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03rd February 2026

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Scrip Code: 543984

Scrip Code: SAMHI

Sub: Transcripts of Q3 FY26 Earnings Conference Call

Dear Sir / Madam,

Please find enclosed the transcripts of the Q3 FY26 Earnings Conference Call with the Investors or Analysts held on **Thursday, 29th January 2026 at 11:00 a.m. (IST)**.

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

Thanking You.

Yours faithfully,

For **SAMHI Hotels Limited**

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

Encl.: As above



SAMHI Hotels Limited

Q3 and 9M FY '26 Earnings Conference Call

January 29, 2026

"E&OE -This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 29th January 2026 will prevail."



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

Moderator:

Ladies and gentlemen, good day, and welcome to the Q3 and 9M FY '26 Earnings Conference Call of SAMHI Hotels Limited. 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 lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone 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 so much. Good morning, everyone, and welcome to SAMHI Hotels' Q3 FY '26 Earnings Call. Thank you for joining us today. I'm also joined by our CFO, Rajat Mehra; our EVP and Head of Investments, Gyana Das; and Nakul Manaktala, SVP Investments. Our Investor Relations Advisors, Strategic Growth Advisors, is also on the call.

We have uploaded our Q3 FY '26 financial results and investor presentation on the stock exchanges and on our website, and I trust you've had a chance to review them. Let me begin with a brief overview of the quarter before Rajat takes you through the financial results.

Quarter 3 FY '26 was a strong operating quarter for SAMHI, delivered in a period that saw external disruptions, including the largest Indian airline facing operational challenges during December. Despite this, the portfolio demonstrated resilience and pricing power. Same-store RevPAR grew by 13% year-on-year to INR 5,643. Total income growth was 16% Y-o-Y to INR 342 crores for the quarter.

On an underlying basis, the EBITDA grew by 19% Y-o-Y, reflecting strong operating flow-through. However, changes in GST regulations impacted the margins, which moderated the reported EBITDA growth to 13.2% on a Y-o-Y basis.

Even though there's a short-term impact of GST in part of our portfolio, we believe it will lead to greater sales volumes as hotels become more affordable, especially in the mid-scale segment and will offset any impact in the long term.

Further, it is important to note that all of our new inventory being added is in upscale segment, which will remain largely unaffected by this change, but also benefit from marginally lower capex due to reduction in GST rates across several construction items. This performance reinforces the strength of our city-centric business travel portfolio spread across India's most resilient office market.

For the past 9 months, office absorption across key markets remains very strong and has supported same-store revenue growth, significantly ahead of our long-term target, which we've always said is between 9% and 11% Y-o-Y.

Now, let me briefly touch upon our key growth initiatives. The 170-room W Hyderabad continues to progress as planned. Design development is mostly completed and building modifications are underway. Mock-up rooms will commence any time now.

This is a marquee asset for SAMHI and will materially lift our ARR profile, both in Hyderabad and in the upscale segment. In Bangalore, the demolition and preconstruction activities for the 220 rooms Westin block in Whitefield Bangalore has commenced. This remains a fairly high conviction project in one of Bangalore's deepest commercial micro markets.

Across the portfolio, we now have 4,900 rooms operational. We have incremental 1,900 rooms under development or rebranding, of which about 1,450 rooms is a net room addition. These projects will gradually shift our revenue mix towards upscale and upper upscale, which is currently 42% contribution to about 60% upon completion, improving long-term earnings quality.

Besides this, we continue to have a very high-quality and actionable pipeline of opportunities to fuel our future growth and majority of it as of date are in form of capital-efficient variable leases that can be easily funded from our cash flows.

With that, I'll now hand over to Rajat to walk you through the financial performance in more detail.

Rajat Mehra:

Thank you, Ashish. Good morning, everyone. Let me take you through the financial performance of Q3 FY '26. Total income for the quarter was INR 342 crores, up 16.2% on a year-on-year basis. Same-store asset income grew by circa 14% on a year-on-year basis.

New openings, including Trinity Whitefield and the new Holiday Inn Express rooms in Kolkata and Greater Noida contributed to incremental revenue. This was partly offset by income loss from sold and discontinued assets, including Four Points Chennai and Sheraton Hyderabad commercial floors, which we have converted to 42 rooms.

Consolidated EBITDA stood at INR 126 crores. Reported EBITDA grew by 13.2% on a year-on-year basis. Excluding the GST impact of circa INR 6.7 crores, EBITDA growth was 19.2% on a year-on-year basis.

GST impact was mostly in our mid-scale portfolio, where a fair bit of our revenue actually comes from rooms being sold at less than INR 7,500. EBITDA margins were 36.9% as compared to 37.9% last year. This drop in margin attributed to the GST change of circa 200 basis points. Underlying operating costs and flow-through remained stable during the quarter. Our finance cost declined sharply to INR 40 crores versus INR 60 crores last year.

The cash interest outflow is in the range of about INR 34 crores for the quarter. Balance cost in the finance cost represents non-cash and Ind-AS adjustments. Our profit after tax for the quarter

was INR 48 crores. The PAT attributable to SAMHI shareholders is INR 39.6 crores, while the minority interest accounted for INR 8.5 crores.

As on 31st of December 2025, our net debt stood at INR 1,450 crores. The average tenure of our facility is circa 12 years, which actually allows us a strong margin of safety in terms of our liquidity.

The trailing 12-months EBITDA, excluding non-cash ESOP cost increased to INR 482 crores. Our net debt-to-EBITDA remains stable at 3x. Importantly, we continue to fund our growth capex through internal accruals with no material increase in the net leverage expected.

With that, I hand over to Ashish.

Ashish Jakhanwala: Thanks, Rajat. So in conclusion, quarter 3 FY '26 reinforces 3 key messages for SAMHI. The first is that while global headlines remain volatile, on-ground indicators in our core markets show a strong trend line driven by India's economic engine.

Our portfolio continues to deliver strong, consistent operating performance and growth and can manage repeated event risk as we have seen in the last 9 months. And the last bit is that we have a strong growth pipeline and all the resources to deliver to achieve our targeted revenue of circa INR 3,000 crores by 2030.

We will now 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 Vikas Ahuja from Antique Stock Broking Limited.

Vikas Ahuja: My first question is, as we are already at the end of January, how is the current quarter shaping up? Does the momentum seen so far will continue? With the World Cup coming next month, do we anticipate any uptick from this event? Overall, just trying to understand, does momentum improve from here on? That's my first question.

Ashish Jakhanwala: Thank you, Vikas. So, yes, the business on books for February looks pretty strong. January is always slightly slow because of the year-end break. And this year, the 10th January extended to pretty much 15th January because of the pattern of school holidays in North, especially Delhi and all. But February looks extremely strong and not just because of the World Cup actually, Vikas.

Generally, a lot of demand is getting compressed between now and end of February and early March, so we do think that the momentum that we've seen in quarter 3 will actually continue in quarter 4.

Vikas Ahuja: Okay. And in terms of the net debt, I think it increased by INR 80 crores this quarter to INR 1,450 crores. Could you help us maybe break down how much of that increase was driven by capex and how much of that capex was offset by operating cash flow? Additionally, you had earlier guided for INR 300 crores of debt reduction from internal cash flows by 2030. Does this still hold on considering that we have announced incremental expansion during the last quarter?

Ashish Jakhanwala: So Vikas, largely, the minor change in the net debt was on account of Navi Mumbai, where we had to make a certain extension payments to the authorities. Two, we are anticipating some inward investment from GIC in the Bangalore project. So, there's always a bit of a mismatch in those 2 things.

So, that INR 70 crores, INR 80 crores was largely on account of the Navi Mumbai payment. In terms of our long-term guidance, both on net debt and also on gross debt reduction continues to remain as is.

I know there is incremental investment that we have committed to Navi Mumbai. But if you look at our investor presentations, which we've uploaded earlier, the cushion between our total cash accumulation and capex continues to be very comfortable.

In addition to that, as we have demonstrated in the past, Vikas, we continue to seek opportunities for very, very limited asset recycling. So, I think we remain fairly comfortable and confident about continuing to achieve that number of debt reduction alongside maintaining the capex plan that we have put together.

Vikas Ahuja: And the removal of this input tax credit led to moderation in EBITDA, which we highlighted in the presentation by 200 basis points. Does this imply that over the next few quarters, EBITDA will grow at a slower pace than revenues or do we have levers to offset that in the near term?

And also for FY '27, should the revenue growth largely mirror the RevPAR growth with only incremental additions given that most of our capacity expansion is expected to start from FY '28 as the HITEC City properties also expect likely to complete end of FY '27? And also, one lastly, one housekeeping question. Can we also possible to get our ADR growth number for this quarter?

Ashish Jakhanwala: So, a couple of them. One is on GST. So, see the GST impact will be visible for the short term. We do expect that overall reported numbers will kind of not show that from quarter 1, and that's just the adjustment to the base effect, Vikas. Don't forget last year first quarter was pretty terrible because of India Pakistan, the Ahmedabad Air India crash and all of that.

So we think that there will be a 150 basis point, 200 basis point impact on margins because of GST in the short term. But yes, I think there are more than enough levers to start offsetting that, but it will take a quarter or 2 really. So that's on one.

Two, second question was really around the next year FY '27. So, I think in FY '27 while there is no large opening, Vikas, but there's a lot of other levers that will come into play. The first really is that if you see, we were adding very small bunches of inventory this year. But having said that, all of that is now fully operational and will get full year benefit in next year.

And some of the hotels like Sheraton, Hyderabad, which are clearly outperforming the averages are the hotels which are benefiting from almost a 20% inventory growth because of the new additions.

So that the Trinity Hotel in Bangalore, which we had acquired last year, has really ramped up well. We expect that to start kind of outperforming through FY '27, the new rooms in Holiday Inn Express. So FY '27, we have reasonable levers to kind of add on top of same-store RevPAR revenue growth. That was your second question.

Third question was in terms of your ADR occupancy. So, if you see same-store, the ADR growth was 15.9% Y-o-Y. The occupancy was stable. It was 73% had dropped about 1.6 percentage point. The total RevPAR growth, therefore, was ending up being about 13.3%. This is all same store. And we continue to believe that all operating parameters should only be reported on same store.

Vikas Ahuja:

Sure. I get it. Many thanks and wish you luck for the next quarter too.

Moderator:

The next question is from the line of Jinesh Joshi from PL Capital.

Jinesh Joshi:

Sir, my question again pertains to the GST impact. I mean, in response to the previous participant's question, you mentioned that there can be an impact of about 150 to 200 basis points in the next couple of quarters. I was just wondering whether a pass-through of this cost increase is possible or not, especially on the corporate side?

I understand that typically, the negotiations happen on an annual basis. But given the loss of ITC credit, can we not renegotiate for a slightly better rate, at least on the corporate side? So your thoughts on that? And also on the retail side, I was just wondering whether a pass-through is possible or not? And if not, I mean, what are the challenges on that side?

Ashish Jakhanwala:

Jinesh, very important question, actually. So, let's tell you the what's happened in the quarter. So, first of all, the pass-through is already happening. And if you see for the quarter when same-store grew at about 14%, and let me tell you, if we were to do an impact of the airline crisis in December, it was pretty, pretty substantial.

Now if you look at the revenue growth in the mid-scale segment that we have shown on Page number 15 of our presentation, actually, the mid-scale segment, which has the highest impact of GST also showed a revenue growth of 16% and 14%, respectively, right?

Now, what will happen is, of course, the input tax credit loss will show in higher costs. But if you look at the total growth, is still pretty substantial in those 2 segments. So the alignment needs to happen in the reporting. The actual number continues to be, in our opinion, reasonably strong, especially given December was almost a 3-week wipe out.

We are typically prepared for December to be a 10-day wipe out, but December almost became a 3-week wipe out because of the airline crisis, which started in the beginning and then continued because of the year-end/new year vacation and all of that, right?

So, Jinesh, I think in quarter 4, February onwards, you'll start seeing a pretty back strong recovery to margins, but that's largely driven by revenue growth. So, yes, you're right, pass-through has already started happening because the revenues have started going up. But I cannot change the way the numbers are reported, which is even reflect in the cost line items.

Jinesh Joshi: Got that. And sir, on the corporate side, when do annual renegotiations typically happen? And if it is nearby, are we going to take into account this ITC loss, which will be there with us and then renegotiate for rates accordingly?

Ashish Jakhanwala: Answer is yes because the customer clearly understands that if he was paying INR 100 of room rate and INR 12 of tax earlier, there was INR 112 being paid by the customer. Today, it's INR 105. So, if we account for a slight increase, he'll still be paying INR 112 or less than that.

So as any contract is renegotiated, you will start seeing -- and Jinesh coming back, that actually helps increase demand because while we can increase the room rate, offset the cost impact, there is not really the real growth for customer will still be 7%, 8%, 9%, right?

But more important, Jinesh, the nature of business is changing now, right? We all who underwrite hotel sector needs to prepare ourselves underwriting the sold-out dates versus rest of the year. And we are seeing the demand compressed between a few days every quarter. So let's say, last quarter, it was November and November would have contributed majority to the quarterly profits and growth.

This quarter, it's going to be period starting from 20th January or 25th January till pretty much middle of March, right? And therefore, in those days, contracted rates play very little role because our ability to reprice hotels on a daily basis 3 times a day is very, very strong. So, hotels, which have an average rate of INR 13,000 are already priced for INR 20,000 in the month of February, Jinesh.

So, I think the industry has changed the dependence on the locked-in RFP prices for the year and its impact on the average reported room rate is kind of diminishing every year. So, we are not worried. I think the demand is very strong.

You will start seeing fairly quickly this whole cost being absorbed because we do feel that GST reduction is across the sectors and industries, which should help boost overall economic activity and give us the paybacks.

Jinesh Joshi: Got that. Sir, one last question from my side. Our F&B revenue was up by about 9% in this quarter. And I guess in the previous quarters, we had mentioned that ballrooms are under renovation, especially at Hyderabad and Pune. And accordingly, we should expect some kind of a pickup happening on the F&B revenue side in second half of the year.

But this 9% growth, when I compare it with our same-store RevPAR growth of about 13%, it is still lower. So just wanted to check on this part, whether those ballrooms are operational or not? And if yes, then why the F&B income still lagging?

Ashish Jakhanwala: So, a couple of clarifications. First of all, the ballrooms are operational in both the hotels; Hyatt Regency, Pune and Sheraton, Hyderabad. The same-store F&B growth was actually 10%, not 9%. The 9% is overall. And there is obviously incremental rooms that we've added in Holiday Inn Express and other portfolios.

And 10% F&B growth is actually pretty decent. While rooms have really outperformed at 13.5%, 14% RevPAR, but 10% F&B growth Y-o-Y -- this used to be 6%, 7%, Jinesh, till last year. Now we have gotten to about 10% F&B growth Y-o-Y. So I think ballrooms are starting to show impact. And as they stabilize, I think you will continue to see that mirror close to double-digit Y-o-Y growth.

Moderator: The next question is from the line of Vaibhav Muley from Haitong Securities.

Vaibhav Muley: So, first of all, congratulations for a good set of numbers, sir. My first question was regarding our upper upscale and upscale segment. So, we have seen a bit of an occupancy decline for this segment, particularly in this quarter. Any particular reason for that?

Ashish Jakhanwala: Generally, what happened in December, Vaibhav, the airline issues that we saw in December.

Vaibhav Muley: Okay. Only pertaining to that, there was a bit of a...

Ashish Jakhanwala: Yes, because upscale tends to have group movements and conferences and MICE. And obviously, such a significant airline disruption led to massive cancellations. So that's why the slight occupancy dip you saw was in the upscale, upper upscale segment.

Vaibhav Muley: Understood. And next on Trinity Bangalore, I understand Marriott had taken over operations for Trinity in August. And just wanted to understand how has been the performance post Marriott taking over? And since now Marriott is operating the property, do we plan to delay the overall renovations plan for Trinity?

Ashish Jakhanwala: So, Vaibhav, while the team pulls out the exact number changes, I'll answer the second part first. So, what we are doing in Trinity is the plan was to invest about INR 70 crores, INR 80 crores in full renovation for it to be converted to a part of the Tribute collection and managed by Marriott.

What we've actually done is, we've done an interim renovation. So we've already spent about INR 7 crores in this hotel, largely towards Fire Life Safety and in technology. We are going to complete a very small refurb program between now and March end, which is about INR 23 crores, INR 24 crores.

And with that, we think the hotel is extremely well positioned to kind of move up on its rate chart. In terms of its performance, if you see, in July '25, this hotel was doing a total revenue of about INR 1.8 crores a month with a rate of INR 5,900, occupancy of, let's say, 55%, 60%.

We have moved that revenue in November, December to about almost circa INR3 crores average per month. So we've done that 50% growth in revenue, a little bit more than 50% growth in revenue. And the rate is now sitting between INR 8,000 and INR 10,000 on a monthly basis in October, November, December and occupancy being around 50%.

So while the occupancies has remained the same because of renovation, we have pushed the rate almost 2x of what it used to be prior to the Marriott management. And therefore, the resultant asset income has gone from INR 1.8 crores a month to almost, I would say, INR 2.5 crores to INR 3.5 crores a month.

So, yes, there is a sizable impact. And as we complete the current ongoing refurbishment, which gets completed by end of March, the next fiscal year, this hotel should start seeing very strong consistent performance with no interruption for renovations for full FY '27.

Vaibhav Muley:

Understood, sir. Just lastly, on our recently added inventory, including Kolkata, Whitefield Bangalore and now the Sheraton Hyderabad and Pune as well. So, how has been early demand trends in the new inventory? Has the full absorption happened?

Ashish Jakhanwala:

Yes. So, I'll give you -- I mean, the impact in FY '26 is going to be small, but FY '27 is when they'll start really impacting. So, I'll give you one example for Whitefield Hotel. We were just checking those numbers earlier. And sometimes you have reporting anomalies.

For instance, Whitefield is an existing operating hotel, so it's classified as a same store. And we suddenly realized that the total revenue growth is 15% in rooms, but the RevPAR growth is 13.5% and mathematically, it's incorrect.

And when we dig deeper, we realized that Whitefield Hotel, because of those 56 rooms has seen a room revenue growth of almost 45%, right? So those 56 rooms being added to existing 160-room hotel, saw that hotel revenues jump by almost 45% because those rooms are slightly larger.

Kolkata is stabilizing really well. It's interestingly, even though people don't talk a lot about Kolkata, it is a silent performer. That hotel is stabilizing quite adequately. Well, if you see from July till December, the average occupancy is about 62.4%.

The rate is almost upward of INR 4,000. It's almost touching INR 4,500. It has contributed almost INR 6 crores since opening to our top line. So, all the hotels are stabilizing really well. Sheraton Hyderabad has just gotten added, so you'll see the impact of that coming in February and March. And same for Hyatt Regency, Pune.

Vaibhav Muley:

Understood. And sir, our expansion pipeline shows status of development is still into design stage for all of our planned greenfield projects. So, are you confident that you will be able to execute projects within 2 to 2.5 years to stick to the mentioned time line?

Ashish Jakhanwala:

So if you see Slide number 18, we'll take you through project by project. For instance, in W Hyderabad, the work is going on on-site. Actually, the mock-up should be ready in the next few months. So, it's an existing building and which is being retrofitted to being converted to a W. In Courtyard, Pune, Tribute Bangalore Whitefield, Tribute Jaipur, which is where you're seeing a lot of design, design, design.

These are existing hotels, right? So these existing hotels have to be taken through a renovation, which will start, let's say, in April or so. So the timeline between design and start of renovation and complete is not like a greenfield project, which is 12, 18 months. First of all, if they start going into renovation in phases, they come back also in phases. So that's why you're seeing a lot of status being designed.

Coming to Westin Bangalore, we will put it as construction when the -- effectively, the RCC starts getting casted, but the demolition of the existing building has been completed, site leveling

has been done. We should start the pile shoring in the next month or so. So, there's active work in all of those sites. The only way where it is true design is actually One Financial District, Hyderabad and the Navi Mumbai project.

Moderator: The next question is from the line of Rajiv Bharti from Nuvama.

Rajiv: This is Rajiv here. Sir, I am on Slide 13 and 14. This is the same-store revenue. If I just take that and for this quarter, it is looking like the incremental margin on this revenue is close to 4%. But considering that we have grown RevPAR at 13%-odd.

And in the previous few quarters, we have seen this number shooting up to close to 60%. So, while the revenue is driven more by room revenue, I believe the flow-through should have been higher, right? Any thoughts on this?

Moderator: Ladies and gentlemen, the management line has been disconnected. Please hold while we get them reconnected. Ladies and gentlemen, thank you for being on hold. The management has been reconnected. Thank you and over to the management.

Ashish Jakhanwala: Sorry. Rajiv, you are on the call. Can you start your question again?

Rajiv: Yes. So, I was talking about Slide 13 and 14, which is on the incremental revenue and incremental EBITDA. So, if I were to calculate incremental margin for this quarter, it is close to 44%. And considering that it is largely driven by room revenue, which has grown at a faster pace, the flow-through should have been higher, right? Because in the previous quarters, we have seen this number hovering close to 60% as well. So, your thoughts on why the flow-through is lower?

Ashish Jakhanwala: So, I think, Rajiv, a large part of that was the expected drop in revenues in December, and that's why the flow-through is only about 45%. You're right, the should be ideally about 55% to 60%...

Rajat Mehra: And the GST is actually our growth would have been 19%. Yes.

Ashish Jakhanwala: So, I think it's largely because of the December impact because December upscale kind of dropped. So what happens is that every hotel is prepped for a certain quarter in terms of the revenue buildup. And therefore, we saw a strong revenue buildup for the quarter. Accordingly, some of the adjustments to the operating structures, payroll and outsourced staff and all of that is done.

But a sudden drop in revenues in the 2 weeks in December kind of made a slip on that flow-through, which typically should be in 55%, 60% and this quarter was 45%. So, you're absolutely right. There was a 10% slip in the flow-throughs.

Rajiv: Secondly, about your comment on, let's say, demand getting compressed in some particular dates, so what is the metric we should follow to just get a sense on, let's say, for the upcoming fiscal or the next fiscal. How do we track this compression in the sense, dates? Any metric you track?

Ashish Jakhanwala: Yes. So, Rajiv, we track metrics. For instance, we have this demand compression graph where we say how many days in a year, the occupancy was in which band okay? So, let's say, how many days the occupancy was between, thankfully, now there's no 0% to 30%. We had prepped it in the COVID time, so we had a graph of 0% to 30%, 30 to 50%, 50% to 70%, 70% to 90% and 90% plus, which is pretty much sold out, right?

So, we do track across the portfolio and by hotel, what is that sort of demand compression that we are seeing? And also, how is the rate responding to those buckets? So, therefore, what was the average rate in the 70% to 90% bucket. And when the number of days the occupancy was above 90%, how did that rate move up and did we really yield those days. So, we are tracking that.

What we'll do is, Rajiv, we used to put the SAMHI Intel page. We will include that back where we'll show you this demand compression chart. So you can see what's happening this entire year.

Ashish Jakhanwala: So, I'll give you an example. What's happening is for the last 3 quarters, if you see, the days the occupancy was upward of 90% is almost 30%. So, 30% of all days in the last 9 months across our entire portfolio, the occupancy was upwards of 90%.

Incremental, 28% of the days, the occupancy was between 70% and 90%. So, if you add those together, you're almost at 50% – 60%-odd, 57% when the occupancy is upwards of 70%. And the other data that we need to see is how does the rate move.

So, for instance, if the average rate between INR 70 to INR 90 bucket was INR 6,826, the same rate became INR 7,500 in the days the occupancy was above 90%. So, you can see how much you yield between 70%, 90% and 90%-plus, right?

And if you talk about days when you're 50% to 70%, actually, the rate was only INR 6,000, right? So, you're moving from INR 6,000 to INR 7,500. So, we do track this demand compression trends across hotels and for the portfolio, which is what is showing us the fact that increasingly, it's about yielding that one-third of the year really well. And that creates the whole Y-o-Y growth, that creates the whole flow-throughs. All of that is a gift of that demand compression.

Rajiv: Yes. Just a follow-up on that. So, this shifting of bucket towards, let's say, higher yielding or where the demand is stronger, how far forward, let's say, the visibility we have in terms of giving confidence that FY '27 is looking stronger than FY '26 or I'll say, before that?

Ashish Jakhanwala: So, well, I can give you the secret sauce, but as they say I can give you the recipe, but you can't get the sauce yourself, right? I think the answer lies in mapping holidays because they're very predictable, Rajiv. And you know today, you can map all the holidays on the graph. Increasingly, you have to account for certain event risk. Now the event could be different.

Event could be India Pakistan or Ahmedabad or monsoons or an airline crisis or something, right? And what we are learning is, besides that mapping those holidays, you have to also map

unknown events in different parts of the year and then layer up the positive events, the large group movements, the conferences, so on and so forth.

I'll give you an example, Goa is going through a conference for oil and gas. I don't think one can find a room in Goa in the next 2 weeks or so. Similarly, when conferences happen in Bangalore, you can sell a room for INR 30,000, INR 35,000.

So events are booked much in advance actually. So you have the ability to kind of map, I would think, 65% to 70% of how the demand compression will work. And the balance 30%, I hate to say this, is short lead where your revenue management team and your ops team needs to be really up on their feet to respond fairly quickly.

Rajiv: Sure. I'll reconnect on this SAMHI Intel bit, maybe offline.

Moderator: The next question is from the line of Achal Kumar from HSBC.

Achal Kumar: I had only 2 questions. I'm sorry if, kindly excuse me if you're already answered because my line was bad. So, I just want to understand your quarterly performance. And if I look through the cost line items, I can see a huge jump in something called fixed cost and the variable cost. What is going on there?

And on the employee side, because of the New Labour Codes, you have booked a one-off INR 11 million. But then going ahead, how would this become normalized next year, right? So how would this impact your employee costs?

Ashish Jakhanwala: So Achal, first thing first, when you look at the operational efficiency chart, which shows individual cost heads, the growth that you see there is largely an impact of the input tax credit that we would get. You would get input tax credit across each line item. How would you adjust for that?

Rajat Mehra: So it goes as a cost in each line item.

Ashish Jakhanwala: In each line item. So, Achal, you will see the GST input tax credit getting kind of spread across all the key cost items. So that's one reason why you'd see slightly elevated cost across, let's say, fixed or variable or all others. Actually, variable typically remains between 19% and 21%. It's 20%-odd. So it's pretty stable. It's largely going into your fixed cost.

So that's largely a GST impact, which the input tax credit is getting added to the expenses. Number two, you're asking us about the Labour Code. So, onetime has been taken. In any case, for the next 12 months, it's an implementation.

Rajat Mehra: Yes. So we'll actually reset the overall salary structure. Good for us that we were actually calculating the entire cost at 40% of base or the way it is defined. So we'll only have to move from 40% to 50% and a small percentage impact on that of gratuity and leave catchment, which also depends as to how many people actually stay with us for those many years. So, it would not be a major increase in the overall cost as we move forward. One time impact has been taken off completely.

- Ashish Jakhanwala:** Yes. Rajat, thankfully, because of being a young company and high attrition, our impact was only INR 1.1 crores against some of the peers, which have, for instance, shown very high number. And two, like Rajat clarified that we were already at a pretty progressive 40% basic to total CTC and the regulation is only recommending it to be 50%. So we really don't see any sizable noteworthy change to the payroll structure.
- Moderator:** The next question is from the line of Smith Gala from RSPN Ventures.
- Smith Gala:** My first question was regarding the RevPAR. We have consistently seen double-digit growth in the RevPAR for at least the 3 quarters this year. So, in the shorter term, with a higher base of Q4 last year and if you really want to look at a longer term of 2, 3 years, do we see a sustained double-digit or a low teens growth in the RevPAR and what will drive the same?
- Ashish Jakhanwala:** So, I think not just for the current quarter, but we've always mentioned that our demand/supply modeling tells us that the total revenue growth, which is largely being attributable to RevPARs actually will remain in high single-digits to early double-digits. So, a double-digit RevPAR growth is clearly something that we are fairly confident will be maintained in quarter 4 in spite of there being a very high base last year. So we don't see any risk to that.
- Smith Gala:** And about the longer term, sir?
- Ashish Jakhanwala:** So, while we've mentioned that in the long term, we expect RevPARs to remain between 7% to 11%, same store -- sorry, 9% to 11% CAGR for the next 3 to 5 years on same-store hotels. And I think that same-store is something -- apologize that we keep repeating, but for us, it's really important that all these KPIs are being discussed on same sets of hotels that have not gone significant change. So yes.
- Smith Gala:** Okay. And next a bookkeeping question. How do you see the tax rate for the full year FY '26 and years coming forward?
- Ashish Jakhanwala:** Can you repeat the question, please?
- Smith Gala:** A bookkeeping question. Tax rate for the full year FY '26 and FY '27 and beyond?
- Rajat Mehra:** So, see, we are actually sitting on a huge losses. So at least over the next 3 to 5 years, we don't actually see any significant tax outflows. What you would actually see is some bit of a reversal or deferred tax asset being created on our books. So, after that, it would actually be a noncash tax line item that you will see in the P&L, but there will not be any consequent cash outflow that we see at least for the next 2 to 3 years.
- Smith Gala:** Okay. So what will be the percentage-wise quantum of just the book entry?
- Ashish Jakhanwala:** Okay. He's talking about about INR 7 crores you have.
- Rajat Mehra:** Yes, that's the deferred tax expense, which is there because in certain assets, which actually have turned profitable, that's about 25% of the profits of that particular hotel, which is there. But on a consolidated basis, it reduces because we will have to look at the tax expense only for those entities where deferred tax has been created.

- Moderator:** The next question is from the line of Samarth Agrawal from Ambit Capital.
- Samarth Agrawal:** Just a couple of questions from my side. Firstly, how are the corporate negotiations for CY '26 faring till now in terms of just the number of rooms and the ARR increase that is being agreed on? And secondly, what would be the breakup between the EBITDA margins between the ACIC portfolio and the rest of the portfolio? And how much of more integration in margins can be still expected?
- Ashish Jakhanwala:** So the first question is and I think we tried addressing it earlier. The whole concept of RFPs driving the average rate is sort of becoming a little not that relevant because, as I said, there's very few contracts with last room available provisions, dynamic pricing is becoming more and more real, and that's why you're seeing the ability for a hotel to price when it's above 90% at almost 25% premium to, let's say, a day when its occupancy is 50%.
- So that shows you that that pricing power sits squarely with the hotel today. In terms of the RFPs, we are seeing a really healthy acceptance of RFP growth. And I'll tell you why, Samarth, because last year, what has happened is companies realized that on sold-out dates, they had to really book through, let's say, an online discount to par, which was really, really high.
- So, they are also realizing that the net rate they pay through the year was really high compared to the RFP rates, and therefore, the resistance on RFP rate increases. Kind of becoming a bit of an old-fashioned conversation, to be honest with you.
- The second question was on EBITDA margin. So, if you see the asset level EBITDA for same-store, including ACIC is 40.1% and for ACIC is 40.3%. So, now ACIC is fully integrated in terms of its EBITDA margins. It's reporting the same 40% EBITDA for both same-store non-ACIC and same-store ACIC.
- Moderator:** The next question is from the line of Gazal Gupta from ASK Wealth Advisors.
- Gazal Gupta:** Congratulations on the results. I just have one basic question. So, our hotels are divided into 3 categories, where in the upper mid-scale segment, the ARR's are in the range of INR 7,900 or so. Now there would be hotels which would have ARR below INR 7,500 and above that as well.
- So just wanted to understand that would we face any issues in terms of raising prices in this particular category because the customer would end up paying a lot more. I mean, 18% versus 5%, which they will be paying earlier. So just wanted to understand your thoughts on this part?
- Ashish Jakhanwala:** So Gazal, the GST is a beautiful puzzle because it doesn't happen by hotel. It happens by every room that is sold. And I can tell you, even in upscale, there are hotels which have had 20% of its room revenues coming from rooms sold below INR 7,500. And to that extent, a pro rata input tax credit is lost in that hotel. So, pricing is a daily job for each room, and there will be acceptance and resistance on depending on how busy the city and the hotel is.
- I really don't think that increasing the price is relating to GST. It's about demand and supply. We have seen rate growth being extremely strong for the last several quarters. GST, no GST,

incident, no incident. So it's a factor of only demand and supply determines the pricing and nothing else.

Demand remains really strong. Supply is non-existent or near non-existent in core markets. And therefore, the confidence level that RevPAR should continue to grow in early double digits. So, it's all going to be decided by demand and supply. And again, I'll repeat at the cost of repeating, it all depends on those days when the demand is so compressed that effectively you can reprice your hotels with high efficiency.

So, it's demand and supply. It has nothing to do with GST, non-GST. I mean the day after GST was implemented at the hotel, rate went up by 15%, let's say, one could argue that 12% is -- 7% is just the GST impact because the customer is saving 7% GST. But it's just hypothetical. The real thing is, what is the real rate growth and it's demand and supply.

Gazal Gupta: Okay. That's helpful, sir. And secondly, on the asset recycling part, is there any update on that segment? Because last quarter, you had mentioned that there is INR 135 crores of asset recycling, which is still pending. So any update on that front?

Ashish Jakhanwala: No. So, the only thing is that asset recycling, we have completed large part in the last, let's say, 3 years or so. At this point, we still feel there are 1 or 2 hotels where there is a recycling opportunity, but we don't have any definitive agreements or decision on that as yet. It's a part of our plan, and I think we'll give ourselves another 12 to 18 months to execute that.

Moderator: The next question is from the line of Hitaindra Pradhan from Maximal Capital.

Hitaindra Pradhan: So sir, just 2 questions. Sorry for probing further on the GST point. So, for the customer who was paying, you gave an example, INR 112, but that INR 12 was available as input tax credit, but now it is not available. So, for your customer, the price has gone from INR 100 to INR 105 effectively because he doesn't have the ITC.

So this 5% impact when you have gone back to, let's say, your corporate customers, what's been the outcome of this [inaudible 0:47:09] let's say, less than INR 7,500. So what has been the mix of the outcome? So what is the weighted average impact on this after all your negotiations?

Ashish Jakhanwala: No, there is no negotiation, Hitaindra on GST with the customer on a real-time basis, right? I will again repeat, hotel prices are decided every single day. I do a revenue of INR 2.5 crores a day on a weekend, I do with the same hotels INR 5.5 crores on a weekday. It's not that you're negotiating with a large company or Microsoft on a daily basis or a monthly basis or a quarterly basis, right? The hotels have been priced, and I'll repeat on a demand and supply, right?

Now GST you're right for in the mid-scale segment, on that given day, if you were to assume the rates were INR 100, the customer is paying INR 7 less GST. The input tax credit is being lost by us, not by the customer, right? But again, the hotels are being repriced on a daily basis. So, the same segment has reported a 14% to 16% revenue growth. I'd like to believe some part of that was because for the customer, the real rate growth may not have been 16%.

But again, not easy to say that because the rate growth is being reported on a weighted average basis, whereas the GST, INR 5 to INR 7 depends on -- so let's say, if Rajat buys a room for INR 7,000, the same day I'm being sold the room for INR 8,000 in the same hotel, right? On that pro rata income that Rajat has given me, I lose input tax credit on my, I don't.

And it's just not possible to determine for those rooms which were sold for less than INR 7,500 was there a price increase? So, I know we would like to calculate it to the last level, but it's just not possible mathematically. We'll have to agree to the fact that the total revenue growth in the same segment where GST is most applicable has been 14% and 16% Y-o-Y in spite of 3 weeks in December being wiped out, right?

So let's feel good about the fact that the demand remains very strong. The pricing power remains with the hotel. And yes, in the short term, there is a Y-o-Y margin impact, but that will really disappear as we kind of start absorbing this revenue growth.

Rajat Mehra:

Also, not all the customers actually can take the benefit of the GST credit, whether in this era or earlier, the way credit can be taken by a corporate customer, if they have clear office which also has a GST number in the same state where the hotel is. So if somebody is traveling from Delhi to Bangalore and he is actually being charged GST in Bangalore and doesn't have an office in Bangalore, he can't take the GST credit for the stay he's doing.

So it's not that all the corporate customers are actually losing or gaining because of the GST. Some of them are. The only thing is, for them, the price has reduced on an overall basis. Instead of say, INR 118, they are paying INR 105 now, just for as an example. Yes.

Ashish Jakhanwala:

So, Hitendra, sorry, but there is no, unfortunately, a very easy answer to this. It's extremely complicated. And therefore, we should remain focused on what's been the real revenue growth in that same segment. And I think we are very confident that the revenue growth is so strong that even this margin compression will disappear in the next quarter or two.

Hitendra Pradhan:

Yes, sir. So this is well understood. In fact, you're right. So, I think the corporate customers who don't have the office will not be able to avail and also the individual customers anyways were not availing. So, for both these categories, it is cheaper.

This is well understood, sir. And on the pipeline of expansion, so I'm referring to Slide number 18. So, you have around 1,900-odd rooms that you have laid out that are going to come up till FY '30. What about the other inorganic opportunities or the pipeline, if you can throw some color on that? And is it even possible, given the balance sheet constraints that [inaudible 0:51:26]?

Ashish Jakhanwala:

So, Hitendra, I think I did mention in my opening remarks that we continue to have a pretty interesting actionable pipeline of available leases. And that kind of also addresses your second question about financial capability. And I wouldn't even go to balance sheet as it exists today because we are at 3x net debt-to-EBITDA.

A significant amount of our capital is invested in assets which are not producing EBITDA today. So if you were to only put debt on assets which are currently operating, our net debt-to-EBITDA will be 2.5x or so, right?

So the balance sheet is pretty in a solid state. We are generating about -- so if TTM free cash was INR 300 crores, but if I take the current interest rate levels because GIC investment happened in May, and therefore, the reduction in interest rates happened subsequent to that.

But if I take current interest rate, but historical EBITDA, our free cash will move from INR 300 crores to INR 350 crores, should be circa INR 400 crores plus in the next 12 months because of the growth in earnings. And trust me, INR 400 crores of free cash for a company like ours is more than adequate. Variable leases on the first day require, INR 5 crores, INR 7 crores, INR 8 crores, INR 10 crores, INR 15 crores investment.

Then your partner has to invest majority of the capital before you move in into the fit-outs, right? So I think the variable leases is our answer to continue to grow without really putting any pressure on our balance sheet because that only barely uses the free cash that the business produces.

A large part of our committed capex is in large projects like Westin Bangalore and Navi Mumbai, which in all fairness, the capex cycle will only kind of bulk up starting FY '28, '29, at which point of time, the EBITDA from W Hyderabad, the renovations, the Trinity Bangalore, all of that will also start kind of getting an impact on cash flow.

I think we have adequate buffer plus there's incremental INR 150 crores of investment pending from GIC over the next, let's say, 2, 2.5 years. So that also gets added to our free cash flow. Hitaindra, we are sitting in a very comfortable situation. And I have confirmed earlier and I'll reaffirm that most of our current discussions on pipeline are all variable leases, which do not require us to put cash up for acquiring an asset. It only requires us to do investment on fit-outs.

Hitaindra Pradhan:

Okay. Okay. And you also alluded to this the INR 3,000-odd crore revenue ambition in the next 4-odd years. So that is around almost 2.5x more than the current run rate. So, this INR 300 crores free cash flow that you have produced in the TTM basis, so this is after including everything other than growth capex, I'm assuming this INR 300 crores.

So that you also expect to go up in the similar fashion, like 2.5x in the next 5 years? And I'm assuming that this is without any incremental acquisitions that you may do. So is that the right understanding, sir?

Ashish Jakhanwala:

If you look at our Investor Day presentation, we have clearly articulated in that, that the total EBITDA accumulation in the next 4 to 5 years is expected to be in the zip code of about INR 3,000 crores, INR 3,500 crores. And we've given the whole list of capex that we have with investable surplus on top of that. So you're absolutely right, the number is clearly 2.4x our current revenue run rate.

But that's not a difficult thing because a majority of our new inventory that is getting added is all in the upscale, upper upscale space. So today, if your revenue per key is, let's say, INR 25

lakhs per key, in the same period, the revenue per key for an upscale asset will be INR 50 lakhs, INR 55 lakhs in those cities where we've invested our capital.

So, this addition of W Hyderabad and the Westin Bangalore, some of the other assets is also helping us maintain that growth rate. So yes, the INR 3,000 crores target that we have is based on 2 or 3 assumptions. The same-store will grow between 9% and 11% CAGR in terms of revenue.

Two, you will have incremental revenues coming from the growth initiatives that we've already invested in, by the way, and we are fully funded in terms of current cash and future cash flows. That takes us to the INR 3,000 crores.

It does not envisage any new acquisition. So that's how we add up that INR 3,000 crores, largely. Only variable in that is that assumption of 9% to 11% CAGR on same-store revenue. And since we made that presentation last year, at least for 3 quarters subsequent to that, we maintained our revenue growth which is ahead of that.

Hitendra Pradhan: And that includes the impact of these 473 rooms which are rebranded and 1,450 new additions?

Ashish Jakhanwala: Yes, yes. Everything. Everything, everything.

Hitendra Pradhan: And this INR 300 crores free cash flow that you have produced on a TTM basis before growth capex, so that you assume should also grow in line with revenue?

Ashish Jakhanwala: More than revenue because there's always operating leverage. So, typically, if you see our revenue growth was 16%. Our EBITDA growth before GST impact was 19%. Eventually, you will go back to that mathematics as you kind of adjust your baseline. So you have seen the EBITDA growth remain in excess of the revenue growth.

Then beyond that, our interest cost remains flat. And therefore, the cash growth continues to be even higher than that. So if your revenue growth is, let's say, 14%, 15%, your cash growth will be substantially higher than that because of; A, operating leverage; and B, interest cost remaining stable.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to the management for closing comments. Thank you, and over to the management.

Ashish Jakhanwala: Thank you, everybody, for a very engaging call. I would reiterate the fact that I know sometimes these small changes to the regulation distract us, but that had a 2% impact on revenue, and that revenue grew at 16% Y-o-Y.

So, we should remain steadfast focused on the fact that demand and supply continues to remain extremely favorable to the incumbent owners, operators in the sector in India. We are actually quite excited about the broader changes in the economy, including rationalization of GST, which is boosting local demand, local consumption. That's the only reason we are surviving through several event risks, still coming out strong.

Our core market -- what's been the most humbling data to see is that in our core markets for the last 9 months, the net office absorption remains to be extremely strong. Bangalore is touching 12 million square feet for a 9-month period. All other cities, Bombay, Hyderabad, Pune, NCR, even Chennai now is touching 6 million to 7 million square feet.

I think with that backdrop, we remain fairly confident that our curve will remain at or ahead of our long-term target, and that helps us get to at least a targeted number of INR 3,000 crores revenue by FY '30. So, look forward to speaking to you again next quarter, and thank you so much for your time.

Moderator:

Thank you very much. On behalf of SAMHI Hotels Limited, that concludes this conference. Thank you all for joining us today, and you may now disconnect your lines.