

SAMHI Hotels Limited IPO

September 13, 2023



Samhi Hotels Ltd. is a prominent branded hotel ownership and asset management platform in India, with the third largest inventory of operational keys (owned and leased) in India as of March 31, 2023. Within 12 years of starting the company's business operations, it has built a portfolio of 3,839 keys across 25 operating hotels in 12 of India's key urban consumption centres, including Bengaluru (Karnataka), Hyderabad (Telangana), National Capital Region (NCR), Pune (Maharashtra), Chennai (Tamil Nadu) and Ahmedabad (Gujarat), as of March 31, 2023. Pursuant to the completion of the ACIC Acquisition (as defined below) on August 10, 2023, its portfolio has further increased to 4,801 keys across 31 operating hotels. The company has adopted an acquisition-led strategy, which is underpinned by its track record of acquiring and successfully turning around hotels to grow its business.

Investment Rationale:

Government initiatives to boost growth in the travel and tourism industry:

- The Ministry of Tourism (MoT) rolled out various proposals to strengthen ancillary tourism facilities by enabling new tourism businesses through policies, building infrastructure aimed at facilitating and encouraging tourism, and year-round and all-India vehicular permits, all of which have collectively had a significant impact on boosting tourism demand. In June 2022, the MoT launched the National Strategy for Sustainable Tourism and Responsible Traveller Campaign with a view to establishing India as a preferred global destination for sustainable tourism.
- The policy will be applicable for the next 10 years and targets 25 million international tourist arrivals and 4 billion domestic tourist visits by 2030, increasing to 100 million and 15 billion respectively by 2047. The overall goal of the policy is to achieve US\$1,000 billion in tourism GDP by 2047. The branded hotel industry is expected to be one of the key beneficiaries of this which will impact the prospects of companies like Samhi Hotels Ltd.

India's fastest-growing hotel business in terms of the number of keys:

- Within 13 years of Samhi's inception it grew to become India's third-largest hotel owner, by number of keys, as of March 31, 2023. Further, Samhi is India's fastest-growing hotel owner by number of keys added per year in the last decade as of March 31, 2023. As of March 31, 2023, Samhi have added approximately 369 keys to its portfolio per year since its inception in 2010 (including keys added pursuant to the ACIC acquisition).
- By FY26 the company is going to add 156 new keys to the portfolio along with renovate 402 keys which will further increase its revenue growth potential.

Strong average occupancy along with a strategic rise in rate per room will boost company prospects:

- Samhi's average occupancy rate as on FY23 stood at 71.67% with a strong support from its high margin upper scale and upper mid-scale occupancy of 71.38% and 74.51% where the company is focusing its future keys growth and renovation.
- In FY23 the company's Average room rate stood at INR 5069 which grew 60.96% YoY and this is expected to keep on growing given the rising demand for its upper-scale and mid-scale product portfolio. and growth in the overall industry.

The company's portfolio's scale and diversification further enhanced by sector tailwinds:

- The company's hotels are located in 12 cities in India that constitute key urban consumption centers across India, which collectively accounted for approximately 70% of air passenger traffic and approximately 90% of office space in India, as of March 31, 2023. I
- t has selected its target cities based on macro themes such as proximity to airports and premium office space growth to ensure long term and sustainable growth within its selected cities. Its hotels are strategically located in high-density micro-markets, which generally have high barriers-to-entry due to land acquisition complexities, long development time frames, and fragmented ownership structures.

Valuation and Views: Samhi Hotels Ltd. is looking to benefit from: i. Opportunity to grow revenues from its growth in the number of keys and renovation project its upper scale and upper mid-scale segment. ii. Rising average occupancy along with rising room rate boosts prospects. iii. Strong government support to boost growth in the industry which will benefit Samhi as a market leader. Total income increased significantly from INR 3,331.04 million for FY22 to INR 7,614.20 million for the FY23 due to increases in revenue from operations and other income. The company's restated loss for the year decreased by 23.61% from INR 4,432.53 million for FY22 to INR 3,385.86 million for the FY23. Meanwhile, with occupancy levels reaching above 70% levels across its portfolio during the FY23, it intends to focus on increasing ARR and improving operating margins, while driving occupancies further. At the upper end of the price band, the EV/EBITDA translates to ~17.41x which is lower than the peer average. Thus the IPO is attractively priced.

Key Financial & Operating Metrics (Consolidated)

In INR mn	Revenue	YoY (%)	EBITDA	EBITDA %	PAT	EPS	ROE	ROCE
FY21	1695.80	-2.75	-597.14	-	-4777.27	-62.64	0.00	9.57
FY22	3227.43	90.31	217.93	0.1351	-4432.53	-58.12	0.00	-4.48
FY23	7385.70	128.84	2605.95	0.3741	-3385.86	-43.93	0.00	0.00

Issue Snapshot

Issue Open	14-Sep-23
Issue Close	18-Sep-23
Price Band	INR 119 - 126
Issue Size (Shares)	10,87,38,095
Market Cap (cr)	INR 2747 cr

Particulars

Fresh Issue	95,238,095 shares
OFS Issue	13,500,000 shares
QIB	75%
Non-institutionals	10%
Retail	10%

Capital Structure

Pre Issue Equity	12,27,97,231
Post Issue Equity	218035326
Bid Lot	119 shares
Minimum Bid amount @ 119	INR 14,161
Maximum Bid amount @ 126	INR14,994

Particulars

Face Value	INR 145.70
Book Value	(INR 94.96)
EPS, Diluted	(INR15.53)

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Samhi Hotels Ltd. is a prominent branded hotel ownership and asset management platform in India, with the third largest inventory of operational keys (owned and leased) in India as of March 31, 2023. Within 12 years of starting the company's business operations, it has built a portfolio of 3,839 keys across 25 operating hotels in 12 of India's key urban consumption centres, including Bengaluru (Karnataka), Hyderabad (Telangana), National Capital Region (NCR), Pune (Maharashtra), Chennai (Tamil Nadu) and Ahmedabad (Gujarat), as of March 31, 2023. Pursuant to the completion of the ACIC Acquisition (as defined below) on August 10, 2023, its portfolio has further increased to 4,801 keys across 31 operating hotels. The company has adopted an acquisition-led strategy, which is underpinned by its track record of acquiring and successfully turning around hotels to grow its business. It acquires or builds primarily business hotels, and it takes steps to further upgrade properties and engage with established branded hotel operators to allow the hotels to be appropriately positioned within the market. Subsequent to this one-time upgrade of the property, it deploys its in-house and proprietary asset management tools and capabilities to further enhance the ongoing financial and operational performance of the property. Its portfolio is diversified across key consumption centres in India, at different price points and with established brands catering to a broad set of demands. The company currently categorizes its hotel portfolio into three distinct hotel segments based on brand classification – Upper Upscale and Upscale, Upper Mid-scale and Mid-scale.

Investment Rationale:

Government initiatives to boost growth in the travel and tourism industry: From 2020 to 2021, the Indian government introduced several programs across various ministries to support and expedite the recovery of the domestic travel and tourism industry. The Ministry of Tourism (MoT) rolled out various proposals to strengthen ancillary tourism facilities by enabling new tourism businesses through policies, building infrastructure aimed at facilitating and encouraging tourism, and year-round and all-India vehicular permits, all of which have collectively had a significant impact on boosting tourism demand. In June 2022, the MoT launched the National Strategy for Sustainable Tourism and Responsible Traveller Campaign with a view to establishing India as a preferred global destination for sustainable tourism. The mission is to achieve this by increasing the economic, social and environmental benefits by building an inclusive, low-carbon and resilient tourism sector in India. In July 2022, the MoT released the Draft National Tourism Policy of 2022 which focuses on the growth and development of the tourism sector in India to ensure a "world-class" experience for tourists in a sustainable manner. Through the consolidation of efforts by the local, State, and Central governments, the policy aims at attracting private sector investment while making India a year-round tourist destination. The policy will be applicable for the next 10 years and targets 25 million international tourist arrivals and 4 billion domestic tourist visits by 2030, increasing to 100 million and 15 billion respectively by 2047. The overall goal of the policy is to achieve US\$1,000 billion in tourism GDP by 2047. The branded hotel industry is expected to be one of the key beneficiaries of this which will impact the prospects of companies like Samhi Hotels Ltd. The Indian travel and tourism industry is expected to demonstrate strong demand growth between the Financial Years 2019 and 2028 with a CAGR of 10.35%. The Indian hospitality industry directly benefits from this economic growth in the travel and tourism industry. Also rapid urbanization, expansion of office market, increasing domestic travel, low set-up costs as compared to other developed and developing economies, initiatives from the Government of India and the availability of an established talent pool provide strong demand for the hospitality industry in the foreseeable future. On the back of this surge in domestic consumption and underlying GDP growth, the Indian hospitality industry is seeing strong capacity utilization in recent quarters (and in the quarters preceding the impact of COVID-19 in FY20). With sharp increase in capacity utilization combined with negligible supply growth, hotels are seeing significant ability to yield the demand for branded hotels by re-pricing their hotels on a continuous basis to drive superior ARR growth from current levels. While material contribution from international travellers is yet to materialize as compared to prior to COVID-19, hotels in India are yet witnessing a sharp upward re-rating in performance levels driven by domestic demand and a more diversified set of customers from a diverse range of industries.



India's fastest-growing hotel business in terms of the number of keys: Within 13 years of Samhi's inception it grew to become India's third-largest hotel owner, by number of keys, as of March 31, 2023. Further, Samhi is India's fastest-growing hotel owner by number of keys added per year in the last decade as of March 31, 2023. As of March 31, 2023, Samhi have added approximately 369 keys to its portfolio per year since its' inception in 2010 (including keys added pursuant to the ACIC acquisition). The company has demonstrated its ability to identify, acquire and turn around hotels which offer significant opportunities for value accretion over the years and, consequently, have grown its total operating keys to 3,839 keys as of March 31, 2023. The company is focusing its initiatives on hotel segments with

high growth potential from existing domestic and rising international travellers. Samhi's average number of keys grew by 5.8 times from FY14 to FY17, by 2.8 times from the FY17 to FY20 and further grew by 1.2 times from FY20 to FY23. The company holds a dominant position among the upper mid-scale and mid-scale brands in India amongst peers which enabled Samhi to grow its Fairfield by Marriott and Holiday Inn Express portfolio from 936 and 1,427 keys, respectively, as of March 31, 2023, making them the largest owner of these brands in India. By FY26 the company is going to add 156 new keys to the portfolio along with renovate 402 keys which will further increase its revenue growth potential.

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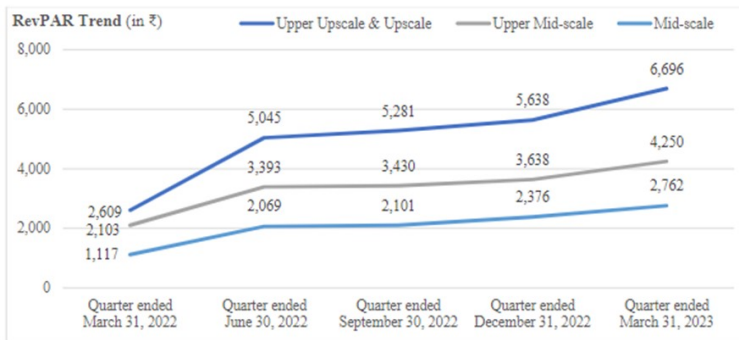


Strong average occupancy along with a strategic rise in rate per room will boost company prospects: Samhi's average occupancy rate as on FY23 stood at 71.67% with a strong support from its high margin upper scale and upper mid-scale occupancy of 71.38% and 74.51% where the company is focusing its future keys growth and renovation. In FY23 the company's Average room rate stood at INR 5069 which grew 60.96% YoY and this is expected to keep on growing given rising demand for its upper scale and mid-scale product portfolio. and growth in the overall industry.

Particulars	Upper Upscale and Upscale	Upper Mid-scale	Mid-scale	Total Portfolio
Number of Keys as of March 31, 2023	1,074	1,201	1,564	3,839
Average Occupancy for the Financial Year 2023 ⁽¹⁾	71.38%	74.51%	69.35%	71.67%
Average Room Rate for the Financial Year 2023 ⁽¹⁾	₹7,902	₹4,917	₹3,210	₹5,069
RevPAR for the Financial Year 2023 ⁽¹⁾	₹5,641	₹3,663	₹2,226	₹3,632
Total Income from Assets for the Financial Year 2023 ⁽¹⁾⁽²⁾	₹3,605.09 million	₹2,450.27 million	₹1,443.45 million	₹7,498.81 million
Adjusted EBITDA from Assets for the Financial Year 2023 ⁽¹⁾⁽³⁾	₹1,453.42 million	₹830.33 million	₹521.70 million	₹2,805.45 million
Percentage of Adjusted Gross Block as of March 31, 2023 ⁽¹⁾	54.57%	29.26%	15.65%	99.48%
Brands	Hyatt Regency™, Sheraton, Courtyard by Marriott, Hyatt Place™, Renaissance	Fairfield by Marriott, Four Points by Sheraton, Caspia	Holiday Inn Express, Caspia Pro	N.A.
Gross Floor Area per Key	70 – 144 sq. mt.	45 – 91 sq. mt.	23 – 32 sq. mt.	N.A.
Average F&B Outlets (per hotel)	2 – 3	1 – 2	1	N.A.
Average space for meetings, incentives, conferences and exhibitions (per hotel)	358 – 2,285 sq. mt.	127 – 497 sq. mt.	0 – 127 sq. mt.	N.A.

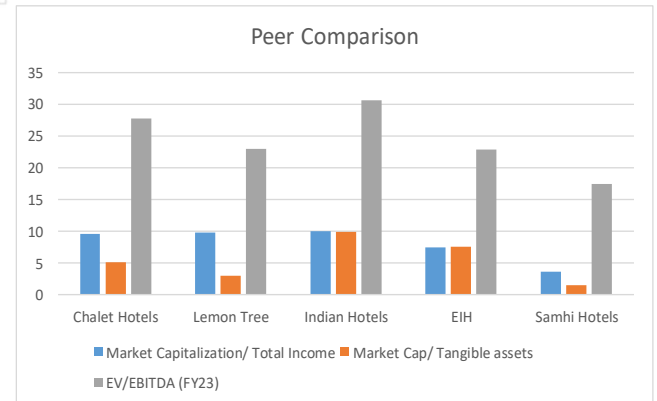
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Valuation and views: Samhi Hotels Ltd. is looking to benefit from: i. Opportunity to grow revenues from its growth in the number of keys and renovation project its upper scale and upper mid-scale segment. ii. Rising average occupancy along with rising room rate boosts prospects. iii. Strong government support to boost growth in the industry which will benefit Samhi as a market leader. Total income increased significantly from INR 3,331.04 million for FY22 to INR 7,614.20 million for the FY23 due to increases in revenue from operations and other income. The company's restated loss for the year

decreased by 23.61% from INR 4,432.53 million for FY22 to INR 3,385.86 million for the FY23. Meanwhile, with occupancy levels reaching above 70% levels across its portfolio during the FY23, it intends to focus on increasing ARR and improving operating margins, while driving occupancies further. At the upper end of the price band, the EV/EBITDA translates to ~17.41x which is lower than the peer average. Thus the IPO is attractively priced.



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IPO Note

Income Statement				Balance Sheet			
Y/E (INR mn)	FY21	FY22	FY23	Y/E (INR mn)	FY21	FY22	FY23
Revenue	1695.80	3227.43	7385.70	Source of funds			
Expenses:				Equity Share Capital	76.27	76.27	85.33
Employee Cost	865.40	905.45	1229.79	Reserves	-2107.74	-6541.25	-8187.85
Total Expenses	2389.64	3113.11	5008.25	Total Share holders funds	-1954.89	-6388.40	-8076.46
EBITDA	-597.14	217.93	2605.95	Total Debt	23870.31	25933.24	26899.76
EBITDA Margin %	-	13.51%	37.41%	Curent Liabilities	7224.51	4053.22	9336.89
Interest	3087.29	3502.76	5220.60	Trade Payables	1002.63	1225.05	1399.83
Depreciation	1117.95	1006.03	962.77	Total Non-Current Liabilities	19610.39	26200.94	21369.60
Other Income	96.70	146.28	228.50	Total Liabilities	24880.01	23865.76	22630.03
PBT	-4815.00	-4432.25	-3385.58	Application of funds			
PAT	-4777.27	-4432.53	-3385.86	Fixed Assets	21773.12	20272.71	19156.26
EPS	-62.64	-58.12	-43.93	Capital Work in Progress	177.34	197.37	202.13
				Cash and Bank	1550.62	1606.83	1314.27
				Other current assets	85.88	121.55	295.65
				Inventory	28.71	25.15	32.79
				Sundry Debtors	179.42	247.83	512.68
				Total Assets	24880.01	23865.76	22630.03

Cash Flow				Key Ratios			
Y/E (INR cr)	FY21	FY22	FY23	Y/E (INR cr)	FY21	FY22	FY23
Profit Before Tax	-4815.00	-4432.25	-3385.58	Growth Ratio			
Adjustment	4160.27	4583.05	5835.17	Net Sales Growth(%)	-72.00	90.32	128.84
Changes In working Capital	737.76	147.38	-267.26	EBITDA Growth(%)	-130.06	143.64	899.98
Cash Flow after changes in Working	83.03	298.18	2182.33	PAT Growth(%)	-59.32	7.22	23.61
Tax Paid	133.50	-35.08	-7.87	Margin Ratios			
Cash From Operating Activities	216.53	263.10	2174.46	Gross Profit	38.03	61.79	75.50
Cash Flow from Investing Activities	422.89	-25.36	683.93	PBIDTM	-35.21	8.07	35.28
Cash from Financing Activities	64.65	-174.44	-3186.88	EBITM	-101.88	-28.80	24.85
Net Cash Inflow / Outflow	704.07	63.30	-328.49	PBT	-283.94	-137.33	-45.84
Opening Cash & Cash Equivalent	746.61	1450.68	1513.98	PAT	-281.71	-137.34	-45.84
Closing Cash & Cash Equivalent	1450.68	1513.98	1185.49	Return Ratios			
				ROA	-18.75	-18.19	-14.56
				ROE	-1336.32	0.00	0.00
				ROCE	-7.56	-4.48	9.57
				Turnover Ratios			
				Asset Turnover(x)	0.07	0.13	0.32
				Inventory Turnover(x)	45.28	119.85	254.94
				Debtors Turnover(x)	6.57	15.11	19.42
				Fixed Asset Turnover (x)	0.06	0.11	0.26
				Solvency Ratios			
				Total Debt/Equity(x)	-11.75	-4.01	-3.32
				Current Ratio(x)	0.30	0.55	0.26
				Quick Ratio(x)	0.30	0.55	0.25
				Interest Cover(x)	-0.56	-0.27	0.35



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Buy: Return >15%, Accumulate: Return between 5% to 15%, Reduce: Return between -5% to +5%, Sell: Return < -5%

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