

Rating: Subscribe for Long Term

Issue Offer

Fresh Issue of Equity shares aggregating upto worth INR 1200 Cr and Offer for sale of 13,500,000 Equity shares.

Issue Summary

Price Band (INR)	119-126
Face Value (INR)	1
Implied Market Cap (INR cr)	2,747
Market Lot	119
Issue Opens on	14 th September 2023
Issue Close on	18 th September 2023
No. of share pre-issue	122,797,231
No. of share post issue	218,035,326
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	75
NIB Portion	15
Retail Portion	10

Book Running Lead Managers

JM Financial Ltd
Kotak Mahindra Capital Company Ltd

Registrar

KFin Technologies Limited

Objects of the issue

Repayment of outstanding borrowings and interest accrued

General corporate purposes

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Samhi Hotels Ltd (SAMHI). Is a branded hotel ownership and asset management platform in India, with the third-largest inventory of operational keys in India. It has a total portfolio comprising of over 4,801 keys across a total of 31 operating properties. Most of them are located in the key urban consumption centers of India. Its hotels are spread across Bengaluru, Hyderabad, Delhi-NCR, Pune, Chennai, and Ahmedabad. The company recently acquired Asiya Capital and the ACIC SPVs (the ACIC SSPA) which gained the company an additional 962 keys across six operating hotels. It is also currently developing 2 hotels with a combined capacity of 461 keys in Navi Mumbai and in Kolkata. It has its keys under well recognized hotels operators like Courtyard Marriott, Sheraton, Hyatt, and Holiday Inn, among others. This provides SAMHI access to the loyalty programs of these hotel chains and their online reservation systems. SAMHI counts Equity International (led by Sam Zell), GTI Capital and International Finance Corporation (IFC) among its key shareholders.

Investment Rationale

Strong Brands under Hotel Portfolio- The company has prominent brands like Courtyard by Marriott, Sheraton, Hyatt Regency, Hyatt Place, Fairfield by Marriott, Four Points by Sheraton, and Holiday Inn Express. These are classified into 3 segments: Upper Upscale and Upscale, Upper Mid-scale, and Mid-scale segments, which caters to all the travellers of different income class. International travelers often look for familiar brands, and a diversified portfolio like this will help the company to attract these travelers.

Continuous focus on expanding, renovating, and rebranding its hotel portfolio- The company intends renovation and rebranding of its existing 301 keys Hyatt Regency Pune hotel into a Luxury brand and development of a 111 keys Holiday Inn Express in Rajarhat, Kolkata. The company is also aiming to enhance and modernize its current collection of hotels by refurbishing or reimagining 402 guest rooms, introducing 156 new guest rooms, and establishing two more dining and beverage venues at various sites.

Acquisition of ACIC Portfolio will improve financial performance- This will improve the company's inventory and market share in key cities such as Hyderabad, Pune, Chennai, and Ahmedabad and give access to new cities such as Jaipur and Mumbai for future development. Overall, it will create synergies, streamline costs and enhance the overall margin profile of the existing portfolio.

Experienced Management team with a proven track record- The company's management consists of experienced professionals who know in and out about managing and operating hotels. Mr Ashish Jakhanwala, Chairman of the company has experience across a variety of functions in the hospitality industry, including hotel operations, design, consulting and investment. His rich experience along with seasoned management creates a strong base for the company's future growth and expansion.

Valuation and View: Samhi Hotel has continued to post growth in top-line and EBITDA supported by a continuous increase in the occupancy rate and the average room rent but has been posting loss due to increase in interest costs. The company's flexible asset ownership model allows it to acquire properties operating in a range of hotel price points and gives the flexibility to work with several leading operators to determine appropriate brands for each hotel. As the portfolio matures with time, the company intends to add more operators, brands, and locations to further diversify its portfolio. The offer is made at around 20.14x post-IPO EV/EBITDA at upper price band.

INR Mn	FY21	FY22	FY23
Revenue	1,695.7	3,227.4	7,385.2
EBITDA	-597.14	217.9	2,605.9
EBITDA Margins (%)	-33.3	6.54	34.22
PAT	-4,777	-4,432	-3,385
PAT Margins(%)	-266.5	-133	-44.4
Average Room Rent (INR)	2,624	3,149	5,069
EPS (INR)	-62.6	-58.1	-43.9

Source: RHP, Arihant Research

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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