



**“Suba Hotels Limited
H2 FY26 Results Conference Call”
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MODERATOR: **MS. JANHAVI PATIL – ORIM CONNECT**

Moderator: Ladies and gentlemen, good day and welcome to the Suba Hotels Limited H2 FY26 Results Conference Call hosted by ORIM Connect. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Janhavi Patil from ORIM Connect. Thank you and over to you, ma'am.

Janhavi Patil: Thank you. Good afternoon, everyone and a warm welcome to all of you. I am Janhavi Patil from ORIM Connect, representing the investor relations team of Suba Hotels Limited. On behalf of the company, I would like to thank you all for joining us for the H2 FY26 earnings con call. Before we begin, I would like to state a brief cautionary statement. Some of the statements made during today's call may be forward-looking in nature.

These forward-looking statements are subject to certain risks and uncertainties that will cause actual results to differ materially from those expressed or implied. These statements are based on management's current expectations, assumptions, and information available as of now. Investors are therefore advised not to place any undue reliance on these forward-looking statements when making any investment decisions. The purpose of this call is to share insights into the company's business performance and financial results under review.

Now I am pleased to introduce the members of the management team present with us today. Mr. Mansur Mehta, Managing Director; Mr. Mubeen Mehta, Chief Executive Officer; Mr. Chandrakant Shetty, Chief Operating Officer; Mr. Hakimuddin Kanorwala, Chief Financial Officer; Mr. Premal Zaveri, VP Business Development. With that, I now hand over to Mr. Mansur for his opening remarks. Thank you and over to you, sir.

Mansur Mehta: Thank you Janhavi and good afternoon, everyone and a warm welcome to all of you for joining us today. I'll keep my remarks brief because Mubeen and the entire team have a lot to share with you, but I did want to make a moment before I get into detail. We had a fantastic year. When I look at the business as it has been delivered, I am generally pleased. The team has really performed well.

One thing I would like to highlight personally, that the seven hotels we opened on the Founders Day. It's easy to say the number, but here it comes to actually means on the ground, seven different cities, seven different ownership structures, seven different teams coming together at the same time. That kind of execution doesn't happen easily. I am very proud of that moment. And this event really showed our organization and the execution capacities of our team.

On the IPO proceeds, I want you to know that this capital has been handled very well. We raised money with specific commitments and we are honoring every one of them. The renovations are underway; the investments are made where we said that it would be. This is something I personally oversee. This is the company that has been carefully built over many years. We are

not in a hurry to grow at the cost of not doing things properly, and that has always been our way and will continue to be.

With this, I hand over to Mubeen now and thank you everyone for all your continued support and trust. Thank you.

Mubeen Mehta:

Thank you. Thank you. Good afternoon, everyone. Thank you for joining us. FY26 for us was a good year. I will also be keeping my remarks brief because Hakimuddin will take you through the financials in detail. This year we navigated a mid-year regulatory change that affected every hotel operator in the segment. We had two hotels, Suba Star and GenX Mirzapur, offline for planned renovation for a significant part of the year. Despite all of that, we performed above our own expectations.

I am happy to say that we achieved our targets for FY26 and are well on our way to achieving our targets for FY27. To add to what Mr. Mehta said on the seven hotels, what I want to say is that, yes, executing these at one point was not only difficult, but it is something that we are very proud of. What I also want to say is that these seven hotels had a mix of all the five operating models that we have; leased, owned, revenue share, management, and franchise. That is something that we are very proud of. Beyond that, we have also made investments in our CRM program and our Suba Smart Procure program.

I will now hand over to Hakimuddin to take you through the rest of the financials. Thank you.

Hakimuddin Kanorwala:

Thank you, Mr. Mubeen Mehta, for a detailed business overview. Good afternoon, everyone present over the call. A small introduction about myself. As I have recently started my journey with Suba Hotels, I am excited to be part of this growth phase of Suba Hotels. I bring over 15 years of experience across finance, business planning, corporate strategy, and compliance.

Prior to joining Suba Hotels, I have worked extensively in the hospitality sector with leading brands such as Ginger of IHCL Group, Accor Hotels, Hilton Hotels, etcetera. I am excited to work under the dynamic leadership of Mr. Mansur Mehta and Mr. Mubeen Mehta and bring the best of the industry standards at Suba.

To begin with, I want to start with this business, what actually delivered for us this year. Revenue from operations in the financial year '26 came at INR114 crores, which is a 44% growth in a single year. H2 alone was INR70.5 crores, up by 42% versus last year. PAT, Profit after tax, grew 19% to INR18 crores from INR15.5 crores last year.

All of this was delivered in a single year where the industry witnessed multiple challenges like geopolitical situations during the India-Pak war in the month of May, Air India crash, Indigo airline fiasco, GST 2.0, and lastly, the Middle East crisis, which impacted our UAE operations. Despite all of this, the company managed to deliver 44% growth over the last year with a CAGR of 30% on revenue and 25% on EBITDA.

EBITDA for this year stood at INR26.8 crores, which is 13% higher from the last year. EBITDA margins for the current year is 23.1% versus 30% last year. The absolute EBITDA keeps

growing; however, the margins contracted. I want to pause and take a moment and reflect on the margins and the reasons the margins got contracted.

This year, we at Suba Hotels invested in further strengthening our foundation by investing in people, process, technology, including AI, to build a future-ready organization that can absorb and support the growth. Employee costs and corporate overheads grew as we built our cluster structures, pre-opening teams, and expanded our internal sales force to reach the remote destinations.

Two hotels, Suba Star, Ahmedabad and GenX, Mirzapur, were non-operational for a part of the year due to the planned renovations. Both are back online now, and this new improved product will help us to improve the ARR by 15% to 20% over the current ARR from these hotels. One of the reasons for the margin contraction is our UAE operations, which got softer at a later part of the year due to the ongoing Gulf conflict.

And finally, I would want to emphasize on a big regulatory change which has come up our way. That is the GST change. In September '25, the Government of India notified GST 2.0, and the rates of the hospitality hotels which are priced below INR7,500 per night were revised from 12% with input tax credit to 5% without input tax credit.

The rate reduction is a welcoming move which increases the purchasing power of the consumer and will benefit our industry. However, the company stands to lose the input tax credit, which entirely becomes a cash cost for the operators in our segment. Every mid-scale hotel segment in India has been hit by this equally. The H2 impact for us was approximately INR3.5 crores, directly impacting our EBITDA margins.

We are proactively addressing the GST impact through a combination of strategic pricing actions, operational efficiency initiatives, cost rationalizing across the model. Our focus remains on preserving the margins, improving productivity at the property level to sustain profitable growth despite the regulatory changes.

We have further taken measures of declaring our restaurants on specified premises, which will enable us to take some proportionate input tax credit. This will help us to mitigate some GST impact. Also, we have around 20 hotels coming in the next year -- in this current year, which will and further two hotels which are renovated, which will be back at full capacity, to drive our margins and economies of scale.

We look forward for the upcoming year. We foresee our margins to stabilize and improve from here on. With all those headwinds mostly removed and 22 hotels coming in the next year, we are absolutely optimistic for what lies ahead for us. Our balance sheet continues to improve. The finance cost remains at INR2 crores for this year versus last year at flat, despite us growing well.

We are going forward without taking any disproportionate leverage and remaining capital light. Following feedback from our last investor calls, we will be including a segment breakdown of the revenue streams in our future investor presentations. This year, 70% of our revenue has come from our revenue share hotels, 20% from owned hotels, and 5% from our managed and franchisee hotels.

Thank you, everyone, for hearing me out. I hand over to Mr. Chandrakant Shetty, who will further provide you with operational insights of the company.

Chandrakant Shetty:

Thanks, Hakimuddin. Good afternoon, everyone. Let me give you the ground-level picture. Occupancy for the year was 68.5%, up from 65.2% last year. ARR was around INR3,850, up from INR3,620. And RevPAR came in at INR2,637. That's an 11.7% improvement year-on-year. Both rate and occupancy moved in the right direction at the same time in a year where we added 23% more keys.

On Dubai, Click Square, Click Grand, and Click Park has the conflict began in the month of February, and we were already in the peak season, it took some time for the impact to reach the market. Click Square and Click Grand maintained strong occupancy throughout the year, while Click Park opened only in August and is already outperforming our expectation for a first-year hotel.

On the channel side, OTA dependency came down to 35% from 38%. Corporate came up from 32% to 35%. Direct website booking went up from 6% to 7%. Every move in the right direction. We manage our rates centrally. Our revenue team sets the pricing. This is one of the main reasons for the ARR improvement and inventory distribution.

The travel landscape has evolved significantly in the recent years. While rising airfares has led many travelers to explore domestic destinations, the increasing influence of social media has also fueled a growing desire for leisure travel and experiential vacations. Long weekends, festivals, and major sporting events like IPL have become key drivers of travel demand.

Additionally, booking patterns have shifted considerably. The traditional booking window of 10 to 15 days has compressed to just 3 to 5 days, enabling hotels to adopt more dynamic pricing and capitalize on demand fluctuations. This trend has contributed positively to occupancy levels and has created strong opportunities for enhancing average room rates and overall performance.

We are also working on a strategic initiative aimed at enhancing our bottom line by converting franchisee hotels into revenue share properties under the same brand name. We have successfully implemented this model at two hotels, Comfort Inn, Dapoli, Maharashtra, and Quality Inn, Gurgaon, NCR. Both the properties have demonstrated strong profitability under this approach.

For FY27, both renovated properties, GenX Mirzapur and Suba Star Ahmedabad, are back online. 22 hotels coming through the pipeline, and the sales team is already in market for those openings. We are targeting 10% to 15% ARR growth on the domestic portfolio. The demand in the markets where those pipeline hotels are sitting gives me more confidence in that range. Thank you.

Now I hand over to Mr. Premal.

Premal Zaveri:

Thank you, Chandrakant. Good afternoon, everyone and thank you for joining us today. I would like to begin by revisiting our commitments we made during the last earnings call in January. At that time, we had guided that approximately 94%, 95% of our pipeline of say 901 keys would

become operational over the subsequent 12 months. I am pleased to report that we have already delivered on that commitment.

Our focus has always been on converting signed opportunities into operating assets. And the past year has demonstrated the strength of our execution capabilities. A notable milestone, as mentioned earlier was achieved in the first week of April itself when we successfully opened 350 keys in a single day.

One of the most significant single-day additions to operational inventory in our recent history. This achievement reflects not only the scale of our development efforts, but also the discipline, coordination, and execution required to bring such projects to market and on schedule. In our business, signings create potential, but openings create value.

The progress we have achieved over the past year reinforces our ability to consistently translate pipeline into operating inventory and deliver on the commitments we make. Talking about pipeline and turning to our development pipeline at Suba Hotels, I'm pleased to share that it has expanded significantly since our last update.

In January, as mentioned our signed pipeline represented 901 keys. Today, that pipeline has grown to 1,759 keys, representing an increase of approximately 95% in just a few months. More importantly, the visibility and quality of this pipeline remains exceptionally strong. Of this total, more than 1,100 keys are currently scheduled to open in FY27 itself.

This provides us with a high degree of confidence in our near-term growth outlook and creates a clear pathway for continued expansion. Importantly, these projections are not based solely on executed agreements. They are supported by tangible progress on the ground, including construction milestones, project readiness, regulatory approvals as well as pre-opening activities.

The pipeline is also geographically diversified across high-potential hospitality markets, such as Bangalore, Hyderabad, Tirupati, Amritsar, Lucknow, Katra, Aurangabad and growing and emerging markets such as Orai, Bhopal, and Chandel, amongst other several other key destinations.

Many of these markets are driven by a healthy mix of pilgrimage, commercial, industrial and domestic leisure demand segments, areas where Suba Hotels has consistently demonstrated strong operating performance. Underlining this growth is a philosophy of the company that has remained consistent for many years.

Suba Hotels remains firmly focused on the opportunities emerging from Tier 2 and Tier 3 cities, pilgrimage destinations, industrial clusters and rapidly developing regional markets. We believe these markets offer attractive long-term demand fundamentals, lower competitive intensity and significant room for organized hospitality growth.

At the same time, we continue to strengthen our asset ownership strategy by adding at least one owned hotel asset to our portfolio every year. A recent example of this approach is our hotel

development in Ujjain, a market that aligns strongly with our focus on high-potential pilgrimage destinations.

We have also benefited from the government's encouraging tourism and hospitality incentive schemes, which have helped reduce development costs and further strengthen the project's long-term investment case. This balanced approach of combining a scalable management and franchise platform with selective asset ownership and development allows us to build long-term enterprise value while maintaining a deep understanding of hotel operations, guest expectations, and market dynamics across the country.

A key enabler of this growth has also been the continued strengthening of our business development platform in the company. Today, our dedicated business development team comprises five experienced professionals focused exclusively on identifying opportunities, nurturing owner relationships, and expanding our development pipeline across the country. This core team is further supported by four senior shared resources from the corporate office.

Equally important is the contribution of our growing network of operational general managers across the Suba ecosystem, whose market knowledge, operational expertise, and relationships often play a vital role in evaluating opportunities and supporting conversions. Together, this collaborative and increasingly integrated approach has enabled us to scale efficiently while maintaining the discipline, quality, and execution standards that define the Suba Hotels brands.

Another important aspect of our growth strategy is our continued focus on value-accretive development opportunities. While we remain committed to expanding our footprint across India, we are equally disciplined in the opportunities that we choose to pursue. Our emphasis is increasingly on hotels of meaningful scale, and as a general principle, we are prioritizing projects with over 45 to 50 keys.

At the same time, we remain highly selective about product quality, design standards, location fundamentals, and long-term market relevance. Our objective is not simply to add more hotels, but to add hotels that will remain competitive, commercially viable, and brand-enhancing for many years to come. This disciplined approach ensures that every signing contributes meaningfully to the long-term value of the Suba Hotels platform and supports sustainable growth for our stakeholders.

Beyond the growth in pipeline numbers, I would like to highlight one equally important, in fact even more important aspect of our development strategy, the quality of the deals that we are signing. An increasing proportion of our new hotel signings are coming from owners already within the Suba ecosystem. These partners have first-hand experience of our operating capabilities, understand our brand standards, and have confidence in our ability to drive sustainable commercial performance.

As a result, such projects typically progress more efficiently through development. They achieve stabilization faster after opening and also require significantly shorter sales and negotiation cycles. This is a very powerful validation of the relationships we have built over the years. It

demonstrates our owner-first approach is definitely creating a meaningful competitive advantage as well as generating a self-reinforcing growth engine for the business.

As our network of successful owner relationships expands, so too does our ability to attract repeated investments and accelerate future growth. In closing, as we move into FY27, our priorities remain very clear, disciplined expansion, consistent execution, and the continued strengthening of our owner partner ecosystem.

We have demonstrated our ability not only to build a robust pipeline but also to execute against it. The successful opening of 350 keys in a single day earlier this year is a testament to that capability. Today, we have signed a pipeline of 1,759 keys as I mentioned earlier, with more than 1,100 keys scheduled to open just this financial year in '26-'27.

This level of visibility gives us confidence in the strength of our growth trajectory and reinforces our belief that Suba Hotels is well-positioned to create sustained long-term value for our shareholders.

Thank you so much. I would like to pass it on now to our CEO Mr. Mubeen Mehta for the closing.

Mubeen Mehta: Thank you everyone. Looking ahead, we're all excited. We have 22 hotels opening in the next 12 months. Both renovated properties are back online and the platform investments we've made this year are already in place. We are now working towards a number; we are now working towards achieving 10,000 keys by the year 2030 and every decision we take is towards that direction. Thank you. Thank you again for your time and I think we can open for questions now.

Moderator: Thank you. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Yes, am I audible sir?

Moderator: Yes Deepak.

Mubeen Mehta: Yes, yes, we can hear you.

Deepak Poddar: Oh yes, thank you very much sir for this opportunity. Sir, just first up, just wanted to understand, I think you mentioned the GST impact was around INR3.5 crores in the second half, right?

Mubeen Mehta: That's right.

Deepak Poddar: Second half. So and you also mentioned that we are focused on preserving our margins, right? So ideally, I mean, what sort of margins we are we are looking to kind of maintain? I mean, because pre this FY26, I think we were at about 29% kind of an EBITDA margin, right? And so are we looking to preserve that kind of margins? And this GST impact is over, right? I mean, we do not expect it to reoccur in FY27. I mean, yes.

Mubeen Mehta: Hakim will take this.

Hakimuddin Kanorwala: Thank you, thank you for the question. So this GST margin what we want to retain is we will want to go back to our previous level, but that will be a journey which we'll have to live together in the next coming years. The margins which were reported last year without the GST impact around 30%. So we are trying to mitigate this GST impact of INR3.5 crores through various measures which we explained through cost rationalization and, you know, driving our ARR across.

And in the coming year also we see the same trend. This will come and settle down somewhere initial, but it will it'll be a journey which we'll have to continue in the next two years. And the to answer the second question, GST impact, GST impact remains with us for the upcoming years also, as this GST is now disallowed going forward and input tax credit will not be available to us. So yes, GST will continue, however we will continue mitigating the GST impact.

Deepak Poddar: Okay, okay. So we do intend to, I mean, just to summarize, we do intend to go back to 30% in next couple of years, I mean, that's what?

Hakimuddin Kanorwala: That is right.

Deepak Poddar: Okay, okay. Understood. And in terms of key addition, I think you mentioned 1,150 keys you are looking to add in FY27?

Premal Zaveri: Yes, hi. So yes, we did mention that we are scheduled to open 1,100 keys in the year FY27.

Deepak Poddar: Includes the Founders Day's 350 that we have already opened?

Premal Zaveri: Sorry, could you repeat that?

Deepak Poddar: So this does it include 350 that we have already opened based on our on Founders Day, I mean 350 keys?

Premal Zaveri: Yes, correct. Since it was opened in the first week of April, we are including it in the FY26, FY27 of 1,100 keys.

Deepak Poddar: Okay, understood. That's very clear sir. And just last thing from my side, I mean if you if you see last three years our growth trajectory has been very strong, I mean we have grown at around 45%, 50%. And given the strong pipeline of hotels and key addition, I mean are we looking for a similar trajectory if I have to look for next two-three years? I mean, some comments on that would be very helpful sir.

Hakimuddin Kanorwala: Yes, we will look at a CAGR of similar CAGR of 30-35% on the growth and we'll try to touch 40% mark. But yes, the trend will continue similarly with the pipelines which we have in the current year plus the upcoming years.

Deepak Poddar: Okay. and this this will be driven by, I mean, combination of your ARR, your new keys addition as well as higher occupancy. I mean, all these three factors will equally contribute to this growth?

Hakimuddin Kanorwala: That is correct. We'll this will be contributed through the new openings which we have in the pipeline plus improving our ARR's of the current hotels plus the renovations which we are doing, that will also come as come and support in the coming years.

Deepak Poddar: And just one more thing, you mentioned we are kind of moving towards more towards revenue sharing model from a franchise model, right? So, will that also help your revenue trajectory?

Premal Zaveri: Yes, hi. Premal here. So, we are definitely exploring an additional revenue stream of converting or rather not converting but adding on a revenue sharing model over and above our franchise models as well. So, you know, just to sort of take one step back, in franchise models the way it works is that the operations are managed and handled by the owner. Now when we introduce a revenue sharing model, Suba Hotels comes on board as the operating team and then operates the hotel also.

Hence the model becomes even more robust because Suba Hotels brings on the table a lot of strengths in terms of operations, shared services, corporate benefits, central purchase etcetera, and hence revenue sharing also becomes an add-on stream to the franchise already existing franchise hotel brands.

Deepak Poddar: Okay, okay. Got it, got it. That's very clear sir. I mean that's it from my side. Would like to wish you all the very best. Thank you so much.

Mubeen Mehta: Thank you.

Moderator: The next question comes from the line of Pritesh Chheda with Lucky Investment. Please go ahead.

Pritesh Chheda: Sir, your line was not audible, so I couldn't understand the reason for the margin change in FY26 if you could, you know, clarify that. And second, on the growth side, so how many keys do we think we'll add in the owned and the leased in FY27 because that's the main driver for your revenue and the EBITDA, so and where are we on that key addition on the owned and the leased side?

Hakimuddin Kanorwala: Yes, so we'll break down your question in two parts. First, we'll discuss on the EBITDA margins of the financial year 26. So, the EBITDA margins were contracted for multiple reasons. Major one was the GST impact, the GST 2.0 which has come on 22nd of September, where the rates were revised from 12% to 5% as an output, but it enabled, you know, disabled us to take the input tax credit.

So, we are not supposed to take the input tax credit which led to a loss of around INR3.5 crores, which directly impacted our EBITDA margins. This was a major reason. Second, we had a renovations going on, which are the planned renovations, so which slowed down our growth in terms of couple of hotels. We had renovations in Ahmedabad and Mirzapur.

These two hotels now are completely out of renovations and this will now continue growing and contribute better to the ARR's. The third is we had a soft UAE operations in this year because of the Indo because of the war in the Gulf. The March month was effective affected by this war,

hence there was an impact on the EBITDA margins. So, these three are the major reasons for our slowdown of EBITDA margins, plus the new hotels which are coming in stabilizing, we also opened a lot of hotels in this financial year, are now stabilizing and leading to the slowness in the EBITDA margin. For the keys for the number of keys in operations, I'll hand over to Premal to take that.

Pritesh Chheda: Well, just before this renovation of two hotels, so were these the owned, what were the total rooms and were these the owned and the leased hotel or?

Hakimuddin Kanorwala: So, this is the owned hotel, Ahmedabad. These are around 75 rooms, which are under renovation, 75 keys.

Pritesh Chheda: So, they were out of operation in a certain period of time?

Hakimuddin Kanorwala: Yes, they were out of operation.

Pritesh Chheda: Okay. So, which part, second half they were out of operation?

Hakimuddin Kanorwala: Yes, they were out of operation for the second half of the year.

Pritesh Chheda: So, two hotels totalling 75 rooms?

Hakimuddin Kanorwala: That is correct.

Pritesh Chheda: Okay. Now, if you could tell me on the expansion for FY27.

Premal Zaveri: Sure. So, I think the question is that of the 1100 keys that we are estimated to open in the year FY27, what is the split? I think that is what you are asking between owned and franchise and management.

Pritesh Chheda: No, I just want to know how much is owned and the leased keys out of that total?

Premal Zaveri: So, leased and owned in total for the FY27 would be around 507 for under this category of leased and owned. The rest about 490, say about another 500 keys would be under the franchise business model.

Pritesh Chheda: Okay. And in this 350 that you guys have opened in the first quarter, how much are owned and leased in it?

Mubeen Mehta: Mubeen here. So Chakan is owned by us. Gurgaon is leased. And the other are management and franchised. I am sorry, Gurgaon and Jaipur are leased, the rest are management and franchise.

Pritesh Chheda: So, the leased and owned is how much in the room number count?

Mubeen Mehta: About 120.

Pritesh Chheda: Okay. My other question on the margin. So, now should we see the margin resetting itself, barring the GST impact obviously, where the input tax bill doesn't come in. So, where do you see the margin heading next year?

- Hakimuddin Kanorwala:** Yes, the margins will get reset. So, this was the base year. This is the year which we have reconciled. And going forward the margins will improve from here because we will have hotels coming back from the renovation part, plus the GST impact will reduce. So, the indicative will be -- the margins will improve, but I will not be able to give you the exact numbers. But in the next two years the margins will reset at the same levels. Similar levels, maybe.
- Pritesh Chheda:** So, going back to 29%, right?
- Hakimuddin Kanorwala:** We target, you know, we target for aiming those margins and resetting it.
- Pritesh Chheda:** Okay. And my last question is from the balance sheet. I didn't understand what is the part, what is included in short term loans and advances and other current asset? If you could just tell me those two-line items, what is a part of it?
- Hakimuddin Kanorwala:** So, in balance sheet, in the other current assets, it includes our investments in fixed deposits, which are high in this year. Hence, there is a quite high movement in this year. So, we have parked fixed deposits in the current financial year and short-term loans and advances pertains to generally our advances, mobilization advance to contractors for starting our renovations and projects.
- Pritesh Chheda:** So, all the advances largely to do with newer projects and advances given to them for starting the work. And in the other current asset, can you quantify how much is the fixed deposit?
- Hakimuddin Kanorwala:** Roughly it is around INR40 crores.
- Pritesh Chheda:** Okay. Okay. Understood sir. Thank you.
- Moderator:** The next question comes from the line of Deepanshu with FinWizz Financial Service. Please go ahead.
- Deepanshu:** Yes, hello sir, am I audible?
- Mubeen Mehta:** Yes, yes, we can hear you.
- Deepanshu:** Yes, okay. Congrats for the decent set of numbers. So my question is broadly about the next 3-year growth of the company. So in the PPT, it's mentioned that we have let's say 4,600 rooms keys approximately. So if I ask at what's the average occupancy overall of the company for the last FY26, like how much percentage of our rooms are occupied on an average across all hotels?
- Chandrakant Shetty:** For the last year it was 65.2% and this year we're doing around speeded around 68.5% occupancy.
- Deepanshu:** Okay, 68.5%. And sir, so if I talk about the growth for the next 3 years, it can be due to three factors according to me. Number one, adding more keys that you are doing. Second thing is increasing the occupancy rate. And third thing is increasing the business model that give you higher margins, right?

So here I can see that franchise has a very high EBITDA margin and low capex, right? While managed and lease are somewhere in between, owned hotels have very high capex. So you as management for the next 3 years, which segment you are focusing, is it the franchise, managed, or leased hotel for the profit growth? And how you are focusing on the revenue growth by increasing the keys more or focusing a lot on the occupancy increase using some strategies?

Mubeen Mehta:

What I want so basically, I'll take it in three parts. Number one is the growth. So there is a minimum commitment that we've made to Choice for 500 rooms per year. That is the growth that we have to do by hook or by crook. What the way we prefer to grow is by doing revenue shares and leases. That is our preference.

However, the company is set up in such a way that we as a platform are able to give you what you want. So we don't go and we don't force one particular brand or we don't force one particular model on anybody. What we do is we work around their requirement.

So if you ask us how we are going to grow, we are going to grow in whatever opportunity that comes to us. However, our preference remains to grow via revenue share and lease. The 68% occupancy also I would like to clarify over here is that it is a mix of all hotels. This includes the hotels that are owned by us or have started fresh. So if we remove the hotels that are newly opened and we look at our stabilized hotel, the rate would be much, much higher. I hope that answers your question.

Deepanshu:

Okay, okay. So for so for number of keys you are adding you have a strategy. For increasing the occupancy rate, are you trying to use other channel, some marketing or something, or are you like okay it would be 70% to 72% every time and that we have to just increase the number of keys, that's it?

Mubeen Mehta:

70% to 72% is actually industry standard. You'll find some years at 2%-5% plus or maybe 2% lower, but this is something that we are happy with. Honestly, I think it's a good number to achieve...

Deepanshu:

So the revenue growth will come from keys number...

Mubeen Mehta:

From the rate increase.

Deepanshu:

From the rate increase also. So how you are going to like to strategize the rate increase with the same set of hotels?

Mubeen Mehta:

So what we do is that we have our distribution platforms that we distribute from our office online and we do this thing called revenue management. So the closer that you get to the date of stay the price goes higher, the higher the occupancy is the higher the rate goes. So these are all strategies that we take that we take into account plus we have some corporate accounts that give us business through the year along with support from OTAs. So it's a mix of many, many strategies that come together to achieve this.



- Deepanshu:** Okay. But in your PPT I can see your franchise at 51% of the portfolio and it shows very high EBITDA margin with low capex, but you are saying you are focused on the revenue share preferably. Why is that the case?
- Mubeen Mehta:** Revenue share gives us more control on the hotel. See, ultimately franchise is something that is operated by the hotel owner. Yes, they do get the benefit of the Choice Hotels GDS and all of that, but we have to we are not in direct control of the guest experience over there. Plus there's a very small portion of the revenue that we realize on our on our books and essentially, we would like to be in control of the full guest experience.
- That is why we prefer to have revenue shares over franchises. We don't have anything against franchises; we sign as many as we can. 500 franchise rooms are opening this year, so it's not like we don't sign franchises. Our preference just remains to be revenue share and lease.
- Deepanshu:** So on your high-end hotels, you are trying to get them into revenue share, the top-notch hotels, Suba brand and others?
- Mubeen Mehta:** Yes, yes.
- Deepanshu:** Because you want to control the experience, so you would want to do that in your top two-three like names, right?
- Mubeen Mehta:** Yes, yes, we do. We are actually agnostic to that. We take revenue we take whatever we can on revenue share. It's again depends on the comfort of the owner. It's not a choice that we make, it depends on the comfort of the owner on what they want.
- Deepanshu:** So Suba is one of your top brands, so you will give Suba brand name to a franchise or...
- Mubeen Mehta:** Suba as a brand we don't give to anybody. Suba as a brand name we don't give to a third party. We only keep it for the hotels that we own.
- Deepanshu:** Okay, let's go to Click Hotels. I think Click Hotels is also a top one, no?
- Mubeen Mehta:** Yes, yes, you can say that.
- Deepanshu:** Okay, so it's if somebody comes to you to get Click Hotels through a franchise, you are okay with that or you prefer that the top brand should be given on revenue share?
- Mubeen Mehta:** We are okay with that.
- Deepanshu:** Okay. And one last question, just when I go to Hilton or something, so I have heard the property manager is a different and Hilton is just a brand managing the hotel. So usually these Tier-1 brands, do they revenue share manage the property or do they franchise in most of the cases? You must have studied the industry?
- Mubeen Mehta:** I don't know what that which hotel you went to, but from what I know is the general understanding is that those are on managed or franchise. Not on revenue share. This is as per my knowledge; I'm not I can't say it for sure.

- Deepanshu:** Okay, I think these are four-five-star hotels, so we should have some idea about them how they are like running on the top-notch revenues in which what model. That's it. Okay, thank you.
- Premal Zaveri:** Hi, sorry just to add on to what Mr. Mubeen Mehta said, hotel companies today are exploring various business models and various opportunities based upon the market and how the market dynamics play. But at Suba Hotels, I don't think we are at liberty to comment on their strategies and their growth development. I understand they're four and five-star hotels and they should be, pretty much out in the public domain, but I don't think we are at liberty to talk about their strategies.
- Deepanshu:** Okay, thank you.
- Premal Zaveri:** All right, thank you.
- Moderator:** The next question comes from the line of Vedant Tripathy, an Individual Investor. Please go ahead.
- Vedant Tripathy:** Hi sir, very good afternoon. Sir, as I see the consolidated profit and loss for this year, this half has particularly high level of other expenses. I mean, the other expenses in the first half were INR20 crores and in this half, they are like INR36 crores. So what are these and can you shed some light on this?
- Hakimuddin Kanorwala:** Hello, am I audible now?
- Moderator:** Yes sir.
- Hakimuddin Kanorwala:** Yes, so the other expenses includes various operational costs which are like guest amenities, your lease rentals, and all your other guest-related cost. In this, it also includes your administration cost. So in the second half of the year where our revenue is much higher as compared to the first of the year, these cross these all these costs generally grow. These are like revenue share because of the revenue share model, we end up paying leases on a higher the revenue higher the lease. And these costs are always bound to be higher in the second half of the year...
- Moderator:** You're breaking up a little bit.
- Vedant Tripathy:** Sir, I understand your point, but then the second half of the last year also had other expenses of like INR19 crores. So, if the revenue has gone up this year, I mean in the in this half the revenue has gone up like INR27 crores from the first half and the other expenses have gone up like INR16 crores.
- So for the difference of INR23 crores in revenues, we have we have the other expenses which are in excess of INR16 crores. So I mean this this is a little, out of sync? I mean, I am not able to understand this?
- Hakimuddin Kanorwala:** So the reason for this is majorly because of the lease rentals which we pay. The higher the revenue share hotels which have come. Second is the GST impact of INR3.5 crores which has kicked in and that is part of the other expenses. So your expenses would have been INR3.5 crores

lower as compared to what it appears as of now if the GST 2.0 would not have come. So it would have been comparable.

So right now your numbers are not comparable with last year's as this year sets the new base cost base and the last year did not have GST impact. So it's not a like-to-like comparison for both. Yes, this operating this other expenses will now stabilize and will remain at similar levels going forward.

Vedant Tripathy: Okay sir. So if I'm understanding you correctly, if even in the first half of FY27 if we have a revenue of like INR70 crores, these other expenses would not be INR36 crores because, INR3.5 crores GST would deduct, which is like INR32.5 crores, and also it will reduce in the first half, further than that. This is what you exactly saying sir?

Hakimuddin Kanorwala: That is right. However, I would differ on one part that GST expense will also be there in the next year because this GST is an change in the regulation which will now impact and which will continue with us for going forward till there is a new regulation being there. So GST impact of INR3.5 crores will remain. This cost is a new cost base for us for other expenses and this will remain similar to the next year also. If we incur INR70 crores of revenue, we may end up somewhere near to these kind of numbers for other expenses also.

Vedant Tripathy: Okay, okay. Sir, actually the GST impact is not that much. I mean, the expenses have expanded more than INR16 crores, so even if we deduct the GST impact from that, we still are at INR12 crores more than that. So if in my fair understanding, if we have a INR70 crores top line in the first half, even if we deduct the GST impact from this INR36 crores, which is like INR4 crores, INR32 crores is the new normal other expenses from here on more or less?

Hakimuddin Kanorwala: More or less on that lines, yes.

Vedant Tripathy: Right. All right sir. Second question is, so though we are having profits, but the cash flow is seriously negative. I mean, it is, minus INR57 crores. So can you shed some light on this and can we be cash flow positive in the near future or probably somewhere around?

Hakimuddin Kanorwala: So the cash flow in the current year what we are saying is INR57 crores, it includes the movement from fixed deposits. So our we have around INR40 crores fixed deposit sitting in other current assets, which shows as a negative in the operating the operating profit. However, the actual cash position is much higher in other terms cash and cash equivalent. We do have INR40 crores which are sitting in other current assets.

These operational movement of cash and cash is majorly on account of renovations and property movements which we are starting to build. Hence there are loans and advances we can see a little higher as compared to last year because we have now mobilized started mobilizing the advances and the projects have started to kick off in this current financial year. Hence there is a movement.

So the cash and cash operating from our hotels is not negative. It will remain similar as compared to last year and going forward as this projects and other fixed assets -- fixed deposits which we



have parked will move out and will get, capitalized going forward in terms of our projects and will be used and utilized in our projects. Hence this will now get positive in the coming years.

Vedant Tripathy:

Right. Thank you so much sir. Thanks a lot.

Moderator:

Thank you. Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to Ms. Janhavi Patil from ORIM Connect for the closing remarks.

Janhavi Patil:

Thank you everyone for joining the call today. On behalf of Suba Hotels Limited, we appreciate your time and participation. For any further queries, please reach out to us on letsconnect@orim.in. Thank you.

Moderator:

Thank you. Ladies and gentlemen, on behalf of ORIM Connect, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.