SAMHI
SMART HOTEL INVESTMENTS

SAMHI Hotels Ltd.
CIN: L55101DL2010PLC211816
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14th October 2024

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

Scrip Code: 543984

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

Sub: Transcript of Business Update Call

Dear Sir / Madam,

Please find enclosed the transcripts of the Business Update Call held on **Monday, 07th October 2024 at 11:45 a.m. (IST)** to discuss the Acquisition of Innmar Tourism and Hotels Private Limited ("**ITHPL**").

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

Thanking You.

Yours faithfully,

For **SAMHI Hotels Limited**

SANJAY JAIN
Digitally signed by SANJAY JAIN
Date: 2024.10.14 17:54:28 +05'30'

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Senior Director- Corporate Affairs,
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Encl.: ***As above***

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SAMHI Hotels Limited

Business Update Conference Call

October 07, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 7th October 2024 will prevail.

MANAGEMENT:
MR. ASHISH JAKHANWALA – CHAIRMAN, MD & CEO
MR. RAJAT MEHRA – CHIEF FINANCIAL OFFICER
MR. GYANA DAS – EVP, HEAD OF INVESTMENTS
MR. NAKUL MANAKTALA – VICE PRESIDENT, INVESTMENTS

Moderator: Ladies and gentlemen, good day and welcome to the SAMHI Hotels Limited Business Update Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. Participants are requested to limit their questions regarding the business update only. Any other business-related questions shall be answered during the Q2 FY'25 Earnings Call.

I now hand the conference over to Mr. Ashish Jakhanwala. Thank you and over to you, sir.

Ashish Jakhanwala: Thank you so much. Good morning, everybody. This call is with respect to the acquisition that we had announced on the Friday. I have with me on this call my colleagues, Rajat, who is the CFO, Gyana, who is EVP, we've got Nakul and of course the team from SGA.

I'll take a one-minute summary of the transaction and then we'll leave the floor open for Q&A. So, as on Friday, we announced the completion of execution of the Share Purchase Agreement for 100% acquisition of Innmar Tourism and Hotels Private Limited. This company owns and operates a 142-room hotel in the heart of Whitefield, Bangalore, which as we all know is one of the key commercial markets in India. There is further expansion opportunity and we plan to add a second hotel with about 200 to 220 rooms and therefore the total inventory of the complex will go up to 340 to 360 rooms in the upscale and the upper upscale segment.

We've always liked the demand-supply situation in the large office markets and with this acquisition, we strengthened our market share in Bangalore, which as we know is India's largest and fastest-growing office market. We already own and operate six hotels with about 900 rooms in Bangalore across segments and with the completion of this acquisition, we'll add another 142 rooms on an immediate basis with another 200 rooms being added over a period of time. We are in advanced discussion with an international operator so that these hotels can be managed under upper upscale and upscale brands.

We have seen strong performance of our hotels in the upper upscale and upscale segment and therefore the 340 to 360-room complex in Whitefield will significantly augment the same store growth of our existing portfolio once the renovation and the proposed expansion is completed. This will also be the second twin-hotel complex which is owned by SAMHI, the first one being the 336-room Courtyard by Marriott and Fairfield by Marriott in Outer Ring Road, Bangalore, which has been a resounding success. That's the summary of the transaction.

I'll now pause and open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nirvana Laha from Badrinath Holdings. Please go ahead.

Nirvana Laha: Hi, Ashish. Good morning. Congratulations on the acquisition. My first question is that this new hotel appears to have been owned by the ITC group. Can you confirm that? Therefore, my question would be, normally we turn around properties which are owned by a single owner or something like that. What gives us the confidence that the property that ITC was operating, we would be able to improve the metrics?

Ashish Jakhanwala: Thank you so much for the question, Nirva. Just to clarify, the hotel was not owned by ITC. It was owned by individual investors. It was operated by ITC till 31st March 2024 under a management contract. We remain fairly confident about the upside and there are very specific data points which gives us that confidence.

Number one is the inherent quality of the product. We are buying something where there is a 28-square-meter room. There are four restaurants. There is over 10,000 square feet of meeting and functions space. This sort of a product configuration in the Whitefield micro-market is currently doing a RevPAR of about INR6,500. This hotel's reported RevPAR was about INR3,500.

With the improvement in the product, putting a strong brand with good distribution in place, we are very confident that this hotel will be able to achieve a fair share in terms of RevPAR. As I said earlier, it was reported to be about INR6,500. But it does entail us improving the product and also partnering with a strong brand to make sure that the distribution and the loyalty programs are strong.

Nirvana Laha: Got it, Ashish. In terms of improving the product, do you already have a renovation capex figure in mind that would be needed? And second, this tie-up with the international brand. When do you envisage this hotel to start operating?

Ashish Jakhanwala: Three separate questions. Just in terms of timelines and status, the hotel actually is operating. We bought an operating hotel. We continue to keep it operating. The renovation of the existing hotel will start around March of 2025. It does not warrant or require a full shutdown. So, we can continue to operate the hotel while it is undergoing renovations. That's part one.

Part two is in terms of the completion timelines, we expect that renovation to be completed by quarter four of FY'26 or quarter one of FY'27. Subsequently, this hotel is prepared to be completely repositioned in the upscale space.

Two, we are, as I mentioned earlier, in a fairly advanced discussion with an international operator. We have a non-binding agreement signed. I think over the next 45 days; we should be able to confirm that as we get the definitive agreements concluded.

In terms of capital expenditure on the existing 142-room hotels, we are currently estimating the total capital expenditure to be in the range of about INR 70 crores for renovation and rebranding.

Nirvana Laha: Got it, Ashish. And if I may, last couple of questions on the deleveraging. So, in the last call, you had said that organic growth capex this year would be around INR140 crores. Now we have acquired this asset for around INR205 crores. And our interest pay-out for the year is likely to be also around INR200 crores. So, I'm just summing up all the outflows. So that looks like in the range of INR550 crores. And our operating cash flows, if we go by history, should be around INR400 crores-INR420 crores. So is the net debt, therefore, this year going to increase by about INR150 crores?

Ashish Jakhanwala: No, so I'll tell you. Our gross debt was about INR 2,160 crores. We had a total cash and cash equivalent of about INR 400 crores. So that gave us a net debt of INR 1,860 crores, which is the last reported numbers. Just to clarify, the INR 150 crores investment that we had mentioned on existing improvements, innovations, rebranding is actually for over a period of about two, two and a half years. So yes, that's not for the current year.

In the current year, actually, that number is substantially lower because a significant part of that is going in the conversion of Four Points, Pune to Courtyard Pune and conversion of Four Points, Jaipur into a part of the Tribute Collection Hotel, which really is deferred towards FY'26 and Jaipur may go into first quarter of FY'27 also, right.

So, for the current fiscal year, we have a much lower capital expenditure as far as the existing portfolio is concerned, including the acquisition that we made on the Friday. We expect our total capex to be in the zip code of about INR 300-odd crores, about INR 290 crores to INR 300 crores, of which our cash balance was about INR 400 crores, and we expect to generate an operating cash, as you said, of about -- the free cash, post-interest servicing, to be in the zip code of INR 225 crores to INR 250 crores for the full year.

So, if you take that, we will have about INR 600 crores, INR 650 crores of capital available, of which INR200 crores has been directed towards this acquisition. Additionally, INR 100 crores will be directed towards other material renovation and rebranding, and we'll still maintain a fairly reasonable level of liquidity in the business. And in terms of net debt, of course, because the cash is being used for acquisition, you will see there is no change in the gross debt, but in terms of net debt, the net debt will, in the short term, increase by the extent we use the cash, which is INR 205 crores.

Nirvana Laha: Sure. And in the quarter before that, you had said that your FY'25 goal for the net debt to EBITDA was about 3.5x, which now looks extremely unlikely. So, would you like to revise that guidance?

Ashish Jakhanwala: So, I'll tell you. So, if you look at the impact of the acquisition on net debt to EBITDA without really allocating any capital towards the acquisition, it'll be -- we had 4.9x end of FY'24. We would be still materially better than that. We should be in the zip code of about 4.4-odd times net debt to EBITDA if we account for the INR 205 crores we spent on the acquisition. We are, as we've discussed on the last call, we had mentioned that we're looking at certain capital recycling opportunities.

Again, we had said we can't promise them because the secondary markets in India takes time for assets to be recycled. But as we conclude that asset recycling, we expect to generate almost equivalent to the size of the acquisition that we've made, right, but much higher EBITDA potential from the asset that we bought than what we're trying to recycle. So, with the asset recycling concluded, we should be able to be in the zip code of, I would think about 3.6x, 3.7x, which is slightly higher than 3.5x. Without completion of the asset recycling, we should be in the zip code of about 4.4x.

Nirvana Laha: Got it, Ashish. I'll come back in the queue. Thank you so much.

Moderator: Thank you. The next question is from the line of Karan Khanna from Ambit Capital. Please go ahead.

Karan Khanna: Yes, hi, thanks. Ashish, just a couple of questions. Firstly, if you can talk more about the Whitefield micro market where there's about 3,000 rooms currently under supply. What's the kind of supply that you're expecting in the next three to five years across mid-scale, upscale, and upper upscale?

Ashish Jakhanwala: So, Karan, Whitefield is a market, you know, it's one of the large office markets, as you know. In terms of new supply, what we are seeing in Whitefield is a significant re-rating of the market because of the rebranding. So, we are actually expecting two or three hotels to go through some rebranding. Over the current 2,900 rooms, we expect the supply CAGR to be at about 5% to 6% over the next four to five years. That's the data that we have as far as the new supply is concerned of hotel rooms in the Whitefield market.

Karan Khanna: Sure. And just a follow-up on, while you did comment on the existing hotel, but the greenfield development, what are the kind of capex and timelines that you have in mind for that?

Ashish Jakhanwala: So, Karan, in terms of the capex on adding 220 -- right now we are estimating about 200 to 220 rooms. And basically, it's the fact that we're going to position that in the upper upscale. The capex for that will be in the zip code of about INR 270 crores for that addition. Timeline, we expect to start the work, I would say, same time next year because our focus is to renovate the existing hotel. And of course, we need approval for the addition of the block. So, we expect to start the work same time next year. And I think it's safe to assume that 30 months is the cycle subsequent to that.

Karan Khanna: Sure. And lastly, if you were to think about both the renovated hotel and the Greenfield hotel that you'll be constructing, is it safe to say that the margin profile for this hotel will possibly be higher than your current margins of about 35% to 40% range?

Ashish Jakhanwala: So, we have a real good proxy here. We have a 336-room Courtyard by Marriott and Fairfield by Marriott twin hotel complex in Outer Ring Road, Bangalore. The average rate for that blended two brands is about INR 13,000. We do an EBITDA of about 70. The TTM EBITDA would be in the range of about INR 75 crores. The margins in this hotel are very, very strong. It's about 51%. The Whitefield market, we acknowledge, is a slight discount to Outer Ring Road. Outer Ring Road is a far healthier market as of today.

But with the supply situation stabilizing, the better metro connectivity that Whitefield has, by the time our hotel is fully renovated and by the time the new hotel block is added, all we're expecting is that Whitefield will start getting to the same spot as where Outer Ring Road is, in which case the margins will be pretty healthy and so would be the potential EBITDA that this hotel can create.

Karan Khanna: And lastly, the F&B and the MICE opportunity in these hotels, will there be a better opportunity versus the existing portfolio?

Ashish Jakhanwala: Absolutely. So, we are inheriting four restaurants and about 10,000 to 12,000 square feet of existing meeting space. Of those four restaurants, actually three were shut. So, the performance of the hotel was obviously severely compromised because of that. We are obviously going to rejuvenate the entire food and beverage working alongside the operator. So, the existing hotel will end up having at least three, if not four. F&B outlets, we will keep the 10,000 to 12,000 square feet of meeting space.

And as when we add the new hotel, that itself will have at least two F&B outlets plus incremental meeting space. So, we will be able to create the right pivots for large meetings and centres, given the amount of meeting space we'll have across the two properties, and also the number of F&B offerings. So, you're absolutely right.

The proportion of food and beverage income to the total revenue in this hotel will be in excess of what we see as an average for our upscale portfolio.

Karan Khanna: Great. Thanks, Ashish, I'll come back in the queue.

Moderator: Thank you. The next question is from the line of Tarang from Old Bridge Capital. Please go ahead.

Tarang: Just wanted to check a couple of things. In your presentation, you highlighted Sheraton, Vivanta, and the likes. Whereas, generally, SAMHI has been in collaboration with brands such as Fairfield and likes. Now, there is a Fairfield which is about a kilometre away. I'm not sure if it's managed by SAMHI, but the ARRs for that property versus the ARRs for the property that have been highlighted in your presentation are significantly different.

So, I just wanted to get a sense, are you potentially looking at a different collaboration this time around with maybe a much more premium name? And second, the Fairfield at Whitefield, is it managed by you or is it not managed by you? Because my sense was, it was I think Argon was the entity which is managing that hotel.

Ashish Jakhanwala: So, Tarang, just to clarify, you're absolutely right. The Fairfield by Marriott at Whitefield is owned by us. And you're right, it does an average rate of about 5500, let's say, plus minus. So, that's actually a very interesting reference point that is worth discussing. So, the Fairfield by Marriott is a 19-square-meter room, one all-day dining, and small meeting spaces. And with that product, it drives a rate of, if you see Q1 numbers, it was INR 5,600 ARR with an occupancy of 79.4%, so pretty strong. The existing hotel that we have here has a room size of 29-square-meter with, as I said, four F&B plus 12,000.

So, this hotel will be positioned in the upscale segment. Fairfield is in the mid-scale segment. And therefore, there's a complete segment difference between the two hotels. And given how well we are doing in the Fairfield by Marriott Whitefield; we are actually fairly stoked and confident about how we will be able to position this hotel in a higher category. Now, of course, we have not been able to share today because of there not being definitive agreements, the name of the operator and the brand, but we can clearly, with confidence, confirm that it will be branded in the upscale space with an international operator.

Just to further highlight, we also have a Holiday Inn Express in Whitefield, right. Which is a 14-square-meter room. And even that hotel does extremely well with literally no food and beverage. So, this is a market we, as I think we have mentioned earlier, we are tracking about 45 micro-markets across India. These are micro-markets which have a very large density of office space, continue to grow rapidly every year. And we believe in each of these micro-markets over the next many years, we should be able to kind of put price ourselves into upscale, upper-mid-scale, and mid-scale.

In Whitefield, we have the mid-scale presence in Holiday Inn Express, which was originally 160 rooms, it is now going to about 200, 210 rooms. We have the Fairfield by Marriott, which is a smaller hotel. With this, we will have presence in the upscale and the upper-upscale. So, with this, we would have completed all the three boxes in one of the key micro-markets in India. Sorry. Go ahead for your next question.

Tarang: No, I think once we get to hear a little more about the deal, I think it will be logical for me to ask the next set of questions. But for the time being, this is good and thank you. All the best.

Ashish Jakhanwala: Thank you, Tarang.

Moderator: Thank you. The next question is from the line Ayush from Manyavar Family office. Please go ahead.

Ayush: Most of my questions have been answered. Just one question. Current RevPAR for the current quarter is 3,250, right?

Ashish Jakhanwala: That's right.

Ayush: And you're targeting it for approx. 6,300, right?

Ashish Jakhanwala: That's right, Ayush.

Ayush: And what would be the occupancy of the current hotel?

Ashish Jakhanwala: 62%.

Ayush: Okay. Perfect. Okay. Thank you.

Moderator: Thank you. The next question is from the line of Dhairya Trivedi from DJT Investments. Please go ahead. Mr. Dhairya, I would request you to unmute your line and speak, please. Due to no response from the current participant, we will move on to the next participant. The next question is from the line of Nirvana Laha from Badrinath Holdings. Please go ahead.

Nirvana Laha: Yes. Thanks for the opportunity again. Ashish, there was a note put out to Exchanges which said that SAMHI had put up corporate guarantees worth INR380 crores in favour of SAMHI

Ahmedabad. So, if you could explain what this is for. Is SAMHI Ahmedabad taking any fresh loans?

Ashish Jakhanwala: No. So, it's actually an interesting question. We have an existing facility in SAMHI Ahmedabad which is for Sheraton, Hyderabad. The hotel is Sheraton, Hyderabad. The entity is SAMHI Ahmedabad. It had issued NCDs to a lender for an amount of INR 380 crores prior to the IPO. The NCD was for a period of four years. It carried effectively -- the effective interest rate was about 13.5% because it was done prior to our offering.

We have refinanced that particular facility, the entire facility we're refinancing of INR 380 crores and the revised pricing will be 9.3%. And the tenure will be 15 years. So, it's not a new, okay, it's net debt neutral because we are refinancing an existing facility and materially reducing the cost of interest from 13.5% to 9.3%.

Nirvana Laha: Okay. Fantastic. So, the 5% delta on INR380 crores will show up in a reduction in our interest cost, right? Going forward?

Ashish Jakhanwala: It will show starting this quarter because, and Rajat, you can confirm to me when is the disbursement happening?

Rajat Mehra: So, Ashish, part of the disbursement is happening today, tomorrow, which is about INR 155 crores and the balance disbursement will happen by the end of this month when the make-whole period for the existing NCD holders expires.

Ashish Jakhanwala: Yes. So, with that, you will actually start seeing impact of this in our financial starting quarter three itself.

Rajat Mehra: Sure. Very clear. Thank you, Ashish. That's all. All the best.

Ashish Jakhanwala: Thank you. Thank you, Nirvana.

Moderator: Thank you. The next question is from the line of Dhairya Trivedi from DJT Investments. Please go ahead. Mr. Dhairya, I would request you to unmute your line and speak, please.

Dhairya Trivedi: Yes. Hi. So, thanks for taking my question. Now, my first question is, do these 140 rooms start contributing to the top line immediately from Q3?

Ashish Jakhanwala: That's right.

Dhairya Trivedi: Okay. Understood. And till the time we finalize…

Ashish Jakhanwala: Both top line and bottom line, this hotel is profitable. It's not as profitable as we would eventually make it to be, but we are acquiring a hotel which has a running revenue and profits. And because this hotel itself has no debt and no debt has been secured for this acquisition. It actually has only a positive benefit to our entire channel. Not obviously meaningful, but just directionally.

Dhairya Trivedi: Right. And till the time you finalize the agreement with the operator, does the hotel continue to operate under the same brand name?

Ashish Jakhanwala: That's right. It will continue to be operating as Trinity Hotel Bengaluru Whitefield. We are in discussions with the operators to ensure, just as we had done in ACIC, that even prior to the renovation and rebranding, our effort, and we cannot make any promises toward that, but our effort is that this hotel start benefiting from an operator's sales and marketing and distribution support. And as that comes, we'll obviously see improvement in the performance of this hotel, even prior to the undertaking the renovation and rebranding. And of course, subsequent to that, we see a material change.

Dhairya Trivedi: Right. So, the renovation, you said, starts 12 months from now, right?

Ashish Jakhanwala: No, it starts in March 2025, so about six months from now.

Dhairya Trivedi: Okay. And what will be the total timeline for these 220 rooms plus the 140-room renovation? Fair to say roughly three years from today?

Ashish Jakhanwala: So, two stages or two phases. In the first phase you will see the renovation being completed. And as I said, that should get completed by quarter 4 of FY'26 or quarter 1 of FY'27. That's the completion of the 142-room renovation and rebranding. And the completion of the additional - the commencement of the work on the additional hotel will start same time next year we would say, end of quarter 2, starting of quarter 3 FY'26. And as I said, we should take about I would think 28 months to 30 months for completion of that particular hotel.

Dhairya Trivedi: Okay understood. And sir just to understand why has there been no growth in the top line of this hotel for the last 2 years? If I see the revenue numbers for FY'23 and '24 both are stagnant at roughly INR24-odd crores when the industry itself has done so well. So, any qualitative comments regarding that?

Ashish Jakhanwala: Well, first of all it was - the asset was effectively being held for sale. We had initiated the dialogue almost about 7 months, 8 months back and any asset which is being held for sale by any owner will tend to often not fight for market share because it's being transacted. Two, I think there is a component of the product. This hotel is very well maintained, it's in good condition, good working condition.

But the product is a little outdated relative to what has happened to the Whitefield market and we have seen very good, solid branded hotels come into the Bangalore Whitefield market. You have the Marriott, you have the Taj Vivanta, you have the Sheraton Grand, you have the Den, you have the Hilton, you have our Fairfield. So, it's a market where over the last few years, we've seen material improvement in the product and the brand.

And therefore, this hotel's ability to fight for its market share was obviously limited. It's classic turnarounds that we've seen over the last decade. None of this surprises us. It just gives us the confidence that the upside is imminent because we're not really, we're not forced to underwrite where Whitefield market is headed. All we're underwriting is that post-completion of the renovation rebranding, we should get the fair share of what the market has delivered in the last 12 months.

Dhairya Trivedi: And if you can please reiterate your net debt guidance for FY'25?

Ashish Jakhanwala: So, let me tell the numbers again. So, on adjusting for the INR 205 crores utilization of free cash towards this acquisition, we will be at a reported net debt to EBITDA of 4.4 times. If we allocate the growth, the capital we have deployed towards this acquisition and see our operating hotels, our net debt to EBITDA on operating hotels should be in the Zip Code of about 3.7 times which is very close to what we had guided for.

And if we are able to complete our asset recycling plan, then it should be in the Zip Code of 3.4x which is net debt to EBITDA on operating assets setting aside INR 200 crores for the capital we've invested in this asset. I'm sorry, I've given you a few ratios, but that's how we look at it.

Dhairya Trivedi: Sorry I was asking on the absolute number of net debt for FY'25 please?

Ashish Jakhanwala: Absolute sorry my bad. So, the total absolute net debt will be INR 2,060 crores.

Dhairya Trivedi: INR2,060 crores.

Ashish Jakhanwala: Yes.

Dhairya Trivedi: Okay understood. Thank you so much. All the best.

Moderator: Thank you. The next question is from the line of Pradyumna Choudhary from JM Financials. Please go ahead.

Pradyumna Choudhary: Yes, hi, Ashish. Just wanted to get your sense on a steady state basis where do you see the EBITDA upon capital employed for the new - this acquisition stabilizing act, at what number?

Ashish Jakhanwala: Sorry, EBITDA per?

Pradyumna Choudhary: Upon capital employed.

Ashish Jakhanwala: Total NOI yield. So, we expect the NOI yield of this asset to be in the Zip Code of about 14% to 15%. Largely taking the average rates delivered by the competitive hotels in the current year. So, we in M&A are pretty reticent to do forecasting because we have enough to deliver in any case on our own. So, the last thing we want is to bet something in the market. So, if we just freeze the average rates that the market is delivering today, this hotel, this investment is going to generate around 14% to 15% NOI yield, which is total EBITDA over total capital employed.

Pradyumna Choudhary: And when would that number be possible three years from now?

Ashish Jakhanwala: That's right.

Pradyumna Choudhary: But like just if you look at both the hotels that we are doing like on a steady basis, so the capex comes out to be around INR1.5 crores per room and you gave an average rate of 5500, even if you assume a 75% or 80% occupancy. So, the revenue per room probably would be around 20 lakhs?

Ashish Jakhanwala: No, so I'll tell you. Actually, there's a very good benchmark or a proxy that we have and I'll take your attention back to our 336 room Courtyard and Fairfield by Marriott. And Fairfield by

Marriott is really upper mid-scale and Courtyard by Marriott is an upscale. And the room split is 50-50 there. That hotel currently does an average rate of about 13,000. And the EBITDA it delivers is about 20 lakhs to 23 lakhs per key.

So that's the EBITDA potential of 50% mid-scale, 50% upscale. Here, we will be 100% upscale or upper upscale. And we're talking really 2 years, 2.5 years, 3 years from now. We actually expect the EBITDA per key to be pretty much in line with the numbers that we've mentioned right now. And with that you should be able to get to about 14% to 15% NOI yield.

Pradyumna Choudhary: Sorry, this was for Fairfield by Marriott.

Ashish Jakhanwala: Yes, Courtyard by Marriott and Fairfield by Marriott in Bangalore Outer Ring Road. There, the EBITDA per key delivered in the past is 22.3 lakhs per key.

Pradyumna Choudhary: But you said that we are expecting an average rate of around 6,500 rooms for this new hotel, right?

Ashish Jakhanwala: That is RevPAR. That's not average room rate. INR 6,300 is the RevPAR. And if you're operating at 70% occupancy, that gives you to our average room rate of about INR 9,000 on FY'24 basis.

Pradyumna Choudhary: So even then, sorry to adjust…

Ashish Jakhanwala: No, I'll explain you. I get your dilemma. So, there are really two hotels in this that we are underwriting. The first hotel, which is a renovation and rebranding, which is 142 rooms, that is what will be positioned in the RevPAR zip code of INR 6300, INR 6400, right? The 220-room addition, which is obviously an upper upscale hotel, will be at least a 25% premium to the rate that we mentioned here. So, if you go to the blended average rate for the two-hotel complex, that would be very different to the 6300 RevPAR that we mentioned. That's number one.

Number two, as Karan had asked earlier, the ratio of food and beverage income to total income in this hotel is substantially different than the hotel that we were just mentioning earlier. For six restaurants eventually and almost 16000, 17000 square feet of meeting space, the contribution of food and beverage to total revenues would be substantially higher than it is in a typical Courtyard and Fairfield.

So when you put the impact of existing hotels, the rate positioning of the new hotel and the impact of the food and beverage that we've actually bought, because those are restaurants that exist, that's what is guiding us to say that the EBITDA per key of this complex will be comparable to EBITDA per key of the complex that we operate in Bangalore and the difference between them will be about 2.5 years 3 years. That's really the growth that we are effectively betting that's where Bangalore Outer Ring Road is today, Whitefield will get to being there in the next 2 years, 3 years.

Pradyumna Choudhary: And just one last question was how this capex of INR1.5 crores per room, how does it compare to our existing portfolio? What would have been the capex per room for our existing portfolio?

Ashish Jakhanwala: So, in the upscale space, our total capex per key will be about INR 1.2 crores per key and this will come out to be approximately INR 1.5 crores per key. Yes, so that's the difference. But that includes the averaging impact of Hyatt Place, Gurgaon. But if you look at the other hotels, slightly higher. So INR 1.2 crores versus INR 1.5 crores.

Pradyumna Choudhary: Thank you.

Moderator: Thank you. The last question is from the line of Tarang from Old Bridge Capital. Please go ahead.

Tarang: Hi, just wanted to nibble down on the INR 70 crores refurbishment expenditure. The fact that the hotel is in a decent condition, what would be the nature of this INR70 crores outlay? Because it adds up to about 50 lakh per key?

Ashish Jakhanwala: Yes, so Tarang, what we are contemplating is restarting the three restaurants which are shut right now. We are looking at a full soft refurb of the guest rooms, all the 142 rooms. We will undertake, of course, material changes to the IT infrastructure of the hotel because it needs to be connected to an international operators network.

It will include investment in MEP which will obviously bring cost benefit in terms of improving efficiency and significant improvement in the public spaces which is ballroom and the restaurant. So, these are -- I would say towards more conservative. Conservative in capex means you are kind of putting more contingencies on top of it.

So, we are carrying a 15% contingency in the number that we are telling you. But it is effectively a full repositioning the hotel, almost a segment and a half up. It's about INR 5000 a square foot of the built-up area, which is the right spend on some MEP and FF&E. So often this spend is better understood on a per square foot basis, because the nature of the food and beverage in the public areas keep changing. So here it will turn out to be about INR 5000 per square foot of renovation expense.

Tarang: Thanks.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Ashish Jakhanwala: Thank you so much for taking out time at short notice. I will reiterate that our excitement about this opportunity. We have in the past guided towards an inventory growth of 10% to 15% annualised. This particular opportunity, obviously secures a large part of that growth for the next 2 years.

What is also material as a note is that all of this inventory is coming into our upper upscale and upscale segment where the revenue per key is almost at 2x of our portfolio average. So, this 340 room to 360 room addition, will have a significant impact on both the top line and on the bottom line.

Not to miss the fact that we expect to drive significant scale economies, because this will be our 7th hotel in Bangalore and once we complete the second hotel that would be the 8th hotel in Bangalore. So, we would have made sure that we have the large presence in our city and scale economies will not just benefit this particular hotel, but will also benefit our existing portfolio in terms of allocating some overheads across more rooms than exist today.

So, we remain very upbeat and excited about this opportunity. Thank you so much for your time and we'll keep you updated as we confirm the brand partnerships and renovation programs here.

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