil Jain: And the last question about April and May. Are we seeing double-digit RevPAR growth YoY?

Ashish Jakhanwala: No, not in April and May because of the elections, but we are seeing good business on books coming back for 15 June and further on. We are growing on a YoY basis. That's good in spite of the elections and unprecedented heatwave that we are seeing in North India. We continue to see growth YoY basis, but I suspect it may not touch double-digit across all hotels.

Sunil Jain: Thank you very much for answering my question sir.

Ashish Jakhanwala: Thank you Sunil.

Moderator: Thank you. Next question is from the line of Atul Daga from Daga Securities. Please go ahead.

Atul Daga: Sir, can you share the city-wise ROCEs if that is possible so that we can exactly understand the return profile because that would be a right metric to look at?

Ashish Jakhanwala: Yeah. So Atul fantastic question. Can I come back with this answer in the next two minutes if you have any other questions. We have this data, but we need two minutes to dig it out.

Atul Daga: No I will wait that's fine.

Ashish Jakhanwala: So we'll take another question and then come back to Atul for a response on this.

Atul Daga: Definitely. Yes.

Moderator: Thank you. We'll take our next question from the line of Dhairya Trivedi from DJT Investments. Please go ahead.

Dhairya Trivedi: Hi, sir. Congratulations on a wonderful set of numbers and thanks for taking my question. So, can you please elaborate on what are the levers for margin improvement when the ACIC Marriott portfolio moves from franchise to manage?

Ashish Jakhanwala: So interestingly often people think that the cost levers are hidden in the cost lines of the P&L, but often those levers are hidden in the revenue line of the P&L. In ACIC what happens is when a hotel is operated under a franchise agreement it does not really have the same set of strong support from an operator as it would have in a management contract and to replace that business, they often have to rely on high-cost customer acquisition channels like OTAs.

And by the way OTAs are fantastic. They're a great business partner. What's important to note is that that business comes at a certain cost. So in ACIC what we were noticing was that the component of business coming from OTAs was disproportionately high and it was subjected to a very high commission also. Two things have happened post our acquisition being integrated with the Marriott infrastructure.

First the commission itself has come down because of the scale that we have and the scale that Marriott has honestly. And the second is the percentage of business coming from OTAs also materially coming down. So because of that we are seeing a direct boost to our margins because the customer acquisition cost has gone down. So that's part one.

The part two is really how do you dissect the revenue and if we can probably discuss this in a subsequent quarter, but when you look at the revenue if I was to pick one quarter in ACIC, you would realize that the revenue growth is very muted, but the EBITDA growth is very healthy and the reason for that is that we have decided to effectively shut some parts of business which were contributing to revenue, but effectively were not accretive from an EBITDA perspective.

So we're not just chasing a vanity revenue number or we're not chasing money in the till at the end of the day. We're actually chasing business and revenue which is accretive to us at a profit level. So combination of changing the customer acquisition strategy, shutting down some parts of businesses which were effectively in our opinion, zero profit has helped us move the EBITDA margin from 30% pre-acquisition to 37.5% post-acquisition.

And as we said earlier, we are fairly confident that this number will touch about 41%, 42% in the next few quarters.

Dhairya Trivedi: Very clear. And sir broadly what would be the difference between a franchise arrangement versus a management contract?

Ashish Jakhanwala: So the big difference is that in a franchise agreement the owner of the hotel is required to operate the hotel including sales and marketing. Of course, you can sell your hotels through the brand.com but you don't get any active sales support from them. In a management agreement, the management of the day-to-day operations of the hotel are done by the operator and under which they also provide you the full support of the National Sales Office and International Sales Office side. So that's really the big difference between the two.

Dhairya Trivedi: Understood. And sir is it fair to assume that we can do an incremental EBITDA of INR 70 odd crores from the ACIC portfolio as well as the 300 odd keys that we'll be adding in FY25?

Ashish Jakhanwala: Sorry, can you repeat you're saying incremental EBITDA of?

Dhairya Trivedi: Incremental EBITDA of roughly INR70 odd crores from the ACIC portfolio as well as the 300 odd keys that we'll be adding in FY25?

Ashish Jakhanwala: So 300 odd keys that we're adding, they're all Holiday Inn Express hotels and their current EBITDA per key would be for Holiday Inn Express hotels around 4.5 lakh, 5 lakh per key so that's really INR 500,000 times 300 rooms that's the incremental EBITDA coming from those 300 rooms. ACIC did a total revenue for the year about INR 200 odd crores for the full year. The EBITDA from that reported in our P&L was about INR 48 crores.

On a INR 200 crores revenue we expect the margins to be about, with the good margins to be about a IN R90 crores EBITDA. So you will see about approximately INR45 crores incremental EBITDA coming from ACIC. So I would think more about without any revenue growth just the margin expansion in the opening of those 300 rooms, we believe that number is close to about INR 50 odd crores.

Dhairya Trivedi: Okay, is this adding both the ACIC as well as the Holiday Inn?

Ashish Jakhanwala: That's right.

Dhairya Trivedi: Okay understood sir. Thank you very much.

Ashish Jakhanwala: If you allow us we'll answer Atul on his question on the ROCE. So Atul overall, SAMHI's ROCE is about 8%, excluding ACIC 10% to 12%. Bangalore is leading the pack at about 20% ROCE, 20% plus actually. Hyderabad is almost touching about 20% ROCE and the rest of the portfolio is ~10%. The smaller markets like Vizag and Coimbatore would be like less than 10%, but thankfully their contribution is not very material to our business.

So, Bangalore is way ahead of 20%, Hyderabad touching 20%. That's really the spread of ROCE by cities.

Moderator: Thank you, sir. We'll take our next question from the line of Bhaskar Chaudhry from Entrust. Please go ahead.

Bhaskar Chaudhry: You've mentioned earlier in the call that the corporate G&A would be a significant lever for increase in profitability. So any number of targets for the next 2 years on that line it was about INR 45 crores in FY24?

Ashish Jakhanwala: Yes, so FY24 was inordinately high because as we said we acquired the ACIC portfolio in August. We integrated the team. We got that completed in March. We took some one-time settlement expenses and all of that. In FY23 if you realize our corporate overhead was about INR29 crores we are fairly confident that in FY25 we expect the next corporate expense, our net corporate expense to go back to the FY23 level which is about INR 29 odd crores. So about INR15 crores savings from that.

Moderator: Thank you. We have a next question from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar: Yeah, hi, Ashish. My question regarding you are talking about the city-wise office space addition and Bangalore is on the top and then Hyderabad and other cities and I see that Mumbai is now at the bottom. So you are trying to say that Mumbai ARR growth or RevPAR growth is likely to be lower compared to Bangalore, but when we see the Bangalore ARR growth in the past was lower and Bangalore market is recovering. So can you talk about how the city-wise couple of cities versus Mumbai and New Delhi ARR growth or RevPAR growth in next 2 years to 3 years outlook?

Ashish Jakhanwala: No, Sumant sorry. I apologize if I got misunderstood. We've never said that Mumbai is not a great market. We don't have a presence in Mumbai. So our view is that Bangalore, Hyderabad, Pune, Delhi, all the core markets we repeat including Mumbai are where bulk of economic activities will continue to happen.

Don't forget Mumbai -- cities like Mumbai also get impacted because of a very large base so that city is already the commercial capital of India for the last I don't know what 50 years, 60 years. So it continues to be a very important city for hotels as well. I believe all core markets and the definition of the core markets would continue to be Delhi, Mumbai, Bangalore, Hyderabad, Pune, Chennai, Kolkata.

We believe all core markets will benefit from India's growth story. There may be some seasonal variations, but other than that I don't think I can pick one over other. We clearly like Bangalore and Hyderabad a lot better because the entry is cheaper, the base is lower. The opportunity for upside growth is much higher. So that's really a very corporate, internal company's view, but we like Mumbai as much and that's why we've been fighting for Navi Mumbai honestly. Otherwise, it was not worth the fight.

Sumant Kumar: So as per your PPT Bangalore and Hyderabad is doing extremely good for you. So can you talk about this momentum is likely to continue say compared with the industry also, all the industry players? Do you think because of Bangalore has started recovering late compared to other markets and there was an issue in the Bangalore market Hyderabad was doing extremely good, but Bangalore is doing good currently. So do you think FY25 industry-wise also other players overall industry is going to do better in the Bangalore market versus other?

Ashish Jakhanwala: No, I think we believe all core markets including Bangalore, will deliver really good results for everybody in FY25, FY26. I see the supply is visible for at least next 3 years if not longer. And at least in that 3 year supply horizon we're not seeing any material threat because of new supply. On demand, Sumant we have to just ask ourselves a question. If there anything happening to Indian economy, India's growth story, political administrative reforms, interest from global investors and the answer to all of those things is we don't see anything negative. So if we don't see anything negative on the demand side and we see very muted supply as I said earlier, it's not my point of view or an opinion. It's a statistical inference that we're deriving from putting demand and supply together. So yes everybody will benefit in core markets and again please it does not mean others will not benefit in other markets, but I'm taking a larger broader view of the next 2 years, 3 years from a statistical perspective. Leisure markets are doing exceedingly well. They continue to do well, but I think core markets provide a margin of safety that attracts us to them.

Sumant Kumar: And how is the current scenario post-election, how is the forward booking for June month?

Ashish Jakhanwala: So listen in business hotels the lead time to booking is not very long, but we are seeing very good business on books for 15 June onwards and July. So even though April and May were slightly muted and again let me clarify they still continue to grow over same period last year in spite of elections and the heat wave, but obviously they're not growing at 20%, but we have started seeing good momentum in bookings starting 15 June and then, of course, July onwards.

Sumant Kumar: And what about expectation and you have an industry had because of election the business is going to be impacted? That is below or above your expectation?

Ashish Jakhanwala: No about the same actually if you ask me about the same. I think the heat wave in North Sumant was unprecedented especially people who are in Delhi or Ahmedabad or Jaipur and these cities. I think the heat wave alongside elections kind of compounded some issues, but again I'll reiterate before anyone if you start getting worried, we continue to see in spite of all of that growth on RevPAR on a YoY basis and that says a lot about the strength of the industry that it can absorb two big events and yet grow on a YoY basis.

Sumant Kumar; Thank you Ashish.

Ashish Jakhanwala: Thank you Sumant.

Moderator: Thank you. Ladies and gentlemen, we'll take that as the last question for today. I would now like to hand the conference over to Mr. Ashish Jakhanwala for closing comments. Over to you, sir.

Ashish Jakhanwala: Thank you so much for your time and your questions. They were all well placed. I will reiterate the fact that what our assets delivered in FY25 which is a INR1,000 crores top line and about INR360-odd crores of EBITDA that makes us very excited about where SAMHI is headed in the near term. We'll continue to engage with you and provide you what our views are on both the sector and our company and look forward to speaking to you soon. Thank you so much. Thank you.

Moderator: Thank you members of the management team. On behalf of SAMHI Hotels Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.