Samhi Hotels (SAMHI IN)

Rating: BUY | CMP: Rs176 | TP: Rs267

A turnaround expert

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Contents

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Company Initiation

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	9,574	11,474	12,807	14,287
EBITDA (Rs. m)	2,665	4,086	4,773	5,483
Margin (%)	*27.8*	*35.6*	*37.3*	*38.4*
PAT (Rs. m)	(2,346)	802	1,483	2,216
EPS (Rs.)	(10.7)	3.6	6.7	10.1
Gr. (%)	*NA*	*NA*	*84.9*	*49.4*
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	*NA*	*7.4*	*12.4*	*16.1*
RoCE (%)	*6.1*	*9.1*	*10.5*	*11.9*
EV/Sales (x)	6.1	5.1	4.6	4.0
EV/EBITDA (x)	21.8	14.4	12.3	10.4
PE (x)	NA	48.4	26.2	17.5
P/BV (x)	3.7	3.5	3.1	2.6

Key Data	SAMH.BO | SAMHI IN
52-W High / Low	Rs. 226 / Rs. 120
Sensex / Nifty	77,044 / 23,437
Market Cap	Rs. 39 bn/ $ 455 m
Shares Outstanding	221m
3M Avg. Daily Value	Rs. 266.98m

Shareholding Pattern (%)	
Promoter's	-
Foreign	51.94
Domestic Institution	13.96
Public & Others	34.09
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	28.3	(11.9)	(11.4)
Relative	22.9	(6.8)	(16.2)

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We initiate coverage on Samhi Hotels with a BUY rating and TP of Rs267 (14x FY27E EBITDA). We believe Samhi's competitive edge stems from its 1) ability to identify and acquire under-performing hotel assets enabling rapid inventory expansion (number of keys have increased from 252 in FY14 to 4,801 in FY24) 2) strong brand equity amid tie-ups with global brands like Marriott, Hyatt and IHG and 3) strategic positioning of assets in key office & aviation markets. Led by acquisition of assets in Bengaluru and Hyderabad, we expect the room inventory to rise from 4,823 keys in FY25E to 5,542 keys in FY29E. Muted supply growth in key markets like Bengaluru, Hyderabad, Pune & NCR is expected to drive 300bps rise in occupancy while ARR is expected to clock a CAGR of 9% over FY25E to FY29E led by improvement in room mix (share of upper up-scale inventory is likely to double to 2,013 rooms by FY29E). Overall, we expect revenue/EBITDA CAGR of 14%/19% over FY25E-FY29E and initiate BUY on the stock with a TP of Rs267 (14x FY27E EBITDA).

Strategically located portfolio in key commercial hubs: Samhi's hotel portfolio is located in high-density business districts of key metro cities in India. The top 5 regions – Bengaluru, Hyderabad, Pune, Chennai and NCR – contributing 79% of room inventory, have commercial office supply of 634 mn sq ft and additional supply of 137 mn sq ft is in pipeline. We believe Samhi's strategic positioning in key business districts provides a competitive edge as 1) there is limited threat of new hotel supply in these high-demand commercial hubs, 2) corporate demand is less volatile, enabling stable occupancy even during downturns, and 3) locational advantage aids in pricing.

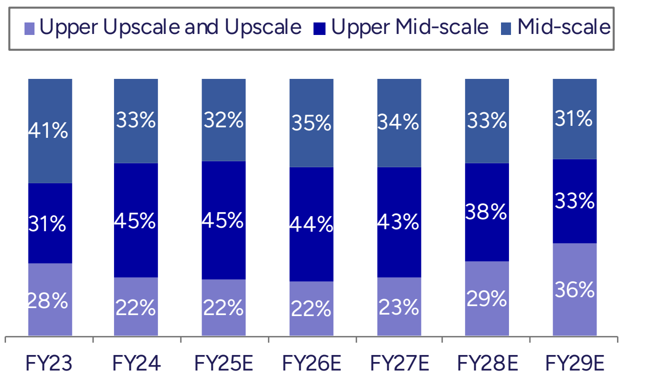
Proven track record in turnaround-led acquisitions: Samhi follows an acquisition led growth strategy whereby it acquires an under-performing asset/hotel and turns it around by focusing on renovation, rebranding, and operational enhancements. Notable successes in past include the transformation of Holiday Inn Express and ACIC portfolio. Overall, we believe acquisition-led growth model not only cuts down the gestation period of a new hotel and shortens capex to revenue cycle but has also enabled Samhi to grow at a fast pace with number of keys increasing from 252 in FY14 to 4,801 in FY24.

Buy-outs in Bangalore and Hyderabad to boost growth: In Oct'24, Samhi acquired Inmar Tourism & Hotels Pvt Ltd, which operates an hotel with 142 rooms in Whitefield, Bengaluru, for an EV of Rs2,050mn. The hotel will be renovated and rebranded as Tribute, Marriott, by FY28E, which will entail a capex of Rs700-800mn. In addition, there are plans to expand the complex and construct an additional hotel with 200-220 rooms, entailing a capex of Rs2,700mn. Apart from Bangalore, in Nov'24, Samhi also entered into a long-term variable lease agreement with Mariott, in Hitec City, Hyderabad, to convert an existing office building into an upper upscale hotel (brand "W") with 170-175 rooms entailing a capex of Rs1,800-1,900mn. Acquisition of assets in Bangalore and Hyderabad will not only boost growth but also aid margins as share of upper-upscale inventory is set to rise henceforth.

Outlook and valuation: We expect revenue CAGR of 14% over FY25E-29E led by 1) expansion of room inventory, 2) 9% CAGR in ARR amid improvement in room mix, and 3) 300bps rise in occupancy given muted supply growth in the 4 key markets. On the other hand, we expect EBITDA CAGR of 19% over FY25E-29E with improvement in margin from 35.6% in FY25E to 38.5% in FY27E and 41.6% in FY29E led by 1) rising share of upper upscale inventory, 2) improved fixed cost absorption, and 3) repricing within the ACIC portfolio post migration from the franchise to management contract route. We initiate with a BUY and TP of Rs267 (14x FY27E EBITDA).

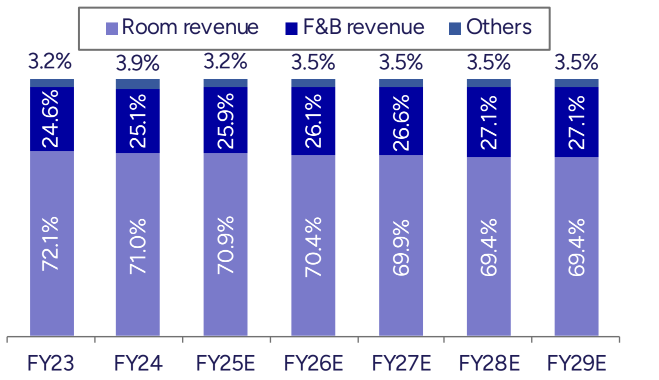
Story in Charts

Exhibit 1: Segmental inventory mix (%) of Samhi Hotels



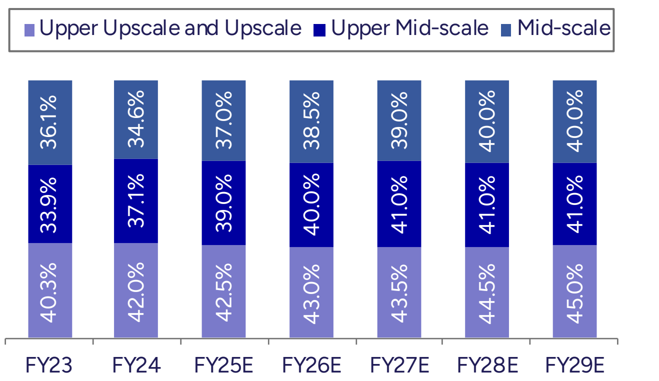
Source: Company, PL

Exhibit 2: Room revenue to form ~70% of FY29E sales



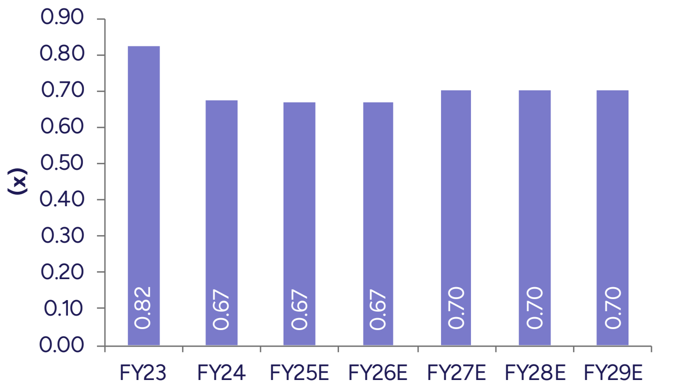
Source: Company, PL

Exhibit 3: Upper upscale & upscale have the best EBITDA margins



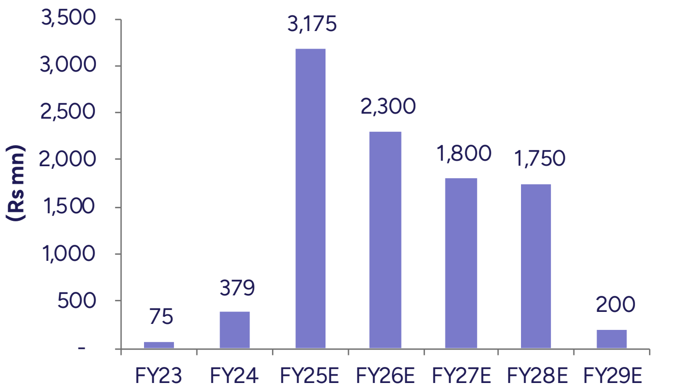
Source: Company, PL

Exhibit 4: Staff-to-room ratio to stabilize at 0.70x in FY29E



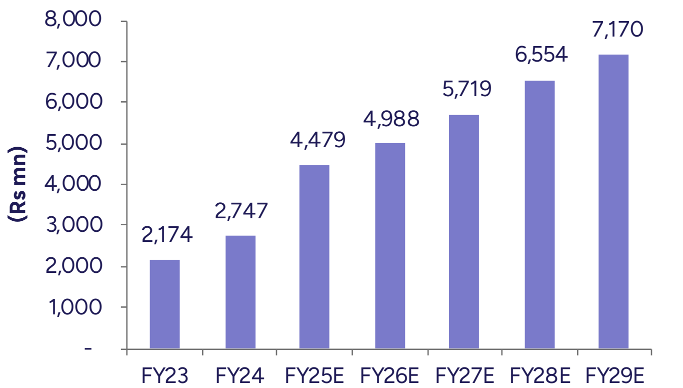
Source: Company, PL

Exhibit 5: Capex to decline to Rs200mn in FY29E



Source: Company, PL

Exhibit 6: OCF to reach Rs7,170mn in FY29E



Source: Company, PL

Company Overview

Inorganic route is a key growth pillar for Samhi

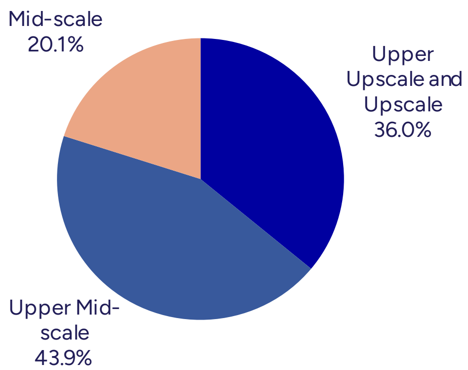
Incorporated in 2010, Samhi Hotels Limited (SAMHI IN) is one of the largest hotel owners and asset managers in India, specializing in acquisition, development and operation of hotels across major metro cities. As of 3QFY25, Samhi operated 32 hotels with a total of 4,939 keys, strategically located in key business districts like Bengaluru, Hyderabad, Pune and NCR. Samhi's portfolio spans across 3 segments – upper upscale and upscale, upper midscale, and midscale – at varying price points.

As of 3QFY25, the portfolio breakdown is as follows:

- **Upper upscale & upscale**: 6 hotels (1,216 rooms), representing 24.6% of total room inventory, with ARR of Rs10,683, occupancy of 75% and RevPAR of Rs8,043
- **Upper midscale**: 15 hotels (2,163 rooms), accounting for 43.8% of room inventory, with ARR of Rs6,203, occupancy of 70% and RevPAR of Rs4,362
- **Midscale**: 11 hotels (1,560 rooms), accounting for 31.6% of inventory, with ARR of Rs4,028, occupancy of 73% and RevPAR of Rs2,948

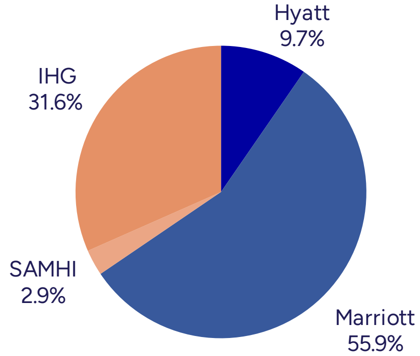
Samhi follows an acquisition-led growth strategy whereby it identifies and acquires underperforming assets/hotels. Subsequently, the hotels are renovated and re-branded with global brands like Marriott, Hyatt and IHG.

Exhibit 7: Midscale formed only ~20% of FY24 room revenue



Source: Company, PL

Exhibit 8: Marriott is the operator for ~56% of room inventory



Source: Company, PL

Note: Mix is after conversion of Bangalore hotel to Tribute brand

Samhi was founded by Mr Ashish Jakhanwala (MD & CEO). After incorporation in 2010, Samhi raised initial seed money from GTI and Blue Chandra and started expanding inorganically by raising money along the way from a clutch of investors.

Exhibit 9: History & milestones of Samhi Hotels

Calendar year	Events and milestones
2010	Incorporation of Samhi Hotels.
2011	Initial equity investment by GTI Samhi Pte Limited and Blue Chandra in Samhi.
2012	Opening of the corporate office in Gurugram. Acquisition of a majority stake (60%) in Barque and addition of Formule 1 Hotels to the portfolio.
2014	Investment by IFC in Samhi by way of subscription to FCCDs.
2015	Equity investment by GSA in Samhi.
2016	Acquisition of 100% shareholding in Ascent, which owns Hyatt Regency Pune hotel.
2017	Acquisition of the remaining 40% shareholding in Barque, making it a wholly owned subsidiary of Samhi. Entered into hotel operator agreements with InterContinental Hotels Group for rebranding the hotel portfolio, which was acquired as part of Barque, to "Holiday Inn Express".
2018	Acquisition of Luxury Singapore Holding Company Pte Limited's 33% shareholding in SAMHI JV; thus, Samhi acquired 100% shareholding of SAMHI JV.
2023	Acquisition of ACIC SPVs, which include 962 keys across 6 operating hotels in the upper midscale segment under Fairfield by Marriott and Four Points by Sheraton brands and a parcel of land for the development of a hotel under the upper midscale segment in Navi Mumbai, Maharashtra.
2024	Acquisition of Innmar Tourism and Hotels Private Limited, which owns an operating hotel with 142 rooms in Whitefield, Bengaluru. There is further expansion opportunity to add a second hotel with 200-220 rooms and take the total inventory of the complex to 340-360 rooms in the upper upscale & upscale segments. Signing of a long-term variable lease agreement in Hitec City, Hyderabad, to develop an upper-upscale hotel with 170-175 rooms.

Source: Company, PL

We believe Samhi's competitive edge stems from its:

- Ability to identify and turn around underperforming assets, thus enabling rapid growth (number of keys have increased from 252 in FY14 to 4,801 in FY24).
- Tie-ups with global brands like Marriott, Hyatt and IHG.
- Strong focus on office and aviation markets that have predictable and sustainable growth prospects.
- Presence across multiple price points.

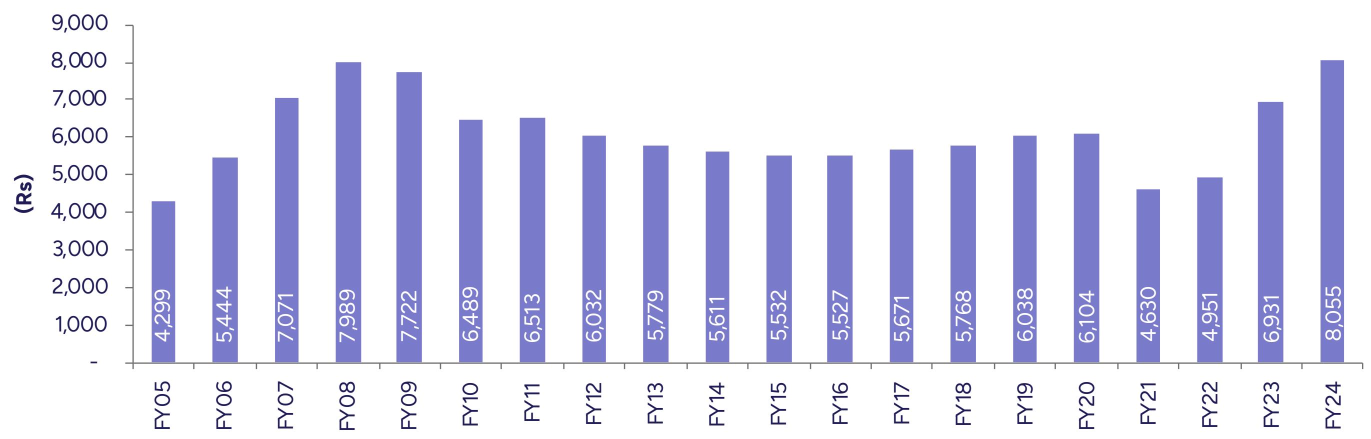
Investment Arguments

Hotel industry is in an upturn amid muted supply growth

Hotel industry is deeply cyclical and the magnitude of gap between demand and supply determines the extent as well as length of upcycle or downcycle. Since it takes 3-4 years for a new hotel to become operational, industry cycles are typically longer. An upcycle is characterized by rise in RevPAR and vice versa. We believe RevPAR is a true metric to assess industry cycles as it is a function of occupancy and ARR.

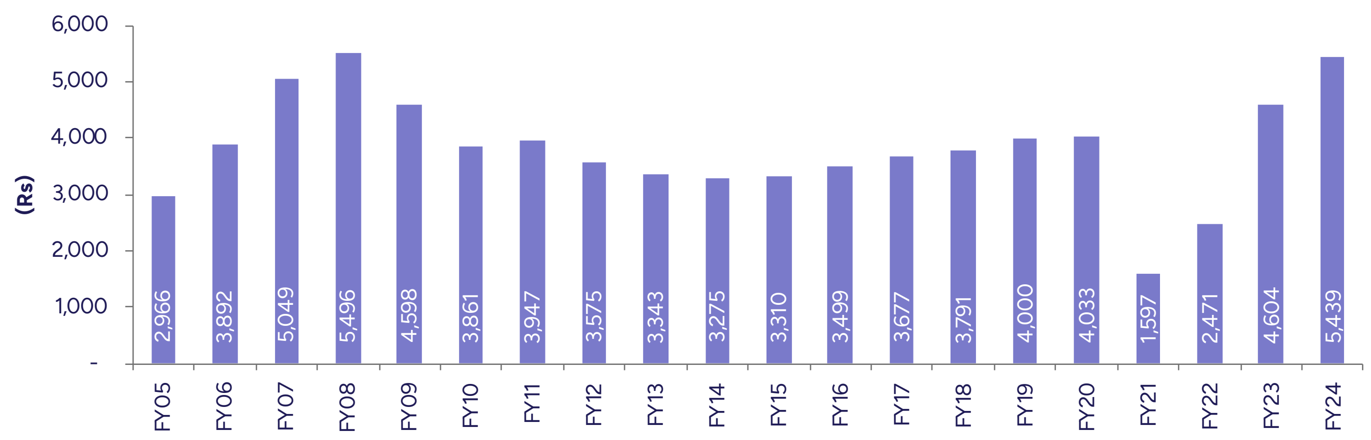
A classic upcycle was witnessed in FY03-08 when industry RevPAR increased at a CAGR of 24.1%. However, RevPAR declined on steady basis since FY08 and started witnessing an uptrend since FY17. While growth momentum was impacted by the pandemic in FY21 and FY22, recovery post COVID has been extremely swift. We expect the upcycle journey to continue as branded room supply is expected to increase from 1,80,403 units in FY24 to 2,69,109 units in FY29E, a CAGR of 8.3% over FY24-FY29E.

Exhibit 10: Industry ARR has grown at a CAGR of 3.7% over FY14-FY24



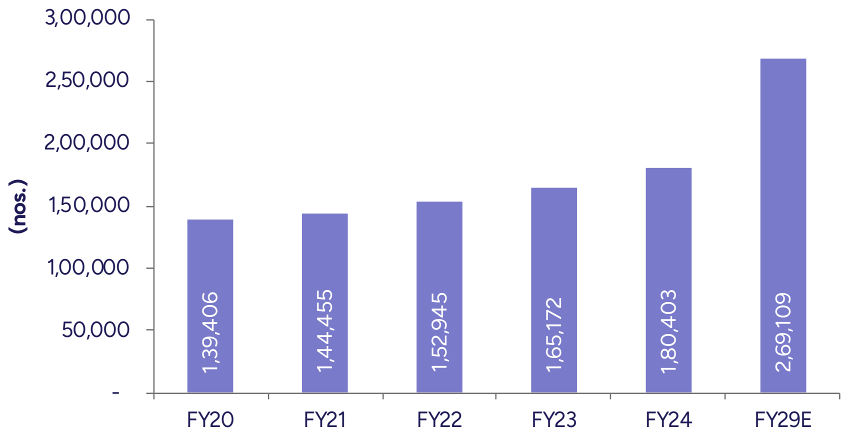
Source: Hotelivate, PL

Exhibit 11: Industry RevPAR has grown at CAGR of 5.2% over FY14-FY24



Source: Hotelivate, PL

Exhibit 12: Branded inventory to reach 2,69,109 units in FY29E

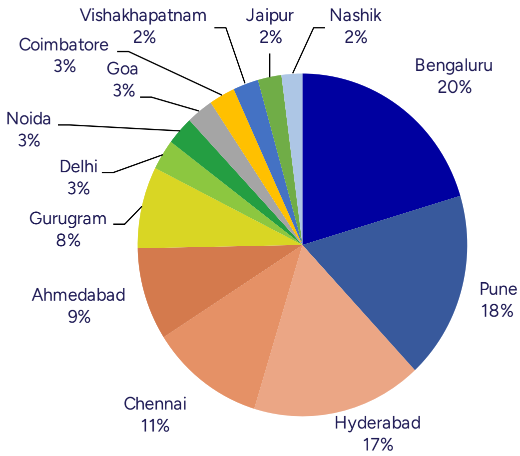


Source: Hotelivate, PL

Strategically located portfolio in key commercial hubs

Samhi's hotel portfolio is located in high-density business districts of key metro cities in India. Metro-centric strategic positioning results in high entry barriers, as these areas are typically fully exploited with limited possibility of new hotel supply. Such positioning not only helps during the upcycle (as ability to take a price hike is higher in metro markets) but also benefits during downcycle as occupancy levels do not fall materially given corporate demand is less volatile.

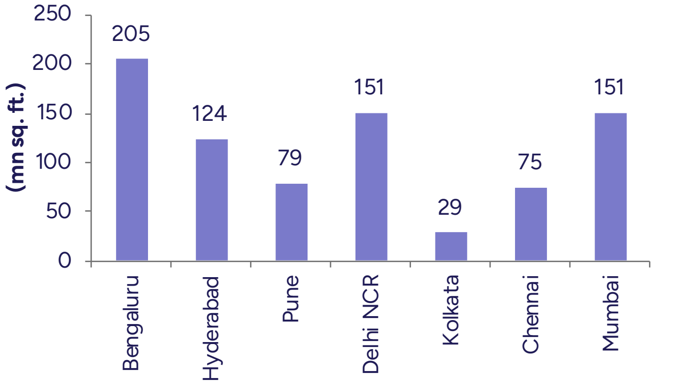
Exhibit 13: Bengaluru, Pune, Hyderabad, Chennai and Delhi NCR form 79% of inventory



Source: Company, PL

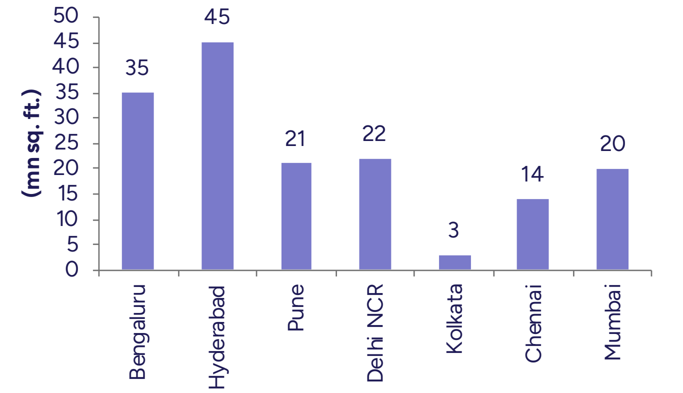
The top 5 regions viz; Bengaluru, Hyderabad, Pune, NCR and Chennai forming 79% of Samhi's room inventory, have commercial office supply of 634 mn sq ft. Additional supply of 137 mn sq ft is in pipeline, which is expected to drive demand for business hotels in these areas.

Exhibit 14: Bengaluru leads office market with 205mn sq.ft.



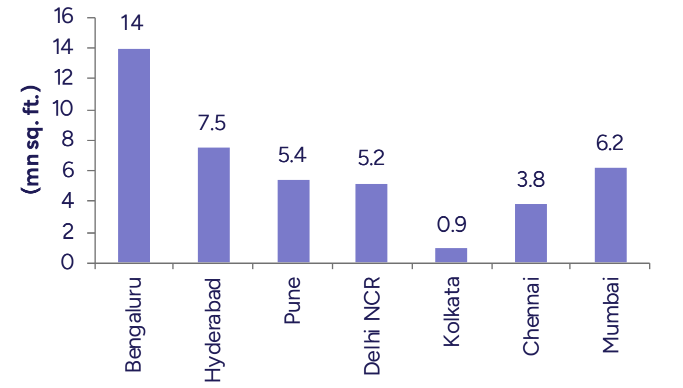
Source: Company, PL

Exhibit 15: Hyd. tops upcoming office market with 45mn sq.ft.



Source: Company, PL

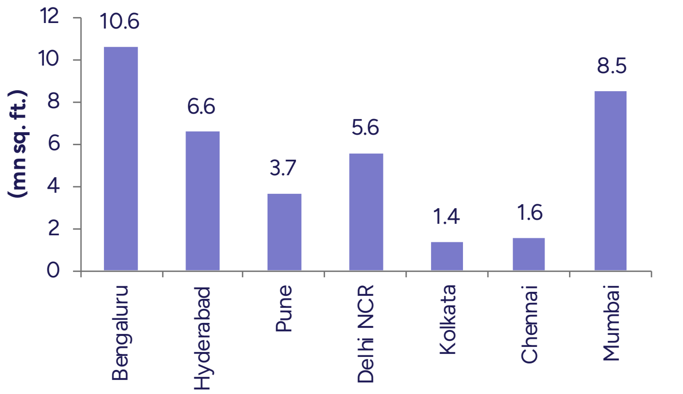
Exhibit 16: 4 key markets* capture ~75% of absorption in FY24



Source: Company, PL

** Key markets include Bengaluru, Hyderabad, Pune, and NCR*

Exhibit 17: 4 key markets* have ~70% of absorption in 9MFY25



Source: Company, PL

** Key markets include Bengaluru, Hyderabad, Pune and NCR*

We believe Samhi's strategic positioning in key business districts provides a competitive edge as: - 1) there is limited threat of new hotel supply in these high-demand commercial hubs, 2) corporate demand is less volatile, enabling stable occupancy even during downturns, and 3) locational advantage aids in pricing.

New room supply CAGR at 4.7% over FY24-29E in key markets

As of 3QFY25, Samhi had 824 keys in Hyderabad (additional 224 keys in the pipeline), 873 keys in Pune (additional 22 keys), 1,006 keys in Bengaluru (additional 276 keys), and 656 keys in NCR. Collectively, these 4 regions constitute 68% of room inventory. In addition, Samhi has 554 keys in Chennai (additional 86 keys in pipeline) and 432 keys in Ahmedabad, and has plans to open a new hotel with 111 keys in Kolkata.

As Samhi's portfolio is metro centric, where penetration is high, the threat of new room supply is low. Over FY19-24, new room supply in key geographies, viz; Hyderabad, Pune, Bengaluru and NCR, where Samhi has strong presence, has grown at a CAGR of just 2.4%. Further, new room supply in these regions is expected to grow at a CAGR of 4.7% to 68,154 rooms by FY29E, which bodes well for Samhi.

Exhibit 18: New room supply in key markets grew at 2.4% CAGR over FY19-24

City	FY19	FY20	FY21	FY22	FY23	FY24	*CAGR*
Bengaluru	13,366	13,691	13,647	13,806	15,364	16,261	*4.0%*
Hyderabad	6,672	7,393	7,381	7,450	7,370	7,379	*2.0%*
NCR*	21,868	21,994	22,320	22,580	22,987	23,498	*1.4%*
Pune	6,212	6,712	6,615	6,572	6,789	6,951	*2.3%*
Total	**48,118**	**49,790**	**49,963**	**50,408**	**52,510**	**54,089**	***2.4%***

*Source: Company, PL *NCR includes Delhi, Gurugram and Noida*

Exhibit 19: New room supply in key markets to log 4.7% CAGR over FY24-29E

City	Room supply as of FY24	Planned addition over FY24-29E	Room supply as of FY29E	5-year supply CAGR
Bengaluru	16,261	5,569	21,830	6.1%
Hyderabad	7,379	1,652	9,031	4.1%
NCR*	23,498	6,109	29,607	4.7%
Pune	6,951	735	7,686	2.0%
Total	**54,089**	**14,065**	**68,154**	**4.7%**

*Source: Company, PL *NCR includes Delhi, Gurugram and Noida*

As there is limited scope to add new inventory in metros, demand-supply dynamics are likely to remain favorable over FY24-29E, resulting in better pricing power for Samhi.

Strong brand equity via global partnerships

Samhi is an asset owner and has strategic alliance with globally renowned brands like Marriott, Hyatt and IHG. As of 3QFY25, Samhi had 32 hotels with 4,939 keys. Of these,

- 2 hotels with 477 keys are managed by Hyatt
- 17 hotels with 2,618 rooms are managed by Mariott (ACIC portfolio of 962 rooms is being managed under the management contract route from Nov'24)
- 11 hotels with 1,560 rooms are managed by IHG
- 2 hotels with 284 rooms are managed by Samhi (recently acquired 142-room hotel in Bengaluru operating under the brand "Trinity" is included here as re-branding under Marriott umbrella is set to happen in FY28E)

Exhibit 20: Diverse brand presence via partnerships with strong global brands

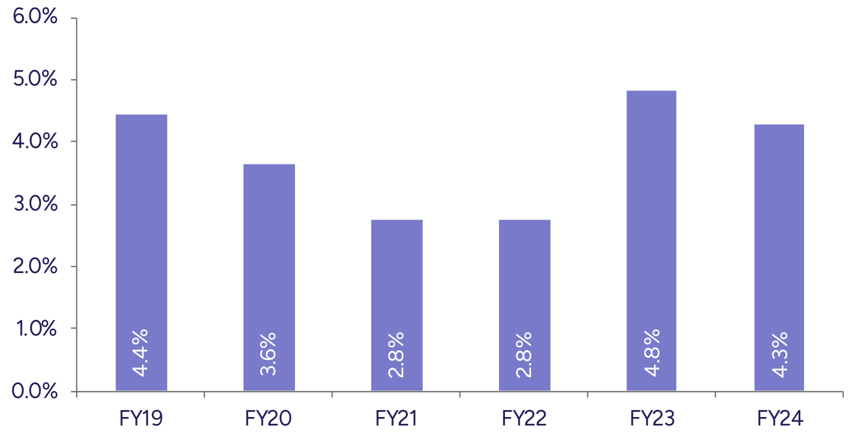
Segment	No. of hotels	No. of rooms	Brands
Upper upscale & upscale	8	1,682	Sheraton, Courtyard By Marriott, Renaissance, Hyatt Regency, Hyatt Place, Westin Hotels & Resorts, Tribute Portfolio, W Hotels
Upper mid-scale	15	2,249	Fairfield by Marriott, Four Points by Sheraton
Mid-scale	12	1,727	Holiday Inn Express
Total*	**35**	**5,658**	

*Source: Company, PL * Includes hotels & rooms in pipeline*

Service agreements with hotel operators typically range from 20-30 years, and Samhi is obliged to pay a management contract fee for various services rendered by these brands. Key advantages of partnership with globally renowned brands like Marriott, Hyatt and IHG are as follows:

- Access to the distribution network, clientele and loyalty program of these hoteliers (aids in boosting occupancy)
- Access to operational know-how and processes of global hoteliers
- Ability to attract foreign tourists
- Ability to compete better with peers – creating an own brand is a long-drawn process. Having access to renowned brands via strategic tie-ups enables an asset owner to compete better

Exhibit 21: Management & incentive fees formed 4.3% of FY24 sales



Source: Company, PL

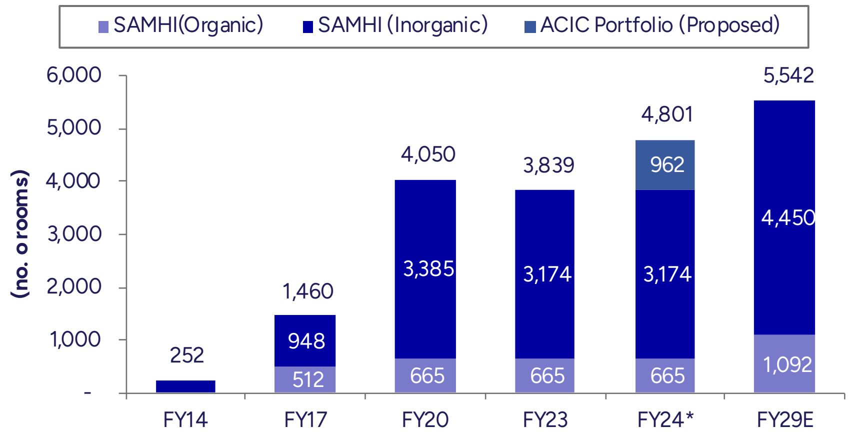
Proven track record in turnaround-led acquisitions

Samhi follows an acquisition-led growth strategy whereby it identifies an underperforming asset/hotel by evaluating specific factors like:

- Location
- Demand-supply dynamics of the micro market
- Acquisition price vis-à-vis replacement cost of the target
- Product positioning and
- Expected future profitability

The acquisition-led strategy has enabled Samhi to grow at a fast pace and significantly increase the number of keys from 252 in FY14 to 4,801 in FY24. Led by the acquisition of hotels in Hyderabad (170 keys) and Bengaluru (362 keys: 142 keys acquired, 220 keys through planned greenfield construction), we expect the key count to further increase to 5,542 in FY29E.

Exhibit 22: Total no. of operating keys to reach 5,542 by FY29E



*Source: Company, PL *ACIC consolidation of 962 rooms*

Post-acquisition, Samhi implements a turnaround strategy focused on renovation, rebranding and operational enhancements, resulting in an improvement in KPIs such as RevPAR, ARR and profitability. Notable successes include the following:

Sheraton, Hyderabad: Samhi acquired Sheraton, Hyderabad, (operating under another brand at the time of acquisition) with 158 keys in Nov'14. Subsequently, Samhi 1) added 114 keys, 2) refurbished inventory and banquets, 3) added ancillary facilities like meeting rooms, spas, pool and a specialty restaurant, and 4) rebranded the hotel to Sheraton. Post renovation and rebranding, RevPAR increased to ~Rs8,100 in 2QFY25.

Exhibit 23: KPIs of Sheraton Hyderabad

Particulars	Pre-renovation		After renovation and rebranding				
	31-3-14	30-6-16	30-6-19	30-6-20	31-12-22	31-3-23	30-9-24
Occupancy	41.1%	28.3%	74.3%	75.2%	74.2%	76.7%	NA
ARR (Rs)	3,349	5,888	6,434	6,811	8,370	10,344	NA
RevPAR (Rs)	1,377	1,668	4,786	5,124	6,210	7,938	8,100

Source: Company, PL

Holiday Inn Express portfolio: Samhi acquired a portfolio of 9 hotels with 1,319 keys in Aug'17. Subsequently, Samhi 1) redesigned & upgraded the rooms, 2) added a gym, 3) added meetings space, 4) developed a new kitchen, and 5) rebranded each hotel to Holiday Inn Express. Post renovation and rebranding, RevPAR increased to ~Rs2,800 in 2QFY25.

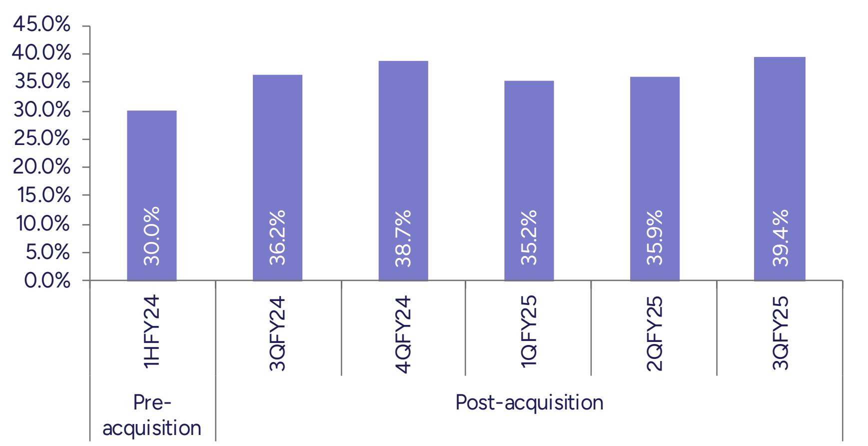
Exhibit 24: KPIs of Holiday Inn Express portfolio

Particulars	Pre-renovation	After renovation and rebranding			
	31-12-17	31-12-19	31-12-22	31-3-23	30-9-24
Occupancy	61.9%	67.2%	70.0%	78.4%	NA
ARR (Rs)	1,768	2,752	3,554	3,675	NA
RevPAR (Rs)	1,095	1,852	2,489	2,883	2,800

Source: Company, PL

ACIC portfolio: In Mar'23, Samhi entered into an agreement with Asiya Capital to acquire the ACIC portfolio comprising 6 hotels and 962 keys along with a land parcel in Navi Mumbai. ACIC acquisition expanded Samhi's presence in the upper midscale category within cities like Hyderabad, Pune, Chennai and Ahmedabad. The ACIC portfolio was integrated from 3QFY24 and post-acquisition, the EBITDA margin trajectory improved to 39.4% in 3QFY25. Given the re-alignment of cost structure and transition of ACIC portfolio from franchise to management contract route under the Marriott umbrella, we expect the EBITDA margin trajectory to improve further, going forward.

Exhibit 25: ACIC EBITDA margin improved to 39.4% in 3QFY25 (post-acquisition)



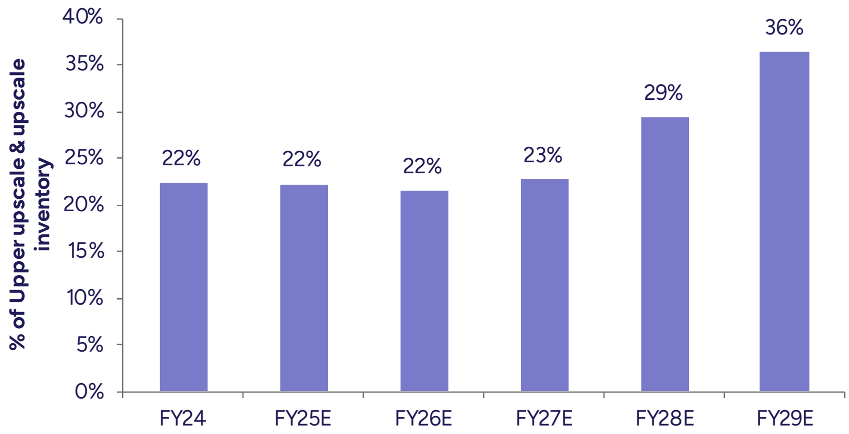
Source: Company, PL

Overall, we believe the acquisition-led growth model is beneficial for Samhi as it cuts down gestation period of a new hotel and shortens capex to revenue cycle.

Portfolio pivot towards premiumization to aid revenue & margins

As of FY24, the upper upscale and upscale category contributed 22% to Samhi's room inventory. Led by the expansion of rooms in existing hotels, addition of new hotels, and conversions, we expect the share of upper upscale category to rise to 36% by FY29E. Effectively, the upper upscale inventory is expected to increase from 1,074 in FY24 rooms to 2,013 rooms in FY29E.

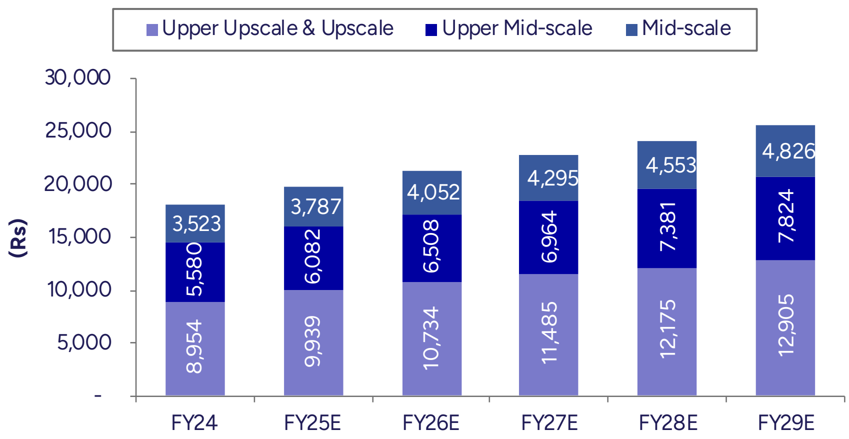
Exhibit 26: Upper upscale & upscale inventory to rise from 22% in FY24 to 36% by FY29E



Source: Company, PL

Rising share of upper upscale inventory is likely to aid growth and margins as the category commands significantly better ARR and profitability compared with upper midscale and midscale categories. In 3QFY25, ARR of the upper upscale category was 72%/165% higher than upper midscale/midscale category.

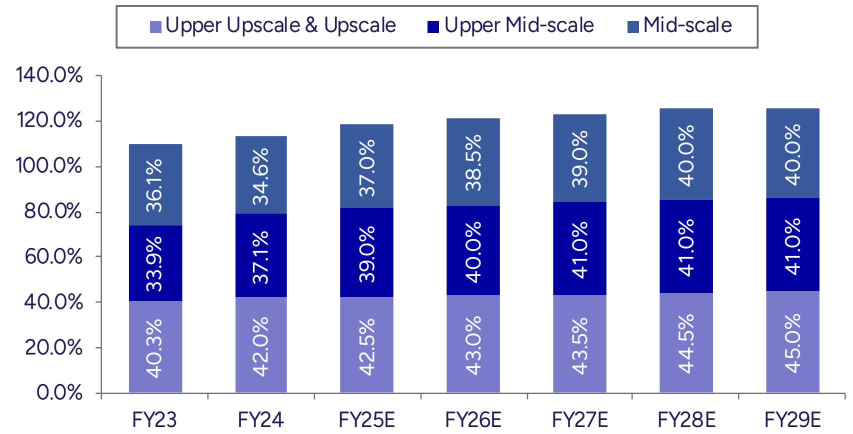
Exhibit 27: Upper upscale & upscale ARR to rise to Rs12,905 by FY29E



Source: Company, PL

Profitability profile of the upper upscale category is also significantly better than upper midscale and midscale categories. In FY24, asset EBITDA margin for the upper upscale category was 42.0% compared to 37.1%/34.6% for upper midscale /midscale.

Exhibit 28: Upper upscale & upscale EBITDA margin to rise to 45% by FY29E



Source: Company, PL

We believe pivot towards premiumization will not only accelerate top-line growth but also aid margin expansion, solidifying Samhi's competitive positioning in the premium hospitality space.

Twin buyouts in Bengaluru to aid inventory growth

In Oct'24, Samhi acquired Inmar Tourism & Hotels Pvt Ltd, which operates an hotel with 142 rooms in Whitefield, Bengaluru, for an EV of Rs2,050mn. The hotel will be renovated and rebranded as Tribute, Marriott, by FY28E, which will entail a capex of Rs700-800mn. In addition, there are plans to expand the complex and construct an additional hotel with 200-220 rooms, entailing a capex of Rs2,700mn. Samhi has already signed the management contract agreement with Marriott under "Westin" brand, and the hotel is expected to be operational by FY29E.

Exhibit 29: Asset description of hotels acquired in Bengaluru

Particulars	Existing hotel	Post renovation (Tribute, Whitefield, Bengaluru)	Expansion (Westin, Whitefield, Bengaluru)
Brand/ Segment		Upscale	Upper-Upscale
RevPAR (FY24) (Rs)	~3,250	~6,300*	NA
Rooms	142	140-150	200-220
Avg. Room Size	28 sqm	28 sqm	32-34 sqm
Meeting Space	~12,000 sqft	~12,000 sqft	More space will be added
F&B Restaurants	4	3	2 to 3
Amenities:			
Gym	Yes	Yes	Yes
Pool	Yes	Yes	Yes
Spa	Yes	Yes	Yes
Capex (Rs mn)		700-800	2,700

Source: Company, PL

**Based on RevPAR of competitive hotels in Whitefield micro market*

Whitefield is the 2nd largest micro market in Bengaluru with ~50mn sq.ft. of office space, and branded hotel supply is stable at ~3,000 rooms with a supply CAGR of 5-6% anticipated over the next 5-6 years. Further, Samhi already has presence in

Whitefield area with 2 hotels and 265 rooms, indicating strong knowledge of demand-supply dynamics in the region.

We believe expanding presence in a dense business district with limited supply of new inventory would lend pricing power to Samhi. In addition, Samhi intends to rejuvenate F&B offerings and add incremental meetings space in the new greenfield hotel, which should aid MICE revenue. We believe both the assets have significant potential as similar category of hotels in Samhi's portfolio currently yield revenue of Rs4.5-5.5mn per key with EBITDA margin of ~43%.

Capital-efficient inorganic expansion in Hyderabad market

In Nov'24, Samhi entered into a long-term variable lease agreement in Hitec City, Hyderabad, to convert an existing office building into an upper upscale hotel with 170-175 rooms. The office building comprises ~270,000 sqft of built-up area, which will be converted into a hotel by FY27E. Samhi has already entered into a management contract with Marriott under brand "W" and will incur a capex of Rs1,800-1,900mn for conversion.

Exhibit 30: Asset description of hotel acquired in Hyderabad

Particulars	W, Hitec City, Hyderabad
Brand/ Segment	Upper-Upscale
Built-up Area	~2,70,000 sqft (Including 3 basements)
Rooms	170-175
Avg. Room Size	40-45 sqm
Meeting Space	~7,000 sqm
F&B Restaurants	2 to 3
Amenities:	
Gym	Yes
Pool	Yes
Spa	Yes
Capex (Rs mn)	1,800-1,900

Source: Company, PL

Hitec City is one of the strongest micro markets in Hyderabad with 66 mn sq ft of office space and branded hotel supply of ~2,000 rooms. Given the favorable demand-supply dynamics, strong location and tie-up with a reputed brand, we believe the hotel can easily debut at RevPAR above Rs10,000.

This is a unique model of expansion adopted by Samhi whereby a commercial building will be converted into a hotel. We believe it is a win-win situation for both parties as finding a commercially viable tenant for a standalone office building is challenging (the building is ready and vacant) vis-à-vis a business or an IT park. In the case of Samhi, the conversion model not only facilitates direct entry into the micro market of Hyderabad but also provides a capital-efficient way to expand. It also cuts down on the gestation period to build a new hotel.

Financial Projections

Revenue CAGR of 14% over FY25E-FY29E

We expect revenue CAGR of 14.3% over FY25E-29E led by 1) expansion of room inventory, 2) 9% CAGR in ARR amid improvement in room mix, and 3) 300bps rise in occupancy given muted supply growth in the 4 key markets.

Expansion of room inventory: Room inventory is expected to increase from 4,823 in FY25E to 5,542 in FY29E (after accounting for the recent sale of a hotel in Chennai with 116 rooms) led by organic and inorganic expansion:

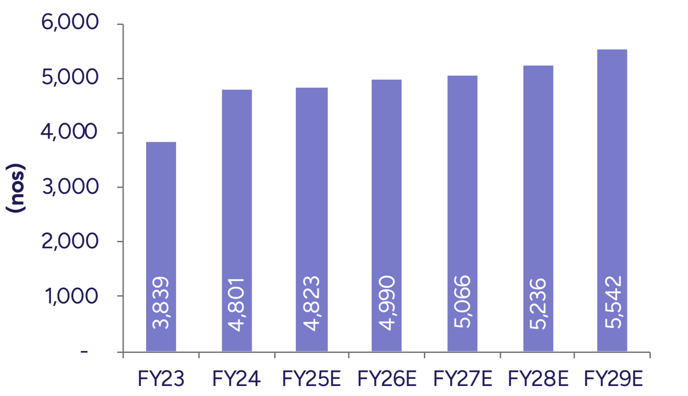
- **Inorganic addition of ~532 rooms at Bengaluru & Hyderabad**: Recent acquisition of a hotel in Bengaluru has added 142 rooms to Samhi's portfolio. This hotel will be rebranded as "Tribute" by Marriott once the renovation exercise is complete by FY28E. In addition, there are plans to construct another hotel with 220 rooms adjoining Tribute, and the management contract has already been signed with Marriott under brand "Westin". Samhi has also signed a variable lease agreement to convert an existing office building in Hitech City, Hyderabad, into an upper upscale hotel with 170 rooms by FY27E. Management contract for this hotel has been signed with Marriott under brand "W". Thus, recent acquisitions would add ~532 rooms to Samhi's portfolio, post renovation, rebranding and conversion.

- **Organic addition of ~329 rooms in near term:** 111/56 rooms at Kolkata/Bengaluru are ready and will aid growth from FY26E. In addition, 54 rooms at Sheraton, Hyderabad, and 22 service apartments at Hyatt Regency, Pune, are under development and will be ready by FY26E. Besides, expansion of 86 rooms at Fairfield by Marriott, Chennai, will be complete by FY28E. Except for Chennai, inventory addition in other locations is likely to be completed within 2 years, aiding overall growth prospects in the near term.

Improvement in room mix to boost ARR: We expect 9% CAGR in ARR over FY25E-29E amid improvement in room mix. Samhi's upper upscale inventory that commands better pricing, is likely to double from 1,074 rooms in FY25E to 2,013 rooms in FY29E. As of 9MFY25, ARR in the upper upscale category was ~61%/160% higher than the upper midscale/midscale category, reflecting a huge premium. Thus, as the inventory portfolio gravitates toward the upper upscale category, ARR is likely to get a material boost.

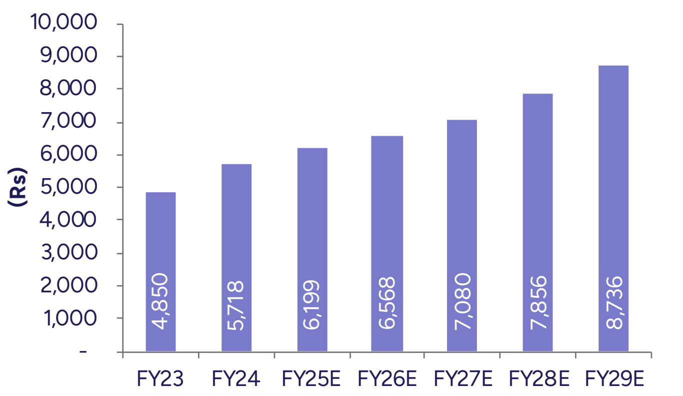
Occupancy to rise with muted supply growth in key markets: Occupancy is expected to rise from 74% in FY25E to 77% in FY29E as Samhi's key markets Bengaluru/Hyderabad/Pune/NCR are likely to witness new supply CAGR of 6.1%/4.1%/2.0%/4.7% over FY24-29E. Limited supply of new inventory and strategic positioning of hotels in key business districts is likely to aid demand and thereby occupancy.

Exhibit 31: Room inventory to rise to 5,542 units by FY29E



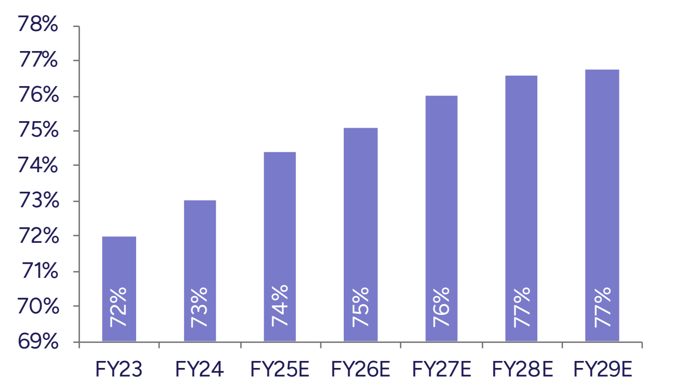
Source: Company, PL

Exhibit 32: ARR CAGR estimated at 9.0% over FY25E-29E



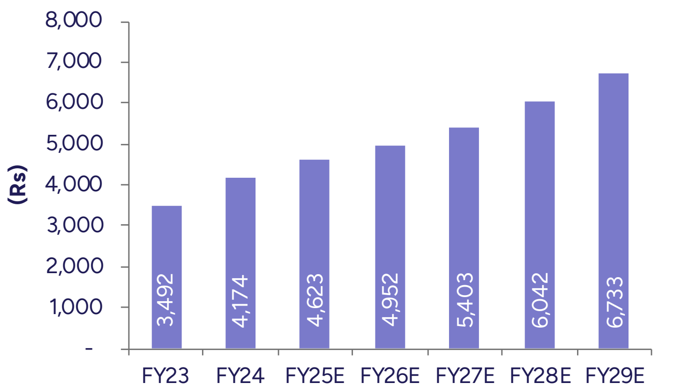
Source: Company, PL

Exhibit 33: Occupancy levels to improve to 77% in FY29E



Source: Company, PL

Exhibit 34: RevPAR CAGR estimated at 9.9% over FY25E-29E



Source: Company, PL

EBITDA to clock 19% CAGR over FY25E-29E

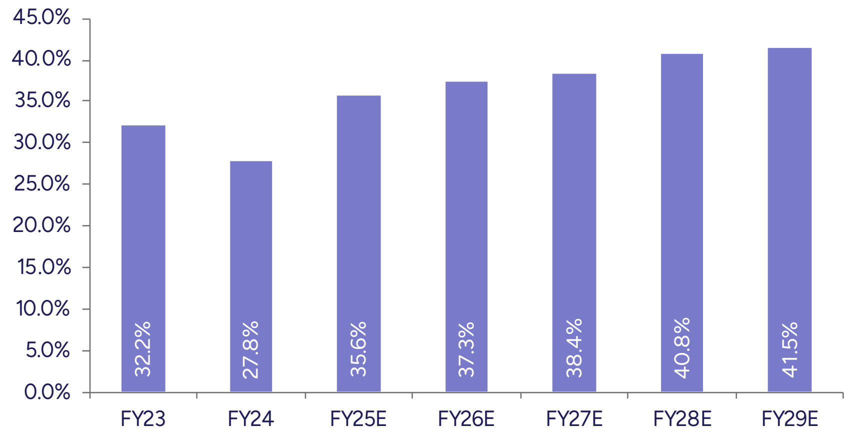
We expect EBITDA CAGR of 18.8% over FY25E-29E with improvement in margin from 35.6% to 38.4% in FY27E and 41.5% in FY29E led by 1) rising share of upper upscale inventory, 2) improved fixed cost absorption, and 3) repricing within the ACIC portfolio post migration from the franchise to management contract route.

- **Rising share of upper upscale inventory:** Doubling of upper upscale inventory by FY29E is likely to boost the EBITDA margin profile. As of FY24, the asset EBITDA margin of upper upscale/upper midscale/midscale hotels was 42.0%/37.1%/34.6%, indicating significant margin leverage at the top end of the pyramid. Increasing share of upper upscale inventory is likely to uplift the EBITDA margin trajectory of Samhi.

- **Better fixed cost absorption from expansion of inventory in existing hotels:** Apart from 111 rooms in Kolkata, addition of 56/54/22/86 rooms at Bengaluru/Hyderabad/Pune/Chennai is basically expansion of inventory within existing hotels. Addition of inventory to an existing hotel leads to better absorption of fixed cost and cuts down on the time required to stabilize a new hotel. In addition, an operational hotel already has an established customer base, aiding occupancy right at the outset.

- **Migration of ACIC portfolio to "managed route" to aid margins**: Since the acquisition of ACIC portfolio with 962 rooms in 3QFY24, Samhi has reorganized its cost structure. Consequently, EBITDA margin improved to 39.4% in 3QFY25 from 30% in 1HFY24 (pre-acquisition margin). We believe the next leg of margin expansion is set to begin from 4QFY25E, as the ACIC portfolio has migrated from franchise to management contract route within Marriott's umbrella. With migration, low ARR business will be replaced with high ARR business, leading to a significant flow-through to EBITDA.

Exhibit 35: EBITDA margin to improve to 41.5% by FY29E

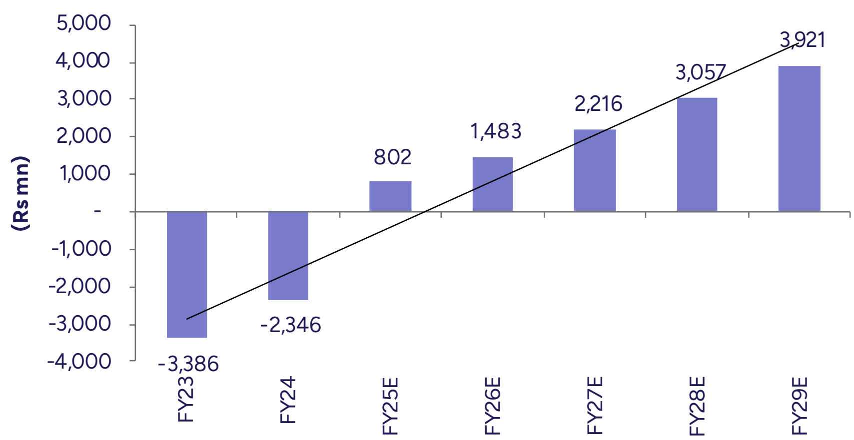


Source: Company, PL

PAT CAGR of 49% estimated over FY25E-29E

We expect PAT CAGR of 48.7% over FY25E-29E led by strong operational performance coupled with decline in interest cost as 1) term loan has been refinanced at a lower rate, resulting in annual cost savings of Rs160mn, and 2) leverage is expected to reduce with repayments of Rs1,000mn/Rs1,500mn/Rs2,500mn in FY27E/FY28E/FY29E. In addition, as Samhi has accumulated losses of Rs25,000mn odd, tax liability is likely to remain negligible in foreseeable future, aiding PAT.

Exhibit 36: PAT to reach Rs3,921mn by FY29E



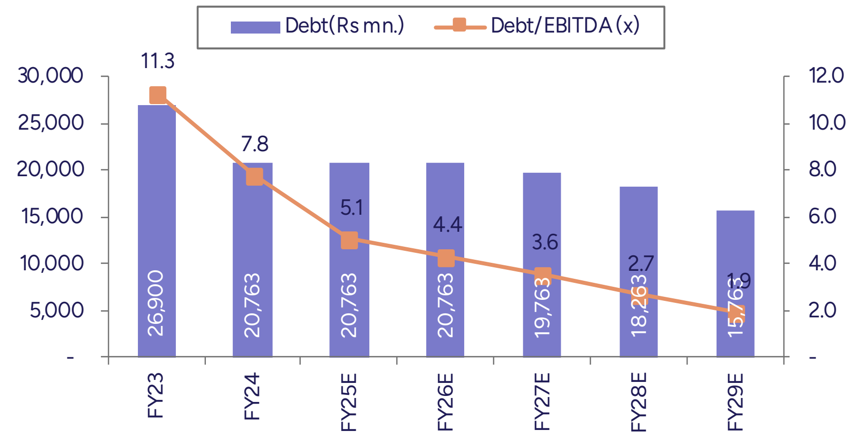
Source: Company, PL

Deleveraging to begin from FY27E

As of Dec'24, Samhi had net debt of Rs20,643mn. We expect deleveraging to begin from FY27E aided by 1) FCFF generation and 2) asset recycling. FCFF (after interest) is likely to improve from FY27E as operating leverage benefits arising from the portfolio rejig, would start bearing results amid rising share of upper upscale inventory. FCFF will be further aided by declining capital intensity as major outgo toward Bengaluru and Hyderabad hotels would be over by FY28E.

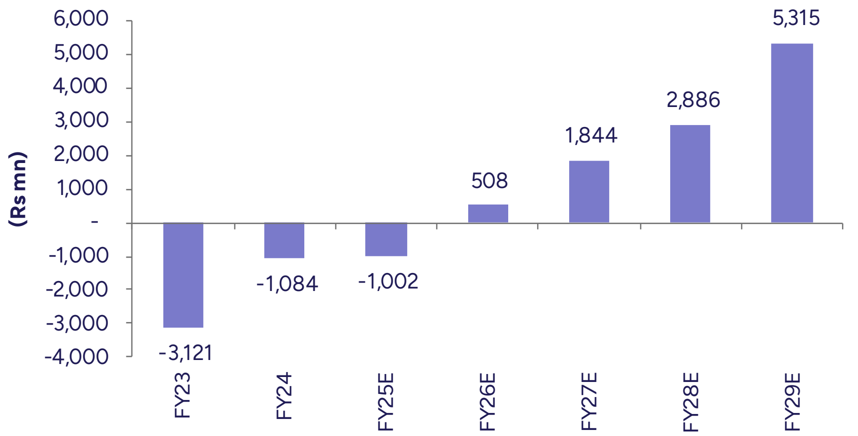
Apart from strong FCFF generation, asset recycling worth Rs2,000mn is in the pipeline, which will further aid deleveraging. In fact, Samhi recently completed the sale of a hotel asset in Chennai, comprising 116 rooms at an EV of Rs535mn. Similar to Chennai, the management intends to exit a few underperforming assets in future, which will aid deleveraging.

Exhibit 37: Deleveraging to begin from FY27E



Source: Company, PL

Exhibit 38: FCFF after interest to stand at Rs5,315mn in FY29E



Source: Company, PL

Valuation

Samhi trades at a discount to peers – Deserves re-rating

Samhi was listed in Sep'23 and thus, does not have sufficient trading history. Hence, rather than benchmarking the multiple with the past, we value Samhi by mapping its growth and profitability profile with peers. As can be seen in the table below, Samhi is trading at a substantial discount to the peer set with no material difference in revenue or profitability growth.

Exhibit 39: EV/EBITDA valuation table of peers

Particulars (Rs mn)	Revenue			EBITDA			PAT			EV/EBITDA (x)		
	FY25E	FY27E	CAGR	FY25E	FY27E	CAGR	FY25E	FY27E	CAGR	FY25E	FY26E	FY27E
IHCL	83,593	1,11,354	15%	28,094	40,057	19%	17,037	25,563	22%	42.3	34.2	29.7
Chalet *	16,988	24,549	20%	7,202	11,341	25%	1,246	5,848	117%	28.2	20.3	17.9
Lemon tree *	12,843	15,650	10%	6,296	8,206	14%	1,753	3,371	39%	20.3	16.6	14.5
EIH Ltd	26,808	29,705	5%	9,792	10,908	6%	6,715	7,185	3%	23.2	22.7	20.9
Park Hotels	6,311	7,866	12%	1,991	2,683	16%	1,116	1,407	12%	16.3	14.0	12.1
Juniper Hotels	9,455	13,693	20%	3,418	5,410	26%	765	2,791	91%	21.2	16.3	13.4
Samhi Hotels *	11,474	14,287	12%	4,086	5,483	16%	802	2,216	66%	14.4	12.3	10.4
ITC Hotels	34,460	46,485	16%	11,546	16,838	21%	5,969	10,115	30%	36.0	29.4	24.7

*Source: Company, PL * Excluding Chalet, Lemon Tree and Samhi other estimates are from Bloomberg*

Possible reasons for valuation discount are 1) low promoter shareholding, 2) high leverage, 3) tendency to buy a mispriced asset given the inorganic growth mindset, and 4) inferior return ratios vis-a-vis peers.

Low promoter shareholding: Founder of Samhi, Mr Ashish Jakhanwala (MD & CEO), is a professional, and has been a member of Samhi's board since Dec' 2010. He has experience in the field of hotel operations, design, consulting and investment. As he had limited capital, Samhi's past expansions were funded by PE money and leverage. No skin in the game can raise concerns about his commitment to the business. Nonetheless, once all the ESOPs granted to him are converted into equity, Mr Jakhanwala would own ~2% in Samhi. While this may not lend enough comfort, steps are being taken to address concerns surrounding low promoter shareholding.

High leverage: Samhi net debt has increased from Rs18,788mn in 1HFY25 to Rs20,643mn as of 9MFY25 on account of growth capex incurred towards acquiring Trinity Hotels in Bangalore. Going ahead, we expect debt/EBITDA to decline from 5.1x in FY25E to 3.6x in FY27E as future capex is likely to be funded by healthy OCF generation. Nonetheless, over the next 3 years, Samhi's net debt to EBITDA would still be higher than other hoteliers that have debt, like Chalet and Lemon Tree.

Exhibit 40: Net Debt/EBITDA trend of peers that have debt

	FY25E	FY26E	FY27E
Chalet Hotels	3.0	2.2	1.9
Lemon Tree	2.5	1.6	0.8
Samhi Hotels	4.9	4.1	3.3

Source: Company, PL

Tendency to buy a mispriced asset in an upcycle: Samhi comes with an acquisitive mindset. It buys assets in distress and renovates and rebrands them. Out of 4,939 operating rooms as of 3QFY25, 4,274 rooms were added via acquisitions. Inorganic expansion strategy for growth may sometimes lead to overpaying for an asset, especially in an upcycle. On the other hand, it can saddle the hotelier with a distressed asset, if the turnaround does not happen as expected. The management intends to recycle 200-250 rooms, indicating only ~6% of the acquired portfolio is perhaps not delivering results as per expectations. Further, recent acquisitions have been in markets like Bengaluru and Hyderabad, where Samhi already has a strong presence. Lower recycling ratio indicates acquisitions of past are delivering results while expansion in familiar regions lowers the possibility of acquiring a dud asset as Samhi has requisite know-how of geography.

Return profile similar to peers barring IHCL and Lemon Tree: As can been from the table below, Samhi's RoE/RoCE profile is not materially different from peers. While the return ratios are lower than Lemon Tree and IHCL, it converges with EIH Ltd and Chalet in FY27E. Further, we expect Samhi's return ratios to improve as the share of upper-scale inventory rises beyond FY27E.

Exhibit 41: RoE/RoCE profile of hoteliers

Particulars	RoE (%)			RoCE		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
IHCL	16.5	17.7	18.1	NA	NA	NA
Chalet *	13.5	15.6	15.9	10.7	14.3	14.8
Lemon Tree *	16.6	21.4	21.9	17.0	20.9	23.8
EIH Ltd	16.8	14.9	14.1	NA	NA	NA
Park Hotels	8.5	9.0	9.5	NA	NA	NA
Juniper Hotels	2.8	6.5	8.7	NA	NA	NA
Samhi Hotels *	7.4	12.4	16.1	9.1	10.5	11.9
ITC Hotels	6.8	8.3	9.7	NA	NA	NA

*Source: Company, PL and Bloomberg   *PL estimates*

Given low promoter holding, high leverage and inferior return profile, Samhi should ideally trade at a discount to other hoteliers. Samhi is trading at ~42-50% discount to Chalet, Lemon Tree and EIH Ltd and ~65% discount to IHCL on FY27E basis. We believe the discount should narrow once operating leverage benefits start playing out, resulting in healthy bottom-line growth over the next 2 years (16% EBITDA CAGR is likely to result in 66% PAT CAGR over FY25E-27E). Accordingly, we value the stock at 14x FY27E EBITDA and arrive at a TP of Rs267. Initiate with a BUY.

Exhibit 42: EV/EBITDA valuation table

Particulars (Rs mn)	FY27E
EV/EBITDA	14
EBITDA	5,483
EV	76,769
Less: Debt	19,763
Add: Cash	1,632
Equity Value	58,638
No. of shares	220
TP (Rs)	**267**

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	**9,574**	**11,474**	**12,807**	**14,287**
YoY gr. (%)	*29.6*	*19.9*	*11.6*	*11.6*
Cost of Goods Sold	719	852	951	1,063
Gross Profit	8,855	10,622	11,856	13,224
Margin (%)	*92.5*	*92.6*	*92.6*	*92.6*
Employee Cost	2,138	1,894	1,942	2,107
Other Expenses	4,052	4,642	5,141	5,633
EBITDA	**2,665**	**4,086**	**4,773**	**5,483**
YoY gr. (%)	*12.1*	*53.3*	*16.8*	*14.9*
Margin (%)	*27.8*	*35.6*	*37.3*	*38.4*
Depreciation and Amortization	1,137	1,201	1,334	1,436
EBIT	**1,528**	**2,885**	**3,439**	**4,048**
Margin (%)	*16.0*	*25.1*	*26.9*	*28.3*
Net Interest	3,451	2,305	2,180	2,075
Other Income	213	207	224	243
Profit Before Tax	**(2,441)**	**787**	**1,483**	**2,216**
Margin (%)	*NA*	*6.9*	*11.6*	*15.5*
Total Tax	(95)	(15)	-	-
Effective tax rate (%)	*3.9*	*(1.9)*	-	-
Profit after tax	**(2,346)**	**802**	**1,483**	**2,216**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**(2,346)**	**802**	**1,483**	**2,216**
YoY gr. (%)	*NA*	*NA*	*84.9*	*49.4*
Margin (%)	*(24.5)*	*7.0*	*11.6*	*15.5*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**(2,346)**	**802**	**1,483**	**2,216**
YoY gr. (%)	*NA*	*NA*	*84.9*	*49.4*
Margin (%)	*NA*	*7.0*	*11.6*	*15.5*
Other Comprehensive Income	5	-	-	-
Total Comprehensive Income	(2,342)	802	1,483	2,216
Equity Shares O/s (m)	**220**	**220**	**220**	**220**
EPS (Rs)	**(10.7)**	**3.6**	**6.7**	**10.1**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	**32,711**	**35,991**	**38,261**	**40,021**
Tangibles	32,528	35,778	38,028	39,778
Intangibles	183	213	233	243
Acc: Dep / Amortization	**9,493**	**10,694**	**12,028**	**13,464**
Tangibles	9,337	10,514	11,848	13,284
Intangibles	156	180	180	180
Net fixed assets	**23,218**	**25,297**	**26,233**	**26,558**
Tangibles	23,191	25,264	26,180	26,494
Intangibles	28	34	54	64
Capital Work In Progress	325	250	300	350
Goodwill	4,528	4,528	4,528	4,528
Non-Current Investments	1,379	998	1,114	1,243
Net Deferred tax assets	(391)	(436)	(448)	(429)
Other Non-Current Assets	2,189	2,352	2,445	2,573
Current Assets				
Investments	-	-	-	-
Inventories	40	63	70	78
Trade receivables	605	723	877	979
Cash & Bank Balance	1,474	743	1,016	1,632
Other Current Assets	347	367	410	457
Total Assets	**34,451**	**35,666**	**37,378**	**38,827**
Equity				
Equity Share Capital	220	220	220	220
Other Equity	10,165	10,967	12,450	14,666
Total Networth	**10,385**	**11,187**	**12,670**	**14,886**
Non-Current Liabilities				
Long Term borrowings	15,597	15,597	15,597	14,597
Provisions	77	86	90	86
Other non current liabilities	648	692	710	740
Current Liabilities				
ST Debt / Current of LT Debt	5,166	5,166	5,166	5,166
Trade payables	1,269	1,446	1,579	1,722
Other current liabilities	915	1,053	1,115	1,198
Total Equity & Liabilities	**34,451**	**35,666**	**37,378**	**38,827**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	(2,441)	787	1,483	2,216
Add. Depreciation	1,137	1,201	1,334	1,436
Add. Interest	3,451	2,305	2,180	2,075
Less Financial Other Income	213	207	224	243
Add. Other	1,044	-	-	-
Op. profit before WC changes	3,191	4,293	4,997	5,726
Net Changes-WC	(330)	156	(50)	25
Direct tax	(114)	30	41	(32)
Net cash from Op. activities	**2,747**	**4,479**	**4,988**	**5,719**
Capital expenditures	(377)	(3,175)	(2,300)	(1,800)
Interest / Dividend Income	99	-	-	-
Others	(291)	227	(253)	(258)
Net Cash from Invt. activities	**(569)**	**(2,949)**	**(2,553)**	**(2,058)**
Issue of share cap. / premium	11,437	-	-	-
Debt changes	(6,744)	-	-	(1,000)
Dividend paid	-	-	-	-
Interest paid	(6,723)	(2,305)	(2,180)	(2,075)
Others	(93)	44	18	31
Net cash from Fin. activities	**(2,123)**	**(2,261)**	**(2,162)**	**(3,044)**
Net change in cash	**54**	**(731)**	**273**	**617**
Free Cash Flow	2,368	1,303	2,688	3,919

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	(10.7)	3.6	6.7	10.1
CEPS	(5.5)	9.1	12.8	16.6
BVPS	47.2	50.8	57.6	67.7
FCF	10.8	5.9	12.2	17.8
DPS	-	-	-	-
Return Ratio(%)				
RoCE	6.1	9.1	10.5	11.9
ROIC	7.7	11.5	12.8	14.1
RoE	(203.2)	7.4	12.4	16.1
Balance Sheet				
Net Debt : Equity (x)	1.9	1.8	1.6	1.2
Net Working Capital (Days)	(24)	(21)	(18)	(17)
Valuation(x)				
PER	(16.5)	48.4	26.2	17.5
P/B	3.7	3.5	3.1	2.6
P/CEPS	(32.1)	19.4	13.8	10.6
EV/EBITDA	21.8	14.4	12.3	10.4
EV/Sales	6.1	5.1	4.6	4.0
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

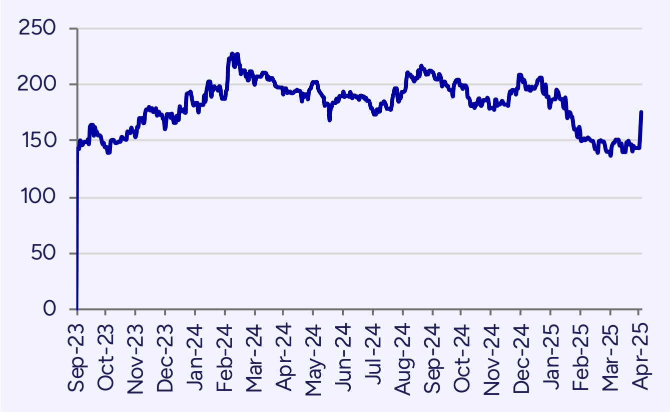
Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	**2,792**	**2,499**	**2,655**	**2,958**
YoY gr. (%)	*36.3*	*31.2*	*20.7*	*10.4*
Raw Material Expenses	193	178	197	224
Gross Profit	2,598	2,321	2,458	2,734
Margin (%)	*93.1*	*92.9*	*92.6*	*92.4*
EBITDA	**854**	**821**	**922**	**1,103**
YoY gr. (%)	*22.2*	*81.0*	*81.5*	*29.8*
Margin (%)	*30.6*	*32.8*	*34.7*	*37.3*
Depreciation / Depletion	315	299	288	291
EBIT	**539**	**521**	**633**	**812**
Margin (%)	*19.3*	*20.9*	*23.9*	*27.4*
Net Interest	577	556	562	617
Other Income	107	69	50	30
Profit before Tax	**106**	**35**	**122**	**224**
Margin (%)	*3.8*	*1.4*	*4.6*	*7.6*
Total Tax	(7)	(8)	(4)	(4)
Effective tax rate (%)	*(6.7)*	*(21.5)*	*(3.4)*	*(1.6)*
Profit after Tax	**113**	**42**	**126**	**228**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**113**	**42**	**126**	**228**
YoY gr. (%)	*NA*	*NA*	*NA*	*NA*
Margin (%)	*4.0*	*1.7*	*4.8*	*7.7*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**113**	**42**	**126**	**228**
YoY gr. (%)	*NA*	*NA*	*NA*	*NA*
Margin (%)	*4.0*	*1.7*	*4.8*	*7.7*
Other Comprehensive Income	**3**	**-**	**(3)**	**(1)**
Total Comprehensive Income	**116**	**42**	**123**	**227**
Avg. Shares O/s (m)	**220**	**220**	**220**	**220**
EPS (Rs)	**0.5**	**0.2**	**0.6**	**1.0**

Source: Company Data, PL Research

Notes

Notes

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	1,108	825
2	Delhivery	BUY	350	249
3	DOMS Industries	BUY	3,308	2,635
4	Imagicaaworld Entertainment	BUY	97	67
5	Indian Railway Catering and Tourism Corporation	BUY	850	715
6	InterGlobe Aviation	BUY	5,875	5,157
7	Lemon Tree Hotels	BUY	173	139
8	Mahindra Logistics	Hold	274	270
9	Navneet Education	Hold	152	136
10	Nazara Technologies	BUY	1,127	973
11	PVR Inox	Hold	1,027	884
12	S Chand and Company	BUY	294	193
13	Safari Industries (India)	BUY	2,557	1,989
14	TCI Express	BUY	924	636
15	V.I.P. Industries	BUY	433	265
16	Zee Entertainment Enterprises	Hold	123	108

PL's Recommendation Nomenclature

Buy	:	>15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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