

Management Discussion

Unidentified Participant

Good afternoon, everyone. Welcome to Bharat Connect Conference 2026, September edition. I welcome you all to the call of Suba Hotels Limited. Today from the management, we have Mr. Hakim, CFO; Mr. Chandrakant Shetty; Mr. Premal Zaveri. Before I hand over the call to the management, I will lay out the flow of the event. We will start with the opening remarks by the management and then we will move on to the Q&A round. Any participants who would like to ask questions can raise their hand or put them in the chat box. First, we will take the questions from the participants who have raised their hand and then move on to the chat box. If time permits, we'll take the questions that I have received from the clients who are not able to participate. Please note, we will take the last questions at five minutes before the session end. So now, without any further delay, I would like to hand over the call to the management. Sir, over to you.

Premal M Zaveri - Senior Vice President, Business Development, Suba Hotels Limited

All right. Just give me a minute. Yeah, we're good to go. So, good afternoon, everyone, and thank you for joining us today. On behalf of Suba Hotels, it is my pleasure to welcome you to the Suba Hotels investor call. I will begin today's presentation by giving you a brief overview of Suba Hotels, where we are today, how we have built our portfolio, the markets in which we operate, and importantly, how we are building the next phase of our growth. For us, the story of Suba Hotels is not simply a story of adding more hotels or more rooms. It is a story of building a scalable hospitality platform, one that can grow across India, across different market segments, and across multiple operating models, while remaining capital efficient and operationally disciplined. That distinction is important when looking at our growth. The hospitality industry can go through ownership of assets, but that approach requires significant capital and can limit the speed at which a company can expand. I'm going to share my screen and the presentation that we have put in place for you guys so that you'll get a flavor of what we are trying to say here. I've just shared my screen. So as we know that the hospitality industry can go through ownership of assets, but that approach requires significant capital. And also what it does is it limits the speed at which a company can expand. Now, our approach has been different. We have progressively built a model where we can partner with hotel owners in different ways, bring our brands, distribution systems, and operating capabilities to those properties and create value without necessarily having to own the underlying real estate. That has allowed us to build scale while maintaining flexibility as well. And I think there is an important point which I would like to make up front. We do not need to buy scale. We already have it. Our job now is to make every key of every hotel earn more. That in many ways captures the next phase of our journey. The focus now is not growth at any cost. It is profitable growth, stronger productivity from our existing portfolio, and disciplined addition of new inventory. And as we go through the first few slides, I would like to highlight a few things that I believe are particularly important in understanding Suba Hotels today. First, our geographical footprint. Second, the breadth of our brand portfolio. Third, the flexibility of our operating models. Fourth, the commitments already built into our growth pipeline. And last, the conviction with which we are expanding into Tier 2 and Tier 3 markets where we see substantial opportunity for organized hospitality. So let me start with the company at a glance. If you look at Suba Hotels today, we are a diversified hospitality platform with a presence across 74-plus locations in India, with a portfolio spanning the mid-scale to upscale segment. But what is perhaps more important than the absolute number of locations is where those locations are. Approximately 60% to 65% of our portfolio is in the Tier 2 and 3 cities. This is a very deliberate part

of our strategy. India's hospitality growth is no longer confined to the traditional metropolitan markets. We continue to see significant demand coming from emerging business centers, industrial corridors, tourism destinations, pilgrimage centers, and regional markets. And these are markets where organized branded hospitality is still relatively underpenetrated. That creates an interesting opportunity for a company such as Suba Hotels. We don't have to compete only for opportunities in the most expensive and most saturated gateway cities. Instead, we can market and identify markets where demand is growing, the supply is still fragmented, and where a strong operating platform and recognizable brand like Suba can add significant value. That is one of the reasons our geographical diversification is so important. Our portfolio serves a number of different demand segments, corporate travel, leisure, MICE, weddings, pilgrimage, and destination-led demand. So we're not dependent on only one customer segment or one type of travel. The second most important element is a multi-brand strategy. Today, our portfolio includes Suba, Click Hotels, Gen X, RnB, and the entire Choice Hotels portfolio available in India through Clarion, Quality and Comfort. That gives us the ability to match the right brand with the right market, the right customer profile, and importantly, the right hotel asset. That flexibility is critical in our business. A hotel that works in a metropolitan business district may require very different positioning from a hotel in a pilgrimage destination or a leisure market. Our multi-brand architecture allows us to address those differences rather than trying to fit every property into a single proposition. And this is where Choice Hotels' relationship becomes particularly important. In 2022, Suba became the exclusive master franchisee of Choice Hotels in India. That relationship significantly expanded our brand architecture and added internationally recognized brands to our portfolio. But beyond the brand themselves, it gives us access to a global distribution platform. And our conviction here is very clear. Choice gives us this global brand and distribution that no domestic chain can build even in a 10-year period. That gives us the additional advantage when we approach hotel owners and evaluate new opportunities. We can offer a combination of domestic operating capability with international brand and distribution strength. And that brings me to perhaps one of the most important characteristics of our business, our operating model. As shown on this slide, our growth can come through owned, managed, leased, revenue share, and franchise agreements. Now, this is very important because it allows us to pursue growth without relying on a single form of capital deployment. It gives us the ability to align the commercial structure with the owner's requirements, the assets characteristics, and the economics of the particular market. So in simple terms, we are building a diversified hospitality platform rather than simply a collection of hotels. So let me now move from the broad company overview into the portfolio itself. When we look at our portfolio, there are two dimensions that are particularly important, where we operate and how we operate. The first is geographical diversification. The second is a diversity of operating models and brands. Both are important because they provide flexibility. If a particular market is going through a temporary period of softness, the overall platform is then not dependent on that one particular market for our company. Similarly, if the economics of one operating model becomes less attractive for a particular property, we have the ability to structure another model. That flexibility is a significant part of our business development strategy. We evaluate each property and each opportunity on its own merits, looking at the market, demand generators, location, competition supply, asset quality, brand fit, and of course, most importantly, the commercial structure. And that is where the conviction becomes important. We want to enter markets where we have conviction around the demand profile, the asset, and the operating model. We're not pursuing growth simply because the property is available. We're not -- we don't want to understand whether it's attractive or not attractive to other hotel owners and

operators. We want to understand why the hotel should work, who the customer is, how the property will perform, and what role it can play within our network. This is particularly important as the portfolio becomes larger. At a smaller scale, growth can sometimes be measured simply by numbers or properties added to your portfolio. At our current scale, this focus increasingly has to be on quality of growth, execution, margins, and long-term sustainability. And our philosophy is very clear. We will not chase keys that dilute our margins. The objective is not simply to add room inventory, but it is to add the right inventory where we can create operating leverage and strengthen our network. And that is the philosophy behind the geographical footprint that you see on the next slide. This is one of Suba Hotels' strongest strategic advantages. Today we have a pan-India footprint across 74-plus locations covering metros, Tier 2 and Tier 3 cities, tourism destinations, and regional markets. If you look at the map on the left, you can see how widely distributed the portfolio is. But the distribution is not random. Our properties are positioned around a combination of business districts, SEZs, airports, key transit corridors, tourism destinations, and pilgrimage centers. This gives us an exposure to multiple demand generators. For example, markets such as Ahmedabad, Vadodara, Surat, Pune, Nashik, and Hyderabad have strong business and industrial demand. At the same time, markets such as Goa, Varanasi, Ayodhya, Udaipur, and maybe even Gangtok have significant tourism or pilgrimage-led demand. This diversification is important because each of these demand segments behaves very differently. Corporate demand can provide relatively consistent weekend occupancy. Leisure demand provides stronger weekend and seasonal demand, whereas MICE and weddings, on the other hand, can generate high-value groups and significant food and beverage revenue. Pilgrimage markets again create predictable peaks around specific periods and events. So when we talk about geographical diversification, we're not simply talking about having hotels in different parts of India. We're also diversifying the underlying demand drivers of our portfolio. And there is another important point here. Approximately, as I mentioned, 65% of our portfolio is in Tier 2 and Tier 3 cities and markets. We believe this is a significant structural opportunity. The organized hotel markets in many of these cities is still developing. As infrastructure improves, connectivity expands, business activity increases, and domestic travel continues to grow, the requirement for branded accommodation also increases. Because Suba already has a presence in many of these markets, it's easy for us to then build density around these existing properties. And density, ladies and gentlemen, is very important. Once we have an operating presence in a market, it becomes easier to support additional properties through sales relationships, regional management, procurement, talent, and brand awareness. So the geographical footprint is not only providing diversification today, it also creates a platform for future expansion with conviction. Let me now come to the next important part of the story, the pace and quality of our expansion. The numbers on this slide demonstrate the momentum that we have been able to generate. During the period shown here, we opened eight hotels representing about 166% year-on-year increase. We also added 347 keys representing 144% increase year-on-year in keys added, and operational keys increased from 3,838 to around 4,650, which means an addition of 814 operational keys year-on-year. These are important numbers because they show that our growth is not just coming from signing properties, but also converting those commitments into operational inventory. That distinction is important in hospitality. A signed hotel represents a future commitment. An operational hotel contributes to the current business. Therefore, execution between signing and opening is a critical part of our model. And we have also built a significant committed pipeline. We currently have around 41 hotels representing almost 2,500 keys in the committed pipeline. We also have set out a target of 1,000-plus keys to open by the end of FY27, with approximately half of

those 1,000 keys already opened as of 30th September 2026, which is today. So the important message is -- the important message here is that the growth we are discussing is supported by visible commitments rather than simply aspirations. At the same time, we remain very conscious that hospitality expansion has to be managed carefully. We do not want to grow simply for the sake of increasing room count. Every property has to make sense from a market perspective. Our business development team evaluates factors such as local demand, competition, the competitive supply, location, asset quality, owner capability, brand fit, and the proposed operating structure. And this is where I would again emphasize our approach. We will not chase keys that dilute margins. We want our growth to contribute to the quality of the platform, not simply the size of the platform. The objective is not simply to become larger. The objective is to become larger, more productive, more profitable, while maintaining operating quality and commercial discipline. And that brings us to the composition of the pipeline. This slide gives us a more detailed view of the pipeline, both from an operating model perspective and from a brand perspective. From the operating model slide, the pipeline is spread across franchise, lease revenue share, management, and owned structures. The largest component is lease revenue share at approximately 1,500 keys. This is followed by franchise at approximately 700 keys and management at approximately 621 keys. There is also a smaller component for the owned hotels. What this tells us is that the future growth of Suba is not dependent on a single commercial model and that is strategically important. Different hotel owners have different objectives. Some want to retain ownership and outsource operations. Some prefer a franchise relationship. Some are looking for an operator to take greater operating responsibility. Some prefer a structure where the economics are directly linked to hotel performance. Our ability to offer multiple structures means that we can address a much wider universe of potential hotel opportunities. But again, the objective is not to maximize the number of commitments. It is to build the right commitments. We want the pipeline to translate into hotels that strengthen the platform, generate attractive economics, and contribute to long-term value creation. On the right side of the slide, we can see the brand composition of the pipeline. Click Hotels accounts for approximately 42% of the pipeline with 1,212 keys. Comfort Hotels represents around 29% with 833 keys. Clarion represents around 20% with 544 keys. And Quality represents approximately 9% with 267 keys. Now, there is a clear message over here. Our growth pipeline is not concentrated in just one brand. Click remains an important growth engine for us, particularly in the mid-scale segment. At the same time, the Choice portfolio gives us the ability to address additional market segments and asset profiles through internationally recognized brands. And this is where the combination of brand strength, distribution, and operating flexibility becomes particularly important. When we evaluate a new opportunity, we're not simply asking, can we sign this hotel? In fact, we're asking, which brand should this hotel carry? Which operating model makes more sense? Does the market have the right demand fundamentals? And ultimately, can this property generate attractive returns without diluting the economics of the overall platform? That is the discipline with which we are approaching the next phase of growth. In closing, if I were to summarize these few slides that I spoke about, I would highlight about five points. One is Suba has built a genuinely pan-India hospitality platform with 74-plus locations and approximately 65% of the portfolio in Tier 2 and Tier 3 markets. Two, we have built a multi-brand platform allowing us to address different customer segments and different asset profiles. Three, a multi-model operating structure gives us the flexibility to go through and grow through franchise management, lease, revenue share, and ownership structures. Four, our growth is supported by visible commitments with 41 hotels and 2,400-odd commitment -- committed pipeline keys in addition to the broader pipeline shown over here. And fifth and last one, we are approaching

the next phase of growth with conviction and discipline. We have scale, we have brands. We have distribution. We have a pan-India operating platform. And we have a significant pipeline of commitments. The next phase is about converting those advantages into higher productivity, stronger margins, and sustainable value creation. And that is why I would come back to the point I made right at the beginning. We don't need to buy scale. We already have it. Our job is to make every key earn more for our stakeholders and our shareholders. We will continue to add hotels, but we will do so selectively. We will continue to expand into new markets, but where we have conviction around the demand opportunity. And most importantly, we will not chase keys that dilute our margins. With that overview, I will now hand over the next section of the presentation to my colleague Chandrakant Shetty, who is our Chief Operating Officer, where he will take you through the business performance in greater detail. Thank you.

Chandrakant Shetty - Chief Operating Officer, Suba Hotels Limited

Thank you, Premal, and good afternoon, everyone. Allow me to take you across our business model and a few key insights so that by the end you see not just what we have built, but what we are ready to build next. Let me give you the scale of the business. We have 101 operational hotels with 4,652 keys spread across more than 50 cities, and around 65% of our presence is in Tier 2 and Tier 3 cities. In FY 2026, we delivered revenue of INR114.55 crores, EBITDA of INR26.82 crores and profit after tax of INR18 crores. Our return on equity was 13.04% and return on capital employed was 12.81%. So this is a business that is already profitable at scale. We have built a portfolio that serves every kind of traveler. At the top, our upscale hotels offer luxury interiors, fine dining, spas, and personalized services in metropolitan cities and major tourist destinations. In the middle, our mid-scale hotels are designed for business travelers located near business hubs and convention centers with high-speed Wi-Fi, meeting rooms, and in-room workspaces. And in limited service, we offer competitive pricing without compromising on comfort in urban and semi-urban locations. Because each category serves a distinct guest, we are never dependent on single type of demand. This slide shows how those 101 hotels and 4,652 rooms are spread across our brand. Click Hotels is our largest brand with 37 hotels and 1,595 keys. Comfort Inn follows with 33 hotels, Quality Inn with 15 and Clarion with 12. We also have Suba with two hotels, and Gen X and RnB with one each. This gives us a strong brand ladder from budget and mid-scale up to upscale so we can match the right brand to the right city and the right guest. Our revenue comes from five customer segments, and each plays a different role. Corporate and business travelers contribute 35% to 40% of revenue. It runs year-round through direct contracts with no commission. So it gives us a stable occupancy base. Leisure and tourism contributes 32% to 35%. It peaks between October and March, and most of it comes through online travel agent. But it gives us good upselling opportunities. MICE and event contribute 15% to 20%. These are direct B2B bookings with no commission, and they are high-margin group bookings. Weddings and social events contribute 5 to 10% concentrated between November and February, and they bring very high food and beverage revenue. Finally, religious pilgrimage contributes 5% to 8% with predictable peaks and occupancy of over 90%. Put together, the steady segments balance out seasonal ones, which is what makes our revenue resilient. This slide shows our performance and how we run the business. Over three years, our average room rate has grown from INR2,981 in FY 2024 to INR3,620 in FY 2025 and INR3,850 in FY 2026, a growth of 6.4% in the latest year. RevPAR has grown from INR1,710 to INR2,360 and then to INR2,637, up by 11.7% in FY 2026. RevPAR is growing faster than room rate, which tells us we are improving occupancy as well as pricing. We also run a diversified hotel operating model. Franchises are largest at 45% followed by lease and revenue share at 24%, managed hotels at 20% and owned

hotels at 4%. Our franchise agreements run for 10 to 15 years with staggered renewals. And our low capital exposure means we can rebrand properties quickly if the market demands it. To sum up, we are an asset-light, diversified hospitality platform, profitable today, growing in both rate and RevPAR, with a clear pipeline of new hotels ahead. We would welcome your partnership as we take this to the next stage. And now I welcome our CFO, Hakim.

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Thank you. Thank you, Mr. Chandrakant Shetty, and good afternoon to everyone present over the call. Before I get into the numbers, let me say how we look at this business. Our focus is simple, disciplined, profitable, and a sustainable growth. We are adding hotels at a fast pace, but every opportunity has to earn its place. We ensure to look first at whether a hotel will add to our margins and returns, not just to the room count. The second part of that discipline is our balance sheet. We grow capital light, we commit capital selectively, and we do not take disproportionate debt to chase growth. We have invested in people, system, procurement systems so that the platform can absorb much larger growth as we are seeing in our pipelines. Our focus is now to make sure that the investment turns into operating leverage and steadily rising margins. That is the lens right now we look at this company. I will take you through these numbers in three parts. Let me start with Q1 of FY27, the April to June quarter. Total revenue for the quarter was INR26.8 crores against INR20 crores in the same quarter last year. That is growth of 34% or INR6.75 crores of additional revenue in a single quarter. I want to put that in context. April to June is structurally our softest quarter. North India, with a large part of our portfolio, sits peaks between October to March, which is now just following up. Summer is off-season in Dubai and it is right now going through a turmoil of war. So Q1 typically contributes less than one-fifth or maybe one-sixth of our annual revenue growing at 34% in our smallest quarter, tells you about our story and the underlying momentum which it carries. The growth was broad based. Both of our operating drivers have moved. It's our ARR and occupancy both are driving our growth. The occupancy was 53% in the quarter one up by 5 percentage points from 48% a year ago. The ARR was INR3,340. That is 5% up on a blended rate basis. This both includes the seven new hotels which we have opened in this year. The pricing of this hotel has now just started, and this hotel will further ramp up in terms of occupancies and ARR, where we get the entire year as a model to scale on. The increase in revenue was supported by the increase in the operational keys. At the right of the presentation, you can see our operational keys turning into 20% with the 21% of growth, which is around 814 rooms which we have added from the last year. Now this is one of the biggest pillars for our growth. Two more points which I'd like to add is on this slide is on the 7th of April, the Founders Day, we inaugurated seven hotels together across different platform cities and everyone in our operating models. Those hotels opened at zero occupancy almost, and now they've started to ramp up and Q1 showed that these hotels can again ramp up very quickly. Second, all of this was delivered despite the subdued operation performance in Dubai. The Q1 numbers can see us already a carrier weaker Dubai as well. The committed network now stands at 142 hotels and around plus 7,000 keys, which is more than 50% of what we operate today. This is our visibility for the next two to three years. In the next slide, I would want to take a pause and give you a picture where how we have performed the last year. Now let me step back and see the October to March performance, which is generally the peak season for our company. Total revenue for H2 was INR71.9 crores, which was 43% up from INR50.2 crores in H2 of the previous year. EBITDA was INR17.8 crores, broadly flat against INR17.7 crores, and the profit after tax was INR12.8 crores which is up by 8%. I want to address the EBITDA line directly because it is the question on everyone's mind. Revenue grew 43% but the EBITDA was flat. There are three to four reasons which

are clearly the reasons for the margins did not expand. One is the change in the GST law. In the last year, on 22nd of September 2025, the companies with room tariff below INR7,500 moved from 12% of -- 12% with input credit to 5% without input tax credit. The lower rate is good for the guest and for the demand, but the input credit we lost becomes a cash cost to the company. After the implementation of the GST, the company lost around -- the company had an impact of around INR3.5 crores straight to the EBITDA. This affected our EBITDA margins, and this has now impacted across hospitality to all the players who are operating in this segment, which is less than INR7,500. We also had a couple of planned renovations last year in our hotels of Surat, Ahmedabad Suba Star and Genx Mirzapur, which were offline in H2. Both are back now with a better product and better margins and better rates. Third, the war in Dubai started in the month of March last year, which further softened our EBITDA margin in the last year. So now in FY26, our new base has been set. It already carries the GST -- new GST cost structures. Our aim is, as we said in June, so that we have to work on the margins and we will now get back to the margin level which we were earlier in the next two to three years. The company has taken necessary steps to fall back to the original margins by improving the operational efficiency, negotiating better terms, strategic interventions, use of tech wherever possible. Now, on the right-hand side column, you see where we compare our H2 with the H1. The same year, the revenue was up by 63%. EBITDA roughly doubled. Then the PAT was almost 2.5 times. That shows the operating leverage in the business. When the occupancy and the rate rise in the peak season, a large part of every additional rupee flows through the profit as the fixed cost remains same. At the last, I want to take you through a three-years comparison that what have we achieved in last three years. Revenue from operations has grown from INR52 crores to INR79 crores to INR114 crores. It has more importantly doubled in two years, two and a half, three years' time and grew up by 44% last year alone. EBITDA has grown from INR14 crores to INR23 crores to INR27 crores, almost doubling over two years. This is, mind you, after the fact, the impact of the GST which we had last year. Profit after tax has gone again from INR9 crores to INR15 crores to INR18 crores. PAT has also doubled in two and a half years' time. Now I want to tell you that the company chart is -- what I want you to look at. This is a jump. The chart is consistent. We are growing year-on-year. Every year, on every line, the business has grown, including a year with GST changes, renovation, and a regional conflict on our international business. And we have done it without stretching the balance sheet. The finance cost remains same, around INR2 crores, flat on the previous year as well. To close, three things give us confidence for the year ahead. First, the new keys where my team spoke about 1,100 keys which are scheduled to open in FY27 and roughly of which one-third which are already open. Second, our renovated hotels are back positioned for higher rates. Third, the mix -- more of our growth now comes based on lease and revenue share models which we control our guest experience and consolidate our revenue. This will continue to grow further. Our focus remains profitable growth, disciplined capital, and a steady rebuilding margins from FY26 base. Thank you. Thank you so much for hearing us out. I give it back to the moderator and we welcome any questions further.

Questions & Answers

Unidentified Participant

Thank you, sir. The first question is from Rohan Gupta [Phonetic].

Rohan Gupta - Analyst

Hello. Hello.

Unidentified Participant

Yes, Rohan.

Rohan Gupta - Analyst

Yeah, sir. Sir, firstly actually I just wanted to cover on the margins bit, right. So like the GST was implemented last year, September 2025 onwards. So in last year the H1 didn't have an impact of the GST, right? And H1 in general our margins are on the lower side. So do we see current year our H1 will be even weaker on the margin front as compared to last year because of the GST issue? Or can we at least maintain our last year H1 margins?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Sorry, Rohan, you would have to repeat our question. We lost you there at the start. Can you just repeat the question quickly, please?

Rohan Gupta - Analyst

Yeah. So sir, I was saying the GST was implemented in September 2025, right? So the H2 did not see that GST change -- sorry, H1 last year didn't see the GST change impact. So do we see like in current year our H1 margins could be even weaker than our last year H1 margins, which were already on the lower side due to the seasonality aspect?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

So Rohan, what will happen is of course as you said that 22nd of September the GST came live, GST 2.0. The impact in the last year only belonged to the H2 and did not have an H1 impact. This year, the GST impact will be there in H1 as compared to last year. However, there are a couple of more things which are important for us to know that last year also had very multiple new hotels which were stabilizing, like hotels like Kochi and other important hotels now have stabilized. So the margin and performance from these hotels will improve. Hence, we will not be seeing a decline in the margin. The margin should hold good as last year.

Rohan Gupta - Analyst

Okay. So even on an H1 and overall level, both -- like FY27 overall and FY27 H1, both we feel that at least our margins will be maintained if not improve, right, from last full year?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Yes, that is the idea. The margins will maintain last few years for the full year itself.

Rohan Gupta - Analyst

Okay. And sir, what kind of growth are we looking for FY27 and FY28 considering this UAE disruption and still there is a lot of uncertainty, right? So what kind of growth are we looking for this FY27 and next year as well, FY28?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

So Rohan, we have been growing at the CAGR of 30%. We would want to maintain that CAGR. And plus we have published the numbers for Q1, which is at a growth of 34% which is our softest quarter. This will continue to grow. As these are some forward-looking numbers, I may not be able to share with you. And the momentum is there, which can be seen in the Q1 numbers. And we are hopeful and expecting it to continue in the same manner.

Rohan Gupta - Analyst

Okay. So I mean, yeah, I just wanted to know that we are holding on to our previous guidance despite all of these disruptions, right?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Yes, Rohan. So the Dubai has softened up. But it has started picking up. The occupancies have picked up again, and the rates are a little softer as compared to last year. But we see a good progress there also.

Rohan Gupta - Analyst

Okay, understood. Now sir, on the financials, right, on the asset side, there is a INR15 crore of other receivables and a INR16 crore of advance to suppliers. So I wanted to understand this, right? What is this other receivables? It's apart from the trade receivables of INR20 crore, so what is -- what are these two amounts? Even advance to supplier of INR16 crore seems a bit on higher side, like considering our sector and our business model, etc. So can you give some -- throw some color on these two items of the balance sheet?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Sure, Rohan. Sure. So advance to supplier, Rohan, as you're aware that we have been renovating our hotels and investing back in our properties. So the advance to supplier includes majorly capital advances. The operational advances are very low as compared to INR1.5 crores to INR 2 crores around. And the other rest are capital advances which are towards the property renovations. So when we publish these financials where the properties are now renovated and have come back, so these advances to suppliers will now go down drastically.

Rohan Gupta - Analyst

No, but we already are showing a capital advance of INR13 crore, right? So I mean, if I add up both capital advances, INR13 cores plus advance to supplier is almost INR16 crores. So you're saying our capital advances are almost INR27 crores, INR28 crores for these renovations, etc.

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Yes, that will be right. That will be -- the advance to capital is higher, and there are certain advances which have been in capital advances. Includes some project advances which are there in capital creditors, capital advances. And also we have certain project supplies which are day-to-day supplies which we take for the projects are there in advance to suppliers, grouped under advance to suppliers. Hence the project advances are high. This will now turn around because the company's renovations are now getting completed and the hotels are coming back from the advances. And we have -- we are closing those invoices in this period.

Rohan Gupta - Analyst

Okay, okay, okay. So that will, I think, reflect in H1.

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Yes, that will reflect in H1

Rohan Gupta - Analyst

And this other receivables of INR15 crore, what exactly is this? This is within other current assets.

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Just a moment.

Unidentified Participant

So now the next question is from Maharsh Maru [Phonetic].

Rohan Gupta - Analyst

Ma'am, can we just get the answer on that last question which I asked?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Yes. I'll give you in some time. I'll give it -- I'll keep this question. I'll give it to you.

Rohan Gupta - Analyst

Okay, sir. Sure. I'll join back in the queue.

Maharsh Maru - Analyst

Hello sir. Am I audible?

Chandrakant Shetty - Chief Operating Officer, Suba Hotels Limited

Yes, you're audible.

Maharsh Maru - Analyst

Sir, can you throw some more light on how your Dubai operations are doing or what was the occupancy like in the past six months and whether you see a recovery in the second half of the year?

Chandrakant Shetty - Chief Operating Officer, Suba Hotels Limited

So Dubai, due to the issues going on, the geopolitical war and also the main war going, the average occupancy is between 50% to 58%, and we are definitely seeing slight growth happening right now. So we are positive the way the things are changing.

Maharsh Maru - Analyst

Okay, sir. And are you seeing any impact on business demand in India as well due to the conflict?

Chandrakant Shetty - Chief Operating Officer, Suba Hotels Limited

Not really, not really. See we have more of a corporate business coming into us. So definitely there is not much effect or impact that is happening in India hotels.

Maharsh Maru - Analyst

Understood. Thank you, sir.

Unidentified Participant

Now the next question is from Sun Fujin [Phonetic].

Sun Fujin - Analyst

Thank you for nice presentation. Sir, I just want to know, working capital before the IPO were negative working capital days. Now it has been increased to positive 207 days. What is the reason for the same?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Yes, Sun Fu.

Sun Fujin - Analyst

So sir, working capital days, my question is, it has converted from negative to positive.

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

This is basically from our cash from operations which are generated in the period and plus we had received those IPO proceeds. In the last financial year which we had submitted our reports, our cash flow from operations were negative of INR70 crores, which was after our FDs being parked of around INR37 crores and advanced suppliers and creditors of around INR25 crores. So these are the mix because the operations have changed. Plus we had a lot of cash inflow in terms of capital plus the profit generated for the period resulted in the change in working capital.

Sun Fujin - Analyst

Okay, thank you.

Unidentified Participant

Any more questions Sun Fu?

Sun Fujin - Analyst

No, thanks. Thanks.

Unidentified Participant

Okay. Now the next person is Rohan Gupta. Rohan, so you can unmute yourself.

Rohan Gupta - Analyst

Yeah. Sir, I wanted to understand, right, this GST impact. Now last year we mentioned INR3.5 crore in the second half, right? And we did say in our last con call that it's a journey getting back to the previous margins. So what level of like after we complete all these initiatives, say this declaring restaurants as specified premises and all of these actions that we will be taking over what period do you see our margins going up to what levels? Like will it go to the 29% EBITDA margin that we saw in FY25 or more of a 25%, 26% sort of a stabilized level? And by when do you see that happening?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Rohan, the GST impact which had come at the last rate at around INR3.5 crores, and this year of course with the H1. Now, H2, all the number was high of INR3.5 crore. H1 will not have a similar number because the cost of operations of running H1 being not a season for us, is much lower as compared to H2. Hence, the overall total number will not be around INR7 crores, which is a double, but maybe something of INR4.5 crores, INR5 crores. Now, what will happen is we are taking measures. Measures include renegotiation, strategic changes, operational efficiency, We've taken a lot of steps in the H1, which will reflect in our -- this current results also, to ensure that margins now come back to normalcy. This will not be immediate. This will take time. We feel this margin will slowly and steadily increase over the period of next two, two and a half, three years. And this will go back to those levels only after two to three years and not immediate. And this will again not set at 26%, 27% which is your question, but it will rise and try to reach above that level because we are also adding properties with a higher EBITDA margins now as compared to the earlier properties also. This will also help us to strengthen our margin base. It's a mix.

Rohan Gupta - Analyst

Okay, so you're saying two, two and a half years down the line and it could exceed also the 26%, 27% mark. Right. So now on the strategy, right, on the business strategy going forward, like we have various sort of models, right? Whether it's franchisee, the lease, revenue share model, managed hotel. So on an overall strategy, right, as a company, where is our focus exactly, right? Where are we looking at? From where the earnings growth will come? Apart from revenue growth, from where will our earnings growth majorly come over the next three years? Like, what is our focus across the various models?

Premal M Zaveri - Senior Vice President, Business Development, Suba Hotels Limited

Hi, Rohan. Thanks for the question. Premal here. So the growth comes from various fronts. What we are doing is while we are geographically diversified across the country from north, south to west, and now also growing in the eastern part of the country along with multiple brands, our singular focus stays in the mid-scale and upper mid-scale space. So our core competency lies over there, and that's where we continue to grow in. And in that space, growth comes predominantly through scale. So what we have currently at about the number of keys that we have operational, which is around 4,500, we now also tend to grow much faster with that kind of scale. So we look at about 1,000 to 1,100 keys becoming operational additionally by the end of this year in FY26-'27, of which I think about 450 to 500 are already operational, the new keys I'm talking about. So while we have a very diversified geographical approach as well as different brands, which helps us to capitalize in various markets, what our singular focus continues to remain is in the mid-market and upper mid-market space. So from that perspective, our core competency does not change. And we at the same time offer multiple kind of business models to our clients and partners through which they want to exercise their partnership. So as I mentioned earlier we can talk about a franchise option where the ownership wants to continue retaining the hold on operations all the way till the lease kind of a hotel where we take hotels on lease and the owner just sits back and gets an annuity income. in the form of a fixed lease rental. So the flexibility that we bring to the market and the kind of brands that we offer in the mid-scale space from domestic and international is the kind of approach that we are looking at, which is a multi-pronged approach, but again focused on the scale and the segment of the mid-scale and upper mid-scale segment. So from my understanding, if you ask me where the growth is going to come from, it is going to come from new markets, especially Tier 2 and Tier 3 markets. That's where our focus is currently, and that's where we feel the growth is going to come from in the near to mid-future.

Rohan Gupta - Analyst

Okay, okay, understood. And sir, on this EBITDA margin, right, segment-wise, like there is a slide in the presentation where we've shown the business model-wise EBITDA margins, wherein for owned model it's written EBITDA margin is high. For lease/revenue share, EBITDA margin is moderate. Do you have some broad numbers? Maybe what range this EBITDA would be for, say, the lease and revenue share model?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Yes, Rohan, I'll take that. So Rohan, our EBITDA margins there's a difference between the GOP and EBITDA margins for the lease rent which we pay out to our owners. Now where we own our hotels, we don't -- these hotels are generally on a land lease, maybe by the government or such kind of an authorities, where the land lease is very minimal. In those cases, the operational margins are directly converted to the EBITDA margins, which is followed by depreciation -- the higher depreciation as

compared to the lease models. So in these owned models, we expect our operational margins to flow as EBITDA margins, which is higher, between the range of 45% around -- 45% to 50% as the margins. Whereas when you compare to lease, the operational margins remain similar, where we expect a hotel to do an operational margin of upward 40% to 45% to ranging to 50% based on the cities also. And in those cases, we end up being around 25%, 26% where our EBITDA margins get settled between 25% to 30% based on the performance of the hotels. And this is geographically different and based on all the different individual strategic contracts which we have with the owners.

Rohan Gupta - Analyst

Okay, but our lease revenue share model, you're saying we can have an EBIT of around 25% there?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Yeah, it ranges between 22% to 30%, Rohan.

Rohan Gupta - Analyst

Okay, okay, understood, understood. Got it.

Premal M Zaveri - Senior Vice President, Business Development, Suba Hotels Limited

Any other question, Rohan?

Rohan Gupta - Analyst

Yeah, sir just a minute. Sir, and what would be a revenue breakdown for last year? Like I have the room wise breakdown, but what would be the revenue breakdown model wise? Like how much do the owned hotels contribute to our revenue? How much does, say, franchisee contribute to our revenue? Do you have those numbers handy?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Rohan, we may not have those numbers handy, but we can give you a broad assumption that we have around 200 rooms from our own hotels, whereas the rest comes from the revenue share. And the percentage I think which we have is around 10% from our franchisee and management contracts. So our own hotels contribute around 10% of the revenue. The franchisee and the managed contribute around 10% and the rest has been contributed by our lease and revenue share hotels.

Premal M Zaveri - Senior Vice President, Business Development, Suba Hotels Limited

Also, to add on to what Hakim is saying, when Hakim says lease and revenue share, that again is broken down into different types of lease models. Whereas we do a pure-play vanilla lease rental model, we also do a minimum guarantee revenue share model. We also do a management contract model as well as we do a combination of minimum guarantee as well as a franchise model. So there are various permutations and combinations that we look at under the lease and revenue share just to add a little more flavor to that. That's all.

Rohan Gupta - Analyst

Okay. So actually my basic question was around this was because like you mentioned, lease/revenue share model contributes to around 80% of our total revenue, right?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Yeah, would be around 70%, Rohan, maybe.

Rohan Gupta - Analyst

Yeah, and there we are actually doubling our keys, right? So if I look at it, we have around 985 operational keys in the lease revenue share segment, and the pipeline shows around 860. So like our biggest segment, we are trying kind of doubling, right? So is that the right way to look at it from a financials growth angle?

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Yes, Rohan, because this revenue share and lease model comes with a very capital-light growth where we can --

Rohan Gupta - Analyst

Correct. Yeah.

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Expand -- and, yeah, where we can expand easily and it gets consolidated to our own balance sheet, which gives --

Rohan Gupta - Analyst

Yes, exactly. Because actually at an overall key level it seems like, okay, 15%, 20% growth, but when we dive into the segments, I think that gives a lot more color on the potential growth going forward. Like I think that can back up the 30%, 35% growth guidance that you have mentioned previously.

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

That is right, Rohan. That is right. Because the lease model consolidates our balance sheet as compared to a franchisee in a management contract where we take away the fees in that model.

Rohan Gupta - Analyst

Okay, sir. Understood. [Foreign Speech], sir. Thank you so much and all the best.

Hakimuddin Kanorwala - Chief Financial Officer, Suba Hotels Limited

Thank you, Rohan.

Unidentified Participant

Sir, due to time constraint, we will have to close this call. Any good closing remarks you would like to give?

Premal M Zaveri - Senior Vice President, Business Development, Suba Hotels Limited

Yeah, I would like to thank Arihant Capital for holding this call and getting us connected with the audience. We really look forward to the next few quarters where we're very excited for the new business coming in, for the financials growing steadily, as well as strengthening our existing operations. We look forward to working on these various fronts in different markets and geographies of the country. And we're very excited to again speak to you very soon. Thank you once again. Have a good day.

Chandrakant Shetty - Chief Operating Officer, Suba Hotels Limited

Thank you.

Unidentified Participant

I would like to thank the management and the participants on behalf of Arihant Capital for sparing time and sharing insight about their company. If the participants have doubt, they can get in touch with the team at Arihant Capital. Thank you so much, everyone.