MIRAE ASSET Sharekhan

Viewpoint

Result Update

Samhi Hotels Ltd

Good Q4

Consumer Discretionary	Sharekhan code: SAMHI
Reco/View: Positive ⇔	CMP: Rs. 198	Upside potential: 23% ⇔

↑ Upgrade ⇔ Maintain ↓ Downgrade

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		⇔	
RQ		⇔	
RV		⇔	

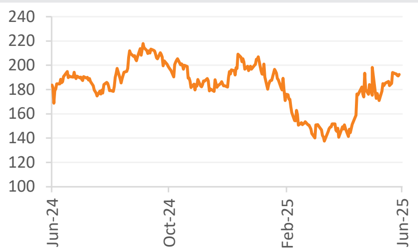
Company details

Market cap:	Rs. 4,381 cr
52-week high/low:	Rs. 226/120
NSE volume: (No of shares)	19.2 lakh
BSE code:	543984
NSE code:	SAMHI
Free float: (No of shares)	22.1 cr

Shareholding (%)

Promoters	0.0
FII	53.0
DII	14.0
Others	33.0

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	13.0	41.3	8.8	7.9
Relative to Sensex	11.9	30.0	7.4	-2.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Samhi Hotels' (Samhi's) Q4FY25 numbers were good with revenue and EBITDA growing 14% and 42% y-o-y, respectively. EBIDTA margin (post-ESOP) improved 750 bps y-o-y to 38.1%.
- Samhi has a strong pipeline of about 600 rooms across segments in key markets. By FY29, the upscale portfolio is expected to be 2x of current scale and include iconic brands such as Westin and W in core markets of Bengaluru and Hyderabad.
- Post investment by the GIC, net debt:EBITDA ratio reduced to 3.2x versus 4.9x at FY24-end. Management expects to reduce it to less than 3x in the coming years aided by recycling of certain non-core assets and improvement in EBITDA.
- The stock trades at an attractive valuation of 9x/8x its FY26E/FY27E EV/EBITDA, respectively. We maintain our Positive stance with a 23% upside.

Samhi's Q4FY25 performance was good with double-digit revenue growth and sharp margin expansion, leading to strong PAT growth. Consolidated revenues grew 14.2% y-o-y to Rs. 319 crore, with same-store RevPAR increasing by 20.6% y-o-y to Rs. 5,958 per night. The upper-upscale and upscale portfolio (44% revenue share) reported 23% y-o-y RevPAR growth, the upper-midscale portfolio (41% revenue share) posted 20% y-o-y RevPAR growth and the mid-scale portfolio (15% revenue share) registered a 7% y-o-y RevPAR growth. Occupancy stood largely flat y-o-y at 75% and ARR improved by 19.2% y-o-y to Rs. 7,487 per night. Asset income and asset EBITDA grew by 13.6% and 17.7% y-o-y, respectively, driven by same store growth and positive impact of ACIC's acquisition. On a same-store basis, asset income and asset EBITDA grew by 15.8% and 22% y-o-y, respectively. EBITDA margin (post ESOP) improved by 750 bps y-o-y to 381%. Company reported adjusted PAT of Rs. 65 crore against Rs. 7.7 crore in Q4FY24. Reported PAT came it at Rs. 46 crore. In FY25, revenue grew by 18% y-o-y to Rs. 1,130 crore, EBITDA margin (post-ESOP) rose by 657 bps y-o-y to 35.9%, and PAT came in at Rs. 86 crore against a loss of Rs. 235 crore in FY24. Post the GIC deal, net debt stood at Rs. 1,429 crore and net debt:EBITDA declined to 3.2x.

Key positives

- Upper upscale portfolio reported PevPAR growth of 23% y-o-y.
- EBITDA margin (pre-ESOP) improved by 477 bps y-o-y to 39.5%.

Key negatives

- Mid-scale segment witnessed 600 bps y-o-y decline in occupancy to 73%.

Management Commentary

- Demand supply imbalance for rooms is leading to a strong RevPAR growth in Bangalore and Hyderabad. In Bangalore, the demand is 2x of supply growth, with airline growth of 11.5-12%, and office growth of 8-9%.
- Management indicated that RevPAR growth is likely to exceed revenue growth as F&B revenue growth will not match RevPar growth. Aiming for double-digit growth in F&B revenue.
- Samhi expects Trinity Hotel in Whitefield, Bengaluru to generate a revenue of Rs. 50-55 lakh per key. Thus, it expects Rs. 180-200 crore additional revenue from the 362-room property, which will be converted into Westin and Tribute portfolio, dual branded hotels.
- The conversion of an office building to 170 room hotel in Hitec City, Hyderabad which will be managed under Marriott's W brand, is expected to open in H2FY27. Management expects revenue over Rs. 60 lakhs per key which will add another Rs. 100 crore to the total revenue.
- ESOP cost reduced to Rs. 18 crore in FY25 from Rs. 46 crore in FY24 and is expected to reduce further to Rs. 10 crore in FY26.
- Out of the committed capital of Rs. 750 crore by GIC, Singapore's Sovereign Wealth Fund, Rs. 580 crore has been received till date.
- Samhi expects capital expenditure of Rs. 175-200 crore in FY26, with Rs. 50 crore contributed by GIC, while remaining Rs. 125 crore would be spent from internal cash flows.
- Out of the total planned capex, Westin and Tribute Bangalore require a majority of the capital, where the company has Rs. 375 crore of pending capex over the next three years. Of that Rs. 375 crore capex, GIC will first bring Rs. 150 crore to get to a 35% position, and the remaining capex will be funded in by both partners in the ratio of 65:35%.

Revision in earnings estimates – We have broadly maintained our estimates for FY26 and FY27 and will keenly monitor performance in the coming quarters.

Our Call

View – Stay Positive; expect upside of 23%: Samhi registered good performance in Q4FY25 with better operating performance and improvement in profitability. Favourable industrial tailwinds and a defined business strategy of acquiring properties and growing them to optimum levels will help Samhi achieve consistent strong operating performance going ahead. The company become a profitable venture from FY25 led by its focus on deleveraging its balance sheet. The stock is trading at discounted valuations of 9x/8x its FY26E/FY27E EV/EBITDA, respectively, as compared to its peers. Improving cash flows and de-leveraging balance sheet will narrow the valuation gap with close peers in the near term. We maintain our Positive stance with a potential upside of 23% in the next 12 months.

Key Risks

Any drop in room demand due to a slowdown in the macro environment or Black Swan event or delay in the repayment of loans would act as a risk to our earnings estimates in the coming years.

Valuation (Consolidated)

Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	739	957	1,130	1,291	1,488
EBITDA margin (post-ESOP) (%)	32.2	29.4	35.9	37.4	37.8
Adjusted PAT	-356	-147	111	172	254
% Y-o-Y growth	-	-	-	54.6	47.6
Adj. diluted EPS (Rs.)	-16.2	-6.7	5.0	7.8	11.5
P/E (x)	-	-	39.7	25.7	17.4
P/B (x)	-	4.2	3.9	3.4	2.8
EV/EBIDTA (x)	9.2	14.6	10.7	9.2	7.9
RoNW (%)	49.2	-	10.2	14.0	17.6
RoCE (%)	-	7.3	9.2	10.9	12.7

Source: Company; Mirae Asset Sharekhan estimates

Multiple growth projects in the pipeline

- **Upper Upscale & Upscale:** Inventory is set to rise by ~920 rooms including 1) ~525 rooms in Bangalore and Hyderabad from the latest acquisition and lease signing, 2) 331 rooms post rebranding and upgradation of ACIC Pune and Jaipur assets to Courtyard by Marriott and Tribute Portfolio by Marriott respectively and 3) Addition of 42 rooms in Sheraton, Hyderabad and 22 rooms in Hyatt Regency, Pune.
- **Upper mid-scale:** 1) Addition of 142 rooms by acquisition of Trinity Bangalore Whitefield Hotel — to be rebranded and upgraded to a Tribute Portfolio by Marriott, 2) Inventory to reduce by 331 rooms post rebranding and upgradation of ACIC Pune and Jaipur assets to Courtyard by Marriott and Tribute Portfolio by Marriott, respectively, 3) 515 rooms in ACIC Portfolio to stabilize over FY26 (Excludes Four Points by Sheraton, Chennai (OMR) which was sold in Feb'25 and 4) Caspia Delhi with 142 rooms to be renovated and rebranded to Fairfield by Marriott.
- **Mid-scale:** 1) 246 rooms opened under the Holiday Inn Express brand in Greater Noida and Kolkata in Q3FY25 and Q1FY25, respectively and 2) Additional 56 rooms in Holiday Inn Express Whitefield, Bangalore under pre-opening (expected opening in Q1FY26).

Results (Consolidated) — Rs cr

Particulars	Q4FY25	Q4FY24	y-o-y %	Q3FY25	q-o-q %
Revenue from operations	**318.8**	**279.2**	**14.2**	**295.8**	**7.8**
Cost of materials consumed	21.6	19.3	11.7	22.4	-3.5
Employee cost	40.1	40.1	0.0	43.2	-7.2
Other expenditure	131.2	122.8	6.9	115.5	13.6
Total expenditure	**192.9**	**182.2**	**5.9**	**181.1**	**6.5**
EBITDA (pre-ESOP)	**125.9**	**96.9**	**29.9**	**114.7**	**9.8**
ESOP Cost	4.4	11.5	-61.7	4.4	0.0
EBITDA (post-ESOP)	**121.5**	**85.4**	**42.2**	**110.3**	**10.2**
Other income	4.8	10.7	-55.3	3.0	62.3
Interest expenses	55.3	57.7	-4.0	55.2	0.2
Depreciation	29.0	31.5	-8.2	29.1	-0.5
Profit Before Tax	**42.0**	**7.0**	**-**	**28.9**	**45.2**
Tax	-23.3	-0.7	-	-0.4	-
Adjusted PAT	**65.3**	**7.7**	**-**	**29.3**	**-**
Extra-ordinary gain / loss	-19.4	3.6	-	-6.5	-
Reported PAT	45.9	11.3	-	22.8	-
Adjusted EPS (Rs.)	3.0	0.4	-	1.3	-
			bps		**bps**
GPM (%)	93.2	93.1	15	92.4	79
EBITDA Margin (pre-ESOP) (%)	39.5	34.7	477	38.8	72
EBITDA Margin (post-ESOP) (%)	38.1	30.6	750	37.3	83
NPM (%)	20.5	2.7	-	9.9	-

Source: Company; Mirae Asset Sharekhan Research

Operating parameters Rs cr

Particulars	Q4FY25	Q4FY24	y-o-y	Q3FY25	q-o-q
Operating rooms	4,823	4,801		4,939	
Occupancy ratio (%)			**bps**		**bps**
Upper Upscale & Upscale assets	82.0	78.0	400	75.0	700
Upper Mid-scale assets	72.0	73.0	-100	70.0	200
Mid-scale assets	73.0	79.0	-600	73.0	0
ARR (Rs.)			**%**		**%**
Upper Upscale & Upscale assets	11,891	10,076	18.0	10,683	11.3
Upper Mid-scale assets	7,275	6,058	20.1	6,203	17.3
Mid-scale assets	4,359	3,758	16.0	4,028	8.2
			%		%
RevPar (Rs.)	**5,958**	**4,830**	**23.4**	**5,088**	**17.1**
Upper Upscale & Upscale assets	9,748	7,909	23.3	8,043	21.2
Upper Mid-scale assets	5,314	4,438	19.7	4,362	21.8
Mid-scale assets	3,176	2,967	7.0	2,948	7.7

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Hotel industry to benefit from demand-supply gap

Higher demand from domestic leisure travellers, recovery in foreign tourist arrivals (FTAs), and a revival in corporate travels will keep room demand high for hotel companies (also help in achieving higher room rentals) in the short to medium term. Recent industry data shows that demand is expected to continue to grow in double digits (~12%). However, supply is expected to grow by ~9% in the next 4-5 years. This augurs well for the industry because hotel performance in India is highly sensitive to supply and demand dynamics. Margins of hotel companies are likely to expand, aided by better operating leverage coupled with various cost-saving initiatives undertaken by companies.

■ Company Outlook – Consistent operating performance

Matured portfolio's RevPAR growing by 14-15%, incremental revenue coming from new room additions, and upgradation in the ACIC portfolio will help revenue and EBITDA to report a CAGR of 15% and 16% over FY25-FY27, respectively. Net debt/EBITDA reduced from 8.7x in FY23 to 4.4x at FY25-end and further to 3.2x post capital infusion by GIC. Continued RevPAR growth in same-store hotels, completion of ACIC portfolio integration, strategic renovation, and rebranding initiatives will drive revenue growth in the coming years, while growth in EBITDA, reduction in ESOP, and corporate G&A expenses will aid PAT growth going ahead.

■ Valuation – Retain a Positive stance with a potential upside of 23%

Samhi registered good performance in Q4FY25 with better operating performance and improvement in profitability. Favourable industrial tailwinds and a defined business strategy of acquiring properties and growing them to optimum levels will help Samhi achieve consistent strong operating performance going ahead. The company become a profitable venture from FY25 led by its focus on deleveraging its balance sheet. The stock is trading at discounted valuations of 9x/8x its FY26E/FY27E EV/EBITDA, respectively, as compared to its peers. Improving cash flows and de-leveraging balance sheet will narrow the valuation gap with close peers in the near term. We maintain our Positive stance with a potential upside of 23% in the next 12 months.

Peer valuation

Companies	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Indian Hotels	62.3	49.9	41.0	34.2	27.5	23.6	16.7	18.1	19.4
Lemon Tree Hotels	45.3	33.7	25.2	17.5	14.6	12.3	12.7	15.4	17.8
Chalet Hotels	55.8	40.5	31.0	25.7	19.7	16.2	11.0	13.9	16.6
Samhi Hotels	39.3	25.4	17.2	10.6	9.1	7.8	9.2	10.9	12.7

Source: Company; Mirae Asset Sharekhan Research

About company

Samhi is a prominent branded hotel ownership and asset management platform in India with an institutional ownership model, experienced leadership, and professional management team. The company has a long-term management arrangement with three of the established and well-recognised global hotel operators, namely, Marriott, IHG, and Hyatt. Samhi has a portfolio of 32 operating hotels comprising ~5,000 keys and has a diverse geographic presence in 14 cities across India, including National Capital Region (NCR), Bengaluru, Hyderabad, Chennai, and Pune.

Investment theme

Samhi operates a portfolio of prominent international brands catering to upper upscale, upscale upper midscale, and mid-scale hotels with a large presence in important business metros in India. The company has added ~90% of its existing room inventory of ~4,900 rooms under the acquisition and turnaround strategy with a strong demonstration of robust growth in RevPAR of most of the acquired hotels. As a result of this along with a strong portfolio of brands under management, the company is expected to post robust operating performance over FY25-FY27, with revenue/ EBITDA growing by 15%/16%, respectively. The company targets to reduce net debt/EBITDA to 3x in the coming years through consistent improvement in operating cash flows.

Key Risks

- Any drop in room demand due to the emergence of a black swan event/sustained high inflationary environment or a significant increase in room supply in the coming years would act as a key risk to our earnings estimates.
- Any delay in the launch of new hotels/rooms will impact profitability.

Additional Data

Key management personnel

Name	Designation
Ashish Jakhanwala	Chairman, Managing Director and Chief Executive Officer
Rajat Mehra	Chief Financial Officer
Sanjay Jain	Senior Director, Corporate Affairs, Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ACIC Mauritius 1	14.98
2	Republic of Singapore	8.06
3	Tata Asset Management Pvt. Ltd.	5.38
4	Blue Chandra PTE Ltd.	3.94
5	Aditya Birla Sun Life AMC Ltd.	2.70
6	Emirate of Abu Dhabi United Arab Emirates	2.67
7	TT Internation Funds PLC/Ireland	2.41
8	ACIC Mauritius 2	1.95
9	Kela Madhuri Madhusudan	1.69
10	Oversea-China Banking Corp Ltd.	1.50

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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