

SAMHI Hotels Ltd.

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02nd May 2025

**BSE Limited
Corporate Relationship Department**

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Scrip Code: 543984

**National Stock Exchange of India
Limited**

Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051, Maharashtra, India

Scrip Code: SAMHI

Sub: Transcript of Business Update Call

Dear Sir / Madam,

Please find enclosed the transcripts of the Business Update Call held on **Thursday, 24th April 2025 at 11:00 a.m. (IST)** to discuss the strategic partnership of the Company with GIC for an upscale & hotel investment platform in India.

You are requested to 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

Business Update Conference Call

April 24, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 24th April 2025 will prevail.



MANAGEMENT: MR. ASHISH JAKHANWALA – MD & CEO
MR. RAJAT MEHRA – CFO
MR. GYANA DAS – EVP & HEAD OF INVESTMENTS
MR. NAKUL MANAKTALA – VP (INVESTMENTS)

Moderator: Ladies and gentlemen, good day and welcome to the Business Update Conference Call of SAMHI Hotels Limited.

This conference call is being hosted to discuss the strategic partnership of the company and GIC for upscale+ hotel investment platform in India, and the company will refrain from discussing anything and business performance or financials for Q4 FY '25.

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 the date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone.

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

Ashish Jakhanwala: Thank you. Good morning, everyone. First of all, thanks for taking out time at such short notice. We are obviously very excited about taking you through the transaction that we have just announced this morning.

I will give you a quick summary of the transaction and then we will leave the floor open for Q&A. We have uploaded a Business Update Presentation on the stock exchange and website, and I hope you had a chance to look at it, otherwise we can obviously cover it in Q&A.

In summary, SAMHI Hotels has entered into a partnership with GIC, which is a leading global institutional investor to establish an investment platform for upscale and higher category of hotels in India. Attracting GIC demonstrates our ability to attract high quality institutional investors through a life cycle which started with first investment from Sam Zell and GTI, followed by an investment from International Finance Corporation, Goldman Sachs, Asiya, and now the partnership with GIC.

The transaction involves, and to clarify, is limited as of now to three of the company's subsidiaries that own the Courtyard and Fairfield by Marriott Bangalore Outer Ring Road, the Hyatt Regency in Pune, and the recently acquired Trinity Hotels in Bangalore, Whitefield.

GIC is to acquire a 35% stake in these three subsidiaries against the total investment of Rs. 752 crores, which will be split in two parts, about Rs. 603 crores upfront to be used to reduce debt across our portfolio, and a small amount towards these expenses, and Rs. 149 crores over the next two years to part fund the capital expenditure for the proposed Westin & Tribute Portfolio

Bangalore Whitefield dual branded hotel. This transaction follows our stated strategy of capital recycling and will lead to significant reduction in debt and a partnership with global investor of GIC's stature for funding future growth. On closing, we expect Rs. 580-odd crores of reduction in debt and 15% to 20% upward impact on PAT on account of this transaction.

The total investment of Rs. 752 crores across three subsidiaries is based on the total value of those three subsidiaries being about Rs. 2,200 crores. It includes primary investment for debt repayment, capital expenditure across all three subsidiaries, and secondary to acquire shares in SAMHI JV from SAMHI, and these funds will obviously further reduce debt across SAMHI entities.

With this transaction, our net debt to EBITDA at closing is expected to be less than 3.5x, which is ahead of what we had anticipated in terms of our leverage level. But more important, it accelerates our path to take the leverage down to less than 3.0x in the next 12 months, and without compromising on growth. The reduction in debt gives significant boost to our future cash flows, and also the fact that part funding of the Westin & Tribute Portfolio Bangalore Whitefield will be done by GIC.

The transaction structure and impact on financials has been provided for in the business update presentation. But in summary, besides the short-term impact of significant deleveraging of our balance sheet, the real value of this partnership reflects in what it means for future growth. As upscale hotels are capital intensive, but now with a strong partner and a much healthier balance sheet, we have the ability to grow this platform beyond the three seed assets. This augments our existing plan to double our inventory of upscale hotels, which will have significant impact on our revenues and profitability.

Ladies and gentlemen, this is the summary of the transaction. I would now leave the floor open for Q&A.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Murtaza from Kotak Securities. Please go ahead.

Murtaza Arsiwala: Hi, Ashish and team. Congratulations on closing this transaction, hopefully it should address some of the debt concerns that investors had. Would you be able to share some kind of trailing EBITDA that these assets had, and if you could put a forward number to that as well in terms of what is the targeted EBITDA one should be looking at from these assets, both with the incremental 220 keys that would be just useful and for context to the Rs. 2,200 crore of valuation.

Ashish Jakhanwala: Murtaza, thank you. So the trailing 12 months EBITDA from these three hotels as of December 2024 was Rs. 133.8 crores. That reflects the value of about Rs. 2,200 crores against the trailing EBITDA of Rs. 133.8 crores.

- Murtaza Arsiwala:** Okay. And the debt number that you are reducing at the SPVs, does this make all of these SPVs completely debt free or what's the position of debt at the asset level, both pre and post those transaction?
- Ashish Jakhanwala:** So Murtaza, of the three entities, SAMHI JV will become debt free, Innmar is already debt free and will remain debt free, and Ascent Hotels will continue to have debt of about Rs. 200-odd crores. The balanced debt reduction is actually happening across other SAMHI entities because this transaction does allow upstreaming of certain capital from the subsidiaries to the parent company. And then parent company is then further using that capital for reduction of debt across other subsidiaries, and of assets in the parent itself.
- Murtaza Arsiwala:** Okay. So the money which comes to the parent from the subsidiaries, that allows you to reduce debt elsewhere?
- Ashish Jakhanwala:** Absolutely.
- Murtaza Arsiwala:** Okay, fantastic. Alright. Thank you so much. I will come back in case I have more questions. Thank you.
- Ashish Jakhanwala:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jinesh Joshi from PL Capital. Please go ahead.
- Jinesh Joshi:** Yes. Thanks for the opportunity. Sir, my question is on debt reduction, which will be about Rs. 600 crore from this fund raise, and consequently the interest cost will also come down. But how to think about the minority interest factor given the fact that we would now be earning about 65% in JV? You mentioned that these three assets had about Rs. 134 crores of TTM EBITDA, but in the PPT you have mentioned that the PAT will be about 15% to 20% post the reduction in interest. So does it take into account the minority interest factor adjustment? And how to think about that going ahead given few of these assets, especially the one in Bangalore, the two assets in Bangalore are yet to begin operations, especially the second one, first one is there but rebranding is pending, so your thoughts from that side?
- Ashish Jakhanwala:** So Jinesh, absolutely, when we talk about the impact on PAT, we have considered both the reduction of interest, but also an inclusion of a minority interest that we will create because of this partnership. So our estimates of 15% to 20% upside in reported PAT considers the impact of the minority interest as well, so that has been considered when we give the impact on PAT. I think the savings in interest cost on two accounts, the immediate savings will obviously be on account of straight interest reduction because of the lower debt, but we also believe that with a strong partner like GIC and the fact that our balance sheet now is very strong, we expect the interest rates also to come down from the current levels. Last time we had reported about 9.4%, we expect those interest rates to fall over the next six months. So, a combined impact of both these two will also have a significant impact on interest reduction, and the minority interest as

far as currently our estimates are, we have factored that in to give guidance on 15% to 20% upside on the PAT.

Jinesh Joshi:

Got that. And sir, my second question is with respect to your answer to the earlier question whereby you mentioned that Ascent will still have some debt of about Rs. 200 crores, while the money that comes into the SPV will be used to pay off debt at the parent level. But if the funds are reached at the SPV level, why are we not knocking off the entire Rs. 200 crores of debt at the Ascent level, because that money is brought by GIC. So why are we reducing the debt at the parent level?

Ashish Jakhanwala:

So, two things. First of all, the transaction the way it is structured, we needed to give GIC a 35% stake. So if you look at SAMHI JV, which is one of the subsidiaries, there the transaction involves both primary investment in the company and that money is going to 100% retire the debt in that company. It also includes a secondary transaction where GIC is buying a small percentage share in that SPV from SAMHI to get to 35%. And obviously, that money comes into SAMHI's books of accounts which we then use to retire debt in other companies.

In Ascent Hotels, SAMHI has infused a significant amount of shareholder debt over the last several years to support that business. And GIC, when it invests the primary capital in that company, that capital is being used to effectively repay the SAMHI shareholder loan. And you would appreciate that any strategic investor of GIC's stature would not want an equity partner to also be a debt provider in an entity. So Ascent Hotels is returning the debt provided by SAMHI to SAMHI, and therefore that money also will be used by SAMHI to pay debt, both at the parent level and also across some of the other subsidiaries.

In Innmar, there is no debt. And the future capital expenditure that we are anticipating, a part of that to the extent of about Rs. 150 crores will be brought by GIC, and therefore our capital commitment to that project also reduces materially because of this investment. So if you look at all of these three entities, the transaction has been structured to provide GIC with a 35% stake, number one. Number two, it has been done to make sure that it is tax neutral, which means we have no capital gains tax across the entities. Three, if you look at the trailing EBITDA of about Rs. 133 crores and an outstanding debt of Rs. 200 crores in these entities, the debt to EBITDA in this portfolio is extremely, extremely healthy. So we have just decided to allocate capital in a way that will leverage the balance both in entities which are now a joint venture with GIC, but also entities which continue to be 100% owned by SAMHI Hotels.

Jinesh Joshi:

Understood. Sir one last question from my side, I think the commitment from GIC is approximately Rs. 2,500 crores, and they are putting in about Rs. 750 crores in this leg. Now given the fact that the commitment is quite higher, will they have any kind of exclusivity to chip in with respect to any future M&A that we do, or will those transactions be independent of that? And also given that the commitment is quite massive in nature, I mean, is there any exit plan lined up for them, how to think about that?

Ashish Jakhanwala: First clarification, the \$300 million stated commitment is by the platform and not by GIC alone, and it does include the seed assets. So that's just a clarification, so the numbers are different to, Jinesh, what you have just mentioned. But yes, it still gives us a firepower for growth. If you see, if you just do the simple math, \$300 million, 35% stake coming from them, 65% from us, and of that 65% majority of that by us has been contributed through the current seed assets. But there is firepower that we can draw from our partner for future growth. Now, that's Part 1 and clarification.

Second, in terms of exclusivity. As we have mentioned, the intent of the partnership is to start with the seed assets but of course grow this platform in the upper upscale space. So yes, GIC. And this platform, let me say this platform actually has, where we own 65%, GIC owns 35%, this platform has the first right on upscale hotels that we find as an acquisition opportunity. But however, if this platform is not desirous or cannot execute on those opportunities, then SAMHI obviously has the flexibility to continue with those opportunities. So that's Part 1 on upscale. On the midscale portfolio, there is no exclusivity or there is no such provision. Having said that, as we all know, GIC is a formidable partner, brings tremendous stature and appeal to the business. And we would obviously be keen to see and explore opportunities to expand this partnership with them in the future. But there's no such contractual obligation or promises on either side.

The last bit on exit, GIC is known to be a high quality long-only institutional provider of capital. We just started the partnership with them, Jinesh. Our lesson, and we have built this business with institutional capital over the last 14 years, and our only lesson is, one should focus on building a good business. And if you do build a good business, eventually the monetization opportunities for investors come by themselves. Now, unlike SAMHI which started with a lot of capital deprivation in a different decade, this partnership is starting with no capital deprivation, very healthy balance sheet, a very strong market cycle. And we actually believe all of that, plus the growth that we can provide jointly to this platform, will create a pretty attractive equity story which will find its own ways of monetization and value creation. So, I think both the partners know that there may be an opportunity or requirement of monetization in the long term, but in the near future that's not really the point of discussion or deliberation at our end.

Jinesh Joshi: Sure, sir, got that. And congratulations on this transaction and bringing down the concern surrounding it. Congratulations. Thank you so much.

Ashish Jakhanwala: Thank you.

Moderator: Thank you. We will take the next question from the line of Prashanth Biyani from Elara Securities. Please go ahead.

Prashanth Biyani: Yes. Thank you for the opportunity and congratulations on the transaction, sir. Sir, on this platform, is there any first right for the platform on Greenfield assets if we want to build it in any of the segments?

- Ashish Jakhanwala:** So, as I mentioned earlier, this platform has the right of first offer on all upscale or higher category of hotels, whether they are greenfield or brownfield or acquisitions. So irrespective of the development type, so long as it's an upscale hotel, this platform has the first right.
- Prashanth Biyani:** And any broader informal discussion with regards to how many keys would the platform want to have in the next, say five, seven years?
- Ashish Jakhanwala:** No, I think as a company and to that extent we are very aligned with our partner in GIC. We really do not believe in crystal ball gazing or vanity numbers. We believe that this platform will throw a serious amount of free cash every year. In addition to that, both the partners have now the ability to bring additional capital. So we have capitalized this company extremely well for growth, that's point one. Point two is our last decade of credibility and experience of acquisitions and turnaround, and we do believe that skill sets we have acquired over the last decade combined with the strong liquidity that we provided to this platform and a partner like GIC would make us a fairly competitive platform for future growth. I am sorry, but I will not be able to give you any definitive guidance on hotels or rooms. But we do believe that with the capital and the partner, there is a fair bit of excitement coming our way on this platform. And because we have kind of resolved all concerns around balance sheet, it also encourages the broader platform that is SAMHI to continue to see growth opportunity.
- Prashanth Biyani:** And for new asset additions, we will continue to have focus on inorganic growth rather than now having more focus on greenfield, would that be correct assumption?
- Ashish Jakhanwala:** Absolutely, absolutely. I think we have always stated that we believe that in the segment that we operate in which is an urban business hotel, the best value is created, this is the best risk reward mechanism. I can't say the best value, the best risk reward equilibrium is in acquisition and turnaround, that's our skill set. And therefore, that would be the focus for this platform as well.
- Prashanth Biyani:** Okay. And lastly, sir, in SAMHI JV, how much percentage is GIC buying from us and at what value?
- Ashish Jakhanwala:** So, in SAMHI JV, they are buying 14% from SAMHI and the balance, the gap between 14% and 35% is through infusion of funds into the company. That's how they are getting to 35%.
- Prashanth Biyani:** And 14% is at what price?
- Ashish Jakhanwala:** Okay. So SAMHI JV Rs. 115 crores is the price paid for 14% stake.
- Prashanth Biyani:** Okay, that is it from my side, sir. Thanks.
- Moderator:** Thank you. We will take the next question from the line of Pradyumna Choudhary from JM Financial Family Office. Please go ahead.

Pradyumna Choudhary: Hi, Ashish. Congratulations on this transaction. I had a couple of questions. The first one being, you spoke about the debt status of the three entities post the transaction. But when you speak of SAMHI JV and Innmar becoming debt free, and Ascent having Rs. 200 crores of debt, are you including any shareholder loans or will we be completely getting rid of all the shareholder loans in these three entities?

Ashish Jakhanwala: There will be no shareholder loans in these entities, Pradyumna.

Pradyumna Choudhary: Understood. Second was, what was the thought process to get GIC in these entities rather than at the listed entity level? Why I am asking this is because I believe the EV to EBITDA at which this transaction is happening seems to be at around 17.5x trailing EV to EBITDA, which seems to be only a slight premium to what our listed entities' valuation is, right? But this is coming at the cost of the exclusivity which we are losing, not losing but we are giving up 35% stake in this upper-scale hotels and above category. So what was the thought process for you guys and also from GIC's side?

Ashish Jakhanwala: So, Pradyumna, first of all, I think we have clearly stated that we believe that recycling our capital is an important pivot for creating shareholder value. I do not see this as loss of 35% or dilution of 35%. The way we see this is, we had invested certain capital in these assets. We have worked hard on these assets over the course of several years. We have created a certain value which is, it's a reasonable upside from what we had invested. When we monetize 35%, we are taking some of our invested capital back from these assets, and that capital will be redeployed in creating new assets.

So, I think it's about making sure that we keep the company flushed with capital for growth, and part of it is coming from capital which is stuck in our existing assets, right? So from our perspective, capital recycling for a company like ours is a fundamental pivot to creating long-term shareholder value over and above what the sector gives you. Because what the sector gives you is pretty much a range bound for all peers and for all players. So that's one. And I think we are very excited that we have been able to do it; A, in a meaningful way; B, with a partner with tremendous reputation and capabilities to support the growth of the business in future.

In terms of this right of first offer, I think, as I mentioned in my introduction call, the reason why so far we have limited it to upscale hotels is also because of the profile of upscale hotels. These hotels tend to be fairly capital intensive. And as we grow this upscale platform, having a formidable partner of GIC's stature really helps us balance risk and reward. One of the things, and my apologies, we did not mention in our summary, as a part of the transaction, SAMHI is also entitled to an asset management fee of 4% of the EBITDA. And in addition, we can charge some development fees in assets where they are undergoing certain development.

So, on one side while we are letting go of part of our profits, we are recouping a lot of capital. That capital clearly is intended to be deployed for growth and therefore will bring outsized returns for us. And in addition to that, purely from a cash and cash return perspective, we also

have this incremental 4% asset management fee which is applicable to the current pool of assets and will also be applicable to the future assets that we add to the portfolio. So, I think, we believe this is a great way to recycle our capital, continue to provide growth to SAMHI, not stretch the balance sheet.

Now coming to your question about why in subsidiary, why not in the parent? I think the answer is very simple, we found a great quality partner who brings reputation, governance, processes, and their contribution in the private space can be far more active then can never be in a public space. And because we are a professionally managed company, we actually believe that that sort of an influence is a value creator for us. So we like to benefit from their active participation in these joint ventures rather than just having another institutional investor in the cash payable. And we all respect them and I think we learn a lot from them, but an active participation from an investor like GIC, I believe, will create a lot more value than an Excel sheet can demonstrate in the short term.

Pradyumna Choudhary: Understood. That was very clear. Thank you. And just one follow-up with the asset management fee, you spoke about 4%, this would directly flow down to your EBITDA, right?

Ashish Jakhanwala: To SAMHI's, parent entity.

Pradyumna Choudhary: Great. Thank you.

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

Karan Khanna: Yes, hi. Thanks for the opportunity. Hi, Ashish and team. Just a couple of questions from my side. And then congrats on this transaction. So first, Ashish, because of this transaction, given that your net debt to EBITDA comes down to about 3x and the absolute leverage on the balance sheet comes down drastically, how are you thinking about future free cash flow that the business will generate? Will you look to now potentially become more aggressive in terms of asset development or will the focus be towards enhancing the balance sheet or reducing the further leverage on the balance sheet? That's question number one. And second, what does this transaction do to your credit rating eventually? And do you see the finance cost coming down further in the coming years?

Ashish Jakhanwala: Karan, so first of all, being a public company teaches you a lot because you hear a collective wisdom and an opinion from not one but hundreds of investors. And we heard it loud and clear about leverage. Even though we believe that we have invested capital in high return assets over the last year, a year and a half. And as they mature and stabilize, they will resolve our net debt to EBITDA in the company. But over quarters, we respected an opinion coming our way which said this business is volatile, every quarter there is news coming which makes people worried. And therefore, high leverage is not something that investors feel comfortable with. And

therefore, I will remind ourselves that we had promised that we will go to 3.5x by end of FY '25, and we had given an eventual target of 2.5x being a healthy debt to EBITDA.

Prior to this transaction, because of the Bangalore acquisition, we had actually kind of gone to about 4.4x net debt to EBITDA, including the money spent on acquisition. And obviously, the 3.5x target was being delayed by a year, and 2.5x even further. With this transaction, we are very, very happy that as we close this transaction, we are fairly confident, almost certain that the net debt to EBITDA on closing will be less than 3.5x. Within the next 12 months, because of what we are seeing in terms of EBITDA growth, we are very, very certain to bring that down less than 3x. And immediately after that, we feel the path to get to that 2.5x and less than 2.5x net debt to EBITDA is fairly easy and almost, I may say, automated, right.

Now, when we look at the next three years to four years of how we see the business growing, which is our existing pool of assets, the new Holiday Inn Express is coming alive across the three markets, the W in Hyderabad which is under development, the Tribute and the Westin in Bangalore. When we combine all of that together, Karan, if you take a range of between around 15% to 20% EBITDA CAGR, which we believe is fairly conservative given the growth pipeline, this company, which is SAMHI as a portfolio, will accumulate about Rs. 1,000 crores to Rs. 1200 crores of cash. Of which, we already have identified use of about Rs. 500 crores, which is on the CAPEX that we announced earlier. Therefore, we are now seeing and having clear visibility on an investable surplus of about Rs. 500 crores on our own account, we are not talking about what our partners can contribute in the upscale space. So that's one thing. I think we have taken the company to a position where we can focus on growth without compromising on our path to deleverage to 2.5x and lower than that, point number one.

Having said that, I wouldn't subscribe to saying that we will be aggressive on acquisition, because that's not a factor of capital availability, that's a factor of discipline you have learned in life, right. And we believe aggression in acquisitions never works well in the long term. So we will continue to be very disciplined. We will continue to be very range bound. We have certain dos and don'ts, we would like to continue to follow them. Having said that, I think the team has built a very healthy pipeline of assets. So that's how we see the growth come through.

The other good news, Karan, and we have spoken about that in earlier call, is we continue to see opportunities on long term variable leases. So as we combine a healthy balance sheet, a lot of free cash coming our way, plus the contribution from our partner subject to their liking the deals, and our ability to also combine our greater share of long-term variable leases, we feel fairly excited that we have opened SAMHI's path to growth. But again, I will remind ourselves, aggressive is not a word that we subscribe to. We like to maintain a fairly disciplined approach to growth because I think that's the way for long term financial success.

Second question, credit rating. Absolutely yes, I think our net debt to EBITDA, the credibility that a partner like GIC brings to a portfolio, we definitely expect our lending partners to acknowledge that and reflect that in the pricing of the debt. We were at 9.4% as of December

2024. We are fairly certain we will be circa 9.2% in the next few weeks. And our target is to now push it lower than 9% given where our balance sheet will be upon closing.

Karan Khanna: There's one follow-up question, Ashish. So you spoke about long term variable leases, does this platform also allow you to potentially add assets under long term variable leases or will the assets have to become entirely owned by the platform?

Ashish Jakhanwala: No. See, the upscale platform with GIC is agnostic, except for the fact that needs to be an upscale hotel with 100 rooms and above. But it can be leasehold, it can be a freehold. And in the larger portfolio, which is a broader midscale, which is also where we are seeing a phenomenal amount of growth, we continue to see a very strong pipeline of leasehold assets.

Karan Khanna: Sure. That's helpful, Ashish. Thank you. And all the best.

Ashish Jakhanwala: Thank you. Thank you, Karan.

Moderator: Thank you. We will take the next question from the line of Anil Shah from Insightful Investment Managers. Please go ahead.

Anil Shah: Yes. Hi. Congratulations on the deal. Just two questions, this asset management fee of 4%, could you just clarify is it exactly on revenue, is it on EBITDA, is it on assets?

Ashish Jakhanwala: Hi. The 4% fee is 4% of the EBITDA generated by the hotels owned by the platform.

Anil Shah: Okay, 4% of the EBITDA. And it includes the existing assets as well, which –

Ashish Jakhanwala: Yes.

Anil Shah: Perfect, perfect. And second simple, just to be clarification, and one of the JV which is Ascent, we are also transferring Rs. 200 crores of debt to the new platform, is that correct?

Ashish Jakhanwala: No, no. The existing debt will continue. So in Ascent, there are two sorts of debt right now. There is a debt from ICICI Bank, which is a third-party debt, that will continue as is. In addition to that, SAMHI hotels as a parent entity has provided certain loans to the subsidiary, those loans will be repaid to SAMHI Hotels.

Anil Shah: Right. So the ICICI Bank debt would be about Rs. 200 crores, is that correct?

Ashish Jakhanwala: That's right.

Anil Shah: And that will now basically go into this new JV wherein we have 65% and 35% will be obviously with GIC.

Ashish Jakhanwala: Absolutely, you are right.

- Anil Shah:** So, as far as the parent is concerned, that debt is now moved to a JV, and we have 65% of that debt?
- Ashish Jakhanwala:** That debt was always in the subsidiary, and it remains in the subsidiary.
- Anil Shah:** Correct. Understood. Thanks. Those were the two questions. Thank you so much.
- Ashish Jakhanwala:** Thanks.
- Moderator:** The next question is from the line of Sarvesh Gupta from Maximal Capital Private Limited. Please go ahead.
- Sarvesh Gupta:** Good morning, sir. And thanks a lot for giving the opportunity and congratulations on the deal. Sir, just a couple of clarifications. So this platform, you said the \$300 million commitment, so GIC's share is \$100 million. Of which, I think Rs. 750 crores you have already explained in the presentation. So is there anything apart from this Rs. 750 crores because that will leave only around Rs. 100 crores on the table, right, from the GIC?
- Ashish Jakhanwala:** Yes. So first of all, it's an indicative target, Sarvesh. You are absolutely right; the math says that there's about 105 million odd GIC shares. Of which about 85-odd million is coming upfront. So there's balance \$20 million capital commitment basis this \$300 million number. But this is a very indicative number. The intent of both the partners is to grow this platform as the opportunities present themselves. And we would like to believe that post this transaction and strengthening of our balance sheet, both SAMHI and of course GIC's ability to put capital is unquestionable, both partners will be well capitalized to continue to exercise good quality growth opportunities. But \$300 million, the math will come out to about \$20 million of uncommitted capital from GIC, which if you see being 35% for future deals gives about \$60 million of total capital for an acquisition.
- Sarvesh Gupta:** Okay. And this 15%, 20% PAT upside you said is after including the minority interest? But does it include the interest cost reduction possibility also or is it just the debt reduction related interest cost reduction?
- Ashish Jakhanwala:** It's only currently a mathematical calculation on current interest rates and reduction in the gross debt. It does not factor in any reduction in the interest rate per say, I think that will be sharpening the pencil a bit too fine. And you are absolutely right, and I will repeat, we have factored in the minority interest as an expense when we have estimated a 15% to 20% upside on the reported PAT. And just for clarification, that reported PAT is without any exceptional items and non-cash DTA. As Rajat has mentioned earlier, we have accumulated losses in our balance sheets across subsidiaries and we do expect that in future years some of them may be recognized as income. But we are ignoring that, we are talking about pure PAT coming from operating business without any noise.

Sarvesh Gupta: Understood. And on a follow-up to a previous participant's question, which was, why not take this investment at the listed entity level? So is that also because GIC may not have been interested in the portfolio, which is a significant part of our portfolio below the upscale sort of level? So any color that you would want to throw on why or why not they may or may not be interested in the portfolio below the upscale level where we have a significant presence?

Ashish Jakhanwala: I would like to address it in two ways. I do not want to speculate on GIC's assessment of a broader portfolio. Having said that, last we checked the benpos, they continue to be a large holder of our stock in the public mark. And it's public knowledge, and they have been a holder for a very long time, since the IPO actually. So, without making any assumptions on their behalf, and as a management team we believe that they have conviction on the overall business.

Now coming to this particular transaction, and I will repeat, this transaction involves a transaction where they have active involvement. And that obviously, as you know, is not possible in a public company. But in a smaller private entity, GIC has the ability to have a higher influence, something that we wholeheartedly welcome given their experience globally of investing capital in both the broader income producing real estate and in hotel sector. So I think the deal is structured to maximize the benefits that both partners can bring to the platform.

I do not think that it in any ways has any aspersions on the balanced portfolio. It is just that three hotels are easier to underwrite, easier to do diligence on. And also, from our perspective, hotels like Courtyard, Fairfield, Bangalore, we have held them for 10 years and we have seen that hotel grow from zero to a fantastic performance. So, both partners, I think, came to a point where we found the assets where we are very happy to recycle some of the capital and they are happy to bring in fresh capital for future growth. So it's just where two people meet together.

Sarvesh Gupta: And sir, lastly, do they have any Put Option?

Moderator: I am sorry to interrupt you, Mr. Gupta. I would request you to rejoin for follow-up questions.

Sarvesh Gupta: Sorry if you can just allow this one last question on the deal. Does GIC, do they have any put options on the shareholding that they have acquired in these assets?

Ashish Jakhanwala: No, there is no put option, other than if there's an event of default for full transparency. But other than in an event of default, which are customary in a shareholders agreement, there is no put option obligation on SAMHI Hotels.

Sarvesh Gupta: Understood. Thank you and all the best.

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

Raghav Malik: Yes. Hi, Ashish and team. Firstly, congratulations on securing a great partnership. Just one clarification question, so these three assets of 700-odd keys in the upscale portfolio will come under this partnership, and you also mentioned any future upscale additions will be taken to GIC

first. But what about these remaining, I think, in this latest presentation you said 2,000 total keys in the upscale portfolio, so would those be potentially coming under the purview of this partnership? That's my only question.

Ashish Jakhanwala: Raghav, thank you. So the way the transaction is structured, there is no obligation for us to transfer those assets to the platform. Having said that, very similar to a new opportunity in the upscale space, if we were to consider part monetizing those assets because they are upscale, we will first take it to the platform. And if we can get to a meeting of the minds on terms and valuation, then we will offer it to the platform. But if not, then obviously we do not have to. But for the first two years, we in the upscale space will not take these assets to a third party investor. But after the two year period, these assets that are left in the upscale space can either remain with us. If we want to transfer them to a third party, as we have done with the existing assets, we will first take it to the platform. If not, then we can take it to any third-party investor.

Raghav Malik: Okay. So even for the existing platform, at least a two-year period before they are taken to the platform and that may be the thoughts.

Ashish Jakhanwala: Yes, in the upscale space.

Raghav Malik: Okay. Thanks a lot, Ashish.

Moderator: Thank you. The next question is from the line of Rajiv Bharati from Nuvama. Please go ahead.

Rajiv Bharati: Yes. Good morning, sir. Sir, with regard to this SAMHI JV, when I see FY '24 balance sheet, I see Rs. 330 crores debt there, and you mentioned it's currently debt free. So between let's say in the last 10 odd months, something has happened there?

Ashish Jakhanwala: It will become debt free post capital infusion by GIC, Rajiv. My apologies if we communicated otherwise. Currently, it continues to have the debt that was mentioned. But post infusion by GIC, SAMHI JV will become debt free.

Rajiv Bharati: Sure. And can you specify, let's say, revenue and EBITDA number these entity wise, the three entity broadly TTM?

Ashish Jakhanwala: Yes, sure. So SAMHI JV, actually the total impact to EBITDA was Rs. 74.1 crores, Ascent Hotels was Rs. 47.6 crores, and Innmar was Rs. 6.7 crores, this is trailing 12 months December.

Rajiv Bharati: Thanks. That's all from my side.

Ashish Jakhanwala: Thank you. Thank you, Rajiv.

Moderator: Thank you. The next question is from the line of Shaizad Shroff from Demeter Advisors. Please go ahead.

Shaizad Shroff:

Thank you for the opportunity. And congratulations on the transaction. A couple of questions. On the asset recycling part, earlier we were thinking of selling down to 200, 250 rooms from the midscale segment, but the current transaction is more focused towards the upscale properties. So wanted to understand if there is a change in thought process or strategy there? And are we still looking to sell down those rooms from the midscale segment? Second question would be, going forward, how will the future upscale acquisition transactions be structured? Does GIC come on board from day one or SAMHI invests and acquires the property and thus takes the development risk and then flips it to the JV?

Ashish Jakhanwala:

So asset recycling is independent of the segment, it is based on a couple of factors that we evaluate at the Board level. It could be assets where we have questions on future growth, either because of market issues or the fact that the asset has really matured and we do not expect it to be on a trajectory that we typically ask of our assets, right. Now, to clarify, the asset recycling evaluation in the midscale portfolio continues, and we believe that we will continue to recycle some more of our capital in those assets. When we give our guidance on net to EBITDA, we have not considered the impact of that because, as I said, till it's not done it's not done, that's our belief, right.

Why have we done this? And I articulated to begin with, we believe that we had invested in these assets, other than Inmmar the JV and Ascent we had invested really early on. We have done a lot of hard work, we have created substantial value. And it was only a fiduciary that we have that when we find a formidable partner like GIC, we are able to take some capital off those assets and use it for more productive purposes. In this case, on an immediate basis, the use is debt reduction. But the reality is that debt reduction is eventually leading to a lot of freeing up of cash for growth.

So it's not that the purpose is debt reduction, it's interestingly a very desirable outcome. But the end result is to effectively make sure that SAMHI's balance sheet is geared for future growth. So that's why we have done this. We are very happy with both the partners, the value that we have created in these assets, the capital that we are getting, and the end use today and in future. But to repeat myself, our evaluation of recycling certain assets in midscale space continues, and we remain fairly optimistic, as we have mentioned earlier, of concluding one of that at least in the course of the next six to eight months.

Shaizad Shroff:

Got it. On the second part related to future developments, will GIC come in from, yes?

Ashish Jakhanwala:

Yes. So see, if you see a business model, Shaizad, we do not do greenfield development, generally. Never say never, we have done some developments historically, we may be doing Navi Mumbai if we are able to resolve the issues with the administration there. But no, the purpose here is that if we find a new upscale opportunity, we will take it to the platform for it to evaluate. If the platform finds that opportunity attractive enough, then the platform gets to do that opportunity. If the platform either does not find the opportunity palatable or cannot meet the timelines around that opportunity, then we have full flexibility to continue to execute on that

opportunity. GIC would have a small catch up period of 90 days, in which case they can come back and say, while we couldn't do it in time we can now do it. That's just to make sure that we respect the processes of a large investor such as GIC. But there is full flexibility to execute on deals that we believe in. But the short answer is, no. If there is a deal that this platform likes it goes day one, and typically we do not like buying pieces of land and doing development. We are not a developer; we are asset manager and that's what we take pride in and that's where we create value. So the assets will come upfront into the platform.

Shaizad Shroff:

Understood. Thank you.

Moderator:

Thank you. The next question is from the line of Sumant Kumar from Motilal Oswal. Please go ahead.

Sumant Kumar:

Yes. Hi, sir. So as per your commentary, net debt to EBITDA is going to reduce to 3.5x. So what is the next two-year target we are having for net debt to EBITDA?

Ashish Jakhanwala:

So as I said, Sumant, we are estimating that on closing of this transaction, once the first tranche of capital is infused, this is about Rs. 604 crores. Our net debt to EBITDA would be less than 3.5x. Obviously, that depends on where we closed the last quarter. In the next 12 months, given the pace that we are seeing in terms of EBITDA growth and performance of the hotels, plus the new inventory which will come live in Holiday Inn Express portfolio, we are fairly, fairly confident to take net debt to EBITDA below 3x. And that really sets the path for an accelerated landing at that 2.5x, which we believe is a very healthy debt to EBITDA for a company like ours, which today has all long-term debt which is between 12 to 14 years.

Sumant Kumar:

Okay. And for the next leg of growth, our cash flow will fund that growth, or will it increase the debt or what, any other route?

Ashish Jakhanwala:

No, we have adequate cash flows coming through into the business to fund growth. But Sumant, when I say that, there are always quarterly noises because of working capital, cash being utilized for growth. But if you were to take a yearly view, I think the company has adequate cash and adequate access to cash coming from its own operations to fund growth. Leverage is not the source of capital for growth for SAMHI.

Sumant Kumar:

And my calculation, Rs. 16.4 is the EV to EBITDA deal value, and Rs. 2.8 crores deal by adjusted room that is the correct number, right?

Ashish Jakhanwala:

Yes, approximately.

Sumant Kumar:

Thank you.

Ashish Jakhanwala:

Thank you, Sumant.

- Moderator:** Thank you. We will take the next question from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.
- Sunil Jain:** Yes. My question relates to the parent company debt, I think that will be around Rs. 1,250 crores, and trailing EBITDA if we calculate, then it will be at somewhere at around 4.5x debt to EBITDA. So how are you planning to bring it down as high cash generating assets now will be in JV?
- Ashish Jakhanwala:** Sorry, the total net debt in the company including the subsidiaries which are a part of this transaction will be Rs. 1,470 crores on closing. And basis that, we are estimating the net debt to EBITDA to be less than 3.5x, actually even if you see trailing 12 months EBITDA of the platform as of December 2024, you will see that number is very close to that, and that's how our conviction comes of being less than 3.5x on closing. So that's overall debt in SAMHI hotels on a consolidated basis, and the EBITDA of the company on a consolidated basis.
- Sunil Jain:** If you talk about just the parent part, because JV, you may not have full right to use the money in the parent company, so if the parent company --
- Ashish Jakhanwala:** That's the standalone basis excluding the JV. Non-JV assets. So in the non-JV assets we will be at about 4.4x net debt to EBITDA on basis of December 2024.
- Sunil Jain:** Yes. So how you are planning to bring that down? Because now the high cash generating assets will be in JV.
- Ashish Jakhanwala:** Yes. So the partners have agreed to put it in place, and I am using the word dividend policy or a cash distribution policy. But given the platform is going to be highly cash generative, there we reserve the right to make sure that the capital flows can be made available from that platform to both the shareholders actually, GIC and SAMHI, to meet their requirements that they may have. So we have structured the transaction in a way that we can have access to the free cash that the companies are generating if there be a requirement for us to do that.
- Sunil Jain:** Any target for the standalone, how much debt to EBITDA you would like to reach in the next two years?
- Ashish Jakhanwala:** I think our sense is that even in a non-platform asset, we maintain similar targets as we have for the overall portfolio. At the beginning, of course, the platform has much lesser leverage and non platform assets have a higher leverage. But because of the fact that as I mentioned earlier, we have the ability to move cash. Plus the fact that some of our growth assets like the W in Hyderabad, the new Sheraton Rooms, the Holiday Inn Express that we have opened, they are all going live either this year or next year. You would see a substantial change in the EBITDA of,

let's say, in the non-platform assets. So to answer you, our plan is to normalize debt to EBITDA across our portfolio, including the platform and 100% owned assets.

Sunil Jain: Second question relates to the --

Moderator: Mr. Jain, I am sorry to interrupt you, sir. I would request you to rejoin the queue for your further questions. Thank you so much. We will take the next question from the line of Moksh Ranka from Aurum Capital. Please go ahead.

Moksh Ranka: Hello, my question has been answered. Thank you.

Moderator: Thank you. We will take the next question from the line of Naitik from NV Alpha Fund. Please go ahead.

Naitik Mutha: Hi, sir. Thanks for taking my question. Sir my question is, I needed some clarification in terms of the asset we have in Whitefield, which is The Westin & Tribute. So I just wanted to ask, the 140 keys that would be going for rebranding, that would also be coming online in FY '29, so next two years they would also not be contributing, is that understanding correct?

Ashish Jakhanwala: So Naitik, the existing 142 room hotel is operating, will continue to operate through FY '26. It will go under renovation in FY '27. As we have mentioned earlier, we do not expect a shutdown of the hotel for a prolonged period of time. There could be a small period of two months to three months where we will have to take the hotel out of operations when we do the public areas. But other than that, the intent is to do renovation in parts as we operate that hotel. And we will immediately start creating the new building for the proposed Westin.

When I say immediately, of course, it's based on the approvals from local sanctioning authorities. But we do expect that to start sometime towards the end of the current calendar year. So yes, that's the current plan. But the current existing hotel, which is branded Trinity continues to operate. We have an in principle agreement with Marriott for them to start providing us some support during the current year, even though hotel will not be rebranded. And with that support, we do expect that the performance of this hotel may see a material upside, actually even prior to us investing substantial capital or rebranding.

Naitik Mutha: Got it. And the total CAPEX that would be required here would be how much, including the new building and the rebranding? Because I guess Rs. 150 crores is coming from our partner, but how much would be the total CAPEX required?

Ashish Jakhanwala: See, Rs. 75 crores is the total anticipated capital there, and you are absolutely right, of that Rs. 149 crore comes from the partner and the residual will be funded by SAMHI. Actually sorry, the residual will be funded in the ratio of 65:35.

Naitik Mutha: Alright. Got it, sir. That's it from my side. Thank you.

Ashish Jakhanwala: Thank you so much.

Moderator: Thank you. Ladies and gentlemen, we will take this as the last question for today, which is from the line of Saurabh Gilda from JM financials. Please go ahead.

Saurabh Gilda: So I just have one question. What is the targeted timeline for the closure of this transaction?

Ashish Jakhanwala: Thank you for asking this question, Saurabh. So the advice that we have received from the councils was that, because you are not seeding control in a material subsidiary, it did not require any specific shareholder consent. But we are quite aware of our status as a professionally managed company, therefore for governance we want to seek a shareholders' consent. I think the notice will be issued pretty soon, today or tomorrow. We expect the EGM to be called third week of May. I think I would believe that between 45 to 60 days we would close the transaction, at which point of time Rs. 604 crores get infused in a single tranche, and Innmar transaction will obviously come in Q2 and subsequently over the next 24 months.

Saurabh Gilda: Okay, got it. Thank you.

Moderator: Thank you. Thank you, sir. As that was the last question, I would now like to hand the conference over to Mr. Ashish Jakhanwala for closing comments. Over to you, sir.

Ashish Jakhanwala: So thank you, everybody. I know we have not been able to address everybody's queries. But SGA Advisors, who are our IR advisors, are going to be reaching out to all of you analyst, investors, and we will make ourselves available over the course of the next week, 10 days if there be any incremental queries or concern, happy to address them. We understand we had given a very short time to this call, but we felt that nevertheless it's a good starting point. But as I said earlier, we are committed to address any further questions that you may have over a period of time. So thank you for your time and look forward to speaking with you soon.

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