SAMHI Hotels Ltd.
CIN: L55101DL2010PLC211816
Regd. Office: Caspia Hotels Delhi, District Centre Crossing, Opp. Galaxy Toyota Outer Ring Road, Outer Ring Rd., Haider Pur, Shalimar Bagh, Delhi-110088.

12th August 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 Q1 FY25 Earnings Conference Call

Dear Sir / Madam,

Please find enclosed the transcripts of the Q1 FY25 Earnings Conference Call held on **Monday, 05th August 2024 at 11:00 a.m. IST**.

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

Thanking You.

Yours faithfully,

For **SAMHI Hotels Limited**

SANJAY JAIN
Digitally signed by SANJAY JAIN
Date: 2024.08.12 11:03:46 +05'30'

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Senior Director- Corporate Affairs,
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SAMHI Hotels Limited

Q1 FY25 Earnings Conference Call

August 05, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 5th August 2024 will prevail.

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

Moderator: Ladies and gentlemen, good day and welcome to the SAMHI Hotels Limited Q1 FY25 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participant line will be on listen only mode and there will be an opportunity for you to ask question 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 Ltd. Thank you and over to you, sir.

Ashish Jakhanwala: Good morning, ladies and gentlemen. Welcome to SAMHI Hotels' Earnings Call for the quarter ending June 30, 2024. I have with me my senior colleagues, Gyana Das, who is the VP and Head of Investments, Rajat, who is Chief Financial Officer and Nakul Manaktala, who is the VP of Investments.

We also have on call our investor relations advisors, strategic growth advisors. We have uploaded our Q1 FY25 financials and 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 the 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: Thank you, Ashish and good morning, everyone. It gives me immense pleasure to announce SAMHI's financial performance for the quarter ending June 30, 2024. Our asset income, which captures the revenue generated from our hotels, stood at INR251 crores, registering a year-on-year growth of 31% as compared to the same quarter last year.

This is driven by good same-store growth and the addition of ACIC portfolio. Same-store assets saw a strong RevPAR growth of 13% year-on-year. This helped us maintain 7% total revenue growth even after a muted quarter of F&B, especially MICE.

Our asset EBITDA, which captures hotel-level profitability, stood at INR25 crores(erroneously spoke INR25 crores instead of INR95 crores), registering a year-on-year growth of 32% as compared to same quarter last year. Asset EBITDA margin stood at 37.7%, being diluted by the impact of ACIC portfolio, which stood at 35% for the quarter. With ACIC portfolio conversion to managed hotel under Marriott, coupled with the integration benefits with our existing Marriott portfolio, we should see material margin improvement over the coming quarters.

We have seen material reduction in net corporate G&A and ESOP expenses at INR1.2 crores and INR4.4 crores respectively. On the basis of this, I am happy to report that our reported consolidated EBITDA stood at INR89 crores, registering an 88% year-on-year growth as compared to same quarter last year. Consolidated margin, too, has reached 34.6%, with material headroom for further growth. Depreciation expense and finance cost has been stable at INR30 crores and INR56 crores respectively, leading to a reported PAT of INR4 crores.

Given that Q1 is seasonally the weakest quarter of the financial year, we should see material growth impact over the coming quarters. From a capital structure perspective, our net debt as on June 30, 2024, stood at about INR1,860 crores, with a cost of debt of 9.7%. With continued growth in our EBITDA on the same store basis coupled with incremental EBITDA from our growth project, we believe our balance sheet would continue to remain strong. I am happy to report that ICRA has updated our credit rating to A- stable, which is a testament to the steps we have taken to improve our capital structure and P&L. With that, I shall now request Ashish to take us through the market and business updates.

Ashish Jakhanwala: Thank you. Rajat. There was just one slip of tongue the asset EBITDA was INR95 crores which was erroneously I think it was slip of tongue to INR25.

Rajat Mehra: So sorry.

Ashish Jakhanwala: Thank you. Rajat. I think we remain fairly confident and excited about both near-term and long-term, and that stems from several factors, both external macro and internal. On the external front, I think we are fairly upbeat about how our core markets continue to grow. Rapid expansion of commercial office space and aviation market in India will continue to boost demand for business travel and associated lodging services.

We believe that the headroom for growth in our core market remains to be long-term and very promising. Our portfolio is well located to take advantage of this macro trend. This reflects in delivering strong same-store revenue growth.

In the last reported quarter, our same-store assets, which excludes the recently acquired ACIC portfolio and the Caspia Pro in Greater Noida, which is under renovation, delivered a 13% RevPAR growth in Q1 FY25, driven by robust demand as demonstrated in the office space net absorption and aviation growth in our core markets. Our four core markets of Bangalore, Hyderabad, Delhi, NCR and Pune captured 67% of the 9 million square feet of office absorption delivered in Q1 FY25. We probably will discuss this in Q&A, but these were the four markets that also delivered very strong RevPAR growth year-on-year for the first quarter.

On the aviation front, passenger growth trends continued with 72 million air passengers in the quarter, with all major cities growing in high single-digit growth. We, however, saw a weaker quarter with respect to MICE business, its consequential impact on F&B, and overall revenue growth, which was lower than the actual RevPAR growth. However, with elections out of the way, we expect this to be fully recovered in coming quarters.

EBITDA margins for the same-store assets expanded by 80 basis points year-on-year to 40%, in what is seasonally the weakest quarter and should improve over the next few quarters. With better realization from food and beverage, higher overall revenue and strong flow-throughs to EBITDA, we believe that we have significant room for EBITDA expansion on the same-store basis. We are also quite excited about the ongoing and planned renovation and or rebranding opportunities within our existing portfolio, which is and has been core to our strategy.

We have demonstrated track record in successfully re-rating the performance levels of our assets through our products and brand-level interventions. We are currently renovating our 137-room

Caspia Pro in Greater Noida and rebranding it to Holiday Inn Express, which is scheduled to open in October this year. Greater Noida tends to be a very strong market in H2, and this hotel will be open to benefit for that period.

We've also signed the agreement with Marriott to renovate and rebrand the two ACIC portfolio assets in Pune and in Jaipur, totalling 330 rooms. These will be converted into Courtyard by Marriott in Pune and a Tribute Portfolio Hotel by Marriott in Jaipur. This will move the assets from where we classify them currently, which is upper mid-scale, to an upscale segment, and therefore materially re-rate average rate profile and a bit of potential of these assets.

Additional renovation plans to upgrade rooms and facilities in Hyatt Regency Pune, Sheraton, Hyderabad, Fairfield by Marriott Hyderabad, and Four Points Vizag will further drive incremental revenue growth from these hotels. And of course, we have signed a management contract with Marriott to convert the ACIC portfolio, even the other four which are not being rebranded, to managed hotels from the current franchise. This, coupled with integration of the assets with our existing network of Marriott hotels, shall create operating efficiencies and enhance margins across our upper mid-scale portfolio.

Finally comes our growth through inventory expansion. We have set a target of delivering about 10% to 15% inventory cater over the years. As of now, we are scheduled to open 165 new rooms in Calcutta and Bangalore between September and November of this year under the Holiday Inn Express brand.

Addition of 22 apartments in Hyatt Regency Pune will commence soon as planned. We are also very happy to inform you that we have identified the opportunity to add 54 rooms at Sheraton Hyderabad by converting some underutilized F&B and third-party leased office spaces. As you know, Hyderabad is a very strong performing market, and being able to add 54 rooms is highly accretive.

Seeing strong performance of the hotel in Sriperumbudur, which is Fairfield by Marriott, we are starting to plan the addition of 80 rooms there, and we expect that the total incremental revenue from the additions that I have just spoken about will be in the zip code of about 70 crores if we take FY '24 RevPARs. So, all of these growth opportunities are internal to the portfolio. Most of them are underway and completely in our control.

In addition to these internal growth opportunities, we also have a very highly visible and actionable pipeline of both acquisition turnarounds and long-term variable leases. These have the potential to add at least 25% EBITDA on FY '24 pro forma basis. They will continue to remain highly capital efficient and in the core markets that we operate in.

We'll keep you updated as we make progress on this. The combination of all the above, which is same-store growth, renovation, rebranding opportunities within our existing portfolio, inventory addition in our core markets within our existing portfolio, and then last but not the least, addition of new inventory, continue to drive a sustainable compounding of revenues in EBITDA and create a significant value for our stakeholders.

With this, I shall open the floor for Q&A. Thank you.

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

Karan Khanna: Hi, Ashish, Rajat and team. Thanks. Just a couple of questions from my side. Firstly, if we talk about the ACIC portfolio, where your asset EBITDA margins versus the rest of the portfolio asset EBITDA margins. The gap has reduced from about 770 bps to 320 bps this quarter. When do you expect this to converge? And as a follow-up, what kind of EBITDA accretion do you expect because of all the renovation and rebranding activities that you're taking up in FY '25-FY '26 from the ongoing project?

Ashish Jakhanwala: So, Karan, on ACIC, you're absolutely right. We have moved the margins materially from where we had acquired them. We expect that by the end of the fiscal year, which is in quarter three and quarter four of the current fiscal year, you will see the EBITDA margins of ACIC converge with that of our same store portfolio, which is in the range of about 40%.

That's the first part of your question. The second in terms of incremental potential from – so there are really two buckets, Karan. One is the renovation and rebranding and the second actually is the addition of inventory. So from renovation and rebranding, which is currently in the near term is really the Caspia Pro into Holiday Inn Express, and in the long term is the two Jaipur assets. In the Greater Noida, actually, if you ask me, while we call it renovation and rebranding, the contribution of that hotel to our EBITDA over the last six months has been almost not zero. So Greater Noida rebranding and reopening in October will almost be tantamounting to adding new inventory and will bring the full EBITDA potential to our books.

The renovation of Pune and Jaipur – so Pune starts around January 2025, the renovation. We expect the renovation – and we're not shutting the hotel for renovation. So we'll continue to take benefit of the income coming from the hotel during the course of the renovation. But we expect the renovation to be completed over the course of the next three or four quarters. And subsequent to that, as we have disclosed in our presentation, we're at least expecting a 15% jump in RevPAR, just based on the FY '24 numbers.

So if you see, we're expecting approximately – and Karan, if you just take a ballpark, that would rerate the EBITDA by almost INR9 crores from the current – so FY '24 was about INR17 crores, INR17.5 crores. We expect that number to be in INR25 crores to INR27 crores. If you don't take any rate growth in that market, just take the RevPAR corrections. Jaipur is a slightly longer project.

We are starting to plan Jaipur today, so I would expect that Jaipur will take additional quarter or so to get delivered. But the upside in Jaipur is almost to the extent of 50%, because this asset currently in that market is quite underperforming. So we think these three – Greater Noida will be a complete new addition, even though it's a rebranding. And Pune and Jaipur have a significant EBITDA upside between those two assets.

Karan Khanna: Sure. This is helpful Ashish. Second question, while you spoke about potential acquisitions and opportunities to do variable leases, in the past we've also spoken about asset recycling. So any update there? Any discussions with potential buyers that you would like to share on that front?

Ashish Jakhanwala: Yes, so that is something that we, as you know, as a large owner of multiple assets, we will constantly look at recycling a capital to make sure it's deployed at places where we think it's got the best returns. We are discussing potential recycling of at least three of our assets. But as I've always mentioned, that secondary market in India tends to be slightly shallow and time-consuming. So we'll not be able to make any promises. But yes, we are making progress on at least three assets in terms of asset recycling.

Karan Khanna: Sure. And lastly, on Caspia, New Delhi, and Four Points by Sheraton Vishakhapatnam, any update on the rebranding of the same and the brand? And when do you expect that to operationalize?

Ashish Jakhanwala: So, Caspia, Delhi, current, we already have a contract signed with Marriott for a Fairfield by Marriott. We have not yet started the work on this asset. This is one of the assets that we would consider, you know, to be part of our asset recycling strategy. And that's why we've held it for renovation. Vizag, is an asset where there is no rebranding. It's just improvement in the guest rooms. We have completed the planning exercise. I think by the end of the year, we'll have the markers completed. And then we'll start the work on that hotel.

Moderator: Thank you. The next question is from the line of Natraj Shankar from DSP Mutual Funds. Please go ahead.

Natraj Shankar: Hi. Thanks for the opportunity. I have two questions. One has two subparts. The credit rating upgrade that you got recently, what is the benefit that you expect from interest cost point of view? That's one. And related to that is the current debt that you have and the maturity profile of it. Would you require any funding? How do you plan that?

That's the first part of the question. And the second is, if you take Hyderabad, Pune and Delhi as a market, while there is every reason to be optimistic on the tourism in general. How do you think about supply across tiers, both in the low, mid and the upscale over the next two to three years? This is most likely the longest question in terms of supply. Could you just – these two will be very helpful. Thanks.

Ashish Jakhanwala: Yes. So I think – and I'll ask Rajat to chip in. But our interest rates, as you would notice, have been constantly falling, coming down. At this point, they're about 9.7%, both with improvement in the cash flows, overall market sentiment. And of course, that's reflected in the credit rating. We think this will come up 9.5% in the near term. That's really not a lot of effort on our side. It's just weighted average in fact, we still have some high-cost debt, which we are waiting for the lock-ins to get to expire, subsequent to which we'll be able to refinance them. So that will come down to sub 9.5%.

Two, we really don't have other than one NCD which is maturing in 2027, Jan 2027 and which we are fairly confident of refinancing prior to that. Other than that, we really don't have maturities. All of our debt is long-term. The total repayments due over the next 12 months is about INR50-odd crores, -- INR50 crores, INR55 crores. So as far as repayments are concerned we have a very strong profile of repayments over the course of the next 10 to 12 years. Only the maturity due is in Jan 2027 which gives us adequate time to refinance that. So that's part one.

Part two in terms of supply demand and supply. Actually the three markets that you mentioned, Natraj which is Hyderabad, Pune, and Delhi are the three markets which perhaps we're seeing amongst the large peers, the lowest supply growth. Pune is almost negligible circa 1%, 1.5% CAGR if at all. Hyderabad is in the zip code of maybe 3%, 3.5% supply growth. A lot of it is actually delayed and not expected to come online anytime soon and Delhi tends to be very micro-market driven.

So you will see supply coming in Aerocity, but Gurgaon which is where our assets are mostly and especially the mature parts of Gurgaon are seeing almost negligible new supply come in. So as we've constantly mentioned that we're seeing very solid demand growth. I mean, Natraj, let's go back to the fact that just one quarter we saw 9 million square feet of office space getting absorbed and 72 million passengers flying through Indian airports.

That's sort of a size for demand compared to a supply growth of 3%, 4%, 5% will ensure that the operating performance for hotels remains very stable and we get an opportunity to therefore yield it to our advantage over the course of the next few years. I'll take a pause, allow you to have any follow-on question if you have on this.

Natraj Shankar: Great. This is very helpful. And could you also touch on the Bombay, the New Bombay side one part of supply-demand, Mumbai and New Bombay and when you said you have some high-cost debt out of the 2,200 approximate number what would be the high-cost number of debt and what is the percentage rate on that, if you could? That would be helpful?

Rajat Mehra: So the current debt that we have which is high-cost is actually there is one loan that we have about, the NCD that we talked about INR380 crores and then there is a small loan that we have from another institution about INR60 crores. The ROI that we're paying is blended in the range of about 11%, 11.5% on both these put together and as Ashish said we're fairly confident of actually getting these refinanced in the near future.

Ashish Jakhanwala: So about INR440 crores of the INR2,100 crores to 150 gross debt is we are holding at about 11%, 11.5% while the overall average is 9.7. So that actually gives you a direction of where our cost of debt actually is. As we refinance these two we are fairly confident of bringing down the average cost of 9.5% on current rate, interest rates level.

Natraj Shankar: Okay. That's helpful. On Mumbai and New Bombay?

Ashish Jakhanwala: So New Bombay, you're asking about supply?

Natraj Shankar: Yes correct more on the supply side as opposed to demand side?

Ashish Jakhanwala: So New Bombay is seeing some construction activity if this market has done exceedingly well, but we will admit the fact that it's a relatively new market. It is getting a lot of supply interest, but Natraj we need to also understand that the opening of the newest Mumbai airport I think the size of the demand that will get generated in that market will be far in excess of what the supply can cater to as of today.

So as of today we expect about 1,300 rooms as the stated supply in that market. Existing supply is 1,300. We think if everything gets added by end of FY28-29 we expect this to go to about 3,000 rooms so that's doubling almost doubling of supply, but if you look at it from an absolute perspective 3,000 rooms catering to New Mumbai airport and whatever is happening in New Mumbai that's just about Aerocity.

So when Aerocity was created in Delhi, it actually was talking about adding probably slightly more than these rooms and nothing really happened to either Delhi or Aerocity. So we do believe Navi Mumbai will remain to be a very healthy market. Mumbai in general will continue to be a strong market, not that we have any operating asset in that market. So we cannot profess to be experts there, but as we track that market we remain fairly upbeat about that market.

Natraj Shankar: And just a quick follow-up if I may. The 1,300 rooms that you're talking about is relevant to the mid-scale, up-scale?

Ashish Jakhanwala: All branded.

Natraj Shankar: Okay. Thank you so much. Appreciate it. All the best.

Moderator: Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.

Jinesh Joshi: Yes. Thanks for the opportunity. Sir, I just needed one small clarification. Our current room inventory is about 4,800 rooms and we plan to add about 327 rooms which would result in an inventory growth of about 7% odd. But in the PPT we have mentioned that our guidance is about 10% to 15%. So if you can please help me bridge the gap here?

Ashish Jakhanwala: Yes. Thank you, Jinesh. So you are absolutely right. When we are guiding towards 10% to 15% inventory CAGR over the years, that would include both what we are delivering through our internal growth projects, but also the identified pipeline of opportunities that we will expect to close over the next few quarters. So put together we are fairly confident of delivering 10% to 15% inventory CAGR.

Jinesh Joshi: Can you highlight something about the pipeline of opportunities which you have with you currently? Anything which you would want to quantify or any deadline or timeline which you would want to share?

Ashish Jakhanwala: Yes. So I think as I said we have an active pipeline of at least three opportunities that we are tracking. Even if we are able to achieve a 30% success rate on that we believe that we should be able to deliver what we have stated almost a 25% incremental EBITDA over what we have delivered in FY24.

And when we give these numbers we tend to completely ignore any inflation effect or benefit. So we just pick FY24 revenues and FY24 RevPAR and kind of multiply that with the inventory we expect to add. So we have a very actionable pipeline. Unfortunately, giving more details without us achieving closing will be inappropriate.

But as I said we remain confident that within the current fiscal year we will be able to lock in growth opportunities which will reflect both a combined 10% to 15% inventory CAGR, but actually more important an ability to add 25% to our EBITDA in the coming years over FY24 numbers. And just to add to that Jinesh sorry just to add to that we would like to confirm, however, that these opportunities remain steadfast in our core markets.

So I think what's important is to follow discipline while we're wanting to grow. So A, these opportunities are a blend of what we call acquisition and turnarounds and long leases which means our capex per key tends to be way lower than replacement costs. And two they remain to be in our core markets, core office markets where we continue to see both good demand growth and also good RevPAR growth for our hotels year-on-year.

Jinesh Joshi: Sure sir. One last question from my side. So our same store RevPAR growth was about 13% in this quarter and the other two peers that have reported so far their same store RevPAR growth was about 3% to 4%. So any specific reason beyond the high office absorption example which you highlighted that has led to a double-digit growth in a slightly weaker quarter, so to say?

Ashish Jakhanwala: So, Jinesh it will always be a factor of the markets I mean we've been saying this repeatedly and I know we tend to focus too much on segments. We believe that cities sometimes tend to be more important than segments. If you look at the RevPAR growth by cities we've seen Bangalore grow almost at about 17% year-on-year. No surprises. Largest office market in terms of net absorption.

The second highest growth rate was both in Hyderabad and Pune in the zip code of about 16% each, again driven by the growth of the office markets. NCR was at about 10%. And if you look at our portfolio spread, Jinesh, right, almost 70% of our revenues come from Bangalore, Hyderabad, Pune. And if I add NCR, about 80%. So when you have, you know, your presence in markets which continue to have good growth in terms of office space, the weighted impact reflects in the overall portfolio, right?

Two, we will also clarify that we don't operate in leisure markets, right? And therefore, we tend to probably over the years deliver more stable growth rates, because leisure markets are the markets which tend to have higher fluctuations between seasonalities. Business hotels also have seasonality, but not to the extent that you will see in leisure markets.

Jinesh Joshi: Got that. Sir, one small clarification required, given the fact that we are doing some bit of renovation and rebranding. So how is the renovation capex accounted? I mean, is it capitalized, or does it flow through your P&L as repairs and maintenance?

Rajat Mehra: The majority of these repairs and renovations that we are doing are actually getting capitalized other than very small work which is being done as a maintenance capex in our existing hotels. So wherever there is a rebranding which is happening or maybe additions of the inventory, all of that amount is getting capitalized and will be part of our fixed assets.

Jinesh Joshi: Got it. Thank you so much and all the best.

Rajat Mehra: Thank you so much.

Moderator: Thank you. The next question is from the line of Nirvana Laha from Badrinath Holdings. Please go ahead.

Nirvana Laha: Hi, thanks so much for the opportunity and congrats on a great quarter. So Ashish, one clarification. You said 25% EBITDA growth on FY'24 base. So is that a CAGR or is that like a one-time growth?

Ashish Jakhanwala: One-time. So our pro forma asset EBITDA for FY'24 was about INR400 crores, just INR1 crore short of INR400 crores. When we gave a guidance of 25%, which means we're talking about almost INR100 crores EBITDA being added from incremental pipeline that we have visibility of.

Nirvana Laha: This is over what timeline?

Ashish Jakhanwala: So it will vary. We believe that this incremental EBITDA growth will start coming in FY'26, but very small stub. FY'27 onwards, you start seeing this EBITDA growth coming into our P&L. Most of our opportunities, actually all of our opportunities are acquisition or existing assets or near-ready assets, right, Nirvana. So we don't see any lag between capex and revenue in EBITDA, other than maybe two or three quarters during which you either complete or renovate the assets. So we have picked up the FY'24 RevPARs, a basis which if we add this inventory, it will add additional INR90 crores to INR100 crores of EBITDA from starting FY'27. There could be a small stub in FY'26, but honestly, it's more to take it from FY'27 onwards.

Nirvana Laha: Got it, Ashish. And in terms of the acquisition, given that we are still carrying substantial debt, so is there any thought right now at this juncture for the company to go for more of an asset light model for some time?

Ashish Jakhanwala: So, Nirvana, I think there are three parts to this answer. Number one is we continue to see very strong growth in our EBITDA, if you see, on a year-on-year basis. And by the end of the current fiscal year, we are fairly confident to generate incremental INR225 crores to INR250 crores of free cash.

This is over and above the existing free cash of about INR300 crores that we hold in our books. And then, of course, you have FY'26 coming beyond that, right? So, we are building a very strong liquidity position from the current business, which is doing, obviously, you know, we're very satisfied with what it's delivering to us.

Obviously, part of this will be used towards continuous deleveraging, or it will reflect in our net debt because of the cash we hold, either two ways, right? The third is something that Karan kind of asked upfront about asset recycling. So we believe that some bit of asset recycling will be done, as I fully admitted that asset recycling needs a counterparty, and therefore, we are kind of averse to making any firm promises.

But it is a stated strategy, and we will deliver on that for sure over a period of time. So, part of it will be funded through asset recycling. And last but not the least, I will pick on your one word that you used, asset light. Because we believe in ownership of the P&L, given the operating leverage we are seeing in the market.

We actually use a word called capital efficient, which is delivered through our variable long-term leases, where we actually don't end up paying for land and building, and we only pay for fitting out the building and very quickly start adding that EBITDA to our overall portfolio. So, I think we have a good balance of both stability, safety net, and also growth. And combining all of these factors together, Nirvana, we feel fairly confident that we will be able to achieve it.

Nirvana Laha: Thanks. Just one last question. So, if you can tell the OCF we generated for this quarter, and your thoughts on one of your peers, exact peers actually recently did a capital raise and managed to completely deleverage their balance sheet. So, I understand that from an investing point of view, it seems like there's a lot of value in the stock currently, so I'm not suggesting right now. But as part of the roadmap going forward in the next two to three years, as management, do you think that's a possibility we would like to consider in terms of raising equity capital, maybe just to clean up the balance sheet? Because in the past, we have faced, during COVID, etcetera, a lot of issues due to debt. So, just these two questions. Thank you so much.

Ashish Jakhanwala: Nirvana, we are a professionally managed company, which itself should assure everyone that we are here to serve the interest of the broader shareholders. And at any given point of time, if that requires us to take an action, we will not hesitate to do that. If that includes raising capital, so be it. But I will reiterate that as of right now, we have a very strong liquidity. We are seeing very good cash being generated by the business. Our growth is a lot internal, which is very capital efficient, because most of the capital has already been invested and being carried in form of our current capital employed.

So, I think we are very, very confident where we are today. But I will obviously assure you, not that it is needed, that being a professionally managed company, the Board will kind of consider what's the best path for the company in due course of time. One thing we don't do, Nirvana, which I'd like to highlight, is we are a high growth business, which is evident from our revenue and EBITDA growth, not just year-on-year, but for the last five years.

But what we've not been doing, and perhaps we'll start doing, is separating the capital allocated towards growth, because unfortunately, all of that gets clubbed into a single EBITDA line. We've not been doing so far, but I hear a lot of comments that we get. We will start allocating capital towards growth, which will bring near-term EBITDA. So, investors have a very clear visibility of how we foresee the balance sheet growing in future.

Nirvana Laha: The operating cash flow number, Ashish, if you can give that?

Ashish Jakhanwala: So, I tell you, we had about INR34 crores of operating free cash in the quarter one.

Nirvana Laha: Okay. This is after pay down of some debt, or is this the operating cash flow?

Ashish Jakhanwala: No, this is operating cash. This is EBITDA minus interest. We didn't have significant debt repayment in the current quarter. So, really that is being redirected towards mostly our current -- in this quarter, it went towards capex, which was to open the hotels that we have to open in the next quarter or so.

Nirvana Laha: Okay. Thank you for that. Wish you all the best.

Ashish Jakhanwala: Thank you.

Moderator: The next question is from the line of Pranav Shrimal from PINC Wealth Advisory. Please go ahead.

Pranav Shrimal: Yes. Good morning, sir. Congrats on the great results. Most of my questions have been answered. Just one last question, sir. In the coming three quarters, where do we see the demand coming from? In which cities do we see the maximum demand coming from?

Ashish Jakhanwala: Pranav, you stumped me with this question because the answer is going to be very long, but I'll try and keep it short. So, the quarter 3 and quarter 4 have always ended up being very strong quarters. A combination of increased business travel, great season for MICE and social events so we expect quarter 3 and quarter 4 in line with the previous years to remain very strong and robust.

I think the demand continues to come from a very active expansion of economic activities across the key large cities, which is then reflected in increasing net absorption of office space, more travellers taking to aircrafts in India. If I'm not wrong, 72 million passengers would have been the highest ever. So we are finally beating the pre-pandemic level of passenger movements. And anybody who takes a flight, a percentage of those people end up staying in hotels. So I think we remain fairly upbeat.

We also think that a lot of large events which got deferred in quarter one and we definitely saw some deferments when we compare it to the same period last year elections and also often people ask us what happens in elections that people don't do events. It's actually the fact that liquor ban applies a day before and after. And just general concerns around people movement. So we've seen some deferments so that we believe some of that MICE events will start to then spread over quarter two, three, four.

Business travel will become strong. We are seeing good pickup in weekend occupancies, which is driven by an increase in what we call urban leisure means people traveling from one city to the other city for sporting events, rock concerts, general seeing the country. So I think all of these will kick in to give us a good subsequent quarters and actually a few years, if not more than that.

Pranav Shrimal: Perfect. And one last, I might have missed. What was your capex number this year?

Ashish Jakhanwala: Our capex number this year. So this year, the total growth capex we are expecting is about INR138 crores.

Pranav Shrimal: Yes. INR138 crores. So this includes the renovation rebranding?

Ashish Jakhanwala: Yes.

Pranav Shrimal: So that will get added to the asset or does this add to the P&L?

Ashish Jakhanwala: No. This is capex. This is capex. So this is capex in the 302 rooms that open between October and November. This includes the addition of rooms in Hyatt Regency, Pune. This includes conversion of the ACIC franchise to manage. So this includes all of these activities, which, as I said will be hugely beneficial and all are going to be part of our assets.

Pranav Shrimal: Perfect, sir. Thank you so much.

Ashish Jakhanwala: Pranav, just to clarify, we already incurred a significant amount of maintenance expenditure but that's already a part of a P&L before we reported a beta. So that's separate. This we are talking about being the capital being deployed to either rebrand, add inventory or a material renovation in hotels not maintenance. Thank you.

Moderator: Thank you. The next question is from the line of Pavas from Aditya Birla Mutual Funds. Please go ahead.

Pavas: Hey, Ashish, could you touch upon how the last few days have been in terms of say, occupancy and ARR for, say, July and August? And if I deep dive into your performance, you have a better performance than peers but a lot of it is driven by occupancy rather than ARR. So how is that shaping and how much further you can push the envelope on this particular front?

Ashish Jakhanwala: If left to me, I would have definitely talked about July because it definitely looks better than quarter one, but I think the best thing is to hold off for the entire quarter. We've seen good recovery in revenue growth in the last few days, which is almost a month now. So that's part one. And that's not a surprise because we actually did a deep dive of quarter one and we realized that RevPAR was good as expected.

And when you look at occupancy and rate, Pavas, a lot of time actually, when you look at the portfolio level it depends on which asset kicked in, which asset went contributed. So sometimes your average rates for the portfolio or a segment will start to move. But generally, we've seen both rates and occupancies hold pretty good. We wanted to be sure that our statement that MICE led to the F&B revenue being muted.

We have done a deep dive, and we have realized that it was MICE event, which did not happen this year related to last year, which has led to a slightly muted F&B performance. Otherwise, I believe our revenue growth on same sort would have been closer to 11%, 12% and not 7%, 8% really. And which is what we will expect to see in the coming quarters in terms. That was your first question.

Second question going forward, I think the occupancy levels remain to be pretty stable. There will always be some sort of asset level decision to play between occupancy and rate. But we do continue to believe that you will see. And I think we've said it a few times. Our view is that high single digit to early double digit is RevPAR the growth that the market can deliver on a sustainable basis over next several quarters, actually.

Now, quarter-on-quarter, you'll see variations and there is a holiday when there is some global political or national level event. But we believe we are very well set to deliver high single digit to early double digit in terms of total revenue growth. We had 7% same sort in quarter 1 RevPAR was 13%. As we fixed F&B, we would have gone to about 11.5% , which is where we would like to see the rest of the quarter.

Pavas: Okay. And could you give some more colour on the segments like upper upscale, mid-scale, upscale, how they are trended in last few days?

Ashish Jakhanwala: Yes. So I think the growth is across segments. But, Pavas, I will reiterate. We have always, when we have been digging deep into the performance levels, we've always seen as a factor of the market and not of the segment. I'll reiterate several times because I want to give the right point of view to our investors. So in the current quarter, we are seeing really very satisfactory growth year-on-year across all markets minus Goa, which remains to be flattish. It's not the best time for Goa and the rains have been torrential this time. But other than that, most markets have remained pretty strong in terms of year-on year-growth ahead of where quarter 1 was. And across segments.

Pavas: Okay. But anything particular about any of the segments which is kind of different from the rest of the pack?

Ashish Jakhanwala: No, not really. What we are seeing is that our hotels across segments, for instance in Hyderabad are doing really well. In Bangalore, they're doing extremely well. But in some of these smaller markets we tend to see the growth rates being slightly muted. I will see my Fairfield by Marriot in Hyderabad doing really, really well. But that's in line with how Sheraton is doing and how Holiday Inn Express is doing that. So across three segments, we are seeing performance of that city remain fairly robust.

We are seeing good performance in Bangalore even though Bangalore has always been on a high base. But we need to remind people that in Bangalore different micro markets were behaving differently. So we've started seeing other micro markets like Whitefield, where a lot of supply came in the last three years has started to stabilize and show some growth, which is also reflected in the peer reporting. We are seeing Delhi remain very stable and growing well. So I think segments, we cannot really identify a trend that separates one segment from the other. We clearly can find trends between one city to the other city.

Pavas: Okay, great. And earlier also in your communication you have highlighted quite often that tier 2 and tier 3 cities are not kind of seeing the same buoyancy as the rest of the tier one city. Anything changing now? Is it finally kind of going down the curve or still tier 2, tier 3 are not in that upstream?

Ashish Jakhanwala: So see, I'll tell you. So I'll tell you RevPAR growth for quarter 1 compared to same quarter last year. Bangalore 17, Hyderabad 16, NCR 10, Pune 16, Chennai 3, Ahmedabad 10, others 4. So the data tells us that key cities have done well. Chennai has been a bit of a laggard. Within Chennai, actually, we have assets in Sriperumbudur and in the city.

And Sriperumbudur continues to outperform and how? To the extent that we are intending to add 80 more rooms in that hotel. But this is the actual data of our portfolio for the last quarter. So you can clearly see the big cities are showing RevPAR growth, which are pretty robust. I think small cities are good. But the question is your ability to forecast them with accuracy for the next 3 years to 4 years, quarter-on-quarter.

That tends to be slightly challenged because of the low inventory base that they have. Bangalore, Hyderabad, Pune, Delhi, Bombay have such large inventory today and solid performance that our ability to forecast those markets tend to be slightly more, I would say, assuring than our ability to do the same for smaller markets. It does not mean those markets are not good or strong. It just means that the margin of safety is much higher in the big cities for us. I can only speak for SAMHI.

Pavas: Sure, that helps. Thanks. That's all from my side.

Moderator: Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas. Please go ahead.

Kaustubh Pawaskar: I just need one clarification on slide number 17.

Moderator: Sorry to interrupt you, sir. May I request you to please use your handset?

Kaustubh Pawaskar: One second.

Ashish Jakhanwala: Yes. Kaustubh, you're talking about the presentation.

Kaustubh Pawaskar: Yes, hello. Is it better now?

Moderator: Yes, sir.

Kaustubh Pawaskar: Yes. Just a clarification on slide number 17. You have mentioned that you are planning to add 302 rooms and the revenue potential from these rooms is around INR25 crores to INR30 crores. In your initial comment, you mentioned about some INR80 crores of revenue potential. I just want to understand those figures in a better term?

Ashish Jakhanwala: Yes. You're absolutely right. INR25 crores to INR30 crores come from the assets that are listed on that slide. And then in addition to that, you mentioned the timeline. Yes. Slide number 16. So, the 25 to 30 only captures the box that is ready to open in the next, I would say, 2 months to 3 months. The INR80 crores number includes addition of rooms to Hyatt Agency Pune, incremental rooms in Sriperumbudur, which you would be mentioned there also, and the incremental rooms in Sheraton Hyderabad, which we have identified recently, and we will give more details for that in the next quarter.

Kaustubh Pawaskar: Just also from the renovation point of view. So, are there any other properties which you are, going ahead looking forward to renovate? Because I think that is, this is kind of a strategy for you to, get upgradation in terms of, revenues or in terms of RevPAR. So, going ahead, maybe, in 26, 27, are there any, specific properties you are looking for renovation?

Ashish Jakhanwala: So, we have given the list of almost all the properties we are intending. And I think this slide captures a lot. So, if you see, three are already almost in the final stages of being completed. The work has started in Hyatt Agency Pune. It is a large asset. It is an upscale asset in a key market.

So, the total revenue per key added is much higher, honestly. Then, we have just disclosed, I think, a month back to the market about assigning management contract for conversion of Pune and Jaipur assets to a higher category. We believe the EBITDA from those assets will grow 40% to 50% from what it was FY'24.

Basis the renovation and rebranding without considering the impact of market growth, right? The Hyatt Agency Pune, we are undertaking some renovations alongside the addition of the rooms, which will include it getting a new restaurant, also a variation of the ballroom where we expect to improve a market share for the social event. Similarly, in Sheraton, Hyderabad, we are improving the ballroom space for a better market share of the social event.

So, there is a fair bit of work that we are undertaking. I had kind of tried summarizing that just the inventory addition will lead to about INR75 crores to INR80 crores of incremental revenue. We have not factored in that the impact of the renovation and rebranding of the hotels that we are undertaking. So, that's an incremental impact.

Kaustubh Pawaskar: That was my point. Because I guess renovation rebranding will add on to whatever the revenue, we'll be getting from the room addition?

Ashish Jakhanwala: That's right. Absolutely. We have given a RevPAR guidance on where post-renovation and rebranding of the two ACIC Hotels we expect the RevPAR to be. But we have not really factored that in when we tell you about INR70 crores to INR80 crores of incremental revenue. That, to clarify, is only from incremental inventory being added in our existing portfolio without any acquisition to be made from third parties.

Kaustubh Pawaskar: Thanks for the understanding. And all the best for you.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Ashish Jhakanwala, MD and CEO of SAMHI Hotels, for closing comments.

Ashish Jakhanwala: So, we'd like to thank everyone for taking out time today. And we did enjoy the line of questions. In summary, we remain very, very happy and pleased with what we've delivered over the last, I would say, almost 4 reported quarters post going public. We believe that this is just a warm-up as far as the portfolio is concerned. The integration of ACIC portfolio is going exactly as planned.

The renovation and rebranding of the new inventory is going exactly as planned. Core to what we do, we have identified more opportunities within our existing portfolio without looking outwards. And as we try and fortify the external growth opportunities, we believe that we will set SAMHI for success, not just in the near term, but also in the long term. So, we look forward to continuing to engage with all of you. Thank you for your time. Thank you so much, everybody.

Moderator: On behalf of SAMHI Hotels Limited, we conclude this conference. Thank you for joining us. And you may now disconnect your lines.