

SAMHI Hotels Ltd.

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12th June 2025

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**National Stock Exchange of India
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Scrip Code: SAMHI

Sub: Transcripts of Capital Market Day' 2025

Dear Sir / Madam,

Please find enclosed the transcripts of the "SAMHI Hotels Limited - Capital Market Day' 2025" held on **Thursday, 05th June 2025**.

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

Thanking You.

Yours faithfully,

For **SAMHI Hotels Limited**

Sanjay Jain
Senior Director- Corporate Affairs,
Company Secretary and Compliance Officer

Encl.: As above



SAMHI Hotels Limited

Capital Market Day

June 05, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 05th June 2025 will prevail.



MANAGEMENT:

MR. ASHISH JAKHANWALA – FOUNDER, CHAIRMAN, AND MANAGING DIRECTOR

MR. RAJAT MEHRA – CHIEF FINANCIAL OFFICER –

MR. GYANA DAS – EXECUTIVE VICE PRESIDENT AND HEAD OF INVESTMENT

MR. NAKUL MANAKTALA – VICE PRESIDENT, INVESTMENTS

MR. AJISH ABRAHAM JACOB – NON-EXECUTIVE DIRECTOR

MR. SANJAY JAIN – SENIOR DIRECTOR-CORPORATE AFFAIRS, COMPANY SECRETARY AND COMPLIANCE OFFICER

MS. TANYA CHAKRAVARTY – GENERAL COUNSEL LEGAL

MS. BHAVNA MISHRA – HEAD MARKETING COMMUNICATION

MS. SIMRAN MITTAL – AVP INVESTMENTS & STRATEGY

MODERATOR:

MR. RAHUL AGARWAL – STRATEGIC GROWTH ADVISORS PRIVATE LIMITED

Rahul Agarwal:

Good afternoon, everyone. A warm welcome to the Capital Market Day of SAMHI Hotels Limited. I am Rahul Agarwal from Strategic Growth Advisors and it is my pleasure to be hosting this evening.

Today we have the privilege of having with us the Senior Leadership team of SAMHI Hotels, Mr. Ashish Jakhanwala, Founder, Chairman and Managing Director, Mr. Rajat Mehra, CFO, Mr. Gyana Das, Executive Vice President and Head of Investments, Mr. Nakul Manaktala, VP Investments. We are also honoured to have Mr. Ajish Abraham Jacob, Non-Executive Director at SAMHI Hotels, representing Asiya Capital, the largest shareholder in the company. This evening, management will take you through a comprehensive view of the business, including strategic insights, key growth drivers and future roadmap of SAMHI Hotels.

We will begin with a corporate presentation, after which the floor will be open for an interactive Q&A session. With that, I now invite Mr. Ashish to address the audience and begin the presentation.

Ashish Jakhanwala:

Good afternoon. I will correct Rahul. The privilege is not for us to be here, the privilege is for all of you to be here actually, so I will just correct him to that extent. This is our first formal Capital Markets event since we went public in September 2023. We will try and keep it as away from marketing as we can and focus on hard facts. It's not our habit or practice to make promises, but yet we feel it's our fiduciary to remove any information asymmetry with what and how we are thinking about the company in its next two to five years and what you are aware of with respect to that.

So the purpose of today's event is not to really sell the company or sell a forecast. It's just to remove that information asymmetry between what the management feels and what the management is working for and that the investors should have full visibility of that plan. So that's really our intent.

I'd like to have a broader team be introduced to you. So, of course, Gyana is here with me. Gyana was almost a Co-Founder of the company. He and I have worked together for 18 years, first at Accor Hotels and now in SAMHI. We have Rajat, who's been with the business for -- Rajat, 13 years? 12.5 years. We've got Mr. Sanjay Jain, who we call Sanjay ji. He is the principal person for shareholders. He's the company secretary, and, you know, he's sitting there. We've got Tanya, who's a General Counsel, backbencher again. We've got Nakul, who's VP Investments. We've got Bhavna, who's our Head of Mar Com. And we've got Simran, somewhere in the room, who's a part of the team. So that's the team here.

And, of course, it's a privilege to have Ajish also with us, who represents Asiya, which is the largest shareholder in the company. I think with that, I'd like to take you through a small corporate AV that we just afford to make in time. Again, as I said, it's not our DNA.

We are a B2B business, so we are pretty bad at these marketing initiatives. But we have a corporate AV that I'd like to take you through, and then we'll make some facts known to you.

So we have borrowed a phrase from Sam Zell's book, which is 'Go for Greatness'. And Sam Zell was, as some of you may know, a legendary investor. He was a single largest shareholder

for almost 13 of the 14 years. And 'Go for Greatness' was a motto when Sam spoke to entrepreneurs that they should aspire for a high degree of ambitions. And the recipe was very simple. Protect your downside. And once you've protected your downside, you can really climb high.

So we have borrowed that one motto from Sam, which is Go for Greatness, because I think that defines what we want to set SAMHI up for over the next few years. You know, in most management presentations, this is just a very customary slide. You know, photographs, names, designations.

But in SAMHI, there's a bit of a difference that it is a professional management team which actually built the company over the last 14, 15 years. It's the same management team which has stuck with the company as it was created. It grew really well.

We saw a near death-like experience in COVID. Stayed through with the company through that time. And then, of course, after that, has been able to successfully take the company public and run it as it exists today.

The tenure of the management team is really important because we feel, you know, there is a whole practice in the corporate world that all the mistakes were made by my predecessor. And ever since I have joined, things are going well. But in SAMHI, unfortunately for us, our predecessors were us.

So whatever mistakes we've made, we've got to wear them proudly on our sleeve, accept them, learn from them, and move on. So I owe a lot to the management team which has worked around me over the last 14, 15 years, and I've already made some introductions. This is a slide I've often used over the last several years.

And the purpose is as we speak to a whole lot of stakeholders, investors, operators, employees, we have felt that there's just too much emphasis on the headlines. And headlines are things that we can't control. And what we have done here is really taken the front page of Economist about India over the last several years, and you would see how the headlines keep changing, you know.

And we may not have put all, from questioning whether India can fly, can India fly, to the next thing is India overheats, so within two episodes, the perspective in India changes. We have a great deal of difficulty, have learned to stay away from headlines and really focus on the trend lines. And as we invest our capital and grow our business, it will be our commitment that we will continue to stay away from headlines.

And for a lot of you, sometimes that may be surprising because headlines may say something and we may be doing something else, but you've got to trust us that we are following a very strong trend line rather than just the headline. Just some big data. And ascertaining demand is really difficult for travel and tourism.

Supply is rather easy. There's got to be a hole in the ground today for it to be an open hotel in three years. But ascertaining demand has always been a bit of a crystal ball gazing. If you look at Indian economy, it's grown four times in the last 18-odd years, a rough calculation will say

it's about 12% CAGR. At the same time, what trends we are seeing globally, this is the GDP data is India. The tourism and travel industry versus GDP is a global data where it is expected to outpace global GDP by 2x.

So which means that if global GDP grows at 2%-2.5%, travel and tourism globally is expected to grow at about 5%. And I cannot promise the same correlation in India, but this is certain that travel and tourism always outpaces GDP growth rates. And we're not experts on forecasting the future GDP growth rates for India, but we believe that if Indian economy continues to grow, there's little reason to second guess the fate of the travel and tourism industry. So we follow this trend line. It has worked well for us. It allows you to moderate the cyclical excitement and disappointments because what we are following is actually a structural story.

Now, you will see cycles playing within that structural story, and obviously that depends on your perspective, your investment horizon and all of that. But as Managers of the business, as a Founder of a company, we believe that the structural story is very strong and we will continue to see a lot of cyclical variations, but within that broader structural story.

Travel and tourism in India is underperforming. So if you look at our contribution to GDP, globally, the contribution of travel and tourism to GDP is about 9.1%. In India, it's circa around 6.5%, and we've tried testing past data. It hasn't really moved up significantly. It's about 6.3%, 6.4%, 6.5%, 6.6%.

And in this big data, that sort of difference is really -- you have to take it with a pinch of salt. WTTC, and I think they've revised their report two days back, but till then, they were anticipating that in India, the share will grow to 7.6%, globally to about 11.4%. It was very heartening to hear the Tourism Minister make a statement yesterday or the day before that he actually expects the travel and tourism contribution to Indian economy to be 10%. And he wants it to be benchmarked to global and not just remain suboptimal in this country.

So we feel that the growth of travel and tourism industry is quite eminent. Now, whether it kind of gets to global standards or not, time will tell, but effectively, again, we are riding the fact that if economy grows, so will the sector. A big trend that we identified when we started SAMHI was urbanization.

And what urbanization does is it gives you, for lack of any other word, a pocket of comfort in an otherwise very confusing market. So when you look at GDP data, when you look at per capita income data, you know, often it's hard to make an investment call based on that big data because we've got to be answerable for our decisions the next year and the year after that. We cannot wait for a five, 10-year structural story.

What we realized is there is a rapid urbanization in India, which basically means that people are moving from hinterland to cities. Economy of the cities is growing. That will lead to growth in residential sector, retail, office space, airlines, so on and so forth. And I think the urbanization trend is, in our opinion, the most compelling trend for an investor like us to look at. This is all the big office markets globally, you know. And there are two sides to it. One is where we are and to what the potential could be in future.

So today if you see Bangalore, it's about 225 million square feet of office space. It's below New Jersey, you know. Bangalore is stated to be reaching about 330 million square feet by 2030. And we'll show you some of the growth rates for ourselves and others. It will clearly make it one of the top contenders in terms of office space globally.

One clarification. In India, we only calculate grade A office space, which unfortunately means 80% of Nariman Point is not calculated in this. All of the offices in Dadar, Worli, Santa Cruz, are not calculated in this. So actually the real size of Indian office market is much bigger. Unfortunately, we don't have data to demonstrate that today.

If you go to Washington DC, which sits right at the top with 420 million square feet, I would bet 60% is the United States government. But when we talk about Delhi, we don't include the Parliament House and the South Block and the North Block and all the offices attached to it. So there is a bit of noise in this data. But I think we just need to see the movement as to where Indian cities are moving in terms of total occupied office space.

And every square feet of occupied office space sends me a few customers to stay. Every seat of airline sends me a few customers to stay. So the degree of correlation between office space and airline to a business hotel in a city is really, really high. Actually, statistically we've seen correlation is more than 95-96 percentile, right? So these are two data points that we can clearly rely on and take indication as to where we are headed. This is very interesting.

So while Bangalore was 220, way below Atlanta, New Jersey, Washington DC, and so on and so forth, last year, look at the new office... This is the net office absorption. The net office absorption in Indian cities was way higher than what you're seeing in some of the large global office markets.

So if Bangalore absorbed -- net absorption, which means net addition to the occupied office space, was 14 million square feet. The highest such precedence globally is New York City, which is 7 million square feet, half of it, right? And some of the other, like Tokyo and London, are 3 or 4 million square feet. That would be less than Hyderabad. That would be about where Pune is today, actually, on a net absorption basis.

So what you see today in the previous slide, here, and what you would see in future is going to be very, very different. And I think that gives us a lot of confidence about where we need to take our capital and what would be the fate of those decisions over the next 3 to 5 years.

Aviation. The numbers that you see on the screen, which is 77 million passengers per quarter, is because there's a massive supply constraint, and we are aware of that. It's a duopoly, largely, you know, Indigo and Air India, then you have Akasa. There is an issue with new aircraft orders, both with Boeing and Airbus.

And if there was no supply constraint, this number of 77 million passengers would be fundamentally different. And as I mentioned earlier, every aircraft that lands in a city, there are people in that aircraft who will stroll their bag into a hotel lobby. So the more aircrafts that fly, the more passengers that fly in those aircrafts, we're quite certain that some of those guests, and proportion may keep changing, some of those guests are going to straw their bags into a hotel

lobby, and we want to make sure that we have a bunch of lobbies and rooms in those cities to accept those customers.

Demand supply. This is a model we've used for a really long time, and generally in a 3-4 year cycle it works. I must caution you, this math does not work on an annual basis. What we've done here is demand, we are not too intelligent to ascertain for future. So what we take is the last 10 years demand growth, because that's available data for us, and a binary question we ask ourselves is, is there something happening in the market that will accelerate that demand, or that will depress that demand, or it will keep it stable.

As of today, in each of the markets that we operate in, we don't see a fear that historical demand growth is at question, and therefore we've taken that as effectively a de facto for what could be the demand growth in future. Supply growth. Thankfully in our industry, unlike many other industries that you invest in, is a very certain number.

Like I said, there's got to be a hole in the ground today for it to be an open hotel in 3-4 years, and if there is no hole in the ground today, there is no hotel coming up in the next 3-4 years, no matter how many press releases are made, no matter how many articles come out. So headlines may say something, but trend lines will show you a completely different picture.

And the data that we have over the last 10 years is that only 53% of announced hotel supply has ever resulted in an open hotel. And that's data for the last 10 years. It may change. 53 may become 60, it may become 65, it may become 45, but I like to believe it will not be 100%. So supply data is reasonably certain, and what it tells you is that in all key markets, supply remains far and short of demand.

And, you know, that's one of the other things Sam Zell famously said, that if supply is constrained and demand is not in question, then price is not an object, which means you can keep pricing and repricing your asset because there's demand and not much supply to fill that demand. So we feel fairly confident and excited about some of the core markets and what's happening to demand and supply.

Right-hand side, just the facts. Left-hand side is a story. And the story is that even though today we have a reported turnover of about INR 1,200 crores, that would make us one, two, three, four, five, six, seven, eighth largest hotel company by revenue. And I think as you grow, you start relying on real numbers. So I don't, like, want to rely on number of rooms and hotels. We may be number four or number three or whatever that number would be. But in terms of real revenue, we would be number six or seven today.

But the real fact behind that, it has taken us only 14 years to get there. And some of the peers, the youngest one was actually 23 years old. So clearly the strategy that we've implemented, and we'll talk about that, has delivered pace, has delivered scale, and of course the quality. I would not like to preach that on this podium today. All of you will ascertain it for yourself. This I'm very proud of.

You know, when I started the company way back in 2011, January, the company was incorporated, if I'm not wrong, 29th December 2010. The first formal day was 1st January 2011,

Small Business Center in Gurgaon. It was one of the first attempts by a professional management team to create a company of scale in a capital-intensive industry, you know.

And I don't recollect back then there was a word called startup. So it was rather a lonely journey. We went with a very simple strategy. We went with the skill sets that we had acquired over the last two decades working as professionals. And we were very proud that through our journey we've been supported by some of the best financial institutions as our shareholders. So the first capital came from GTI Capital and Equity International.

GTI Capital was started by Gaurav Dalmia, who is well-known to a lot of you. He's one of the smartest investors I've worked with. Feet on the ground, understands India, you know, comes from a background where they have a reputation for wealth creation.

Equity International, as I said earlier, Sam Zell. I mean, he is considered one of the finest real estate investors globally ever. So those were the first two investors. In 2014, we took a small investment from IFC Washington, which is a member of the World Bank Group. Very proud moment because World Bank before that had never put a single dollar in the hotel sector. And they were in India since 1954.

So we were the first company that World Bank or a World Bank institution ever invested in the hotel sector in 2014. Very proud to tell you, we are a case study in World Bank now, you know, because they didn't think we'll survive in COVID and we did survive in COVID. In 2015 and 16, we had Goldman Sachs come as a shareholder.

Again, a differentiator. The money came from not a private equity fund or a managed account. It came from what was then called a partner's capital, which actually meant the bank's balance sheet. So what owned SAMHI or a part of SAMHI for a long period of time was actually Goldman Sachs as the bank and not a managed account by Goldman Sachs. Then in 2023, we had Asiya Capital. And as I said, I'm very happy to have Ajish here represent Asiya Capital.

And then very recently, as you know, we've done a strategic partnership with GIC, which is the sovereign wealth fund for Government of Singapore. So as a professional management team, for me, as I stand in front of you today, I think this is my biggest pride. For 14 years, we've been able to work with the highest quality of institutional investors.

And I would urge you to all make phone calls to any one of them without us. And I'll be quite surprised if you don't have the right things to hear from them. We actually asked both Tom at EI and Gaurav to write testimonials. I won't read them here. But, you know, they continue to believe in the business even though they're fully exited because of the fund life issues.

But these are people that we've kept close to the business. These are people I will end up calling once every one month, even right now, even though they're not the shareholders in the company. EI actually had written six testimonials. So, you know, we chose the best one for ourselves. You know, there were no bad ones, I can assure you that, you know.

We're in the end of a successful business is about an opportunity and the strategy. The opportunity first in the hotel sector is really, as I said, it's a multi-decade opportunity because we're a lazy industry. We just follow the economic growth, you know.

Hotels is, by the way, a low IQ industry, you know. I didn't think I was intelligent enough to become an engineer or a doctor, so I went to hotel school. And because of that, you know, we end up following very simple trends. And the simple trend the sector follows is we follow the economy. So it's a very simple trend. I think the growth of disposable income and discretionary spending is going to be the big delta over the next decade.

And I know there are peers who have a great degree of leisure investments and they think only they will benefit, but the fact is every hotel in the country will benefit as disposable income, as per capita income increases in this country. You know, I like to see my hotels filled up on Saturdays and Sundays, which they are not today. I'd like to see my hotels filled up on New Year's and Christmas, which they are not today.

And that will happen when Indians start traveling within India for watching an IPL match or coming to places like this for seeing a show or for going to attend a rock concert. It started to happen, but it's not even the tip of the iceberg. And when that trend really solidifies, what you would see is very interesting.

Weekdays, we are already sold out. So if you see Tuesday, Wednesday, Thursday, average occupancies will be upwards of 88%, 89%. So as my weekend starts getting filled up because of disposable income, I think that's a scenario no management team or analyst would risk its reputation to forecast, but we know we can't stop that.

In terms of our strategy, I think the first one is we like to find opportunities where others can't. And that's, I'm sorry, I'll keep repeating Sam Zell's quotes because I worked under him for 14 years. He always said, when everybody is looking right, look left.

And that's where the opportunities really are. Two is we like underappreciated assets. One thing we do not like is building hotels. And when I started in 2011, I wanted to build hotels. My first investment memo said programmatic development and tactical acquisition. I remember those words.

And I sat down with Sam Zell and he said, you're a bright kid. I was 35 years old then. You're a bright kid with the wrong strategy. Because in development, whatever can go wrong will go wrong. So you stay away from development. That's not how value is created for institutional investors.

You have to minimize the risk, but there will always be a large pool of assets waiting to discover their true potential. That's the case in the US. So it cannot be the fact that it's not the case in India where there's lesser and lesser institutional penetration in income-producing hard assets.

What we like is very quick capex to revenue cycle. As a management team, as a CEO, as a member of the Board, when Nakul brings something to me where he says, investment goes in in

2025, revenue starts in 2028, 2029, I think he's lost our attention 90% there. Because we like to see very quick turnaround from capex to revenue.

For a simple fact, forecasting that long is impossible. So we'd like to put our money at work in the forecasting period, not beyond the forecasting period. We've tried finding things that separate us. And I think each management team and company has to do that in Investor's Day. We've got to tell you that we are different from others. So we've tried working hard to find what sets us apart.

Number one, and I do firmly believe that over the last 14, 15 years, we have demonstrated our ability to work with the best financial institutions globally, full stop. We could raise money from Sam Zell, and we were the only investment Sam ever made in India, by the way. And today, 14 years later, I think we are best friends.

And unfortunately, we lost Sam two years back. But if you talk to his family, if you talk to the broader organization, we are still the best friends today. Then Gaurav Dalmia, as I said, I spoke to him two days back, continue to speak to them, IFC Washington, Goldman, and now GIC.

We clearly know that we know how to work with institutional capital. There's a mindset, there is a certain amount of humility, a lot of data, and a lot of patience. That's what you need to work with institutional investors, and I think we have all of that.

Second, we have demonstrated track record of acquisition and turnaround. I'm not saying we are the only ones who are doing it, or we are the only ones who can do that, but the company which has the most track record for acquisition turnaround in the sector is clearly SAMHI, and there are numbers to speak for that.

Third, we have a dominant share of some of the leading global brands in India. So today, for instance, we would be the largest owner of Fairfield by Marriott Hotels in India. We are the largest owner of Holiday Inn Express Hotels in India. We are one of the largest, if not the largest, owner of Marriott Operated Hotels in India.

We would be one of the largest, if not largest, owner of IHG Operated Hotels in India. So even though we don't have a brand of our own, we have a very dominant share of the big brands operating in India. And the last, not the least, is the fact that we believe that we built the whole company around some undeniable facts, which is data. And in the long term, it's going to help us maintain a certain level of discipline, which is really hard in sectors like this.

So what is core to our strategy of this acquisition and turnaround? That's actually, again, very simple. Point number one, do not speculate on location. Because you know what? I can't change that post-acquisition. So if I have bought into Gachibowli, Hyderabad, or Outer Ring Road, Bangalore, or Nagar Road, Pune, or Whitefield, Bangalore, or HITEC City, Hyderabad, we cannot change the location once we've invested our capital. It's a capital-intensive industry, so once you've taken money into a certain location, you are more than likely stuck with it for a long period of time. So please do not speculate on location.

So that's the first thing, that you've got to find the right location for your hotel. And going back to the previous slides, follow office space, airlines, urbanization, follow hard facts and hard data. The second, there has to be an opportunity for you to create a differentiation in the product.

If it's a really good hotel, would we be the buyers of Trident, Nariman Point, Trident BKC? The answer is no, because we don't know what will we do to that hotel. It's already a great hotel, great brand, great location. Where is the upside we can't see other than market? And we don't rely purely on market to see upside in our assets.

So the second is that we clearly need to see a significant upside through product. And the last bit is, a brand is a bridge to the customer. We build hotels, we own hotels in great locations, but the first meeting I ever had to raise capital for SAMHI was in winters of 2011 in New York. I won't name the investor.

I walked in and I said, you know, I'm starting this. And they said, what do you want to do? I said, well, I want to have a hotel company. And he said, you know what, Ashish, I took a meeting because I know this gentleman, but I would not invest. This is the worst business to be in. It empties every day.

And I walked out thinking this guy is so right. Every single morning my customers check out and I have to get new customers to fill those rooms back. And same thing has to be repeated every single day for 365 days in the larger the portfolio that many times each day.

And therefore, having a strong brand is your only bridge to get to those customers on a repeated basis. And therefore, strong brand is the holy grail of success as far as we are concerned. So put the three things together of a location, a massive product upgrade, and put in a strong brand on top of that, and I think you can see a significant transformation in how hotels behave.

So, this is one case study. This was, I wouldn't name the earlier brand, but it was a local brand. That was a lobby right in the center. That's the lobby today. This is the room product. That's not exciting. This is exciting. That we have been able to deliver an 18% ROCE in this hotel.

The fact is we're not stopping here. This hotel is going through a 20% inventory addition through this year. By October, November, we'll have 56 odd rooms over 270 rooms, right? Almost 20% inventory growth. This hotel is going to go to 25% ROCE.

To produce 25% ROCE in an income-producing hard asset is not easy, but it is easy if you do acquisition and turnaround rather than keep building assets. And our total in-cost for this hotel will be at least at 30%-40% discount to replacement cost. And that's where it really starts to look good because for Hyderabad to get new supply, which will threaten the performance of this hotel, new hotels need to be built.

And the good thing about new hotels is they can only be built at replacement cost. So if you've been able to acquire businesses at discount to replacement cost and have a good return, the market is working hard for you because they will try and push the rates to a point where there's a good return on replacement cost, and at that point, hopefully this hotel will be at 35-40% ROCE, and we will do what we just did two months back or a month back, divest 35% in favor

of a strategic investor, take your capital out, take it elsewhere, repeat the whole story all over again.

Now, this is not a one-day wonder. We have repeated this playbook several times over in the last 14 years. Actually, 87% of our inventory is through acquisition and turnaround, only 13% are hotels we've built. And we've built hotels like Hyatt Place, Gurgaon, Courtyard Fairfield, Bangalore, Fairfield, Chennai, Sriperumbudur. Proud to tell you all of those hotels are high ROCEs, and we typically do it in markets where we see unquestionable demand, but there is no hotel.

So, if there is no hotel, what are you waiting for? Because there's nothing for you to buy. So very rarely, and I would think the ratio will not change going forward, we see an opportunity to do Greenfield. We can do that. It's not that we don't have the capability to do that. We can do that, but we just don't find that to be the best use of our capital and our time. Sorry, we don't find it to be the best use of your capital and our time.

This is just another portfolio. We've talked about urbanization. We've talked about the growth of the office space. We are unapologetic about continuing to remain committed to that story. And I'll tell you in the next slide, or maybe in subsequent slides, right, how we have a whole plan to bring tremendous growth by sticking to this disciplined strategy. But I think we want to remain in high-density locations, and the reason is very simple. We want to focus on product.

We focus on brand. We want to focus on asset management. We don't want to risk the market. And, you know, I'll take you back to the title of the presentation, Go for Greatness. And I said, Sam said, protect your downside, and then you can really gun for upside. So, when you go to a high-quality location, you've protected your downside.

And then, therefore, you can take big risk of product upgrade, change the brand. You know, Sheraton Hyderabad was acquired at 2% yield. It's sitting at 18% ROCE. We could take that risk because we knew the market is not at risk. We don't have to speculate. We don't have to forecast the market itself.

So how much can we grow maintaining that disciplined strategy? And this is a chart which explains you that. We operate in three segments, and Nakul will take you through that in subsequent slides. Upscale hotels, upper mid-scale, and mid-scale. Mid-scale is Holiday Inn Express. Upper mid-scale is Fairfields, Four Points, and so forth. And your upscale are quintessential five-star, five-star-plus hotels. Each city in India today is very defined micro-markets. And this is just illustrative.

This is not really the whole list, by the way. There are about 45 micro-markets that we track today. This is just illustration. So if you look at Bangalore, for instance, Whitefield, City Centre, Outer Ring Road, North Bangalore, are very distinct micro-markets. Same brand across these four micro-markets will be selling at very different average rates today.

We think, over a period of time, we can have all three price points in each micro-market. So that's 45 times three, really. That's the number of hotels SAMHI can potentially have in future without digressing from its discipline of not speculating on location, not speculating on demand.

And next time when you see us doing another hotel in Hyderabad, another hotel in Bangalore, another hotel in NCR, don't worry about concentration.

It's all a part of a plan that we had laid out 14 years back. It's just very painful to fill the blocks here, you know. But that's what we're intent is. Eventually, we'd like to fill all the boxes, and not just on sheet one. There'll be, like, four sheets like this, you know. We've spoken about this, so I'll skip this.

Today, we're going to really talk about, in a very short, we'll not take more than three, four minutes, but a lot of you have seen what we built over the last 14 years, which was called SAMHI Intel, which was an analytics platform. You know, the creator of SAMHI Intel is right in front of you. It is in-house coded, in-house built.

We have data over 14 years, three operators, multiple cities, multiple brands. It's priceless. We've been testing various versions of it for the last several years. And recently, we got approached by a large hotel company asking us if we would be willing to provide this platform to them. And that's when we realized that we often underappreciate what we build in a small company.

Gyana Das:

Okay. Good afternoon, everybody. Thanks a lot, Ashish, for a great introduction. What you saw is a very quick glance at what SID is. I think the SID word comes from Siddhartha. It's the one which has got knowledge and purpose. And similar to the word, what SID provides to its user is a greater, deeper insight to the business and ease of access.

I think from the beginning, Ashish has said that we have always believed in analytical approach of the business. That very approach of analysis and data-driven is what gave birth to SID over the last decade. In the last decade, we have developed SID using our asset management know-how, our ability to organize data, reducing the noise, and on top of it, patching in technology on top of it.

So, I think combination of these three has given birth to SID. What does SID allow? SID allows you to look at every single detail of the portfolio, whether it is a physical or a KPI, operating matrices, or any market relevance onto it. All the things come together. It allows you to compare across assets, across operator, across region, and across time series. And we can do it through very interactive dashboards.

It also does is that it provides you that operating matrices combining with financial information because what we do feed in is a trial balance of the system. So, what it does is that, and often in the industry, a lot of people do not marry the KPIs with the financials, but we are very driven, so we marry the financials with the KPI to understand, dissect the business. This is all for the asset management.

The other aspect of SID is our ability to scale up. When Nakul looks at a new asset, we can take the information of the target asset, plug into our system, compare it with our existing portfolio, whether it is a comparable region, comparable segment, where is the opportunity, where all we can add value, and I can't say that we can accurately, but to a greater predictability, we can forecast the future returns. I think that's what helps us to evaluate multiple opportunities, a larger number of opportunities.

Second is the moment we acquire, because the system is modular, system is organized, we can literally plug in the new asset into the SID system in a month, two months, three months time, and the asset managers can start intervening with the asset management strategies. We have done successfully, now it's almost 34 hotels. We can work on another hotel, we can add on to it.

I think that's what the product allows us from a pure, pure technology with asset management. It's one of the most unique products available in the hospitality industry. We believe I think more to come, as Ashish said that, we have more things to come up in the SID, I think in years to come, we will definitely, you guys will hear more things about SID.

With this I'll very quickly give a snapshot of our portfolio. Ashish has already said it.

Ashish Jakhanwala:

So the reason we have rebranded SAMHI Intel to SID is because we got this feedback from the industry, where we actually think a product we made for self-consumption could actually be a product for the market. Not today, but in future. And therefore, we wanted to remove SAMHI from it because it's unlikely that SAMHI Intel will be used by Hyatt tomorrow.

So that's why we've taken the bold step of rebranding SAMHI-Intel into SID, because we actually have got early feelers that we have ended up creating something which was for self-consumption, which could actually be hugely scalable. You know we have started working with institutional capital partners like GIC. We see an opportunity that in future there could be assets which we don't hold in our books or a balance sheet, but we could actually provide some sort of an asset management support using the platform.

So there was a very -- it was not just sort of a school project. It was the fact that we thought this product is now getting ready to realize its true value in future. I believe that if Gyana has spent 14 years of his time building SAMHI Intel, it is your capital that has been invested in it, and it's our job to make sure that we keep that ready to be realized and leveraged in long term.

So no promises. We often work for 1% probability in our business, things like this, but there is a probability that what we ended up creating for self-consumption over the next few years could be a path-breaking platform for broader income-producing hard assets, and that's why we eliminated a lot of references to hotel from the AV.

So that's because a lot of you have gone through SAMHI Intel in interactions, it was just to clarify that the reason why we've rebranded SAMHI Intel to SID is because we see a very bright future. I can't deny you that in 10 years there could be a SID Capital Markets Day.

Gyana Das:

Thank you, Ashish. Very quickly, what the portfolio, Ashish has touched upon, I think we operate across three segments, mid-scale, upper mid-scale, and upper up-scale, up-scale. What it allows us to capture demand across price points, and we focus on high-demand micro-markets within the key business cities.

So we can start from mid-management to senior leadership. We can capture the demand. Often, they travel together, so it allows us to where the demand is going on, and Ashish showed that in each market we can plug in those missing brackets and then keep expanding onto it.

Very quick outlook. On the up-scale, we have five currently operating hotels, five more under development, three of which are the recent development acquisition that we have done in Hyderabad and Bangalore, which are iconic brands like W in Hyderabad, Tribute in Whitefield, and along with the new block that is Westin Bangalore.

There are two more assets which will be rebranded from the ACIC portfolio that we had acquired, one in Jaipur that will be in Tribute, and the other will be rebranded to Courtyard, it's in Pune. So almost with this five under development, we will double our inventory under the up-scale from about 1,000 keys to about 2,000 keys, so that should also allow a significant expansion of our earnings over the next two to three years.

In the upper mid-scale, it's all Marriott branded, primarily Fairfield and a few Four Points. As I said, two of them will be rebranded to the up-scale. The rest all are Fairfield. One of the assets in Delhi is currently under innovation, which will also be rebranded to Fairfield.

The last is the mid-scale segment. There are 12 operating hotels. All are under Holiday Inn Express. It's one of the largest relationships with Intercontinental operator. This is one of the most unique products in the market. It is 14 to 16 square meter room. You will not see this kind of room in India anywhere.

What it does is that it is extremely capital efficient as well as product efficient. It's a very low footprint, so we can plug in a lot more keys within a very constrained square footage. If it is a constrained real estate, we can actually plug in 150, 200 keys with these. Also, it's very capital efficient. This is the segment that we have largest capital efficient structure, which Nakul and Rajat will also talk about, is the lease structure. I think this segment will also provide us a good platform for growth in future.

With this, I will request Nakul to come and take you through some of the operational metrics.

Nakul Manaktala:

Thank you, Gyana. I'll now take you through some of SAMHI's operational overviews, which will give you some key insights about our portfolio. Gyana took you through three of our core segments, upscale, upper mid-scale, mid-scale. The upscale segment, which has brands like Courtyard, Sheraton, Hyatt Regency. These are hotels that typically are priced in the INR7,000 to INR18,000 range. They contribute around 40% of our top line in FY25. The balance, 60-odd % came from mid-scale and upper mid-scale, which has the Fairfield and Holiday Inn Express portfolios. They typically are priced in the INR3,500 to INR7,000 average rates. By design of our future pipeline, which Gyana mentioned, the upscale contribution will grow from the current 40% to close to 55%, 60%. But on a long-term basis, we'd like to keep this ratio at the 50-50 level.

We are primarily a room-focused business, given its predictability in tracking the macro trends that Ashish earlier spoke about, which is aviation, office space, as well as the growth of the general Indian economy. So, 72-odd percent of our revenues came from rooms in FY25. The balance, 28% came from F&B and other services like laundry, car, pickup, Wi-Fi, etcetera.

So this number does vary across segments. So, let's say mid-scale, which is Holiday Inn Express, where there's only one single F&B outlet. The room revenue contribution will be closer to 90%.

But in upscale, which has two to three F&B outlets, banqueting facilities, meeting rooms, this room revenue contribution is closer to 65-odd percent.

Now, given our segmentation mix, almost 80% of our business comes from domestic travel, which is what we love, because given its predictability of tracking the macro trends. International business, which is currently around 20%, is a bit more volatile. So we love the fact that we are domestic travel heavy. This number was actually 30% for international contribution pre-COVID, FY20. But now we've seen this number reduce to 20%, which, again, we're very happy about.

Now, Ashish took you through some of the operators that we work with, which is Marriott, Hyatt, IHG. Now, here's the data to back it up why we love working with them. So, if you see this number here, almost 85% of our business comes from direct channels, where we pay negligible margins and commissions to the source, whereas 15-odd percent comes from OTAs, which can charge commissions of anywhere between 15%-20%.

So, again, you know, those dilute the margins of the overall business. So, again, here's another reason why we love working with operators like Marriott, Hyatt, IHG, because they have fantastic distribution networks and phenomenally strong loyalty programs.

Finally, we have the bridge from revenue to EBITDA, which captures all the main costs that we incur to drive our business. Consolidated margins pre-ESOP was 39% for FY25. We still have multiple levers to increase this margin from 39% to around 41%-42%, which includes some turnaround activities for the ACIC portfolio, the new acquisitions we've made. So, clearly, we have some margin expansion left in our hand, which we should achieve over the next two to three years.

And with that, I'll pass the stage to Rajat to take you through the financials.

Rajat Mehra:

Thank you, Nakul. Good evening, ladies and gentlemen. I'll just take you through the financial summary. So, in a very small span of 14 years, we've been able to reach to an overall turnover of ~ INR1,150 crores. Over the last 10 years, we have been able to increase our revenue at a CAGR of 32% and a consolidated EBITDA at the rate of about 44% in the last 10 years.

I'm happy to report the first full-year profit for SAMHI. This is largely driven by an increase in the performance of our same-store assets as well as an increase in the performance of the not-so-recently acquired ACIC portfolio. Over the years, we've been able to work and reduce our finance cost as well, largely driven by the IPO that we have done where we have raised primary capital that was used for deleveraging.

Along with that, we have also worked very closely with our bankers. We've been able to reduce our cost of borrowing also substantially. This has then resulted in a profit after tax of INR85 approximately crores. With the recent transaction that we have done with GIC where we have raised primary capital, we should be able to further reduce our overall finance cost because that money is going to be used for deleveraging.

If we were to do that, the right-hand side, which is the performer that you see on a 2025 basis, assumes if GIC money was to come on 1st of April 2024 and we were to use that money to

deleverage, then our finance cost would be circa INR170 to INR175 crores as against the INR228 crores that we have reported in the year, leading to a PAT in the range of about INR139 crores to INR144 crores. If I exclude the minority interest, on a performer basis, our PAT margin would have been actually higher by about circa 15 odd percent if the transaction with GIC was done a year prior.

At the end of the quarter, we've been able to reach to a very strong flow-through of cash from EBITDA. It's close to about 96%. At the beginning of the year and primarily at the end when we completed our IPO, we had certain old outstanding liabilities that have been paid over the years, which has actually resulted in some bit of a cash movement out of EBITDA.

Also, our DSO has improved significantly in the last four quarters. We've been able to reduce that from 29 to 19, releasing some bit of cash which was invested in the working capital. We feel as we move along, we should be able to maintain a very healthy 95% plus flow-through of cash from EBITDA. With the GIC transaction, we've been able to significantly reduce our net debt to EBITDA, close to 3.2x.

We feel we should be reaching to a number lesser than 3 very soon. And this is primarily, again, driven by the fact that our assets have done really well. We have also been able to sell some of the assets which were not in the core markets, realizing some bit of cash. And with that, we've been able to reach to 3.2x, going to about 3 times as we move along.

Our overall cost of borrowing also has reduced to 9.2% as we speak, close to about 54% of our overall debt is at a cost of borrowing of less than 9%. The debt that we have borrowed are pretty long-term in nature, ranging from 12 years to 14 years, with a ballooning structure which actually allows us to structure our repayments in such a way that at least in the initial few years, there is a very small amount of planned repayments, leaving higher cash for growth and further planned deleveraging.

The recent financing that we have done is actually coming at a price of close to about 8.5%, which is significantly lower than our overall weighted average cost. Since about 80% of our overall borrowing is on a variable rate basis, and we have seen the current market trend where the cost of borrowing and RBI is also coming and reducing repo, we also feel that over a period of time, our overall cost should start reducing because of the variability that we have in our debt borrowing structure, and most of our borrowings are linked to either repo or T-bills.

This is very similar to the slide that we have spoken about earlier on the P&L. This has got some more matrices. Our balance sheet has actually truly transformed over the last few years. We had a negative net worth in financial year '23. Post our IPO and the duet acquisition, we were able to turn it around with a positive net worth in 2024. The net worth will continue to grow as we continue to report positive PAT as we go along.

After the GIC transaction that we have done, our overall net debt to equity actually will go down to close to about 0.74%, as against the 1.74% that's there today. With that strong balance sheet and increased performance of our EBITDA and the portfolio, we feel that we are all set to take

the company to the next level and then provide ample opportunity for the team to grow. As Ashish said, we are actually truly set to go to greatness.

With that, I'll ask Nakul to take it forward.

Nakul Manaktala:

Thank you, Rajat. Next, we have a return analysis to just show it's one thing to invest the capital, but how are we creating the required returns from that investment? Currently, our balance sheet has a total capital employed of around INR3,300 crores. Half of that is actually in what we call mature assets.

Now these assets are where all the interventions that SAMHI was to take, be it changing the product, changing the brand, all other interventions that we typically make in our turnaround efforts, those have all been completed. So that portfolio is around half. The balanced half is actually our recent acquisitions, which is the ACIC portfolio, Trinity Whitefield, W Hyderabad. The capital we've deployed over the last two, three years is stuck in that balance half of our capital employed.

If you look at our mature assets, the ROCE's generated by this tranche of the portfolio is almost 17% to 18%, which we're very happy with. This truly demonstrates the strength of the product, the brand, the asset management, and, of course, the micro markets where these assets are located in.

The other half of the portfolio, which is ACIC, Trinity, Whitefield, W, HITEC, here, the interventions are ongoing, and as we kind of execute our plan to turn around these assets, you'll see portfolio ROCE's also converging towards our targeted ROCE of 15%.

Now, complementing this path of ROCE expansion is this leasehold, variable lease model that we have. We have eight leases currently already active. The W, HITEC is our ninth lease, which we've recently signed and announced. Now, this strategy has worked really well for us in the past, as it insulates us from many of the typical greenfield development risks that Ashish earlier spoke about, the most important of which is lowering that magic capex-to-revenue cycle.

If we were to do a typical greenfield development, we're not seeing revenues for at least four to five years, if things go well. In this leasehold model, we can see capex-to-revenue cycle being anywhere from 15 to 18 to 24 months, so we see a rapid generation of revenues EBITDA and ROCE's. Also, what happens is the capex of the land and building we outsource to the lessor.

So, this helps us create a very capital efficient ownership structure for the asset as well, and helps us also accelerate our growth, because for a much lower cost per key, we can add that many more keys. Currently, only around 13% of our portfolio revenues in FY25 came from this leasehold model, but we clearly want to now double down on this strategy and take it upwards of 20%, because when we see the ROCE profile of this strategy, it has clearly outperformed the freehold asset ROCE's.

So, this is something we're very excited about, and I think Ashish will talk about how we can now our growth endeavors going forward, and how we'd like to capitalize on this strategy that we've very successfully executed.

Ashish Jakhanwala:

So, the last bit before we get Q&A, three pivots for growth. One is of course same store, largely driven by strength of the markets, strength of the brand, and how good an asset management job we can do. So that's really your same store assets, more or less the mature assets that Nakul spoke about, which is currently at about 17% ROCE.

The second bit is of the investment or the money we've invested in, but are in assets which are not stable or not operational. So, this would include things like the Four Points in Jaipur and Pune, where the rebranding is pending, this will include the W, the Westin, the Tribute, in Bangalore and Hyderabad. So here it's all about execution.

We've got the right locations, we've got the right assets, we've got fantastic brands, it all comes down to execution. And as we execute and deliver these, you will see a significant change to SAMHI's potential. And the last bit is really we have now unlocked a lot of free cash from the business, and where we take that free cash for growth in future. So those are really three pivots.

Now what we've tried doing is demonstrate the inherent potential of 'installed capacity'. And 'installed capacity', as I mentioned, is assets where we've already committed capital, and actually a large part of capital. So if you see last reported year, we did a top line of about a INR1,000 crores. The execution pipeline only contributed about INR100 odd crores, INR104 crores to that, so total reported number was about INR1,150 crores, with a margin of 39%, reporting in an EBITDA of INR443 crores pre-ESOP.

If all the execution pipeline was ready today, and we're not forecasting future rates, we hate doing that by the way. So, let's just pick FY25 average room rates, for RevPAR, and multiply that by the inventory that we have, SAMHI's potential is about INR1,500 crores top line, and we are seeing a certain bit of operating leverage that always plays out as you expand the revenue, and should therefore deliver about a INR630 crores or INR6.3 billion of EBITDA.

This is a number, this is purely based on execution, and because we are forecasting all of that on historical RevPAR's, we feel we don't want to expose this number to any sort of a market risk. So that's the stage one, really. And these are just the internal growth projects that I just spoke about, which takes you from INR1,100 to INR1,500 odd crores, right?

FY26, Holiday Inn Express Greater Noida, done. Holiday Inn Express Calcutta, done. Holiday Inn Express Bangalore Whitefield, done. Sheraton Hyderabad and Hyatt Regency Pune, fairly advanced stages, middle of the year, quarter three, these are operational, so they'll start impacting or bringing more revenues.

Next year, fiscal year, fairly confident, W Hyderabad and second is the rebranding of Four Points to Courtyard. W Hyderabad is exactly where one dreams of having a hotel and we could get an office building converted to a hotel on a variable lease where we only pay a percentage of revenue as lease rent to the owner, effectively gives us a W at a cost per key, which probably today people will not be able to build a Courtyard, you know. So that gets open next year where the work is underway.

The building was always ready, actually. A year after that, we get the Tribute Hotels in Bangalore Whitefield, which is currently operating as Trinity and the Four Points in Jaipur

converted to Tribute and add more rooms, about 80-odd rooms, to our Fairfield in Sriperumbudur and a year after that, we open the 220-230 rooms Westin in Bangalore. So for this, we don't need Nakul. His title is VP Investments, his job is done. For this, we need people on ground to execute. We've been doing that for the last 14 years. We remain fairly confident that this is just about execution.

A bit of a crystal ball gazing and give me some flex here, you know. If we were to take a total revenue growth of 13% to 15% from now till 2030, which actually factors in about 7% to 9% revenue growth in same-store hotels, and then the contribution of the new openings, the new openings we spoke about earlier, you know, and the margins that we're talking about 40%-41%, the cumulative EBITDA from hotel assets will be about INR3,500 crores for the five-year period.

Our total interest cost, without assuming Rajat doing magic on financing costs, which he should, you know, is INR640 crores. We'll reduce our debt by incremental INR300 crores, so we expect taking that to -- we want to take the debt to three digits really fairly quickly now, you know. And then we have about INR880 crores of planned capital expenditure in the previous slide, you know, what we call installed capacity.

So if we reduce all of that, it gives us about an investable surplus of INR1,700 crores. We still are fairly confident of incremental capital of about at least INR200 crores coming from further capital recycling, so that gives us a significant amount of free cash over the next three to five years. I am not adding to this.

Potentially, GIC's ability to co-participate in some of those investments and multiply it by 1.4, 1.5 times, actually 65-35, we actually therefore feel that with the GIC transaction, with the operating performance under our belt in FY '25, with the markets that we've chosen to be in and our strategy of acquisition conversion, quick capex to revenue, you know, SAMHI is truly ready to unlock value in future. Now, you would ask me, what can that INR2,000 crores do?

The mature assets have a 17% ROCE, so the math should be reasonably simple, you know. I hope people are only becoming more experienced on my side and not senile, so the ROCEs should only be better in future than worse, because we have experience, we have all the data, we have lessons that we made, we made some bad investments, hopefully we've learned from not repeating them. So I believe that we should maintain a reasonably healthy profile on stabilization with the fresh capital that we put and really, anything short of this will be underperformance.

Now, where could this business be? As I started by saying, I'm not here to forecast, I'm not here to sell, I'm only here to remove information asymmetry between what management knows and what you should know. So, word of caution, don't take it as a forecast or a promise or a marketing. This is what I know about my business and I thought it was my job to communicate the same to you, that if we keep doing our jobs well, you know, typically it's -- I would like it to be 9 to 9, but it's typically 10 to 9. I think this is where the company is destined to be in the near term.

Upscale, we've spoken about, GIC is going to be a part of that story in future. We believe fantastic partner unlocks free cash. I'm also very worried that upscale hotels are capital intensive, and I would like to have some sort of adult supervision, if I can use that word. Not that my Board isn't enough, but now for each upscale hotel we also need to go to GIC, and I'd love that sort of an oversight, because that's what I've grown up with, with Sam Zell, IFC Washington, Goldman Sachs, so on and so forth.

Midscale, huge opportunity, especially if we can start growing the leasehold model. There are three parts to the continuum. Own the asset, manage the asset. So, own the asset is what 83% or 87% of our revenues are currently from. Manage the assets is not our business, that's done beautifully by IHCL, Lemon Tree, so on and so forth.

The reason we don't want to be on the other end is because you only get 5% of the revenue, and we are only 25 people in SAMHI, so we'd like to value our time and work where we can get at least 85% of the revenues come to us and our shareholders, and that is the variable lease, where we don't take the risk of underlying land and building, but yet get 85% of the revenue as lease rents.

And just clarification, we do not promise any rent. So if we take a building on a 50-year lease or a 60-year lease, which is the typical lease tenure, the guarantees are only for the first three to five years. For 55 years, the owner has to completely take the risk of receiving a rent, which is nothing but the percentage of revenue.

In COVID, in many hotels, that was zero, because there was no revenue, and we're not obligated to pay a rent. So it's important that we don't transfer an on-balance sheet liability to off-balance sheet liability by not taking debt by creating fixed rents. We would not do that, and we are happy to lose nine out of ten deals, but we will not commit to any rent beyond five years.

We've already spoken about this. This is really how we see the top line grow. We think the base case is 2x, and the rest is about how we deploy the investable surplus. Just the base case does not require an assumption that we're going to deploy any investable surplus. So if we're not able to find opportunities, we will not only have retired our debt, we would have returned some money to you, caveat. If we don't find opportunities, that's hard to say about India. It's a country where opportunities will keep coming our way, and I think we'll find meaningful opportunities to invest that capital.

This is just some nice images of what's coming your way. This hotel opens next year, actually, and it's impossible to get something like this open so quickly if you were to start digging a hole in Hyderabad. So we actually acquired an existing office building. We're going to retrofit that to be a hotel, and that's the reason that within two years one can see an operating hotel of a W standard in a market like Hyderabad.

Now, our job doesn't stop here. It's constantly an endeavor to see optionality. Where can SAMHI be in next 10 years and 15 years and 20 years? Because some of those opportunities take years and decades to build competence, data, comfort, so on and so forth. I think there are two or three

trends that are really exciting. The first one is discretionary income, disposable income, and how that's getting spent on experiential leisure. And I think that's a trend we're watching very closely.

We continue to have concerns around volatility, concerns around it being very fashionable, concerns around its ability to scale up, concerns around reinvestment cycle in leisure hotels. So we have our own concerns, but we cannot deny a consumer trend, which is people in India will have more and more and more money, and they would like to spend that in experiential leisure.

The second thing that we are seeing actually is what's happening to branded residences. And I think we should not mistake branded residences for it being just a Westin and a Marriott and a Sheraton. We have seen branded residences in India explode. Globally, that's always an adjacent opportunity to hotels, and we continue to think that this could be a trend to watch out for.

Full disclosures, this is just a trend that we watch. It's not an investment philosophy. It's not something that has even been taken to the Board so far. So these are the trends which I think we are watching out for, and we believe that once we fill those boxes that we showed you, and in 10 years from now when we need to keep continuing to grow the SAMHI brand and the SAMHI portfolio, there are trends which could be fairly exciting.

On sustainability, I have a very firm view. We will never do marketing of ESG. I just hate the whole concept when companies start putting fancy marketing slides on sustainability. First of all, you know who does sustainability the most in the world? Oil companies, because they are the ones who spoil it the most. And hotels are no different by the way. We use a great footprint, we are energy guzzlers, we produce a large degree of waste for our hotels, and my agenda here is we should minimize the impact that we create on environment through our hotels.

Good news, our square feet per room in SAMHI is by far the smallest thanks to our Holiday Inn Express portfolio. So for the same number of rooms that we check in every year in our hotels, the environmental footprint that we have created is probably 50% of peers or the market. So that's a great start.

When you don't create a problem, you don't have to really solve a lot of problems for yourself. The second, we are doing certain steps to further minimize the impact, and there are simple things we are doing. We just hate plastic. You see it in front of you, right? And not single-use plastic. We just hate plastic.

So we have a team working in office to eliminate all plastic and they came apologetically and said, we've spoken to Samsung, and they're saying we can eliminate all plastic, except for the TV, because that still has plastic. But we are eliminating, when we are receiving material from vendors, we are saying it should not come in a plastic bag. Even if you're saying it's recyclable, because I think that's a piece of BS. So we are determined to remove plastic from our hotels over a period of time. Our bold mandate is Holiday Inn Express should become the first plastic-free hotel in the country as a chain.

Second, of course, is electrification. We are increasingly going towards renewable energy. We are at about 30%-33% today, which is not bad for a company of our tenure and scale. We think we'd like to put it to about 40%-50% of our power needs coming from renewable. Unfortunately,

the law of the land is not very conducive. We cannot do interstate transportation very easily. Some of our hotels have low installed capacity, can't do PPP. So we're struggling with all sorts of limitations, but in spite of that, I think we're fairly committed that a lot of our hotels should eventually just draw power from renewable sources.

On social, very simple, just do good around yourself, and the world will be good. So you can talk to people. We have a fair practice on employment. We were one of the first companies, actually, in 2011, to have six months of maternity leave way before the government of India introduced that as a law, or whatever it be. So we've always maintained practices which allow people to work with the company for long term, and I think if we just keep doing the small things, we would have done our bit, actually.

On governance, it's all about the Board. I started the company as a professional. I am quite aware of the fact it is not my company. I have never been in an illusion that it's my company, and I know people love the word promoter. You are the promoter, you are the founder. I'm a professional founder who created a company, worked with the best institutional investors over the last 14 years. I have been taught one thing. I run this business on behalf of the capital providers in the business, and the Board is the one who actually largely drives that decision.

Some of the people on the Board, like Manav has been there for a very long time. He runs Hotelivate. Deep experience in hotels. Ajish is here, who is representative of a shareholder. Really important for us to have a large shareholder being represented on the Board. We have people like Mike Holland, who some of you may know, because he was first CEO of JLL in India, and then he became the first CEO of an office REIT, which is Embassy Office Parks. He has deep experience of real estate and markets in India.

We have people like Aditya Jain, who runs International Market Assessment, IMA, which is nothing short of the EIU for India, Economic Intelligence Unit. We have Archana, who in the past has worked with Tourism Finance Corporation of India, TFCI, so has really good experience for banking and finance. And Krishan actually has a long-standing experience outside of India in banking with Bank of America, and then he was CEO of Oracle in India. So we've got a very strong Board.

I can tell you one of the recent decisions, the management team could not even recommend what it needs to do, and it actually went to Mike Holland. We set up a separate committee to let them decide what we need to do, and it's actually a decision whether or not we should sell or hold an asset. And we felt the management team was too divided about making that call.

So it's a really active Board. You'll get to speak to Ajish over refreshments later today. You can ask him how much we make our Board work hard. Sam again taught me your Board members are the cheapest consultants you can hire. So A, hire them well, and two, make them work hard, because you don't have to pay them that much as you pay a consultant. So I think we're doing so far a decent job. We'll continue to make them work harder. And I think that's all about from our side. Thank you so much for your patience. I know it was long, and we're happy to now take questions.

Namit Arora:

Yeah, sure. Hi, Ashish and team. This is Namit Arora from Indgrowth Capital. Thank you for a very detailed and fascinating presentation. I would appreciate some more color on GIC. Firstly, compliments to you. You've had a 14-year history of very marquee partnerships, and it doesn't get bigger than that. But please give us some color, so the drivers for the GIC partnership. Obviously, probably it was also capital structure, balance sheet to some extent, growth opportunities, and do you feel that at this stage of the life cycle of the company, did you feel that, you know, it was the right timing?

I'm just trying to see your ability to capture more upside, and what are the future possibilities that you see with GIC given the size of their balance sheet, their experience? Just give us some color around the drivers, how long the partnership discussions went on, and the potential from it because from outside, it seems like you have a phenomenal blank check beyond which you really don't need more capital.

Ashish Jakhanwala:

So first lesson I've learned in life, there's nothing called a blank check.

Namit Arora:

Great point, thanks.

Ashish Jakhanwala:

There's nothing called a blank check. And when I started the company, I had Sam Zell, I had Goldman Sachs, I had the World Bank, and I had my own challenges in COVID, let me tell you that. So lessons learned, what a company has, it has. I will never rely on anybody else's check for future.

Having said that, GIC was a transaction which for us achieved multiple things in a single stroke. The first and the most important was capital recycling. And my apologies, I'll repeat Sam. He said, what you hold is what you choose to buy. So if today you own SAMHI's stock, and it's at INR205, whatever it is, you've chosen to buy SAMHI at INR205 because you've not sold it on that day. The same applies to asset owners.

If today I have an asset which somebody wants to give me INR1,000 crores for, and if I say no to selling that hotel, I have again chosen to buy that hotel for INR1,000 crores on that day. So capital recycling is a Holy Grail for creating long-term value in income-producing hard-asset businesses. For us, Courtyard and Fairfield by Marriott Bangalore; Hyatt Regency, Pune, are two assets where we thought we had created reasonable value for our shareholders.

A lot in Courtyard, Fairfield, Bangalore, and not a lot in Hyatt Regency, Pune, but still enough. And I think it was a fiduciary to extract some of that capital from those assets and deploy them in the story that we've just enumerated for you, because we want to go from 2% yield to 17% ROCE. It's not necessarily a job to hold 17% to 19% for the next 10 years. So capital recycling was really important.

Now, for non-core assets, I can sell the hotel. We've sold Four Points Chennai. We will sell one or two more non-core assets, which do not really move the needle for my revenue and EBITDA. That's important. And I don't see long-term prospects. But for large assets, I don't want to sell the hotel, because I still see long-term value in Bangalore, in Outer Ring Road, in those hotels, but I'm still greedy to take some money off the table.

And we opened the hotel in 2015. We invested about INR300 crores in the entire asset. 2016 to 2024, about 9-odd years total profits EBITDA from that hotel was about INR400 crores, including losses during COVID years. And we divested 35% of that hotel for about INR390 crores. So we've created reasonable value still on 65%, and when we see an opportunity like that, we will strike. And we will strike time and again to monetize value that is stuck in our assets.

And I will repeat, I hold the assets in trust on your behalf. It's not my hotels. And I have a very different approach to, with all due respect to promoter, who's holding the assets for himself and his family. I run a trust company, in all fairness, where I'm holding the assets on your behalf. When I see the value, I will act to realize that value. So that was a first, capital recycling without losing control over the business.

The second was an irritable word, leverage. Now, we were very confident that this company is set to go to the numbers that we just showed you, and INR1,850 crores or INR1,950 crores of debt was not biting me. It would not put the company at risk of solvency or cash flows, but yet we respect all of you in this room and outside where we felt that when you looked at us and the peers, you had a bit of an anxiety about our leverage levels, and therefore we felt, as we do capital recycling, the first use of that could be really to deleverage our balance sheet, create stealth around it.

And I don't have a godfather, I don't have a dad to call, I don't have an MNC backed somewhere else that I can call in tough times. Over a period of time, I will insulate our balance sheet from any outside risk, because I can't call anybody for capital, and I learned that in COVID. So that's two. And third is the partner. And I will repeat, and I'll say this, and I'm sure this will get transcribed and put on the website. I wouldn't have done this deal with more than five investors globally, because we are looking for class, we're looking for caliber, we're looking for patience, and we're looking for governance standard, which augment what we stand for.

And I don't think you can find a better partner than GIC. They have deep experience in India, they're not new to India, they understand real estate and hotels better than a lot of us would understand real estate and hotels. Let me tell you, post-closing, they sent us an engineering checklist. I would have paid at least INR50 lakh for that to a consultant. So put these three things together, and after the first round of negotiation, I really had anxiety that I should close this. So I hope I've answered your...

Namit Arora:

Yes, very helpful. Please go ahead.

Ashish Jakhanwala:

For future, yes, the intent is to grow the platform. You know, somebody like a GIC would just not come and put \$80 million, do all of that hard work. Our intent is that the GIC platform, we codenamed it Rafiki, you know, Gyana loves Lion King. So our IPO was Simba, GIC is Rafiki. We think Rafiki could be the mothership of upscale hotels in future. We are 14 years old, allow us at least 20 years, and I'd like to believe that our upscale portfolio will be competing with many upscale peers in the market, and our mid-scale portfolio will be competing with many mid-scale peers in the market.

These are two separate businesses in future, but we've just had 14 years of which three years were wasted in COVID, you know, so allow us five more years and I'm quite confident we'll get there. So GIC is -- our intent is between the two partners to remain committed to growing this platform, but as I said, they have a mind of their own, we have our own Board, and therefore at each deal we have to sit together and decide whether it's going to be done together or not.

Namit Arora: Thank you very much for your detailed thoughts, Ashish. Most helpful and all the best to the entire team. Thank you.

Ashish Jakhanwala: We need to get the mics be closer to, yeah. We have only one mic? Okay.

Analyst: Hello. Am I audible? Hi Ashish. I was looking to one slide if you can take back that ROCE-wise slide. We were showing some ROCE of matured assets around some 17% to 18% or something.

Ashish Jakhanwala: Yeah, keep going.

Analyst: So, if what I understood, correct me wrong, your matured assets earns around 40%-42% of EBITDA and ACIC portfolio...

Ashish Jakhanwala: No. The capital employed in them is about 50-odd percent.

Analyst: Yeah, that I understood.

Ashish Jakhanwala: The revenue contribution would be how much, Nakul, from them?

Analyst: So again, my point is...

Ashish Jakhanwala: 70% revenue contribution.

Analyst: Okay, yes. My point is how much the matured assets earns EBITDA as compared to ACIC portfolio? In the earlier also we have given guidance like ACIC portfolio will cross around 40% EBITDA, somewhere around 38-39 it was there and it may cross 40% EBITDA. Then, why these assets are still making ROCE of 5% to 6%?

Ashish Jakhanwala: So there are two things. Number one, there are two assets being held for renovation and rebranding which is Four Points Pune and Four Points Jaipur. So of course, once the assets are held for renovation, they are far below where their true potential could be. That's one. Two, in a year or so there was a very large amount of goodwill that we had captured in the capital employed in ACIC. So that had some bit of an effect but we believe goodwill was fairly priced, so to say.

So as you see the Four Points converting to a Courtyard and the Four Points in Jaipur converting into a Tribute, you would see a significant expansion because the contribution of those assets to ACIC is pretty large actually. Pune is the largest asset in ACIC. So with those renovations and rebranding completing, you would see ACIC jump significantly.

And by the way, ROCE jump is pretty significant as you stabilize an asset. So it does not creep from 5 to 6 to 7 to 8 to 9. You would actually see a pretty significant jump from 7% to become

9%-10% and eventually jumping up to about 14%-15%. It's largely to do with those two assets which is Jaipur and Pune which are currently being held for renovation and rebranding.

Analyst: And one more thing, just want to know your thought process why this SAMHI is only focusing on the business hotel something, not focusing on leisure, correct? So, what is the negative side of that business you see or let's say SAMHI is not entering into that segment? You have some reasons for that? Because those entities who runs the leisure also makes a similar type of EBITDA?

Ashish Jakhanwala: Absolutely. Listen, let me clarify. We like leisure. We think it's got legs to run for several decades in India. It's got nothing to do with quality of the opportunity. But each company has a circle of competence. And our competence is around business hotels. And we feel we are not done. So when I showed you that chart of how many micro-markets, three hotels in each micro-market, we are 34 hotels of the 150 hotels we can potentially have without distracting ourselves.

So we have a lot of work to do in our core strategy. Once we are done, I told you we are tracking what's happening in the leisure space. There are certain concerns that we have. Number one is that leisure business tends to be very temperamental. I mean, who knew Lakshadweep? Mr. Modi goes and takes a dip and Lakshadweep is really popular. And it's difficult to forecast trends like that. Two, lesson we have from the US market is a lot of you will be worried about EBITDA to CFO largely because of maintenance capex, what happens beyond a point of time.

Our study that we got done by a third party for a US market, which is very large and very old, is there are two sets of hotels which have a very high reinvestment cycle, luxury and resorts. Segments which are very low in reinvestment cycle is suburban or mid-market business hotels. So again, we are a bit lazy. If we've gotten to 17% ROCE in mature assets, I don't want in the next two years I have to deploy so much more capital to maintain them that that 17 becomes 14 and then I have to work hard again.

So we'd like to be in an asset class where there is no two steps forward, one step backward because it's hard work to get there. Again, I'm not demeaning leisure. I think it's a great place to be. I'm quite sure not today, but sometime in future SAMHI will be in leisure. But today we find enough excitement and capabilities to execute business. And that's all. It's to do with us. It's nothing to do with the market opportunity.

Analyst: Thank you.

Hardik: Hi, this is Hardik from Param Capital. So my question is also a little bit around the ACIC portfolio. I just want to build on that. Can you talk a little bit about the path to a mid-teens ROCE for the ACIC portfolio? At the same time, could you also talk a little bit about the Navi Mumbai land parcel? Did that have an impact on ROCE? I don't know what sort of accounting method you use because that will be an NPA now, right? And if you could also talk a little bit about the development timeline for that, that would be helpful.

Nakul Manaktala: So ACIC, I'll take the second question first. So Navi Mumbai is excluded from the capital employed. We took the write-off, I think Q3 FY '24 around INR75 crores. So that reduced our

capital employed base. Hopefully, we get it back in the next quarter and then we'll write back that amount and that will be added back in our capital employed.

From the first question, so currently ROCEs are around 5.5% to 6.5%. So as Ashish mentioned, right, we have two hotels in Pune and Jaipur. These are around 340-odd rooms. Currently operating as Four Points in Pune and Jaipur, two very strong markets, or reasonably strong markets rather. When we upgrade them to a Courtyard and a Tribute, the segmentation changes from upper midscale to an upscale.

And as we showed you in our quarterly presentation, the revenue per key when you change the swim lane of segmentation almost doubles. So we'll clearly see a massive improvement in top line, but also you'll see very strong flow-throughs to the bottom line. And as we depreciate the asset also over the next two, three years and get the EBITDA and EBIT rather, from a capital employed perspective to re-rate, you'll see this slowly getting into the early teens and maturing towards our mature assets.

Also, the conversion of the balanced three assets in Hyderabad, Chennai, Mahindra World City, and Ahmedabad just took place a few months back. So that conversion from franchise to managed. So now Marriott and their sales network is now completely involved in the business.

So initially the focus was to correct the cost basis, so margins have expanded from let's say 30-odd percent to now 41%, 42% for those three assets in Hyderabad, Ahmedabad and Chennai. But now with the next 12 to 18 months, you'll see the revenue profile of these three assets also materially changing and with strong flow-throughs we'll see the EBIT contribution of these three assets also materially re-rating.

Ashish Jakhanwala:

And to add to what Nakul just said, we also have an incremental opportunity in Fairfield, Hyderabad, which is an ACIC asset, one of the largest assets actually, 232 rooms. There are two sets of opportunities that hotel had no meeting spaces and we are now putting some meeting spaces through the course of this year in that hotel. That whole building had five extra floors, which during COVID was sold, you know, to get some cash by ACIC.

We are fairly confident to get those four or five floors back and that would be a game-changer because that's 130 additional rooms in a market like Hyderabad. But that we've not factored in when we're talking about taking it to mid-teen ROCEs, right? So we have levers. They are working well. Cost is largely done. Revenue, we've started seeing growth coming into markets like Hyderabad and Mahindra World City.

The two hotel conversions are a big, big, big change. Let me tell you, Four Points Jaipur is hardly giving anything to us right now, you know. The hotel is -- I joke around and say, if you ask me, do you have a hotel in Jaipur? I'll say, no, because it's not good, right? You should book any other competitors' hotels, not ours today. And it just tells you to the potential of that hotel once it's renovated and rebranded. So ACIC, we are fairly confident that we'll get pushed to the mid-teens.

And the rest is really growth. I mean, the W Hyderabad, the Tribute, all of that is just a question of installing capacity. I'll give you an example. For Tribute, how much capital employed will be

in there, Nakul? So INR210 crores capital employed is in Trinity, Bangalore. Today, the EBITDA from that would be INR10 crores? INR7 crores-INR8 crores, actually. But it's going to be 360 rooms. And my Courtyard in Bangalore today does an EBITDA per key of INR33 lakhs, today.

So if Bangalore stops growing, this asset on completion is INR100 crores EBITDA minus the depreciation. We have zero debt there, so there's no interest cost. So that asset is very easy to push beyond 15% ROCE. So I think on the spending turnaround and growth, fairly easy. ACIC, we are doing what we need to do to get it to that point.

Hardik: Great, thank you. Just one question you might have missed. Just around Navi Mumbai, could you just talk about where that is now? Outside of ROCE calculation, just where it is? Do we plan to develop anything over there and how that's going?

Ashish Jakhanwala: Yeah, so we have been made to believe by the administration that they kind of agree to the merits of our case, that we are a qualified institutional investor, that we have taken requisite steps as were necessitated by these terms, and therefore they are moving the proposal internally to withdraw that termination notice that we had received. I think it will take a few months because, as you know, it has to move a few floors and offices. But so far, we have been very humbled by the response we've received from the administration.

And honestly, we made a fairly impassionate plea that you've got to look at our faces and tell us what's wrong with us. If we can't build a hotel, who else can? And these are also places where a partnership with somebody like GIC helps you because a lot of you may think that there's no powerful promoter here, so can we be taken for ride? The answer is not at all.

We've built a whole business over the last 14 years because we have institutional reputation. And having somebody like a GIC only strengthens that institutional reputation that you have with the local administration. So we remain fairly upbeat, but you know what? I like to follow accounting standards. If it's written off, it's not there. When it comes, we'll write it back.

Hardik: None of the projections include Navi Mumbai?

Ashish Jakhanwala: Not at all. Yes, even the growth projections don't include Navi Mumbai.

Hardik: It's just a capital deployment or the revenue potential does it factor in? As we solve the opportunity we will bring it back, at full rate, remain subject to...

Ashish Jakhanwala: We have the brand locked in. We have the basic designs locked in. We know it's going to be a 350 room hotel at a fabulous location in a great market. And Ajish is here, so I don't want to say it too often, but we really got a good price. But I think it's about solving a very operative problem, which we will. And that could potentially be another INR100 crore EBITDA asset for us.

Hardik: Great. Thank you.

Rushil: My name is Rushil from PINC Wealth. Since COVID was a tough phase for us, and since you mentioned it, we had a case study that we have survived it. So just wanted to know what mistakes

we had made and what steps we took to come out from the tough phase and became today a strong player. And again, going forward, what is further room to improve?

Ashish Jakhanwala:

In hindsight, it's easy to say what was a mistake, but look at our books. We were about INR1,800 crores net debt pre-COVID. And INR1,800 crores debt as of 2 months back was not so bad. So the company was never over levered pre-COVID. It was levered to the extent we had acquired the asset. Of course, as a private company, you're very comfortable with leverage going up to 4, 4.5, 5 times, because it's long-term debt, your DSCRs will be healthy, all of that.

I think one lesson we learned is optimism is not a great friend, especially when it comes to balance sheet. Optimism is a great friend when it comes to P&L, because you want to go for greatness. But when it comes to balance sheet, optimism is not necessarily a friend to any degree, by the way. And I think that's where the transformation has happened on the management team, where I'm quite certain that I want to effectively bulletproof the balance sheet for any such thing to be repeated.

How did we survive is because we believe in the inherent value of our assets. And that's a good thing about our business. Me and my partners for the first 10, 12 years have paid dearly to bring to you what you today own, those of you who own us, which is that we acquired assets, we took massive losses through depreciation in the first few years. Today, you are acquiring a business or you are owning a business which has largely depreciated their legacy assets. You have income coming through that. And in future, you don't have to worry about being dispossessed, rentals growing, so on and so forth, right?

So I think for future, the current base is fantastic for investors to hold on to. For us, it was just a conviction that our assets have value and a simple rule that only survivors get to tell their tale. So the focus was on survival. We sold our hotel, we raised some capital, we went to our shareholders. And by the way, all of our shareholders minus one participated and they got paid 2.5 times back in 15 months. 2.5 times hard cash return to them in 15 months.

So I think we have survived through COVID because we believed in the inherent value. I still continue to believe that the inherent value of SAMHI is far more than what can ever be reflected on a P&L balance sheet, let alone a ticker on a stock market. But it's our job to keep realizing that value over the next few years.

Rushil:

Second question is on the SID part, which is our Intel. So basically, it's helped us and actually gives us competitive advantage in terms of efficiency or capital deployment. So while leveraging to other players, so can we say that we are also losing competitive advantage at the same time?

Ashish Jakhanwala:

For?

Rushil:

SID

Ashish Jakhanwala:

Oh, SID.

Gyana Das:

Yes. I think that's not. I think what market chance is that its inherent value or a knowledge that we have developed over the last decade and a half. What we only want to know is that you carry

the value capital deployed by the shareholders over the last decade and a half. If there is a value we need to be worried. As Ashish said...

Ashish Jakhanwala: But listen, don't take it too seriously. We're not going to monetize SID anytime soon. And if we monetize, it'll be the algorithm, not the data. You know, so there's a big difference between value and data and value and the code. If at all ever we provide subscription to any hotel company, it will only be for the code, not for the data. The data will remain to be ours.

If at all we do that, actually, in the future, it's because we need more data. Right now, the data is only for our 34 hotels. We'd love the data to be coming from 50 other hotels, right? So don't worry. And first of all, let's not get excited about it. You know, I'm sorry I was too optimistic. You know, we have done that because we feel there's a value, but let's not get distracted from what our business is really, you know.

Gyana Das; We are not into Tech.

Ashish Jakhanwala: Correct.

Rushil: And 87 of our land is, I guess, saw the presentation, that 87% of our capital employed is through the land owned and 13% is through lease hold.

Ashish Jakhanwala: No, no, that's revenue contribution.

Rushil: Revenue contribution.

Ashish Jakhanwala: Revenue contribution.

Rushil: But the capital employed will also be about 8, 9...

Ashish Jakhanwala: 85-15 approximately.

Rushil: So is there any room that, you know, whatever the land we hold, can we turn it into a lease?

Ashish Jakhanwala: Oh wow, it looks so nice, but not possible. No, not possible. And a lot of investors who spoke to us said, oh wow, we can sell all these hotels, lease them back. Let's get the maths right. Why would somebody do that? Because when somebody buys your hotel, he's giving you what? Hard cash. And hard cash is a value equivalent to hard cash.

When I take somebody's empty office building which has not been leased for the last 2 years, the value could be anything. So I am playing a bit of an arbitrage on the value of his asset for him and for me. But if I sell my asset to somebody, he's giving me hard cash. He will say, what's my return on hard cash? And I won't be able to solve it. So we are playing on lack of opportunity for those buildings which we get a discount for and we convert them to hotels.

If we have to sell our hotels and lease them back, I wish I was that smart. But I think standing here on the stage, I have little optimism about being able to do so. What we can do is what we've done with GIC. Create value, monetize part, take that capital, recreate more value. But I think sale and lease back is a very nice word. But India is a very high cost of capital market. It's

possible if tomorrow all of you go and create platforms where financing is available at 5%, 4%, I can do that. But when the financing is available at 9%, 10%, there is no -- I don't play for 200. I'm not a bank. I don't get excited about 100 basis points, right.

We need 500 basis points, 700 basis points margin to play. Not available. I think it's more about the lack of opportunity for those buildings that we bank on. But if somebody is giving me cash, he's also always an opportunity for cash to be taken elsewhere, really.

Gyana Das: Also we're playing a lease also in the midscale segment which is Holiday Inn Express. The alternate usage of small plots also not there and we exactly come in there. We say that small footprint allow us to pack in more inventory. And there's an arbitrage between alternate usage vs the hotel.

Rushil: Thank you.

Analyst: Can you share with us how many rooms are there in mature turnaround and ACIC?

Ashish Jakhanwala: Oh, you're that - yes, Nakul.

Nakul Manaktala: Yes, yes. Sure. So if you see the mature assets, I have around 3600 odd rooms. The mature assets are around 3000 odd rooms. The ACIC portfolio is around 800 rooms. Pending turnaround, which is assets in Ahmedabad, Vizag, that will have around 280 odd rooms. The growth pipeline is primarily Trinity Whitefield, which is 142 odd rooms. And the held for sale is 270 odd rooms.

Analyst: Thanks. And what do you think that this other classes other than mature assets time frame needed to be again generating 17%, 18%?

Nakul Manaktala: Typically 4 to 5 years post-operational. So obviously we had a 3-year blip because of COVID, but the typical life cycle to reach mid-teen ROCE is 3 to 4 years post-opening.

Analyst: No, no. I'm referring to the assets held at this point of time in different classes other than the mature. How much time are the segment going to take to reach to 17%, 18%?

Ashish Jakhanwala: Oh, okay. So I think ACIC portfolio, we would have been completing the 2 re-brandings by end of next year. Yes. So as they get rebranded, you'll see a big shift in. You see the Hyderabad work will be done within this year, the meeting rooms and all of that. So it'll be fair to assume that by FY '28 ACIC would be at the double-digit mark in ROCE's, pending turnaround. Yes, so this also, I think FY '28 is a fair number to take plus minus 2 quarters really.

Ashish Jakhanwala: About 2 to 3 fiscal years, financial years for it to be at mid-teens.

Analyst: Thanks a lot.

Prashant: Hi, this is Prashant from Elara Capital. Sir, how would you ensure that the ex of GIC platform, which is standalone, SAMHI also gets its fair share of upper upscale and upscale assets?

Ashish Jakhanwala: So we don't see it that way. Honestly, if you think we'd like to grow the -- we already have 3 upscale hotels which are not part of the GIC joint venture, which is your Sheraton in Hyderabad.

It's a great asset. Renaissance in Ahmedabad and Hyatt Place in Gurgaon, plus the underdevelopment W in Hyderabad. So we have a fair share of upscale hotels which are as of today not part of the GIC transaction.

As far as we are concerned, in future, whatever we do with GIC is still SAMHI because we own 65% of that portfolio and only 35% capital contribution is coming from GIC. So we don't necessarily see that 100% versus 65% will reflect in your accounting, minority interest, all of that. But we really are not perturbed about is GIC going to take all upscale? First of all, it's our decision, right. Do we even today continue to hold a large part of upscale on our own 100% books?

I'm not denying the fact that in future, as we push Sheraton Hyderabad through that ROCE profile that we just showed you, we may want to talk to GIC saying, do you want to take 35% in this? Because that will allow me to free up a lot more capital, right, and add to that INR1,700 crore investable surplus to be even a larger number.

So our purpose is to grow the platform, consolidate that, and do it in a manner that is accretive on the earnings. But I necessarily don't worry about GIC, non-GIC, because everything is SAMHI. They're just a minority shareholder there.

Prashant:

So secondly, would you like to add Mumbai to your major micro-markets in the next 4 to 5 years?

Ashish Jakhanwala:

Would we like to? Yes, at the right price. For us, the ratio between real estate cost and room rates have to be attractive. And so far, we haven't seen that in Mumbai. We drive higher rates for comparable hotels and markets like Bangalore today for a fraction of a real estate cost. And for many companies which are self-branded or self-managed, they have one issue, distribution, that they need to have hotels in all gateway cities to be able to sell the network.

I rent distribution. I rent it out from the brands. So I don't have to overpay to enter a market to build distribution. We will only go in markets where we can secure the mid-teens ROCE's. Trust me, it is not easy to do that in Mumbai. Unless you follow the old formula of investing in hotels, which was future is equal to present into hope for perpetuity. The classic formula is current income into growth rate is to the power number of years. So unless you don't assume perpetual optimism for current rates, you can't really take a capital call in Mumbai today.

There are apartments being sold for INR700 crores. You're asking about hotels. I don't think I can afford to buy a house in Mumbai, let alone buy a hotel as of today. But Navi Mumbai will give us a great entry. Mumbai is constrained on airline capacity. 45 million and that's it. It cannot grow beyond 45-50 million passengers at the current airport. Navi Mumbai is going to be 100 million passengers, right.

So if you've read a book called, the book on Mumbai, I forgot the name, it said that 5 real estate developers and the Chief Minister created a cartel to kill Mumbai so that everything is retained in South Bombay. Otherwise, it was always supposed to be Navi Mumbai. And thankfully, because of Atal Setu, the new airport, that old dream of Mumbai being a large urban

conglomerate will be realized. And I think if we get Navi Mumbai, if is a big if, we'll have the asset at the right spot.

Prashant: Lastly, your capex plans beyond W, Westin and Trinity?

Ashish Jakhanwala: We said, we have about INR880 crores of committed capital expenditure. And there's a long list that if you see a quarter 4 presentation, there's an annexure there. So it will include, the biggest one will be the Westin and the Tribute in Bangalore.

Prashant: Beyond all that?

Ashish Jakhanwala: So, yes, beyond that is W, then there's a conversion of Courtyard, the Pune and Jaipur hotels, the new rooms in Hyatt Regency. Are you talking about acquisitions?

Prashant: Beyond FY '29, if you have anything to share, apart from Westin, Tribute and...

Ashish Jakhanwala: So we are talking about an investable surplus for which we have to find opportunities to deploy that capital. Currently, we have an INR880 crore capex plan that we've accounted for. All of that list is with us. All those assets are with us right now. That's what takes the portfolio from install INR1,100 crores to INR1,500 crores top line at current room rates. So that we need INR880 crores. But beyond that, we still have about forecasted let's say INR1,500 to INR1,700 crores of investable surplus.

As we secure those opportunities, we'll discuss them. We can't discuss speculative opportunities. But we are tracking opportunities in core markets like Bangalore, Hyderabad, Pune, NCR. So as we secure them, we'll obviously we intimate you within 3 hours.

Prashant: Thanks.

Ashish Jakhanwala: Thank you. Yes, sir.

Viraj: Hi, this is Viraj from MoneyGrow. Have you had a credit rating review after the GIC deal? And given the last wedge of capital was financed at 8.5% and your balance was at 9 plus are you likely to go through a refinancing fairly soon?

Rajat Mehra: So, we got a recent rating done where the rating has actually now reached to A-. The plan is actually to get the re-rating discussions started once the capital was in, which has recently come in. We will start the discussion with the rating agencies and we are positive about it, but there is no discussion that has been started as of now.

On the refinancing bit, there is definitely a market for us because the bankers also understand the entire change which has happened both in the operating side, as well on the balance sheet. So, with this 8.5% refinancing, we are discussing internally. There are opportunities for us to actually refinance and bring the overall weighted average cost of borrowing down, but that's something which is still in the pipeline.

Ashish Jakhanwala: One of the things we have started doing, and lessons you learn when you go private to public, earlier we would take a loan for 12 years and let us say we paid INE50 as an upfront fee, and

the upfront will be amortized over the 10-year of the loan which is 10 years. Now, you've paid the money, so you are not worried about it. But let's say three years later, your credit rating improves, you have to refinance it, you have to take the unamortized part of the upfront through your P&L, and which happened this year. You know, almost 7...

Rajat Mehra: Yes. We refinanced the Sheraton Hyderabad.

Ashish Jakhanwala: How much did we take through our P&L?

Rajat Mehra: About INR6-odd crores.

Ashish Jakhanwala: About INR6-odd crores of financing cost was non-cash because the unamortized portion of the upfront had to be taken through our P&L, lessons learned. So, what we now do, for instance, the latest refinancing which Rajat has done is for 13 years, upfront is INR 2.25. We are going to amortize it in 2 years. So, when Rajat tells you 8.45, it assumes the entire amortization is happening in 2 years.

It leaves him to be fully flexible to refinance it after 2 years without his irritating footnotes that the finance cost in this quarter includes a non-cash one time and I know all of you hate those footnotes. So, we have started taking a more aggressive view to amortize the upfront so that we can keep refinancing.

Rajat Mehra: Actually, the rate of interest for that facilities is 8.35% and the 0.25% processing fees which we are amortizing in 2 years and hence we say that, you know, the cost of borrowing is 8.5%. If we continue to actually hold that financing, assuming no reduction of repo or otherwise, you know, reduction in the rate in the market, then after 2 years, the rate, in fact, goes down to 8.35%.

Ashish Jakhanwala: So, I think...

Rajat Mehra: So, sorry, just to continue to what Ashish said, we have done this for all the new loans. Unfortunately, our auditors did not agree to do the same thing for the loans which were in existence at that point of time. We are now going back to them with a case study because historically, SAMHI has been able to refinance his loan every 2 to 3 years. With that historical case study is what we are going to be representing again to our auditors asking us to accelerate the amortization of those premiums.

Unknown Analyst: Hi, Ashish, Gyana and Nakul. First of all, congratulations on first full year of profits. And my question was actually related to your investable surplus that you said you will be generating around INR1,700 crores of investable surplus over the next 3 to 4 years. And from a broader strategy perspective, where do you see this surplus going in terms of key markets and key segments?

And related to that, are you able to find right opportunities, attractive opportunities given we are at the peak of the up cycle? So any assets that you are able to find at discount to replacement cost?

Ashish Jakhanwala:

So I think we showed you that table of micro markets and segments. So our playground is in front of us and it has been in front of us for 14 years. But yes, full admission, every year we revisit if any new micro market should be added. And good thing in India is that urbanization, new micro markets keep getting added. For instance, I would have never talked about North Bangalore 10 years back. The Hebbal to airport belt, right for instance.

Or for that matter, even Navi Mumbai. We would have not been speaking of Navi Mumbai with so much of excitement if this conversation was being done in 2015. In Gurgaon, areas like Manesar would have not been spoken with any amount of optimism. So this list keeps getting updated every year and you will see it expanding from 45 micro markets to 50, 60.

So I think we have the playground in front of us, clearly where we want to be. And my lessons of having invested capital in the sector for almost now 25 years is you need to go where you want to go, not where you're getting an opportunity to go. Which means, if a broker calls you and says, sir, we have a hotel to sell in Jammu, your answer should be no. And your answer should not be, let's look at it. Because you have defined a discipline box in which you need to invest your capital, right. So I think that's there.

In terms of opportunities, it's a very difficult business, but good news is we hold 85-100% of the revenues to ourselves. So to deliver that 18-19% revenue CAGR, I'd probably need to do a deal every year or every six quarters and that will help us accelerate the company to where it needs to be.

We realize that hotels are becoming pricey. They're becoming pricey because of, of course, variety of reasons. Number one, operating performance is very good and therefore it encourages people to hold on to the assets.

Two, public markets are just too rewarding and so long as you have more than one hotel, you can be a public company. And therefore they have access to capital, don't necessarily need to go to private players. But we realize there's a stress building up in non-hotel assets.

Defunct offices, defunct malls, could potentially be defunct large residential projects where the developer got the mathematics or the economics wrong and the asset was not built for the market it was supposed to be. Because we are multi-branded, multi-segment, we have the ability to transform those to some sort of a hotel project. It could either be a W or a Holiday Inn Express or a Fairfield or anything in between.

So the optionality we have of the brand allows us to stick to the locations and our strategy of conversion. But let me not make a tall promise that we have 100 hotels that we are tracking today. I think we are tracking a reasonable set of opportunities which will allow us to invest a surplus.

Somebody asked me on the analyst call, now with GIC deal, would you be aggressive about investments? And I said that two things should never be set together. You should always be disciplined about investments, you should never need to get aggressive about investments.

So I remain fairly confident that we'll find a place for our capital. Don't forget we built the company for 14 years through acquisition and turnaround. You know, we could find an office building in the heart of Hitec city Hyderabad to be converted to a W and nothing less but a W.

And if you go and see that building, I'll encourage anyone of you who go to Hyderabad, please go and see where the site is. It's where you would not imagine a hotel can be put up, right? Similarly, we went right in the heart of Bangalore Whitefield to identify this 140-room hotel, and one would think we overpaid for that hotel because we paid INR205 crores, but what we saw was a 360-room hotel opportunity, INR100 crores of EBITDA.

Gyana Das:

The hotels are relatively operating well, but what we see is that there is an inherent potential of some of these assets, even though it is branded or not optimally branded. So in that aspect, what you're seeing is a front block that we acquired. What you're seeing is this is a block that we acquired and that block was not there. It's not there currently. So there is structural opportunities in some of these hotels. Yes, it's hard work to identify them.

Nakul has to do the hard work to knock on to every single hotel, find out whether we can do additional development or not, can we do a rebranding or not. So for example, the existing owner was making good money. They had zero leverage. We paid them a very good price. I wouldn't say that we discounted or any kind of distress sell. It was a good price sell on to it, but we saw an opportunity in that. I think that's what we will continue to find out. There are multiple opportunities. Yes, it's hard work to find those things.

Ashish Jakhanwala:

But I think Hyderabad, Bangalore, Pune, NCR, the larger Mumbai market, these markets have enough and more going on and it's a business where thankfully for us, people keep making mistakes and we just don't learn. So people will overinvest in assets or underinvest. So yes, I think we remain cautiously optimistic as they say that we should be able to...

I think the challenge is not growth. The challenge is we need to do deals which don't dilute our targeted raw C. See, for the first 10 years, you're building a company and you can take a different -- I was talking to somebody who I think is in this room and I said there are two sets of people, wealth creators and wealth protectors and there's a very different mindset required for wealth creators and wealth protectors.

The first 10 years, we were wealth creators because we had nothing to start from and the mindset is different. Today, I must admit that we're a bit of a wealth protector, that we're remaining more cautious and conservative because we don't want to get the 17% wrong for God's sake. I would rather return the money to you and to myself than do a wrong deal in future.

So I think we'll have the right opportunities. Fiscal discipline is going to be the key. Execution is going to be the next key. But I think there'll be more and enough opportunities like this. This hotel did INR7 crores EBITDA. Can you imagine this in a market like Bangalore Whitefield? And if I just multiply the number of rooms that you see on your chart today, at current EBITDA per key for a similar hotel, it's INR100 crores.

So that's the sort of an upside that you see and therefore even if you pay 5% more, but you're securing something in the heart of Bangalore Whitefield where the downside risk is much lower.

Analyst: That was very helpful. Just one more question on a different line actually. While I believe you are in for a long haul with SAMHI, would you like to give a confirmation for a broader investor community that we will see you at the helm?

Ashish Jakhanwala: I can send you my health records, that's the only thing that I cannot be sure of. This is very personal and it has nothing to do with money. Actually if you ask me, me and my team lost probably 90% of what we were to make because of COVID.

It never deterred us. It never deterred us because there are very few instances of a professional team creating a business like this. So today this is where, this is what we have fun with. I am known for SAMHI. I'll be fool and I'm far from being senile though some of my colleagues may disagree. But I think, listen, this is who I am, this is what I do. SAMHI is me to some extent. I take a lot of pride. But let me caution you, I'm a professional CEO.

I work at the mercy of the Board and the Shareholders. So long as you guys keep me, I'm going to turn 50 this year. Sanjayji is here who is a company secretary. I think the retirement age is 65. So I'll request him to keep pushing it because I think I can work till 80. A lot of you are here still working. Why should I not be working till then? So don't worry. It's not just me, it's the people around me.

Gyana joined SAMHI before I did. Rajat joined 12 years back. Sanjayji was there who was a company secretary for the same time. There are 27 people on the floor. I would think probably 15 people would have done more than 10 years. So yes, it's a company built by a team. We are very proud of what we've built. It's the pride which will take us, honestly.

Gyana Das: The average tenure of our employees is more than 9 years.

Ashish Jakhanwala: Let me also address one thing. People have said, do you have enough skin in the game? And what will motivate you to not just work but do the right things for the company? And I've never understood that question, to be honest with you. Maths fail. Any promoter-driven company, public company, the promoter would never have his 100% net worth attached to a single stock.

I have not seen a single case study. He will have real estate, stock market, bond market, other companies, venture fund, family offices. I think I'm like a public servant. My book should be open to everybody to see. And if you were to see my books, my only value in SAMHI rest is debt. Debt for home loan, debt for tax we pay on ESOPs.

So for me, SAMHI's stock doing well and the company doing well over the 10 years is the only way I would have created wealth for my family. And there's no second way available to me. I can say for Gyana, I can say for Rajat, Nakul is a little wealthy. That's why his photograph was last in the slide. But listen, we feel very proud, we feel very excited. I think we would have done the right thing for our families also if we continue to do what we are doing over the next 6-7 years.

We've not done the right thing for our families so far. None of us have ever sold a single share. Even the ESOPs that we exercised last year, the tax was paid by borrowing. So you can imagine, it puts stress on cash flows for the employees, but that's a commitment to the fact that the stock

is nowhere close to what the real potential is. So I'm sorry, long answer to a short question, but this is very personal so I took a little longer to answer this.

Analyst: Perfect, thank you.

Ashish Jakhanwala: And I have no health issues, I can confirm that.

Navin: Hi team, this is Navin here from Mahindra Manulife. Thanks for the opportunity. Top down questions, considering that you all have very sophisticated data. One is, most of your peers, along with you, believe that over the next 5 years, supply growth should be typically 4% to 6%, give or take, based on different micro markets.

Demand should be 6% to 8%. Just trying to understand with, you know, about 200,000 branded keys, hotels and the rest being largely unorganized, regional, how do you get color as to, you know, how many opportunities are there for conversions and in that sense, how can supply surprise you on the upside? Just wanted to get your perspective there?

Ashish Jakhanwala: So, you know, the whole success of income producing hard assets, offices, hotels, hospitals, retail, mortuaries, data centers, is all about supply driven. That's the reality of our business. We need to worry less about demand, we need to worry a lot more about supply, and you know, that's what we've learned over the last several decades.

What we are quite certain about today is that core markets, so, let me rewind back to 2004, '05, '06, '07, '08, '09, '10, you know, because there was exuberance between '04 and '06, '07 and then came the lost decade for the hotel industry that for 10 years the rate remained stagnant, inflation adjusted, they fell by about 60% or so, right? We did get our high place forecast wrong terribly because we didn't expect the rates to remain stagnant for that long. When we look backwards at data, we realize it was base effect.

What happened, and let me take an extreme example like Pune. Pune back in 2006, '07, '08 used to have about 770 odd rooms. Blue Diamond, Viridian, and Pride. Three hotels. On a base of 700 rooms, 6,000 rooms got built or something like that. Pune is here.

So, people started thinking Pune is oversupplied. Pune wasn't oversupplied, Pune was seeing this massive supply over a small base, and what happens to market averages is it's an average of all hotels in terms of occupancies and rates. 80% of your market is fresh, fighting for market share, not fighting for rates.

When I open my new hotel, my GM will tell me, for the first four quarters, I'd like to stabilize the occupancy, and then I'll fight for the rate. So, in a market like Pune, for several years, we saw new supply having far more weight on the market averages than old supply. Actually, way back in 2014-'15, we went to STR, and we built what we called a stable hotel index in India, and I must tell you today, some of the consulting peers have drawn inspiration from that, because we said, when you look at Sensex, you're not looking at sum total of all stocks listed on the stock exchange.

There's a weight, there's a quality, there's a contribution. We had 52 hotels in India. We did not change the hotels, because we wanted to see what the same hotels are doing year on year. You'll be surprised. The years, Pune was reporting 45% occupancy, those same store hotels were reporting 68% occupancy. And that gave us the conviction to go and buy Hyatt Regency in Pune.

At the time when the market was reporting 45% occupancy, today, not only have we re-selected the asset, we've divested 35% of GIC. So, we believe today, the big markets, Bangalore, 20,000 rooms. Delhi-Bombay, circa 20,000 rooms. Hyderabad, about 7,000. Hyderabad-Pune will be 7,000-9,000 rooms. On top of that base to add 10% supply growth, we just don't see that happening.

Because for that, you need to add anywhere between 700 rooms to 2,000 rooms open every year, year after year for the next five years. And we just can't add up that much of inventory coming our way. Second issue is return on replacement cost.

And I'll take you back to a ROCE slide. And we can't address this in this forum right now, but we can subsequently. We are very certain, before COVID, we had 4,200 rooms. Correct? Total capital, not employed, because that gets depreciated over a period of time and management hides under time. Let's just take the money that flew into our balance sheet, debt and equity, divided, the number of rooms divided by that was 70 lakhs per key.

Right? So when you can build a portfolio at 70 lakhs per key, you're clearly at a significant discount to replacement cost. And sir, yet I'm at only 17% ROCE today. So if today a new investor has to go and buy a piece of land, construct a hotel, on current room rates I can't solve more than 11%-12% ROCE. And they do ask this question, should I be taking a development risk of 4-5 years so that I get 12% ROCE and I'm not getting a lot of yeses for that. You go to same GIC and say, would you do an underdevelopment hotel?

They'll step back. So we don't think a lot of capital flowing into an institutional capital is needed to create a supply imbalance in large markets. Smaller markets, you don't need institutional capital. Why? Coimbatore has 3,000 rooms. So 10% supply means another 300, 300, 300. And for next 3 years some HNI can do that actually with historical land bank.

So that's what creates a bit of anxiety in our minds about Tier 2, Tier 3 in the short term. Whereas Tier 1, we just think institutional capital is needed to create supply. Institutional capital will solve for return on replacement cost. At current average room rates they cannot solve for that. I know you think the industry has done really well, but please look at the ROCE's.

And my peers have depreciated assets over the last 30 years. Try and build a new asset today and see what the ROCE's will be. So I think we are reasonably protected about supply in core markets. Rest, we remain very anxious and that's why instead of investing capital, we like to retract the capital from those markets and put them back in Tier 1.

Navin:

Fair enough. Just one more question. The parameters you said, you know, Air Pax's growth and office space absorption, just trying to get a little bit of historical perspective. If you like, let's say take data from 2019 to 2025. Does it reflect in the ARR expansion that you've seen or it's been leisure which has been leading and now you expect this trend to play out more clearly?

- Ashish Jakhanwala:** So the correlation is in demand, not in the room rates. Because room rates have a denominator which is supply. So what we've seen is that if you do a simulation of demand growth driven by office and airlines, you know the supply growth right now.
- Our models are forecasting a 9% total revenue growth. You know, because we know that let's say today room nights available, room nights sold. We know room nights available will grow at supply. Room nights sold will grow at demand growth rate which is driven by office and airline. You divide the two, you get to a statistical occupancy level. In most markets it will be 105%, 108%.
- You know it can't be the case so you stabilize the occupancy at 75, transfer the rest of the total revenue growth to room rates. It's actually a time tested model and our statistical models are showing about 8% to 9% total revenue growth over the next 5 years CAGR. And the only problem with this industry is quarterly variations are pretty huge, yearly variations are pretty huge.
- My first slide was headline versus trend line. What you see reported by companies quarter on quarter, year on year is just a headline. You need to watch out for the trend lines.
- Navin:** Thank you. Yeah.
- Analyst:** Can you share weekend occupancy across different asset class and what are the steps to improve what kind of like if RCI which is 4 million subscribers or members whatever you call it, they can be sold this at comparatively any such steps which you can share some of your thoughts?
- Ashish Jakhanwala:** Yeah, so there is a big difference. Weekday occupancies and I wish we had access to SID online here. We could have shown that to you live. But weekday occupancies would be 78% to 80% and weekends will be 65%-67%.
- Gyana Das:** Just to clarify, you asked that across segment. It's not across a segment, it's primarily across a market. We see in a similar market, all the segments do perform very similar because it's the demand pattern within the market. So we don't see segregation between the segment, we see segregation between the market.
- For example, Hyderabad continues to be very high because of the low supply base and high demand. Very high weekday occupancies in the 80s. Weekend occupancies do go to high 60s and 70s. But other markets, Bangalore tend to have a very low weekend occupancies compared to weekday. It's just a pattern.
- Ashish Jakhanwala:** Nakul could open the SID on the mobile so I'll tell you the live data. Last year all hotels, weekday occupancies were 78% and weekend occupancies were 64%. Interestingly, because some weekdays can be holidays, Holi, Diwali, Christmas, you know, if I only take workdays, which is Monday to Friday but not a holiday, occupancy was 81%.
- Across 32 hotels. That's really hard data coming from the last year. Like Gyana has said, we're seeing interesting trends in Hyderabad where the weekend occupancies are actually so city, if I can go to Hyderabad, you will see workday occupancy is 85% and weekend occupancy is 67%.

So that's the sort of trend we see. But I do think there is huge opportunity in weekend occupancies in India. Because when you look at Singapore, London, Hong Kong, New York, all large gateway cities globally, they are also great places for people to travel for leisure.

And that's why they report insanely high occupancy levels. And as Indian economy grows, disposable income grows, urban environment improves in India. And it is improving, by the way. What a place like this. I mean, I would bring my daughter to Bombay to see some shows in the centre and therefore create some weekend occupancies. Similarly, the IPLs and the rock shows and all of that.

I think over the next few years, you would start seeing a convergence of occupancy levels on weekdays and weekends. Right. And that's the point when the hotel industry will truly realize its potential. Because we don't have to discount on weekends and so on and so forth. I mean, typical rate difference between days when the occupancy is 90% plus and other days will be about 50-odd percent.

Analyst: Thanks. And views on tie-up like RCI or something?

Ashish Jakhanwala: Tie-up like? RCI?

Analyst: Yes.

Ashish Jakhanwala: I haven't thought about it, so I won't respond to it. But since you've said, we'll think about it. Thanks.

Analyst: Maybe next.

Ali: Hi. Ali from Motilal Oswal Mutual Fund. I have a couple of questions. First is just clarification on the internal growth slide that you gave, where you explained two quantum of rooms. One is 790 rooms and the next is 540 new rooms. If you can just tell me how much is coming in '26 and then in '27 in terms of the quantification, 790 is entirely coming in '26?

Ashish Jakhanwala: No, no, no. So, 790 rooms.

Nakul Manaktala: So, in FY '26, you can see 300 rooms are Holiday Inn Express and another 75-odd rooms for Sheraton and Hyatt Regency. So, it takes you to 375 rooms in FY '26. FY '27, you have 170 rooms W, 217 rooms Courtyard.

So, that's around 380-odd rooms. FY '28, you have 140 in Tribute Whitefield, 110 in Jaipur and 86 in Chennai. So, that takes you to another 400-odd and then Westin Bangalore Whitefield, FY '29 is around 220, 230-odd rooms.

Ali: So, the redevelopment, this is what you gave me, the transfer of redevelopment, right?

Management: Correct. Both, new addition and redevelopment.

Ashish Jakhanwala: Both.

- Ali:** And the improvement in revenue that we have explained in the previous slide, I think...
- Ashish Jakhanwala:** So, that's here.
- Ali:** That's here. It's about, yeah, INR100-odd crores going to, like, 500 crores, right? That is both the redevelopment.
- Nakul Manaktala:** Yes, because if you see, assets like Four Points Jaipur, Pune, Trinity Whitefield, these are currently operating assets, contributing to only INR100-odd crores of top line.
- Ali:** So, can you just explain this 500, how much is expected to come in '26 and how much in '27?
- Nakul Manaktala:** So, can you go to the next slide? No, sorry, the year by year.
- Ashish Jakhanwala:** Yes, this slide.
- Nakul Manaktala:** Simon, just go to the year-by-year slide. Yeah, this one, exactly. Perfect. So, the Holiday Inn Express, 300 rooms, typically here you're looking at 12 lakhs a key revenue. So, that is circa INR30 crores or INR35 odd crores. Then you have Sheraton and Hyatt Regency. These will give you 45 lakhs to 50 lakhs a key. That's 75 rooms. So, you're looking at another revenue contribution there of circa INR15 crores, INR16 odd crores. Then W Hyderabad is 170.
- Ali:** So, '26 out of this INR400 crores will have close to about INR60 crores-INR70 odd crores.
- Nakul Manaktala:** Correct. Then in FY '27 W Hyderabad is a phenomenal location. I think it's probably one of the best that should be around, that should do circa 60 odd lakhs per key at 170 rooms. There's a one year stabilization period because it's a new hotel. So, there, the total revenue contribution should be close to around INR90 crores-INR100 crores. But you'll see one year stabilization period.
- So, year two you should touch that INR100 crore mark. Courtyard Pune should be around 40-45 lakhs per key. That's 270 rooms. So, you're talking about INR80-odd crores revenue contribution there. Here it's an operating asset. So, turn around and stabilization should be quicker.
- FY '28 Tribute Bangalore Whitefield again 45 odd lakhs per key. Again, operating hotel being turned around so quicker stabilization. Tribute, 114 rooms again 35-40 lakhs per key. Again, operating asset being turned around, quicker stabilization. Fairfield Chennai should be around 86 rooms. That will be around 22. It's a new addition. That's a new addition. So, it's currently a 150 room hotel. Last year it did 21 lakhs per key. So, again, on current rates you can assume another 21 lakhs but we clearly are seeing solid market growth there as well. So, that is another 16-17 odd crores of top line on FY '25 rates. And then Westin Bangalore Whitefield, that should do around again 55-60 lakhs per key on current rates, assuming no market growth. 220 rooms. So, you're looking at another INR120 crores-INR140 odd crores.
- Ali:** So, about 10% odd will come in '26 and rest 85% will be staggered across?
- Nakul Manaktala:** Every year you should see a pretty linear odd increment from that 100 to 500. Again, this doesn't assume any market growth.

Ashish Jakhanwala: Yes, I mean we're forecasting everything on FY '25 ref bars.

Ali: So, this incremental INR400 crore will come over the course of four years when about staggered about 10% to 15% broadly every year, right?

Nakul Manaktala: It's pretty linear actually if you think about it, yes.

Ali: Second question is on then the outlook on ARR. I was in Bangalore and the outer road hotel, I got a quote of about close to 39,000. I mean the question here is just to get a sense on where we are between mid-scale and upscale.

How do you see the outlook? I know the supply is pretty constrained, but more from the point of view of where the rates have reached today, on those levels of rates, what's the outlook we see in terms of improvement in '26-'27 because majority of the growth that we will see in '26 probably will come from ARR, I presume as the new capacity will take time to come beyond '26?

Ashish Jakhanwala: You know, so when I started our IPO Roadshow, Murtuza was sitting right at the back. He asked us, yes, how good is good? You know, and we had a slide for him that we had put, how good is good?

You're trying to understand the headroom for growth for average room rates and the headroom for growth comes from multiple factors. Number one, clearly the constraint of supply, and if something is supply constrained, I may end up paying INR35,000 for one-way economy to Delhi tonight because there's just no airline capacity. I don't understand how do I calculate headroom for growth.

I would have liked to pay 7,000 for an economy one-way fare Bombay Delhi, but I may end up paying INR35,000. Similarly for hotels, you gave me the right example for courtyard Bangalore. We launched that hotel at an average rate of about INR7,000 in 2015, and back then we thought INR7,000 is a fantastic rate for a courtyard by Marriott.

It went to 9, 10, and every year I have had this anxiety attack that how good is good? The last quarter, the average room rate for that hotel was INR23,000. It was, in my opinion, the highest rate for any Marriott-operated business hotel in the country, including hotels in Bombay.

Our assumption. Therefore, it's all to do with demand and supply in the micro markets you're presenting. I will continue to resist a lot of questions around segment. It has all to do about the micro markets. If Outering Road is a star market, I can pitch a tent there and make money, and if Ahmedabad is a struggling market, I can put a renaissance that I have, and I'll be struggling. It's all about, Conrad Hilton said it 100 years back, location, location, and location.

It's all driven by location. We actually think in -- I take Bangalore as the headroom, honestly, if you want to play conservative. For Murtaza, we had a slide which we said this is where Seoul is, this is where Sydney is, this is where Melbourne is, this is where Singapore is, and this is where we are. We look like a piddly juvenile child. Per capita income and all of that argument comes into play.

Having said that, when you look at Bangalore as headroom, and my courtyard reporting an average rate of about INR17,000, INR18,000, but I still have a Sheraton selling in Hyderabad for INR12,000, and I still have a renaissance selling for INR5,500 in Ahmedabad. Our expectation is, when you look at demand and supply, most markets in India are supply constrained, and therefore they will all push rates higher and higher and higher, and if not the Seoul and the Sydney and the Melbourne, I expect most core markets in India to start comparing themselves to Bangalore. Clearly the first one being Hyderabad.

When we looked at ACIC, and Ajish is here, thankfully board members don't have access to previous notes when we acquired their businesses. But our assumption was that Fairfield in Hyderabad was selling for INR5,500, Fairfield in Bangalore Outer Ring Road was selling for INR9,000, and our investment note said it's a matter of time. Fairfield in Hyderabad will sell for INR8,000, INR8,500 and that's the largest total in the portfolio.

You get this right, you rebrand Pune, that's the value of the entire portfolio. That's how we underwrote that. And we thought it'll take us two years to get there. Four quarters, Fairfield Hyderabad was trading at INR8,500. So you are seeing this convergence of average room rates to where the market potential is. And I think, for a portfolio like ours, which is well diversified across key cities, you would see that we'll be able to maintain that.

I will never try and say mid-teens for same store hotels. I think that's too much of optimism. If we get it, we'll all celebrate, but I don't want to talk about it today. We think high single digits to early double digits total revenue growth is absolutely achievable given the supply that we are seeing. And I will again caution you, please only look at total revenue. In our business, the way general managers and hotel operators shift allocation of breakfast from room rate to F&B, my head keeps spinning.

So a lot of times when people say, sir, your F&B was not great, your RevPAR was very good, I give you an answer, but I'm trying to question myself. First I need to check if there was an allocation issue in that quarter. So I have learned that if you want to forecast long term and keep it simple, total revenue, total revenue, total revenue. So total revenue growth in our expectation, our model shows about 8% to 9% growth over same store over the next 3-5 years. Supply is the holy grail. And we need to make sure that every quarter we send scouts to actually see the sites.

We've had Simran go and click photographs of a stated 400 room hotel which was to open that year, and she was confused because she thought she was on the wrong site because there's nothing happening on that site. So how can that hotel open in 12 months? So we have to send scouts to actually see where the new supply is coming. But for forcible future, 12, 24, 36 months, not worried. But if the next 6 months a lot of people start putting money in hotels to build hotels, then I have to be worried about 4 years forward.

Ali:

Got it. Thank you.

Yashvardhan:

Hi, sir. Yashvardhan this side from IIFL Capital PMS. I just want to know your and whole team's thought process in terms of managing debt in relation to adding inventory. So let's say in coming time you get an opportunity to add a hotel, but that could lead to addition of debt. So what would

be your thought process that are you comfortable with a particular number or let's say net debt to EBITDA or you would turn down the offer? Or let's say since earlier you showed the amount of cash flow that we would be generating. So you are thinking that since we can finance those debt in the later on, so we are comfortable with it. So my question is on that?

Ashish Jakhanwala:

You know, so how things change? If you'd asked me this question four months back, my answer would have been we're not going to buy anything. We need to be committed to get to three times, less than three times net debt to EBITDA.

Not that my commitment has changed, but I'm just thinking through, wow, we've actually been able to invest INR1700 crores of free cash and we still have more opportunities for which we need to look at how do we fund them. As of now, we don't have that issue. You know, we have really created a strong balance sheet in terms of discipline.

From day one since we went public, we have steered clear from giving any revenue guidance, so to say. We've always been committed to bring net debt to EBITDA down first to 3.5x, then below 3x, stabilizing it in the zip code of 2x, 2.5x. So we have never shied away from that commitment and it's not to please you.

It is because we suffered a lot during COVID. You know, we lost a lot of our own value during COVID because of a certain level of leverage, which was not unhealthy, but yet did not help us protect value during a down cycle. So you have a reasonable guidance of the fact that we'll always maintain our net debt to EBITDA in the zip code of, let's say, 2.5 plus minus times.

Right now it's at 3.2x. We are fairly confident that the path from 3.2x to 3x to 2.7x, 2.8x is a matter of quarters now. It's not even a matter of years, really. But yeah, we don't think a -- by the way, INR1,700 crores is a starting point. You know, we've demonstrated the capability to monetize part of our assets to fund future growth.

So tomorrow, if, for instance, we are able to transfer Sheraton Hyderabad to a platform, we will be able to monetize another INR300 crores, INR400 crores from that. So we have a lot of money with us. Some of it is sitting on bank accounts, but a lot of it is sitting in our assets.

And we've demonstrated both the intent and the intellect to be able to monetize at the right time. So I am more interested to see where the opportunities come from, which protect our ROCEs and growth of the portfolio. Finding ways to fund them without putting risk on the balance sheet is -- was a past problem, is no longer a future problem.

Yashvardhan:

Got it, sir. Thank you.

Ramesh Bhojwani:

Yes, sir. Sir, Ramesh Bhojwani from Mehta & Vakil. First and foremost, you have given us the very, very well encapsulated macro as well as the micro picture of the hospitality industry and particularly with the hotel segment current and going forward up to 2030.

One thought which was in my mind which two, three years back the Indian hotel MD in his presentation made was to manage heritage properties, either the owner refurbishes or they

refurbish on a sharing basis. Are you looking at this kind of an avenue or a segment in your business going forward?

Ashish Jakhanwala:

You know, leisure is something that we've stayed away from and as I said earlier, there are certain nuances to leisure business which have made us stay away from that. It's a great place to be. IHCL as a company has tremendous -- don't forget they were the pathfinders for Palaces. So their circle of competence is very different to my circle of competence. I'm a big lover of Warren Buffett's concept of circle of competence.

Every manager has a circle of competence which is where it creates value. Outside of that, it starts speculating. So as of today, we don't have that within our circle of competence. Nothing says that we can't build that competence for ourselves. Discretionary spending going towards leisure, it's something that we are watching out for. We just need to see what the return profile looks like on a sustainable basis.

We don't want to go by anecdotal examples. I went and stayed in X city and I paid INR40 thousand. That's anecdotal. We need to see can those performances be sustained over 4-5 year period. So we are watching. It's a game of patience. Investing is a game of patience.

Maybe not so much in public markets but when I have to invest in assets, I have to be really patient because unlike you, if something goes wrong, I don't have a 915 in the morning and a screen to dump. I have to live with that mistake for a long time to come. So we are watching out for that trend. It's a trend which is very exciting. We don't have the formula today.

I need returns, I need scalability and I need a certain level of consistency. So if I get consistently returns and scalability, we will go to the board and have this discussion.

Ramesh Bhojwani:

Very well said, sir. Thank you and all the best.

Ashish Jakhanwala:

And as far as the presentation is concerned, 15 years we've worked with private equity investors. This is the least we can do.

Chirag:

Hi, Chirag from MS Capital. Thank you so much for the opportunity and congratulations on what you guys have built. Two questions possibly related. The first one being, could you share a few examples of mistakes where either it's stuff that you're removing now or that you've done in the past and maybe mistakes of commission as opposed to omission where things went wrong?

And related to that, obviously you've said that supply, one easy way to look for it is to look for a hole in the ground, but that's not how you guys bring supply in. Is there any evidence of you seeing that happening in some smaller micro markets where clearly things are supply constrained and the ARR's have reached levels which possibly they ought not to be at? Sure.

Ashish Jakhanwala:

So, a bunch of mistakes we've made to be honest with you. We made market mistakes. If you look at our Tier 2 ROCE's are far below our portfolio ROCE's. We've went to Coimbatore, we went to Vizag, we went to Nasik and honestly, each time we were underwhelmed. And I'm not blaming entirely everything on the market. It could potentially be that again our circle of competence is very limited to top tier business locations.

We understand that it's more predictable. Our data is able to show us more insights than in a smaller market. So Tier 2 clearly has been a bitter lesson for us. Thankfully, because of that box that we had for ourselves, we didn't put a lot of capital there. Second, we made mistakes in hotels like Four Points, Vishakhapatnam. Where you go, it's an underperforming, bad quality hotel and you know there's a certain product quality that you need to transform.

But in Excel sheet drives your investment and you say, I'm going to invest in public area now and rooms later. Fails. Because what we learned the hard way for customer, the experience has to be 100% and not 90%.

And the transformation that you see of rate re-rating is only for 100%, not for 80%. So if you can't underwrite the whole money going up front for innovation and rebranding, don't make that investment. So Vizag clearly was an underperforming hotel for us.

We will now, thinking of changing the brand, making sure that we leverage that opportunity well in that market. Three, I think we in renovations, we tend to be very, very sorry to use the word, anal about numbers. And often have lost time.

Renaissance Ahmedabad, I'll give you an example. We were so focused on not spending more than INR15 crores that we wasted six months negotiating with the operator, the product improvement plan. And in hindsight, the gap was probably not INR15 crores to INR30 crores, it was a gap between INR15 crores and INR19 crores. So we've also become a little bit more mature about understanding time value of money. That not everything is just about an Excel sheet and driving an agenda driven number. I think these are the big things we've learned. F&B continues to be a...

Gyana Das:

I'll add one more to as a management team. I think there's a very quick shift but it did happen in the initial stage. We used to combine the return into one bucket very quickly. An example was the Hyatt Place Gurgaon where we had a market projection and the asset projection, everything combined and we saw it and Ashish clearly said that the market didn't grow. Whatever the micro environment or larger environment is that. Very quickly we actually segregated that return.

What we do it now is that first is our intervention which we control. The asset is currently doing X. If I rebrand, if I do this P&L change, it will go to Y. If Y is satisfactory on the current returns, what Ashish is saying that current level of earnings is where we would be very comfortable. Obviously it won't be very flashy return. It won't be 17%-18% but does it solve for a base return?

And then is the market growth. So that we can clearly segregate between our underwriting. I think with that we are very disciplined in underwriting. That's a very quick learning that we got. Initial stages we did mistake.

Ashish Jakhanwala:

We love forecasting. Everybody loves forecasting and investments. And we realized we are not smart enough. Not smart enough to put large amounts of money on a forecasting. If you look at all our investment memos today and including the slides we've shown you. We'd love to say FY '25 ref bars, what would this hotel achieve as ROCE's.

Now after that the board has a binary decision. They either see the risk of RevPARs falling or they see the opportunity of RevPARs growing. For a professional board, this binary discussion is more logical than a point discussion.

What should be the rate of growth for Hyderabad? I have not got it right in 30 years. I have underestimated a Courtyard. I have overestimated a Renaissance. I'm fully guilty of that and I'm quite sure all of you are as well.

So I think we've stayed away from future forecast and we say everything on current basis, if we solve for returns, go in. If you don't solve for your returns, stay out. Thank you Gyana. That's the approach that we've changed. Are we missing a second part of your question?

Chirag:

Supply?

Ashish Jakhanwala:

So you're right. There will be some conversions from unorganized to organized. And my previous boss, a gentleman called Micheal Issenberg, who was chairman of Accor, he used to be very condescending of investment memos. And we would say, Bangalore, upscale supplies, 1,000 rooms, only 100 rooms are being added.

And he would say, what's happening to mid-scale? And what's happening to lower mid-scale? And what's happening to economy? And we would look at Michael and say, Mike, I mean, it doesn't make sense. We're building an upscale hotel. And he said, no, Ashish, it's just a bed to put a head on.

And it's all very interlinked. So never discount the supply which is happening at the bottom of the market, even if you're building a luxury hotel and vice versa, by the way. So you're absolutely right.

If you look at Bangalore market and the comfort that is, and I'll give you two examples. Delhi airport, Aerocity. I was in Accor back then. All of Delhi had about 9,000 rooms by consultants. GMR said, we're going to build 4,500 rooms in that one precinct. 50% supply growth.

And I went with an investment memo to my CFO saying, we want to build 1,100 of those 4,500 rooms. And he said, Ashish, you will lose your job in six months. I'll lose my job in six weeks. Because you're talking about taking 25% or 50% supply growth in a market. It's not going to end well. Sounds so logical when you look at the data.

Gyana was a young analyst back then. He went to not a consulting firm, but a market research firm and said, count all guest houses in Delhi. And we realized we could count 25,000 rooms in hotels and guest houses, excluding Karol Bagh, Central Delhi, and North Delhi. The railway station and all of that. This is South Delhi, Gurgaon. Suddenly, your total base is 25,000 rooms.

And on top of that, 4,500 rooms added over a five-year period was not so scary. And true to that, AeroCity has turned out to be a fantastic precinct for hotel investors. Today's Bangalore. We are counting 20,000 rooms in Bangalore when we forecast that demand supply. Go to MakeMyTrip. There are 100,000 rooms in Bangalore.

MakeMyTrip today is selling 100,000 rooms in Bangalore and not 20,000 rooms. My comfort comes from the fact that the underlying supply in Bangalore is 100,000 and not 20,000 rooms. And some of it will transfer from not accounted for to being accounted for, but my base is pretty large, actually. So those aberrations will happen. You're absolutely right.

Gyana Das:

Were you saying that the supply from unbranded to a branded comes in? Same thing is happening on the demand side also. The unbranded customer will also move to a branded customer. But you're right.

Ashish Jakhanwala:

Supply data will have some margin of error because of our W Hyderabad. No consultant until six months back thought there is any hole in the ground. He only saw an empty office building. But in a year and a half from now, it will be a 175-room W. Thankfully for us, most of our peers don't believe in building not-so-sexy hotels. And when you do conversions, then they are not-so-sexy hotels.

So it doesn't attract a lot of capital which has to show off. It will only attract capital which is solving for return, and that even today would not be more than 30% of the total capital going into the sector. I got this data from my colleague who works for a hotel company, and he said last year 200 hotel management contracts were signed in India. Scary number. 200 new management contracts were signed in India. 170 were Tier 2, Tier 3, and leisure. 170 of the 200.

So you can see where the money is going. But yeah, I think you have to keep watching out for supply in each micro-market quarter on quarter, and adjust for yourself. We're here to answer. We have a flight at 10 o'clock. Okay? Is that good? Thank you so much for your patience. We remain available for any answers.

I started by saying not a forecast, not a promise. My job is to remove information asymmetry between us and you. We've done that to a large extent today. You know, I want to buy SAMHI's stock, and Sanjay asked me every time I go to him, saying, can I buy SAMHI? He smiles and says, sir, do you know something about SAMHI that others don't? And till today, I always knew something that you don't know.

So hopefully he'll allow me to buy something, you know, now that I've told everything that I know. Thank you so much. Have a good evening.