

# Lemon Tree Hotels

|                 |   |
|-----------------|---|
| Estimate change | ↔ |
| TP change       | ↔ |
| Rating change   | ↔ |

**CMP: INR139 TP: INR200 (+44%) Buy**

## Increase in ARR and OR propels revenue growth

### Operating performance beats estimates

- Lemon Tree Hotels (LEMONTRE) reported healthy revenue growth of 16% YoY in 4QFY25, led by significant improvement in the occupancy rate (OR) to 77.6% (up 560bp YoY) and healthy growth in the average room rate (ARR) to INR7,402 (up 7% YoY). Operating leverage led to 150bp YoY improvement in EBITDA margins despite renovation-related expenses.
- LEMONTRE ended FY25 on a healthy note, and we expect the momentum to remain intact in FY26, led by the ramp-up of Aurika Mumbai (~83-85% OR in 4Q and ~80% expected in FY26), favorable demand-supply dynamics, renovation-driven boost in ARR and OR, loyalty program (Infinity 2.0), and initiatives taken by the company to grow retail demand (~45% mix in FY25 of room revenue).
- We largely maintain our FY26/FY27 EBITDA estimates and reiterate our **BUY** rating on the stock with our SoTP-based **TP of INR200** for FY27.

### Operating leverage underpins margin expansion

- Revenue grew 16% YoY to INR3.8b (in line), OR rose 560bp YoY to 77.6%, and ARR increased 7% YoY to INR7,042. Management fees grew 11% YoY to INR160m.
- EBITDA rose 19% YoY to INR2.0b (est INR1.9b). EBITDA margin expanded 150bp YoY to 53.9% (est. ~52.2%) on account of favorable operating leverage. Adj. PAT increased 26% YoY to INR846m (est. INR635m).
- During the quarter, LEMONTRE signed 15 new management and franchise contracts, which added 833 new rooms to its pipeline, and operationalized two hotels, which added 121 rooms to its portfolio.
- As of 31st Mar'25, total operational inventory comprised 111 hotels with 10,269 rooms and the pipeline included 101 hotels with 6,847 rooms.
- For FY25, revenue/EBITDA/adj. PAT grew 21%/23%/32% YoY to INR13b/INR6b/INR2b.
- Gross debt/CFO stood at INR17b/INR5.4b vs. INR19b/INR4.7b In FY24.

### Highlights from the management commentary

- **Infinity 2.0:** The company relaunched its loyalty program, Infinity 2.0, to boost retail demand and achieve two-thirds (~66%) of retail demand share by FY28 (vs. 45% in FY25).
- **Demand trend:** LEMONTRE witnessed strong revenue growth of 21% in Apr'25, while May'25 saw lower growth of 14% due to border tensions and increasing covid fears in North India. Management guided for mid- to high-teen revenue growth in 1QFY26.
- **Renovations:** About 70% of its portfolio has already been renovated, with the remaining 30% targeted for completion in FY26. The company plans to spend INR1.3b on renovation in FY26.

|                       |             |
|-----------------------|-------------|
| Bloomberg             | LEMONTRE IN |
| Equity Shares (m)     | 792         |
| M.Cap.(INRb)/(USD\$)  | 110.4 / 1.3 |
| 52-Week Range (INR)   | 162 / 111   |
| 1, 6, 12 Rel. Per (%) | 0/4/-9      |
| 12M Avg Val (INR M)   | 565         |

### Financials & Valuations (INR b)

| Y/E Mar        | 2025 | 2026E | 2027E |
|----------------|------|-------|-------|
| Sales          | 12.9 | 15.3  | 16.7  |
| EBITDA         | 6.3  | 7.9   | 8.8   |
| PAT            | 1.97 | 3.08  | 3.72  |
| EBITDA (%)     | 49.3 | 51.9  | 52.7  |
| EPS (INR)      | 2.5  | 3.9   | 4.8   |
| EBITDA Gr. (%) | 32.4 | 56.8  | 20.7  |
| BV/Sh. (INR)   | 14.9 | 18.8  | 23.6  |

### Ratios

|          |      |      |      |
|----------|------|------|------|
| Net D/E  | 1.4  | 0.8  | 0.3  |
| RoE (%)  | 18.5 | 23.4 | 22.4 |
| RoCE (%) | 11.7 | 16.0 | 18.9 |

### Valuations

|               |      |      |      |
|---------------|------|------|------|
| P/E (x)       | 55.4 | 35.3 | 29.3 |
| EV/EBITDA (x) | 20.6 | 16.1 | 14.0 |
| FCF Yield (%) | 4.1  | 6.2  | 7.3  |

### Shareholding Pattern (%)

| As On    | Mar-25 | Dec-24 | Mar-24 |
|----------|--------|--------|--------|
| Promoter | 22.5   | 22.8   | 22.9   |
| DII      | 19.7   | 20.8   | 15.4   |
| FII      | 21.0   | 20.1   | 27.2   |
| Others   | 36.9   | 36.4   | 34.6   |

### Valuation and view

- LEMONTRE is expected to maintain healthy growth momentum in FY26, led by: 1) the stabilization of Aurika Mumbai, 2) accelerated growth in management contracts (pipeline of ~6,591 rooms), and 3) the timely completion of the portfolio's renovation (by FY26) leading to improved OR, ARR, and EBITDA margins for the company.
- We expect LEMONTRE to post a CAGR of 14%/17%/38% in revenue/EBITDA/adj. PAT over FY25-27 and RoCE to improve to ~19% by FY27 from ~11.7% in FY25. We reiterate our BUY rating on the stock with our SoTP-based TP of INR200 for FY27.

### Consolidated Quarterly Performance

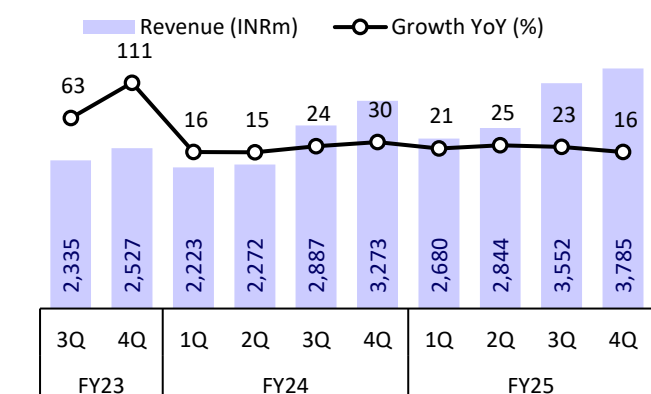
| Y/E March                    | FY24         |              |              |              | FY25         |              |              |              | FY24          | FY25          | FY25E        | Var       |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|-----------|
|                              | 1Q           | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           | 3Q           | 4Q           |               |               | 4Q           | (%)       |
| <b>Gross Sales</b>           | <b>2,223</b> | <b>2,272</b> | <b>2,887</b> | <b>3,273</b> | <b>2,680</b> | <b>2,844</b> | <b>3,552</b> | <b>3,785</b> | <b>10,655</b> | <b>12,861</b> | <b>3,723</b> | <b>2</b>  |
| YoY Change (%)               | 15.7         | 15.5         | 23.6         | 29.5         | 20.6         | 25.2         | 23.0         | 15.6         | 21.8          | 20.7          | 13.7         |           |
| Total Expenditure            | 1,178        | 1,253        | 1,490        | 1,558        | 1,530        | 1,536        | 1,710        | 1,744        | 5,479         | 6,520         | 1,778        |           |
| <b>EBITDA</b>                | <b>1,045</b> | <b>1,019</b> | <b>1,397</b> | <b>1,715</b> | <b>1,151</b> | <b>1,307</b> | <b>1,842</b> | <b>2,041</b> | <b>5,176</b>  | <b>6,341</b>  | <b>1,945</b> | <b>5</b>  |
| Margins (%)                  | 47.0         | 44.8         | 48.4         | 52.4         | 42.9         | 46.0         | 51.9         | 53.9         | 48.6          | 49.3          | 52.2         |           |
| Depreciation                 | 228          | 226          | 333          | 334          | 346          | 348          | 351          | 349          | 1,121         | 1,393         | 355          |           |
| Interest                     | 481          | 473          | 534          | 528          | 518          | 513          | 503          | 472          | 2,016         | 2,007         | 480          |           |
| Other Income                 | 24           | 29           | 22           | 39           | 4            | 5            | 6            | 9            | 113           | 23            | 30           |           |
| <b>PBT before EO expense</b> | <b>359</b>   | <b>348</b>   | <b>552</b>   | <b>892</b>   | <b>291</b>   | <b>451</b>   | <b>994</b>   | <b>1,229</b> | <b>2,151</b>  | <b>2,965</b>  | <b>1,140</b> |           |
| Extra-Ord expense            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0             | 0             | 0            |           |
| <b>PBT</b>                   | <b>359</b>   | <b>348</b>   | <b>552</b>   | <b>892</b>   | <b>291</b>   | <b>451</b>   | <b>994</b>   | <b>1,229</b> | <b>2,151</b>  | <b>2,965</b>  | <b>1,140</b> |           |
| Tax                          | 87           | 86           | 118          | 50           | 91           | 102          | 197          | 141          | 341           | 531           | 271          |           |
| Rate (%)                     | 24.2         | 24.8         | 21.3         | 5.6          | 31.2         | 22.7         | 19.8         | 11.5         | 15.9          | 17.9          | 23.8         |           |
| MI & P/L of Asso. Cos.       | 38           | 35           | 80           | 172          | 2            | 52           | 173          | 241          | 325           | 468           | 233          |           |
| <b>Reported PAT</b>          | <b>235</b>   | <b>226</b>   | <b>354</b>   | <b>670</b>   | <b>198</b>   | <b>296</b>   | <b>625</b>   | <b>846</b>   | <b>1,485</b>  | <b>1,966</b>  | <b>635</b>   |           |
| <b>Adj PAT</b>               | <b>235</b>   | <b>226</b>   | <b>354</b>   | <b>670</b>   | <b>198</b>   | <b>296</b>   | <b>625</b>   | <b>846</b>   | <b>1,485</b>  | <b>1,966</b>  | <b>635</b>   | <b>33</b> |
| YoY Change (%)               | 34.5         | 35.1         | -11.4        | 52.4         | -15.6        | 30.9         | 76.5         | 26.3         | 25.7          | 32.4          | -5.2         |           |
| Margins (%)                  | 10.6         | 10.0         | 12.3         | 20.5         | 7.4          | 10.4         | 17.6         | 22.4         | 13.9          | 15.3          | 17.1         |           |

### Key Performance Indicators

| Y/E March                   | FY24  |       |       |       | FY25  |       |       |       | FY24  | FY25  |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                             | 1Q    | 2Q    | 3Q    | 4Q    | 1Q    | 2Q    | 3Q    | 4Q    |       |       |
| Occupancy (%)               | 70.2  | 71.7  | 65.9  | 72.0  | 66.6  | 68.4  | 74.2  | 77.6  | 71.6  | 72.9  |
| ARR (INR)                   | 5,237 | 5,268 | 6,333 | 6,605 | 5,686 | 5,902 | 6,763 | 7,042 | 6,292 | 6,817 |
| Change (%)                  | 8.6   | 7.1   | 10.4  | 13.4  | 8.6   | 12.0  | 6.8   | 6.6   | 10.7  | 8.3   |
| RevPAR (INR)                | 3,678 | 3,775 | 4,173 | 4,756 | 3,787 | 4,035 | 5,018 | 5,465 | 4,506 | 4,967 |
| Change (%)                  | 17.2  | 16.0  | 7.6   | 10.9  | 3.0   | 6.9   | 20.2  | 14.9  |       |       |
| <b>Cost Break-up</b>        |       |       |       |       |       |       |       |       |       |       |
| F&B Cost (% of sales)       | 5.6   | 5.8   | 5.8   | 6.3   | 6.1   | 6.0   | 5.5   | 6.1   | 5.9   | 5.9   |
| Staff Cost (% of sales)     | 19.2  | 20.4  | 17.0  | 15.2  | 18.9  | 19.1  | 15.9  | 15.1  | 17.6  | 17.0  |
| Power and fuel (% of sales) | 8.7   | 8.4   | 6.9   | 6.0   | 8.7   | 8.0   | 6.0   | 5.3   | 7.3   | 6.8   |
| Other Cost (% of sales)     | 19.6  | 20.6  | 22.0  | 20.1  | 23.3  | 20.9  | 20.7  | 19.6  | 20.6  | 21.0  |
| Gross Margins (%)           | 94.4  | 94.2  | 94.2  | 93.7  | 93.9  | 94.0  | 94.5  | 93.9  | 94.1  | 94.1  |
| EBITDA Margins (%)          | 47.0  | 44.8  | 48.4  | 52.4  | 42.9  | 46.0  | 51.9  | 53.9  | 48.6  | 49.3  |
| EBIT Margins (%)            | 36.8  | 34.9  | 36.9  | 42.2  | 30.0  | 33.7  | 42.0  | 44.7  | 38.1  | 38.5  |

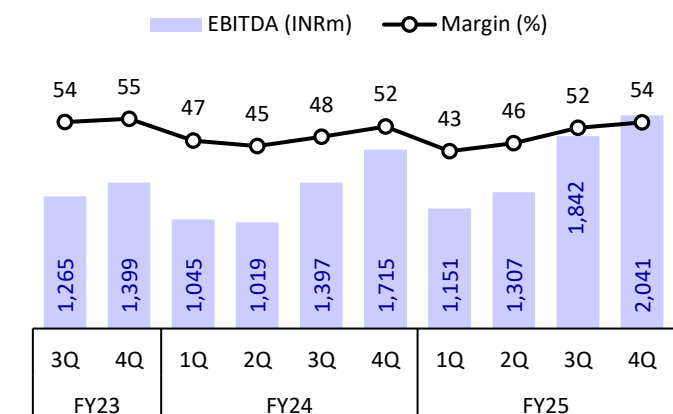
## Key Exhibits

**Exhibit 1: Consolidated revenue trend**



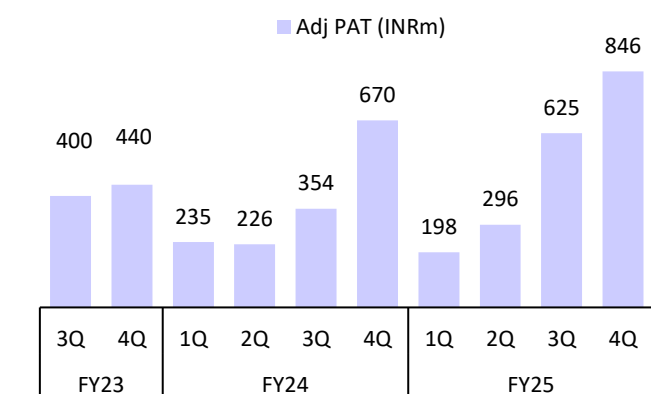
Source: Company, MOFSL

**Exhibit 2: Consolidated EBITDA trend**



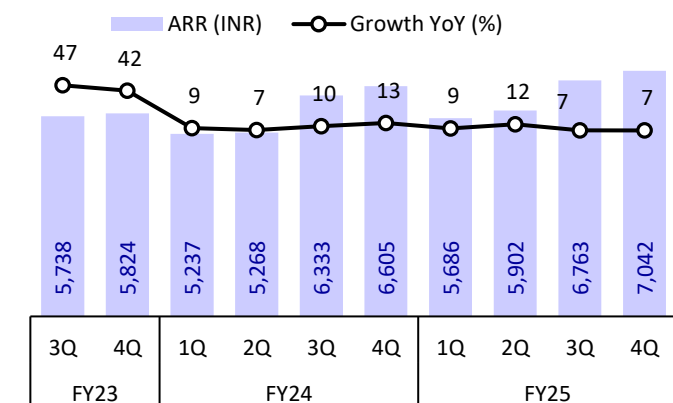
Source: Company, MOFSL

**Exhibit 3: Consolidated adjusted PAT trend**



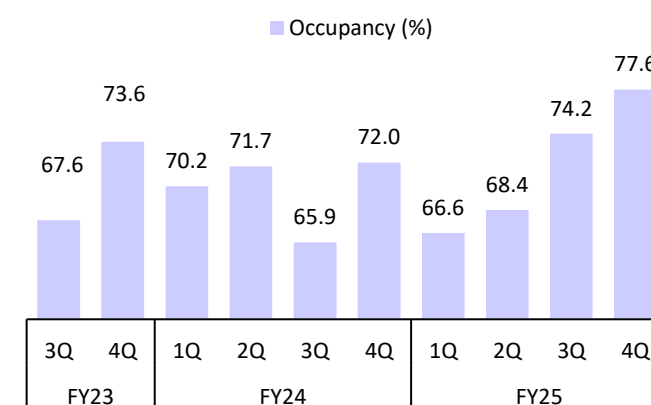
Source: Company, MOFSL

**Exhibit 4: ARR trend**



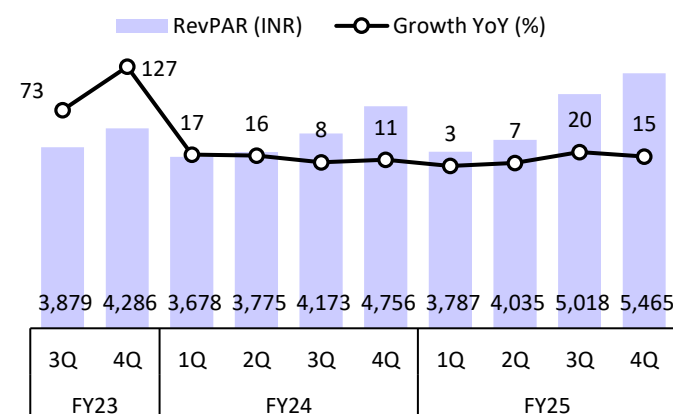
Source: Company, MOFSL

**Exhibit 5: Occupancy trend**



Source: Company, MOFSL

**Exhibit 6: RevPAR trend**



Source: Company, MOFSL

**Exhibit 7: Portfolio breakup as of 31<sup>st</sup> Mar'25 – operational**

| Operational portfolio | Owned     |              | Leased   |            | Managed/ Franchised |              | Total      |               |
|-----------------------|-----------|--------------|----------|------------|---------------------|--------------|------------|---------------|
|                       | Hotels    | Rooms        | Hotels   | Rooms      | Hotels              | Rooms        | Hotels     | Rooms         |
| Aurika                | 2         | 808          | 0        | 0          | 0                   | 0            | 2          | 808           |
| Lemon Tree Premier    | 7         | 1,442        | 2        | 161        | 12                  | 1106         | 21         | 2,709         |
| Lemon Tree Hotels     | 13        | 1,241        | 4        | 321        | 43                  | 2,389        | 60         | 3,951         |
| Red Fox Hotels        | 5         | 759          | 1        | 91         | 5                   | 360          | 11         | 1,210         |
| Keys Prima            | 0         | 0            | 0        | 0          | 1                   | 100          | 1          | 100           |
| Keys Select           | 7         | 936          | 0        | 0          | 5                   | 335          | 12         | 1,271         |
| Keys Lite             | 0         | 0            | 0        | 0          | 4                   | 220          | 4          | 220           |
| <b>Total</b>          | <b>34</b> | <b>5,186</b> | <b>7</b> | <b>573</b> | <b>70</b>           | <b>4,510</b> | <b>111</b> | <b>10,269</b> |

Source: Company, MOFSL

**Exhibit 8: Portfolio breakup as of 31<sup>st</sup> Mar'25 – pipeline**

| In pipeline        | Owned    |           | Leased   |          | Public Private Partnership |            | Managed/Franchised |             | Total      |             |
|--------------------|----------|-----------|----------|----------|----------------------------|------------|--------------------|-------------|------------|-------------|
|                    | Hotels   | Rooms     | Hotels   | Rooms    | Hotels                     | Rooms      | Hotels             | Rooms       | Hotels     | Rooms       |
| Aurika             | 1        | 91        | 0        | 0        | 1                          | 165        | 4                  | 499         | 6          | 755         |
| Lemon Tree Premier | 0        | 0         | 0        | 0        | 0                          | 0          | 7                  | 604         | 7          | 604         |
| Lemon Tree Hotels  | 0        | 0         | 0        | 0        | 0                          | 0          | 56                 | 3857        | 56         | 3,857       |
| Red Fox Hotels     | 0        | 0         | 0        | 0        | 0                          | 0          | 2                  | 96          | 2          | 96          |
| Keys Prima         | 0        | 0         | 0        | 0        | 0                          | 0          | 2                  | 102         | 2          | 102         |
| Keys Select        | 0        | 0         | 0        | 0        | 0                          | 0          | 17                 | 962         | 17         | 962         |
| Keys Lite          | 0        | 0         | 0        | 0        | 0                          | 0          | 11                 | 471         | 11         | 471         |
| <b>Total</b>       | <b>1</b> | <b>91</b> | <b>0</b> | <b>0</b> | <b>1</b>                   | <b>165</b> | <b>99</b>          | <b>6591</b> | <b>101</b> | <b>6847</b> |

Source: Company, MOFSL

**Exhibit 9: Brand-wise operating performance trend**

|                                  | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Lemon Tree Premier</b>        |        |        |        |        |        |        |        |        |        |
| Occupancy (%)                    | 81.0   | 78.0   | 80.0   | 77.0   | 81.0   | 79.0   | 79.0   | 81.0   | 83.0   |
| ARR (INR)                        | 7,143  | 6,380  | 6,334  | 7,437  | 7,565  | 6,558  | 6,802  | 7,852  | 8,156  |
| Hotel level EBITDAR/room (INR m) | 0.20   | 0.32   | 0.32   | 0.35   | 0.42   | 0.32   | 0.35   | 0.44   | 0.48   |
| Hotel level EBITDAR Margin (%)   | 61.0   | 56.0   | 56.0   | 55.0   | 60.0   | 53.0   | 56.0   | 60.0   | 62.0   |
| <b>Lemon Tree Hotels</b>         |        |        |        |        |        |        |        |        |        |
| Occupancy (%)                    | 74.0   | 73.0   | 74.0   | 71.0   | 74.0   | 72.0   | 73.0   | 75.0   | 78.0   |
| ARR (INR)                        | 5,501  | 5,163  | 5,178  | 5,935  | 6,036  | 5,299  | 5,425  | 6,083  | 6,171  |
| Hotel level EBITDAR/room (INR m) | 0.24   | 0.22   | 0.21   | 0.25   | 0.25   | 0.20   | 0.24   | 0.28   | 0.27   |
| Hotel level EBITDAR Margin (%)   | 51.0   | 49.0   | 46.0   | 50.0   | 50.0   | 43.0   | 50.0   | 52.0   | 50.0   |
| <b>Red Fox Hotels</b>            |        |        |        |        |        |        |        |        |        |
| Occupancy (%)                    | 78.0   | 68.0   | 69.0   | 73.0   | 76.0   | 64.0   | 70.0   | 78.0   | 80.0   |
| ARR (INR)                        | 4,310  | 4,044  | 4,059  | 4,746  | 4,796  | 4,214  | 4,458  | 5,144  | 5,457  |
| Hotel level EBITDAR/room (INR m) | 0.20   | 0.14   | 0.14   | 0.19   | 0.21   | 0.13   | 0.17   | 0.25   | 0.26   |
| Hotel level EBITDAR Margin (%)   | 59.0   | 50.0   | 46.0   | 54.0   | 58.0   | 46.0   | 51.0   | 60.0   | 59.0   |
| <b>Aurika</b>                    |        |        |        |        |        |        |        |        |        |
| Occupancy (%)                    | 69.0   | 46.0   | 49.0   | 42.0   | 66.0   | 46.0   | 50.0   | 71.0   | 83.0   |
| ARR (INR)                        | 16,152 | 9,989  | 11,487 | 10,743 | 10,553 | 9,061  | 9,491  | 10,457 | 10,566 |
| Hotel level EBITDAR/room (INR m) | 1.03   | 0.25   | 0.28   | 0.29   | 0.56   | 0.27   | 0.32   | 0.63   | 0.78   |
| Hotel level EBITDAR Margin (%)   | 72.0   | 44.0   | 44.0   | 55.0   | 64.0   | 49.0   | 53.0   | 64.0   | 68.0   |

EBITDAR – Earnings before interest, taxes, depreciation, amortization, and rent

Source: Company, MOFSL

**Exhibit 10: Consolidated profit and loss break-up in 4QFY25**

| INR m                   | Total without Keys Hotels |         |         |            |            | Key Hotels |         |         |            |            | Total   |         |         |            |            |
|-------------------------|---------------------------|---------|---------|------------|------------|------------|---------|---------|------------|------------|---------|---------|---------|------------|------------|
|                         | 4Q FY25                   | 3Q FY25 | 4Q FY24 | QoQ Change | YoY change | 4Q FY25    | 3Q FY25 | 4Q FY24 | QoQ Change | YoY change | 4Q FY25 | 3Q FY25 | 4Q FY24 | QoQ Change | YoY change |
| Inventory               | 4,823                     | 4,823   | 4,823   | 0%         | 0%         | 936        | 936     | 936     | 0%         | 0%         | 5,759   | 5,759   | 5,759   | 0%         | 0%         |
| ARR                     | 7,482                     | 7,210   | 7,030   | 4%         | 6%         | 4,068      | 3,733   | 3,637   | 9%         | 12%        | 7,042   | 6,763   | 6,605   | 4%         | 7%         |
| Occupancy               | 80.7%                     | 77.2%   | 75.2%   | 350 bp     | 550 bp     | 61.5%      | 58.7%   | 55.5%   | 280 bp     | 600 bp     | 77.6%   | 74.2%   | 72.0%   | 340 bp     | 560 bp     |
| RevPAR                  | 6,036                     | 5,567   | 5,285   | 8%         | 14%        | 2,500      | 2,191   | 2,018   | 14%        | 24%        | 5,462   | 5,018   | 4,754   | 9%         | 15%        |
| Revenue from operations | 3,540                     | 3,328   | 3,058   | 6%         | 16%        | 246        | 224     | 215     | 10%        | 14%        | 3,785   | 3,552   | 3,273   | 7%         | 16%        |
| Total expenses          | 1566                      | 1566    | 1399    | 0%         | 12%        | 178        | 144     | 159     | 24%        | 12%        | 1744    | 1710    | 1558    | 2%         | 12%        |
| EBITDA                  | 1,974                     | 1,762   | 1,659   | 12%        | 19%        | 68         | 80      | 56      | -15%       | 21%        | 2,041   | 1,842   | 1,715   | 11%        | 19%        |
| EBITDA margin (%)       | 55.8%                     | 52.9%   | 54.3%   | 282 bp     | 151 bp     | 27.6%      | 35.7%   | 26.0%   | -807 bp    | 160 bp     | 53.9%   | 51.9%   | 52.4%   | 207 bp     | 152 bp     |

Source: Company, MOFSL

**Exhibit 11: Operational performance by regions**

| Parameters by region (rooms) | Occupancy (%) |        | Change YoY* (bps) | ARR    |        | Change YoY* (%) |
|------------------------------|---------------|--------|-------------------|--------|--------|-----------------|
|                              | 4QFY25        | 4QFY24 |                   | 4QFY25 | 4QFY24 |                 |
| Delhi (636)                  | 88            | 87     | 136               | 8,126  | 7,055  | 15              |
| Gurugram (529)               | 77            | 72     | 416               | 6,504  | 5,985  | 9               |
| Hyderabad (663)              | 80            | 79     | 85                | 7,687  | 7,156  | 7               |
| Bengaluru (874)              | 67            | 58     | 848               | 5,579  | 5,218  | 7               |
| Mumbai (972)                 | 85            | 73     | 1195              | 9,382  | 9,077  | 3               |
| Pune (426)                   | 77            | 75     | 265               | 5,749  | 5,231  | 10              |
| Rest of India (1,659)        | 74            | 69     | 501               | 5,919  | 5,813  | 2               |

Source: Company, MOFSL



## Highlights from the management commentary

### Operating performance and guidance

- In 4Q, LEMONTRE signed 15 new management and franchise contracts, adding 833 rooms to the pipeline. Additionally, two hotels were operationalized, contributing 121 rooms to the company's active portfolio.
- In Apr'25, the company recorded 21% growth, which crashed to 14% in May'25 due to the rising fear of Covid and war. However, LEMONTRE still expects to deliver high- to mid-teen growth in 1QFY26.
- The company is targeting EBITDA margins of 55% by FY28.
- It plans to add ~3,000 rooms to the pipeline in FY26.
- Retail ARR in 2H is typically 1.2-1.3x that of 1H.

### Infinity 2.0 loyalty program

- LEMONTRE relaunched its loyalty program, Infinity 2.0, in order to boost retail demand (currently 45%).
- It has 1.5 million loyalty members and is on track to operate 20,000 rooms over the next three years.
- Currently, loyalty contributes 20-30% of business and offers a cost-effective way to acquire and retain customers.
- The company aims to achieve two-thirds of its demand through loyalty within the next three years (by FY28).

### Renovations

- The company's renovation drive is focused on upgrading high-value, high-demand assets. It renovates around 1,000 rooms annually. It spent INR1b on renovations in FY25.
- About 70% of its portfolio has already been renovated, with the remaining 30% targeted for completion this year. The company plans to spend INR1.3b on renovations in FY26.
- Of the total portfolio, 1,000 rooms require no renovation, 1,500 rooms need minor refurbishments, and the remaining rooms require an investment of INR0.5-1m per room.

### Aurika

- Aurika Mumbai generally records OR of 70-75% in the summer, which rises to 85% in the winter. The company targets a blended OR of ~83 - 85% in FY26. ARR will drop due to seasonality, as Aurika Mumbai is still stabilizing.
- Aurika achieved EBITDA of INR420m and EBITDA margin of 67% in 4QFY25.
- Retail pricing ranges from the bottom 3% of market rates at around INR6,000 to as high as INR20,000 during peak seasons.
- Aurika has the largest inventory in India. The current focus is on maximizing occupancy in 1H, followed by repricing in 2H as demand strengthens.
- The hotel achieved OR of 80% in 4Q (vs. 65% YoY) and 63% in FY25 (vs. 53% YoY). LEMONTRE will consider rate hikes once it achieves higher OR.

### Pipeline and future expansion

- Strategic focus on expanding presence across 200 Indian cities with populations above 0.5 million and good connectivity, particularly in high-growth states.
- Most Tier 2-3 cities currently host 2.5-3.5 star properties.
- The company is signing hotels in markets where Lemon Tree Premier and Aurika are not feasible, thereby widening its national footprint.
- The company will evaluate further expansion of Red Fox hotels after all the renovations have been completed.

### Other key highlights

- Keys hotels remain a work in progress. The brand achieved 40% EBITDA margin in 4Q; however, a major part of the portfolio still requires renovation. The company has guided for EBITDA of INR600m in FY27.
- The effective tax rate came in lower due to the recognition of deferred tax assets this year.
- LEMONTRE intends to concentrate on core hotel operations for now, and may explore adjacent business opportunities at a later stage.
- About 18% of its inventory in Hyderabad was taken offline for renovation – significant inventory shutdowns occurred in Banjara Hills. These closures affected ARR and OR. Hyderabad's ARR stood at INR7,700.
- A definitive update on Fleur is expected by the next board meeting.

### Valuation and view

- LEMONTRE is expected to maintain healthy growth momentum in FY26, led by: 1) the stabilization of Aurika Mumbai, 2) accelerated growth in management contracts (pipeline of ~6,591 rooms), and 3) the timely completion of the portfolio's renovation (by FY26) leading to improved OR, ARR, and EBITDA margins for the company.
- We expect LEMONTRE to post a CAGR of 14%/17%/38% in revenue/EBITDA/adj. PAT over FY25-27 and RoCE to improve to ~19% by FY27 from ~11.7% in FY25. We reiterate our BUY rating on the stock with our SoTP-based TP of INR200 for FY27.

**Exhibit 12: Valuation methodology**

| Particulars                                    |             | <b>FY27</b>     |
|--|-------------|-----------------|
| <b>Standalone EBITDA</b>                       | INRm        | 2,090           |
| EV/EBIDTA Multiple                             | x           | 20              |
| EV   | INRm        | 42,429          |
| Less: Standalone Net Debt                      | INRm        | 4,076           |
| <b>Target Value</b>                            | <b>INRm</b> | <b>38,354</b>   |
| <b>Carnations EBITDA (Management Contract)</b> | <b>INRm</b> | <b>1,263</b>    |
| EV/EBIDTA Multiple                             | x           | 45              |
| EV   | INRm        | 56,839          |
| <b>Fluer's EBITDA</b>                          | <b>INRm</b> | <b>5,431</b>    |
| LemonTree's Share of Fluer EBITDA (58.91%)     | INRm        | 3,199           |
| EV/EBIDTA Multiple                             | x           | 20              |
| EV   | INRm        | 64,943          |
| Less: LemonTree's Share of Fluer Net Debt      | INRm        | 1,843           |
| <b>Target Value</b>                            | <b>INRm</b> | <b>63,100</b>   |
| <b>Total Target Value</b>                      | <b>INRm</b> | <b>1,58,293</b> |
| No. of shares                                  | Mn          | 792             |
| <b>Target Price</b>                            | <b>INR</b>  | <b>200</b>      |

Source: MOFSL

**Exhibit 13: Revisions to our estimates**

| Earnings Change<br>(INR m) | Old    |        | New    |        | Change |       |
|----------------------------|--------|--------|--------|--------|--------|-------|
|                            | FY26E  | FY27E  | FY26E  | FY27E  | FY26E  | FY27E |
| Revenue                    | 15,266 | 16,504 | 15,263 | 16,660 | 0%     | 1%    |
| EBITDA                     | 7,937  | 8,631  | 7,929  | 8,784  | 0%     | 2%    |
| Adj. PAT                   | 3,045  | 3,585  | 3,082  | 3,720  | 1%     | 4%    |

Source: MOFSL



## Financials and valuations

### Consolidated - Income Statement

(INRm)

| Y/E March                           | FY20         | FY21          | FY22          | FY23         | FY24          | FY25          | FY26E         | FY27E         |
|-------------------------------------|--------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|
| <b>Total Income from Operations</b> | <b>6,694</b> | <b>2,517</b>  | <b>4,022</b>  | <b>8,750</b> | <b>10,655</b> | <b>12,861</b> | <b>15,263</b> | <b>16,660</b> |
| Change (%)                          | 21.8         | -62.4         | 59.8          | 117.5        | 21.8          | 20.7          | 18.7          | 9.2           |
| F&B Consumed                        | 570          | 178           | 279           | 499          | 628           | 762           | 916           | 966           |
| Employees Cost                      | 1,553        | 704           | 973           | 1,497        | 1,878         | 2,185         | 2,427         | 2,616         |
| Other Expenses                      | 2,137        | 1,022         | 1,432         | 2,230        | 2,973         | 3,573         | 3,992         | 4,295         |
| <b>Total Expenditure</b>            | <b>4,260</b> | <b>1,905</b>  | <b>2,683</b>  | <b>4,226</b> | <b>5,479</b>  | <b>6,520</b>  | <b>7,334</b>  | <b>7,876</b>  |
| % of Sales                          | 63.6         | 75.7          | 66.7          | 48.3         | 51.4          | 50.7          | 48.1          | 47.3          |
| <b>EBITDA</b>                       | <b>2,434</b> | <b>613</b>    | <b>1,339</b>  | <b>4,524</b> | <b>5,176</b>  | <b>6,341</b>  | <b>7,929</b>  | <b>8,784</b>  |
| Margin (%)                          | 36.4         | 24.3          | 33.3          | 51.7         | 48.6          | 49.3          | 51.9          | 52.7          |
| Depreciation                        | 922          | 1,076         | 1,043         | 966          | 1,121         | 1,393         | 1,410         | 1,426         |
| <b>EBIT</b>                         | <b>1,512</b> | <b>-463</b>   | <b>296</b>    | <b>3,557</b> | <b>4,054</b>  | <b>4,948</b>  | <b>6,519</b>  | <b>7,357</b>  |
| Int. and Finance Charges            | 1,565        | 1,817         | 1,740         | 1,772        | 2,016         | 2,007         | 1,629         | 1,225         |
| Other Income                        | 58           | 133           | 140           | 36           | 113           | 23            | 153           | 133           |
| <b>PBT bef. EO Exp.</b>             | <b>5</b>     | <b>-2,147</b> | <b>-1,304</b> | <b>1,822</b> | <b>2,151</b>  | <b>2,965</b>  | <b>5,042</b>  | <b>6,265</b>  |
| EO Items                            | 0            | 0             | 153           | -48          | 0             | 0             | 0             | 0             |
| <b>PBT after EO Exp.</b>            | <b>5</b>     | <b>-2,147</b> | <b>-1,456</b> | <b>1,774</b> | <b>2,151</b>  | <b>2,965</b>  | <b>5,042</b>  | <b>6,265</b>  |
| Total Tax                           | 109          | -322          | -72           | 377          | 341           | 531           | 1,160         | 1,441         |
| Tax Rate (%)                        | 2220.8       | 15.0          | 5.0           | 21.3         | 15.9          | 17.9          | 23.0          | 23.0          |
| MI/ share of profit from associates | -9           | -555          | -510          | 251          | 325           | 468           | 800           | 1,104         |
| <b>Reported PAT</b>                 | <b>-95</b>   | <b>-1,271</b> | <b>-874</b>   | <b>1,146</b> | <b>1,485</b>  | <b>1,966</b>  | <b>3,082</b>  | <b>3,720</b>  |
| <b>Adjusted PAT</b>                 | <b>-95</b>   | <b>-1,271</b> | <b>-760</b>   | <b>1,182</b> | <b>1,485</b>  | <b>1,966</b>  | <b>3,082</b>  | <b>3,720</b>  |
| Change (%)                          | -118.0       | 1,232.4       | -40.2         | -255.5       | 25.7          | 32.4          | 56.8          | 20.7          |
| Margin (%)                          | -1.4         | -50.5         | -18.9         | 13.5         | 13.9          | 15.3          | 20.2          | 22.3          |

### Consolidated - Balance Sheet

(INRm)

| Y/E March                           | FY20          | FY21          | FY22          | FY23          | FY24          | FY25          | FY26E         | FY27E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity Share Capital                | 7,903         | 7,904         | 7,908         | 7,916         | 7,918         | 7,918         | 7,918         | 7,918         |
| Eq. Share Warrants & App. Money     | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Preference Capital                  | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Total Reserves                      | 1,986         | 1,272         | 404           | 621           | 1,750         | 3,716         | 6,799         | 10,519        |
| <b>Net Worth</b>                    | <b>9,889</b>  | <b>9,176</b>  | <b>8,312</b>  | <b>8,537</b>  | <b>9,669</b>  | <b>11,635</b> | <b>14,717</b> | <b>18,437</b> |
| Minority Interest                   | 5,559         | 6,174         | 5,676         | 5,597         | 5,795         | 6,261         | 7,059         | 8,162         |
| Total Loans                         | 15,775        | 16,850        | 16,986        | 17,457        | 18,891        | 16,986        | 12,486        | 7,486         |
| Lease Liability                     | 4,619         | 4,671         | 4,247         | 4,253         | 4,423         | 4,431         | 4,431         | 4,431         |
| Deferred Tax Liabilities            | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Capital Employed</b>             | <b>35,841</b> | <b>36,870</b> | <b>35,223</b> | <b>35,844</b> | <b>38,779</b> | <b>39,313</b> | <b>38,693</b> | <b>38,516</b> |
| Gross Block                         | 35,073        | 35,016        | 34,637        | 34,666        | 42,627        | 43,170        | 43,653        | 44,200        |
| Less: Accum. Deprn.                 | 2,977         | 4,052         | 5,096         | 6,062         | 7,183         | 8,576         | 9,985         | 11,412        |
| <b>Net Fixed Assets</b>             | <b>32,097</b> | <b>30,964</b> | <b>29,542</b> | <b>28,605</b> | <b>35,444</b> | <b>34,594</b> | <b>33,668</b> | <b>32,788</b> |
| Goodwill on Consolidation           | 951           | 951           | 951           | 951           | 951           | 951           | 951           | 951           |
| Capital WIP                         | 1,896         | 2,418         | 2,968         | 4,822         | 254           | 454           | 371           | 74            |
| <b>Total Investments</b>            | <b>164</b>    | <b>79</b>     | <b>114</b>    | <b>73</b>     | <b>151</b>    | <b>446</b>    | <b>446</b>    | <b>446</b>    |
| Current Investment                  | 44            | 91            | 59            | 10            | 81            | 386           | 0             | 0             |
| <b>Curr. Assets, Loans&amp;Adv.</b> | <b>2,521</b>  | <b>3,737</b>  | <b>2,776</b>  | <b>2,873</b>  | <b>3,531</b>  | <b>4,373</b>  | <b>5,090</b>  | <b>6,244</b>  |
| Inventory                           | 82            | 72            | 81            | 105           | 138           | 138           | 161           | 173           |
| Account Receivables                 | 503           | 308           | 291           | 560           | 715           | 786           | 920           | 1,004         |
| Cash and Bank Balance               | 408           | 1,411         | 543           | 275           | 537           | 807           | 805           | 1,568         |
| Loans and Advances                  | 1,528         | 1,945         | 1,861         | 1,933         | 2,140         | 2,642         | 3,205         | 3,499         |
| <b>Curr. Liability &amp; Prov.</b>  | <b>1,786</b>  | <b>1,278</b>  | <b>1,128</b>  | <b>1,479</b>  | <b>1,552</b>  | <b>1,505</b>  | <b>1,832</b>  | <b>1,986</b>  |
| Account Payables                    | 842           | 788           | 585           | 668           | 859           | 616           | 764           | 820           |
| Other Current Liabilities           | 877           | 412           | 319           | 730           | 601           | 790           | 916           | 1,000         |
| Provisions                          | 67            | 78            | 224           | 81            | 92            | 99            | 153           | 167           |
| <b>Net Current Assets</b>           | <b>734</b>    | <b>2,459</b>  | <b>1,648</b>  | <b>1,394</b>  | <b>1,979</b>  | <b>2,868</b>  | <b>3,259</b>  | <b>4,257</b>  |
| Misc Expenditure                    | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| <b>Appl. of Funds</b>               | <b>35,841</b> | <b>36,870</b> | <b>35,223</b> | <b>35,844</b> | <b>38,779</b> | <b>39,313</b> | <b>38,693</b> | <b>38,516</b> |

## Financials and valuations

### Ratios

| Y/E March                     | FY20        | FY21        | FY22        | FY23       | FY24       | FY25       | FY26E      | FY27E      |
|-------------------------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|
| <b>Basic (INR)</b>            |             |             |             |            |            |            |            |            |
| <b>EPS</b>                    | <b>-0.1</b> | <b>-1.6</b> | <b>-1.0</b> | <b>1.5</b> | <b>1.9</b> | <b>2.5</b> | <b>3.9</b> | <b>4.8</b> |
| Cash EPS                      | 1.1         | -0.2        | 0.4         | 2.7        | 3.3        | 4.3        | 5.8        | 6.6        |
| BV/Share                      | 12.7        | 11.7        | 10.6        | 10.9       | 12.4       | 14.9       | 18.8       | 23.6       |
| DPS                           | 0.0         | 0.0         | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Payout (%)                    | 0.0         | 0.0         | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| <b>Valuation (x)</b>          |             |             |             |            |            |            |            |            |
| P/E                           | -1,141      | -86         | -143        | 92         | 73         | 55         | 35         | 29         |
| Cash P/E                      | 131.6       | -557.8      | 384.0       | 50.7       | 41.8       | 32.4       | 24.2       | 21.2       |
| P/BV                          | 11.0        | 11.9        | 13.1        | 12.8       | 11.3       | 9.4        | 7.4        | 5.9        |
| EV/Sales                      | 19.4        | 51.8        | 32.5        | 15.0       | 12.5       | 10.2       | 8.4        | 7.4        |
| EV/EBITDA                     | 53.3        | 212.8       | 97.8        | 29.1       | 25.7       | 20.6       | 16.1       | 14.0       |
| EV/Room (INRm)                | 30.5        | 30.6        | 30.8        | 27.3       | 27.6       | 27.1       | 26.5       | 25.5       |
| Dividend Yield (%)            | 0.0         | 0.0         | 0.0         | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| FCF per share                 | -9.5        | -1.5        | 0.9         | 2.9        | 1.6        | 5.7        | 8.7        | 10.2       |
| <b>Return Ratios (%)</b>      |             |             |             |            |            |            |            |            |
| RoE                           | -1.0        | -13.3       | -8.7        | 14.0       | 16.3       | 18.5       | 23.4       | 22.4       |
| RoCE                          | 4.5         | -0.9        | 1.1         | 9.4        | 10.2       | 11.7       | 16.0       | 18.9       |
| RoIC                          | 4.4         | -1.0        | 0.7         | 8.6        | 10.0       | 10.8       | 13.4       | 15.4       |
| <b>Working Capital Ratios</b> |             |             |             |            |            |            |            |            |
| Fixed Asset Turnover (x)      | 0.2         | 0.1         | 0.1         | 0.3        | 0.2        | 0.3        | 0.3        | 0.4        |
| Asset Turnover (x)            | 0.2         | 0.1         | 0.1         | 0.2        | 0.3        | 0.3        | 0.4        | 0.4        |
| Inventory (Days)              | 4           | 10          | 7           | 4          | 5          | 4          | 4          | 4          |
| Debtor (Days)                 | 27          | 45          | 26          | 23         | 24         | 22         | 22         | 22         |
| Creditor (Days)               | 46          | 114         | 53          | 28         | 29         | 17         | 18         | 18         |
| <b>Leverage Ratio (x)</b>     |             |             |             |            |            |            |            |            |
| Current Ratio                 | 1.4         | 2.9         | 2.5         | 1.9        | 2.3        | 2.9        | 2.8        | 3.1        |
| Interest Cover Ratio          | 1.0         | -0.3        | 0.2         | 2.0        | 2.0        | 2.5        | 4.0        | 6.0        |
| Net Debt/Equity               | 1.5         | 1.7         | 2.0         | 2.0        | 1.9        | 1.4        | 0.8        | 0.3        |

### Consolidated - Cash Flow Statement

| Y/E March                        | FY20          | FY21          | FY22          | FY23          | FY24          | FY25          | FY26E         | FY27E         |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>(INRm)</b>                    |               |               |               |               |               |               |               |               |
| OP/(Loss) before Tax             | 5             | -2,147        | -1,446        | 1,782         | 2,151         | 2,962         | 5,042         | 6,265         |
| Depreciation                     | 922           | 1,076         | 1,043         | 966           | 1,121         | 1,393         | 1,410         | 1,426         |
| Interest & Finance Charges       | 1,507         | 1,685         | 1,786         | 1,773         | 1,903         | 2,041         | 1,477         | 1,092         |
| Direct Taxes Paid                | -109          | 322           | -17           | -207          | -341          | -502          | -1,160        | -1,441        |
| (Inc)/Dec in WC                  | -754          | -1,009        | 27            | -403          | -523          | -416          | -392          | -235          |
| <b>CF from Operations</b>        | <b>1,572</b>  | <b>-74</b>    | <b>1,394</b>  | <b>3,912</b>  | <b>4,312</b>  | <b>5,478</b>  | <b>6,377</b>  | <b>7,107</b>  |
| Others                           | -62           | -635          | -41           | -63           | 339           | -63           | 796           | 1,101         |
| <b>CF from Operating incl EO</b> | <b>1,510</b>  | <b>-709</b>   | <b>1,353</b>  | <b>3,849</b>  | <b>4,651</b>  | <b>5,416</b>  | <b>7,173</b>  | <b>8,208</b>  |
| (Inc)/Dec in FA                  | -8,969        | -465          | -668          | -1,618        | -3,393        | -932          | -400          | -250          |
| <b>Free Cash Flow</b>            | <b>-7,459</b> | <b>-1,174</b> | <b>685</b>    | <b>2,231</b>  | <b>1,258</b>  | <b>4,484</b>  | <b>6,773</b>  | <b>7,958</b>  |
| (Pur)/Sale of Investments        | 210           | 85            | 132           | 8             | -78           | -357          | 0             | 0             |
| Others                           | 2,677         | -276          | -56           | -1,222        | -495          | 14            | 153           | 133           |
| <b>CF from Investments</b>       | <b>-6,082</b> | <b>-656</b>   | <b>-591</b>   | <b>-2,832</b> | <b>-3,965</b> | <b>-1,274</b> | <b>-247</b>   | <b>-117</b>   |
| Issue of Shares                  | 10            | 1,750         | 8             | 17            | 2             | 0             | 0             | 0             |
| Inc/(Dec) in Debt                | 3,733         | 1,075         | 134           | 471           | 1,434         | -1,927        | -4,500        | -5,000        |
| Interest Paid                    | -1,565        | -1,817        | -1,400        | -1,432        | -2,016        | -1,593        | -1,629        | -1,225        |
| Dividend Paid                    | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Others                           | 2,488         | 1,361         | -372          | -379          | 157           | -352          | -798          | -1,102        |
| <b>CF from Fin. Activity</b>     | <b>4,667</b>  | <b>2,368</b>  | <b>-1,630</b> | <b>-1,323</b> | <b>-423</b>   | <b>-3,872</b> | <b>-6,927</b> | <b>-7,328</b> |
| <b>Inc/Dec of Cash</b>           | <b>94</b>     | <b>1,003</b>  | <b>-869</b>   | <b>-306</b>   | <b>263</b>    | <b>269</b>    | <b>-2</b>     | <b>764</b>    |
| Opening Balance                  | 314           | 408           | 1,411         | 543           | 275           | 537           | 807           | 805           |
| <b>Closing Balance</b>           | <b>408</b>    | <b>1,411</b>  | <b>543</b>    | <b>275</b>    | <b>537</b>    | <b>807</b>    | <b>805</b>    | <b>1,568</b>  |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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