motilal oswal
Financial Services

10 August 2026
1QFY27 Results Update | Sector: Hotels

# Lemon Tree Hotels

| | |
|---|---|
| Estimate change | ⟷ |
| TP change | ⟷ |
| Rating change | ⟷ |

**Stock Info**

| | |
|---|---|
| Bloomberg | LEMONTRE IN |
| Equity Shares (m) | 792 |
| M.Cap.(INRb)/(USDb) | 85.5 / 0.9 |
| 52-Week Range (INR) | 181 / 100 |
| 1, 6, 12 Rel. Per (%) | -10/-14/-26 |
| 12M Avg Val (INR M) | 597 |
| Free float (%) | 77.7 |

**Financials & Valuations (INR b)**

| Y/E Mar | 2026 | 2027E | 2028E |
|---|---|---|---|
| Sales | 14.4 | 16.1 | 17.3 |
| EBITDA | 6.9 | 7.9 | 8.8 |
| PAT | 2.52 | 3.07 | 3.78 |
| EBITDA (%) | 47.8 | 48.6 | 50.8 |
| EPS (INR) | 3.2 | 3.9 | 4.8 |
| EBITDA Gr. (%) | 28.2 | 21.6 | 23.2 |
| BV/Sh. (INR) | 17.6 | 21.5 | 26.2 |
| **Ratios** | | | |
| Net D/E | 1.0 | 0.6 | 0.3 |
| RoE (%) | 19.7 | 19.8 | 20.0 |
| RoCE (%) | 13.1 | 15.4 | 18.1 |
| **Valuations** | | | |
| P/E (x) | 35.2 | 28.9 | 23.5 |
| EV/EBITDA (x) | 15.8 | 13.6 | 11.8 |
| FCF Yield (%) | 4.6 | 6.3 | 7.0 |

**Shareholding Pattern (%)**

| As On | Jun-26 | Mar-26 | Jun-25 |
|---|---|---|---|
| Promoter | 22.3 | 22.3 | 22.3 |
| DII | 14.4 | 15.7 | 20.0 |
| FII | 19.5 | 21.7 | 21.4 |
| Others | 43.8 | 40.4 | 36.4 |

**CMP: INR108 TP: INR140 (+30%) Buy**

## Fleur's scale-up and asset-light strategy drive growth visibility

### Operating performance in line

- Lemon Tree Hotels (LEMONTRE) reported healthy revenue growth of 9% YoY in 1QFY27, led by 5%/42%/30% YoY growth in Room revenue/Management fees/FnB revenue. Average room rate (ARR) grew 2% YoY to INR6,361, with occupancy rate (OR) expanding 320bp YoY to 75.7%. ARR growth was muted in 1Q as the company prioritized occupancy through higher retail volumes amid subdued corporate demand. With demand recovering in 2Q, the company has shifted to a more balanced strategy, providing scope for stronger ARR growth in the coming quarter.
- LEMONTRE's EBITDA margin was 43.4% in 1QFY27, which was, however, hit by higher investments in renovations (INR98m), technology, and the GST impact (INR81m), leading to a 105bp YoY contraction.
- Going forward, we expect LEMONTRE to show healthy growth, primarily led by aggressive expansion through Fleur (pipeline of 3,300 keys by FY30), accelerating asset-light management fee income, premiumization via Aurika, and improving operating leverage as renovation cost, GST, and tech-related cost pressures normalize.
- We largely maintain our FY27/FY28 EBITDA estimates and reiterate our **BUY** rating on the stock with our SoTP-based **TP of INR140**.

### Healthy performance driven by OR play

- Revenue grew ~9% YoY to INR3.4b (est. in line). OR expanded 320bp YoY to 75.7%. ARR increased 2% YoY to INR6,361. Management fees grew 42% YoY to INR228m.
- EBITDA grew 7% YoY to INR1.5b (est. in line). EBITDA margin contracted 105bp YoY to ~43.4% (est. 44.5%).
- Adj. PAT grew ~20% YoY to INR460m (est. INR346m).
- Gross debt stood at INR14.8b vs. INR16.5b as of Jun'25.

### Highlights from the management commentary

- **Keys:** Keys' RevPAR grew 19% to ~INR2,885. ARR is nearing the management target of INR4,500 (ARR in 1QFY27 at INR4,311). The brand remains a work in progress, with ~75% of the portfolio renovated and further refurbishment planned. Keys is expected to operate at full potential next year, with occupancy rates approaching Lemon Tree levels and continued ARR improvement. This will support the INR600m EBITDA target. Major renovations at Keys Pimpri and Whitefield have been completed, with expenses of INR110m and INR230m, respectively.
- **Renovation:** The company renovated ~300 rooms in 1Q and it plans to undertake a similar quantity in 2Q, with all major renovation projects largely completed. The overall renovation program is expected to be completed in FY27, with only routine refurbishments thereafter. Renovation expenses stood at INR98m in 1Q vs. normal spend of ~INR30m, with the incremental ~INR60m expected to normalize from FY28.

**Research Analyst: Sumant Kumar** (Sumant.Kumar@MotilalOswal.com) **Yash Darak** (Yash.darak@MotilalOswal.com)
**Research Analyst: Nirvik Saini** (Nirvik.Saini@MotilalOswal.com) | **Swapnil Upadhyay** Swapnil.Upadhyayk@MotilalOswal.com)

- **Pricing strategy:** 2Q is expected to be significantly better than 1Q, with July and August showing improved performance. In 1Q, the company adopted a higher occupancy and lower ARR strategy amid subdued corporate demand. However, the company has adopted a more balanced approach in 2Q, with a focus on improving both occupancy and ARR.

## Valuation and view

- The company is expected to maintain a healthy growth momentum going forward, led by: 1) accelerated growth in management contracts (pipeline of ~13,300 rooms), 2) rebranding of existing hotels, 3) expansion of the Aurika portfolio, 4) strong backup from Warburg Pincus, 5) increase in yield due to the completion of renovation across brands, and 6) the addition of owned hotels through Fleur (3,300 keys).
- We expect LEMONTRE to post a CAGR of 9%/13%/22% in revenue/EBITDA/adj. PAT over FY26-28, with RoCE improving to ~18% by FY28 from ~13.1% in FY26. **We reiterate our BUY rating on the stock with our SoTP-based TP of INR140 for FY28.**

**Consolidated Quarterly Performance** (INRm)

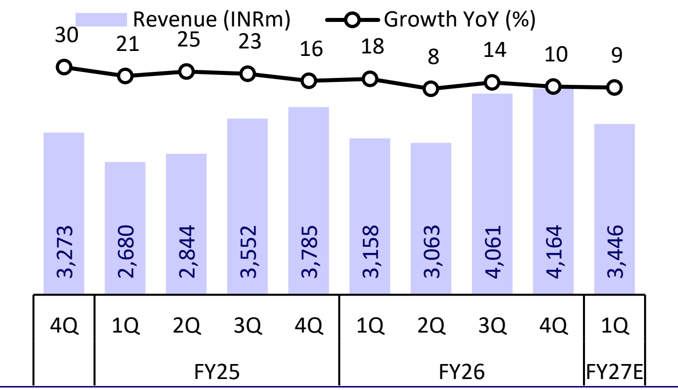
| Y/E March | FY26 | | | | FY27E | | | | FY26 | FY27E | FY27E | Var |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | 1Q | (%) |
| **Gross Sales** | **3,158** | **3,063** | **4,061** | **4,164** | **3,446** | **3,514** | **4,496** | **4,687** | **14,445** | **16,143** | **3,397** | **1** |
| YoY Change (%) | 17.8 | 7.7 | 14.3 | 10 | 9.1 | 14.7 | 10.7 | 12.6 | 12.3 | 11.8 | -10.3 | |
| Total Expenditure | 1,753 | 1,756 | 2,014 | 2,012 | 1,949 | 1,972 | 2,151 | 2,217 | 7,533 | 8,289 | 1,884 | |
| **EBITDA** | **1,405** | **1,307** | **2,047** | **2,152** | **1,497** | **1,542** | **2,344** | **2,469** | **6,912** | **7,853** | **1,513** | **-1** |
| Margins (%) | 44.5 | 42.7 | 50.4 | 51.7 | 43.4 | 43.9 | 52.1 | 52.7 | 47.8 | 48.6 | 44.5 | |
| Depreciation | 342 | 343 | 348 | 355 | 361 | 362 | 363 | 370 | 1,388 | 1,455 | 360 | |
| Interest | 447 | 423 | 414 | 388 | 364 | 360 | 350 | 328 | 1,672 | 1,394 | 388 | |
| Other Income | 16 | 17 | 17 | 31 | 21 | 19 | 19 | 31 | 82 | 90 | 18 | |
| **PBT before EO expense** | **633** | **558** | **1,302** | **1,441** | **794** | **839** | **1,650** | **1,803** | **3,933** | **5,094** | **783** | **1** |
| Extra-Ord expense | 0 | 0 | 313 | 19 | 0 | 0 | 0 | 0 | 333 | 0 | 0 | |
| **PBT** | **633** | **558** | **988** | **1,422** | **794** | **839** | **1,650** | **1,811** | **3,601** | **5,094** | **783** | |
| Tax | 148 | 139 | 170 | 251 | 218 | 211 | 415 | 454 | 708 | 1,300 | 180 | |
| Rate (%) | 23.3 | 24.9 | 17.2 | 17.7 | 27.4 | 25.2 | 25.2 | 25.2 | 19.7 | 25.5 | 23 | |
| MI & P/L of Asso. Cos. | 102 | 73 | 191 | 255 | 116 | 102 | 222 | 284 | 622 | 728 | 257 | |
| **Reported PAT** | **383** | **346** | **627** | **915** | **460** | **526** | **1,012** | **1,065** | **2,271** | **3,064** | **346** | |
| **Adj PAT** | **383** | **346** | **862** | **929** | **460** | **526** | **1,012** | **1,065** | **2,520** | **3,064** | **346** | **33** |
| YoY Change (%) | 93.5 | 16.7 | 37.9 | 9.8 | NA | 37.2 | 192.6 | 23.8 | 28.2 | 21.6 | -59.2 | |
| Margins (%) | 12.1 | 11.3 | 21.2 | 22.3 | 13.4 | 15 | 22.5 | 22.8 | 17.4 | 19 | 10.2 | |

**Key Performance Indicators**

| Y/E March | FY26 | | | | FY27E | | | | FY26 | FY27E |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | |
| Occupancy (%) | 72.5 | 69.8 | 73.4 | 78.5 | 75.7 | 74.1 | 75.3 | 80.3 | 74.7 | 79.0 |
| ARR (INR) | 6,236 | 6,247 | 7,487 | 7,457 | 6,361 | 6,585 | 7,711 | 7,810 | 7,275 | 7,473 |
| Change (%) | 9.7 | 5.8 | 10.7 | 5.9 | 2.0 | 5.4 | 3.0 | 4.7 | 6.7 | 2.7 |
| RevPAR (INR) | 4,521 | 4,360 | 5,495 | 5,854 | 4,815 | 4,878 | 5,807 | 6,275 | 5,438 | 5,907 |
| Change (%) | 19.4 | 8.1 | 9.5 | 7.1 | 6.5 | 11.9 | 5.7 | 7.2 | | |
| **Cost Break-up** | | | | | | | | | | |
| F&B Cost (% of sales) | 6.3 | 6.5 | 5.7 | 5.3 | 5.9 | 6.0 | 5.5 | 5.5 | 5.9 | 5.7 |
| Staff Cost (% of sales) | 18.4 | 19.1 | 14.6 | 15.2 | 18.8 | 18.5 | 14.6 | 14.1 | 16.6 | 16.2 |
| Power and fuel (% of sales) | 6.9 | 7.4 | 5.0 | 4.8 | 6.9 | 7.1 | 5.8 | 5.7 | 5.9 | 6.3 |
| Other Cost (% of sales) | 23.9 | 24.3 | 24.3 | 23.0 | 24.9 | 24.5 | 22.0 | 22.0 | 23.8 | 23.2 |
| Gross Margins (%) | 93.7 | 93.5 | 94.3 | 94.7 | 94.1 | 94.0 | 94.5 | 94.5 | 94.1 | 94.3 |
| EBITDA Margins (%) | 44.5 | 42.7 | 50.4 | 51.7 | 43.4 | 43.9 | 52.1 | 52.7 | 47.8 | 48.6 |
| EBIT Margins (%) | 33.7 | 31.5 | 41.8 | 43.2 | 33.0 | 33.6 | 44.1 | 44.8 | 38.2 | 39.6 |

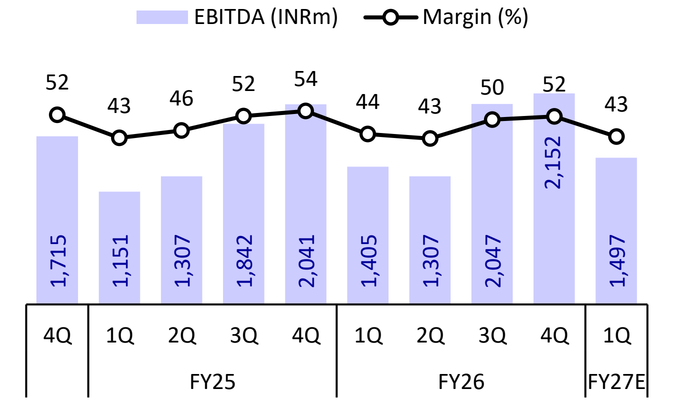
## Key exhibits

**Exhibit 1: Consolidated revenue trend**



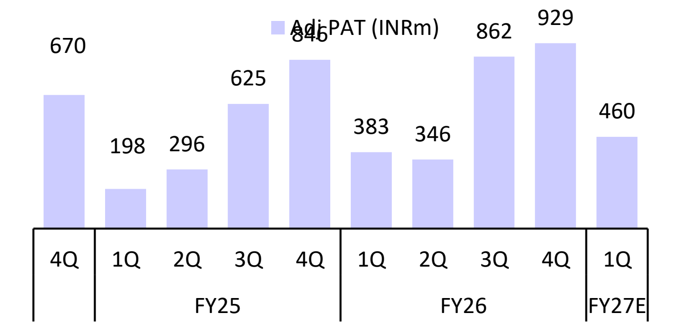

Source: Company, MOFSL

**Exhibit 2: Consolidated EBITDA trend**



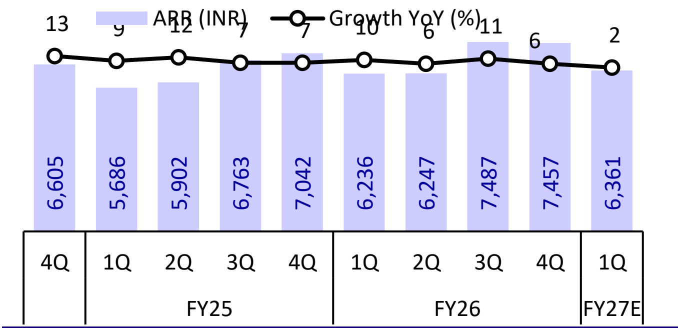

Source: Company, MOFSL

**Exhibit 3: Consolidated adjusted PAT trend**



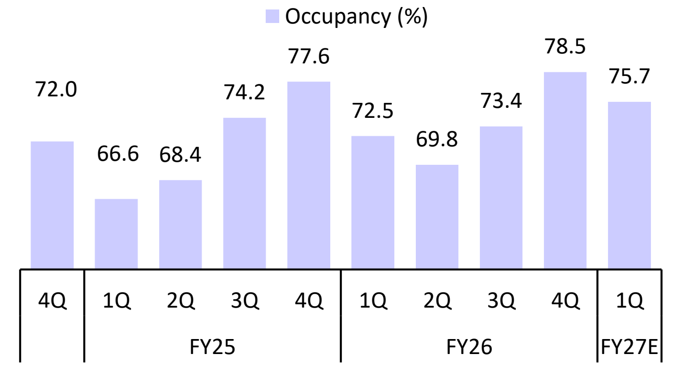

Source: Company, MOFSL

**Exhibit 4: ARR trend**



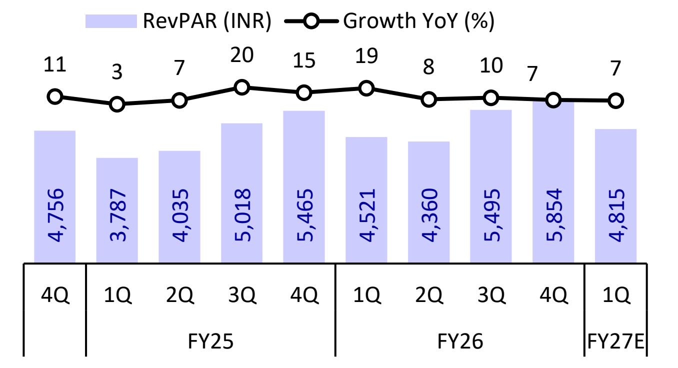

Source: Company, MOFSL

**Exhibit 5: Occupancy trend**




Source: Company, MOFSL

**Exhibit 6: RevPAR trend**




Source: Company, MOFSL

### Exhibit 7: Portfolio breakup as of 31st Mar'26 – 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 | 14 | 1360 | 23 | 2,963 |
| Lemon Tree Hotels | 14 | 1,448 | 4 | 321 | 57 | 3,593 | 75 | 5,362 |
| Red Fox Hotels | 4 | 552 | 1 | 91 | 4 | 360 | 9 | 1,003 |
| Keys Prima | 2 | 323 | 0 | 0 | 3 | 130 | 5 | 453 |
| Keys Select | 5 | 613 | 0 | 0 | 7 | 351 | 12 | 964 |
| Keys Lite | 0 | 0 | 0 | 0 | 9 | 393 | 9 | 393 |
| **Total** | **34** | **5,186** | **7** | **573** | **94** | **6,187** | **135** | **11,946** |

Source: Company, MOFSL

### Exhibit 8: Portfolio breakup as of 31st Mar'26 – pipeline

| In pipeline | Owned | | Leased | | Public Private Partnership | | Managed/Franchised | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| Aurika | 2 | 662 | 1 | 47 | 1 | 165 | 4 | 499 | 8 | 1373 |
| Lemon Tree Premier | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 1569 | 13 | 1569 |
| Lemon Tree Hotels | 0 | 0 | 0 | 0 | 0 | 0 | 79 | 6014 | 79 | 6,014 |
| Red Fox Hotels | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 50 | 1 | 50 |
| Keys Prima | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 688 | 10 | 688 |
| Keys Select | 0 | 0 | 0 | 0 | 0 | 0 | 20 | 1208 | 20 | 1208 |
| Keys Lite | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 533 | 13 | 533 |
| **Total** | **2** | **662** | **1** | **47** | **1** | **165** | **140** | **10561** | **144** | **11435** |

Source: Company, MOFSL

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

| | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 | 2QFY26 | 3QFY26 | 4QFY26 | 1QFY27 |
|---|---|---|---|---|---|---|---|---|---|
| **Lemon Tree Premier** | | | | | | | | | |
| Occupancy (%) | 79.0 | 79.0 | 81.0 | 83.0 | 81.0 | 80.0 | 81.0 | 85.0 | 84.0 |
| ARR (INR) | 6,558 | 6,802 | 7,852 | 8,156 | 7,132 | 7,142 | 8,506 | 8,529 | 7,252 |
| Hotel level EBITDAR/room (INR m) | 0.32 | 0.35 | 0.44 | 0.48 | 0.37 | 0.37 | 0.47 | 0.48 | 0.38 |
| Hotel level EBITDAR Margin (%) | 53.0 | 56.0 | 60.0 | 62.0 | 57.0 | 56.0 | 60.0 | 60.0 | 55.0 |
| **Lemon Tree Hotels** | | | | | | | | | |
| Occupancy (%) | 72.0 | 73.0 | 75.0 | 78.0 | 73.0 | 67.0 | 73.0 | 80.0 | 78.0 |
| ARR (INR) | 5,299 | 5,425 | 6,083 | 6,171 | 5,693 | 5,695 | 7,081 | 6,924 | 5,938 |
| Hotel level EBITDAR/room (INR m) | 0.20 | 0.24 | 0.28 | 0.27 | 0.23 | 0.19 | 0.31 | 0.31 | 0.24 |
| Hotel level EBITDAR Margin (%) | 43.0 | 50.0 | 52.0 | 50.0 | 47.0 | 44.0 | 52.0 | 51.0 | 47.0 |
| **Red Fox Hotels** | | | | | | | | | |
| Occupancy (%) | 64.0 | 70.0 | 78.0 | 80.0 | 67.0 | 65.0 | 70.0 | 76.0 | 67.0 |
| ARR (INR) | 4,214 | 4,458 | 5,144 | 5,457 | 4,873 | 4,824 | 5,016 | 4,706 | 4,137 |
| Hotel level EBITDAR/room (INR m) | 0.13 | 0.17 | 0.25 | 0.26 | 0.17 | 0.16 | 0.19 | 0.21 | 0.13 |
| Hotel level EBITDAR Margin (%) | 46.0 | 51.0 | 60.0 | 59.0 | 52.0 | 50.0 | 52.0 | 57.0 | 46.0 |
| **Aurika** | | | | | | | | | |
| Occupancy (%) | 46.0 | 50.0 | 71.0 | 83.0 | 72.0 | 71.0 | 74.0 | 81.0 | 71.0 |
| ARR (INR) | 9,061 | 9,491 | 10,457 | 10,566 | 9,118 | 8,806 | 10,984 | 11,097 | 9,189 |
| Hotel level EBITDAR/room (INR m) | 0.27 | 0.32 | 0.63 | 0.78 | 0.49 | 0.47 | 0.72 | 0.83 | 0.50 |
| Hotel level EBITDAR Margin (%) | 49.0 | 53.0 | 64.0 | 68.0 | 58.0 | 58.0 | 65.0 | 70.0 | 58.0 |

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

Source: Company, MOFSL

**Exhibit 10: Operational performance by regions**

| Parameters by region (rooms) | Occupancy (%) | | Change YoY* (bps) | ARR | | Change YoY (%) |
|---|---|---|---|---|---|---|
| | 1QFY27 | 1QFY26 | | 1QFY27 | 1QFY26 | |
| Delhi (636) | 86 | 76 | 992 | 6,874 | 6,880 | 0 |
| Gurugram (529) | 72 | 72 | 27 | 5,368 | 5,557 | -3 |
| Hyderabad (663) | 80 | 76 | 382 | 7,134 | 7,199 | -1 |
| Bengaluru (874) | 72 | 69 | 293 | 5,727 | 5,266 | 9 |
| Mumbai (972) | 77 | 80 | -322 | 8,829 | 8,592 | 3 |
| Pune (426) | 84 | 77 | 638 | 5,865 | 5,610 | 5 |
| Rest of India (1,659) | 71 | 67 | 420 | 5,018 | 4,806 | 4 |

Source: Company, MOFSL

CONFERENCE CALL

## Highlights from the management commentary

### Operating performance

- 2Q is expected to be significantly better than 1Q, with July and August showing improved performance
- Retail rooms carry lower ARR but higher occupancy rates (OR). This is a temporary phenomenon, and the company adopted a more balanced approach in July
- The strategy has changed in 2Q, with a greater focus on balancing retail and negotiated rooms
- Upper-upscale brands will be used to penetrate dense-demand markets, while brands such as Keys and Lemon Tree Hotels (LTH) will enable deeper penetration across India
- Asset-light growth will be driven by signed hotels, which typically take 30–36 months from signing to opening
- Group-level debt stands at INR13b
- The company expects to deliver double-digit growth from 2Q onwards
- EBITDA margin is expected to exceed 47% in FY27. Margins are currently compressed due to one-off/temporary expenses; the GST impact is being mitigated by shifting room sales from the below-INR7,500 segment to rooms priced above INR7,500
- ARR is expected to improve by 5–6% in 2Q. During the winter season, a larger proportion of rooms is expected to be sold above INR7,500, thereby reducing the GST impact
- Renovation expenditure is expected to decline sharply from next year
- 2Q will continue to see elevated renovation expenditure
- The company is targeting a 50% EBITDA margin in FY28
- The India–UAE travel market has not been significantly impacted; however, Indian travelers are increasingly travelling to Thailand, Nepal and the Maldives
- Around 300 rooms were renovated in 1Q, with a similar number expected to be renovated in 2Q. All major renovation projects have been completed, with the remaining projects being smaller in nature
- Keys Cochin, Visakhapatnam and Trivandrum require smaller refurbishment investments of ~INR0.3m per key, which can be completed within one week to, at most, one month
- Full renovation program is expected to be completed in FY27
- From FY28 onwards, the company will continue with regular refurbishments, with no major renovation program planned

- INR98m was spent on renovations in 1Q, compared with the normal spend of ~INR30m. The incremental ~INR60m expenditure is expected to normalize from next year
- EBITDA margins are expected to be 2–2.5% higher next year compared with the current year
- The company expects a better mix of negotiated and non-negotiated rooms from 2Q onwards
- The GST impact will not be eliminated completely, but is expected to be substantially diluted
- The company does not plan to enter airline catering, as its business model remains primarily room-revenue driven, with F&B accounting for a smaller share of the business
- Mid-to-late 30% of bookings are dependent on OTAs. The company plans to increase the share of direct-channel bookings
- Warburg is investing in Fleur at a valuation of US$1b
- The demerger is expected to be completed by late 2H CY27

## Expansion plans

- Aurika, Shimla: The company is developing a 90-room owned hotel, which is expected to open in FY27. Total capital deployed as of 30 June 2026 stood at INR1.1b.
- Aurika, Shillong: The 165-room leased hotel is expected to commence operations in FY28. The company has deployed INR330m towards the project as of 30 June 2026.
- Aurika, Varanasi: The 47-room leased hotel is expected to open in FY29. Capital expenditure incurred as of 30 June 2026 stood at INR40m.
- Aurika, Nehru Place, Delhi: The company is developing a 572-room leased hotel, with opening targeted for FY30. The expected capital deployment for the project is yet to be announced.
- From next year onwards, capex is expected to be limited to ~1% of revenue.

## Fleur

- Around 300 rooms were renovated at a cost of INR100m, with a similar number expected to be renovated in the coming quarter.
- Fleur is focused on asset creation through both development and acquisitions.
- On the asset-light side, Fleur will pursue leases; when Fleur leases a hotel, it expects to deploy only 5–10% of the capital while capturing 50–60% of the EBITDA.
- Fleur aims to achieve ~15% ROCE once the renovation program is completed
- Keys
  - RevPAR increased 19% YoY to INR2,885
  - ARR is approaching the INR4,500 target
  - Keys remains a work in progress, with several more rooms yet to be renovated
  - Keys is expected to operate at full potential next year, with occupancy rates approaching those of Lemon Tree
  - ARR is expected to continue improving
  - Targeting EBITDA of INR600m
  - ~75% of the portfolio has been renovated
  - Operating expenses remain elevated due to renovation-related activities

- Hotels for full renovation: Keys Pimpri – INR110m spent, Keys Whitefield – INR230m spent, Keys Ludhiana renovation completed. Balance renovation expenditure expected at ~INR130–140m
- Debt/EBITDA is expected to remain around 2x
- Debt is currently around INR11–12b
- A significant growth spurt is expected, with ~2,500 rooms to be added to the portfolio.
- The company is building 850–900 rooms, which will result in total additions of ~3,300 rooms.
- Fleur is expected to increase its room count by ~50% by FY30, with a significantly higher increase in revenue as incremental rooms will largely come from Aurika.

### City-wise performance

- Cities with lower levels of domestic travel witnessed subdued performance due to lower hiring and relocation activity
- Mumbai and Gurugram were particularly impacted by these trends
- The weakness was offset by retail demand in most markets
- In Delhi, Hyderabad and Bangalore, retail demand compensated for the weakness; however, this was not sufficient to offset the slowdown in Mumbai and Gurugram
- Around 2,000 new rooms have been added in the Mumbai micro-market, further contributing to subdued performance
- 1Q performance in Mumbai was an aberration, and 2Q is expected to be better
- The company will focus on improving ARR at Aurika, which should translate into RevPAR improvement going forward

### Lemon Tree

- ROCE is expected to be significantly higher, supported by lower capital deployment
- Despite the overall slowdown, fee income grew 42% during the quarter
- The company targets an EBITDA margin of 75–80% over the next 3–4 years
- The company plans to open ~2,000 keys in FY27
- Management fees are significantly higher in metro cities; fee income is expected to accelerate over the next 8–10 quarters.
- Third-party business is growing rapidly, with the pace of signing significantly exceeding the pace of hotel openings.
- Management fees from Fleur are expected to reach double-digit growth as Fleur achieves double-digit growth.
- One 70-key contract has been terminated. Another hotel inherited from Keys, which generated no fees, has been taken to the NCLT. A total of ~200 keys have been removed from the portfolio, although the fee-income loss relates to only 70 keys.
- The company may terminate additional agreements where properties do not meet its brand standards.
- The company aims to maintain a room-revenue-to-other-revenue mix of ~75:25, with stronger contribution from MICE expected in 2H.

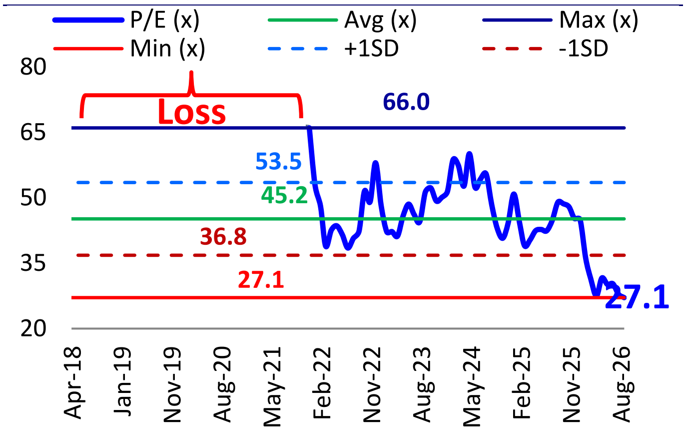
## Valuation and view

- The company is expected to maintain a healthy growth momentum going forward, led by: 1) accelerated growth in management contracts (pipeline of

~13,300 rooms), 2) rebranding of existing hotels, 3) expansion of the Aurika portfolio, 4) strong backup from Warburg Pincus, 5) increase in yield due to the completion of renovation across brands, and 6) the addition of owned hotels through Fleur (3,300 keys).

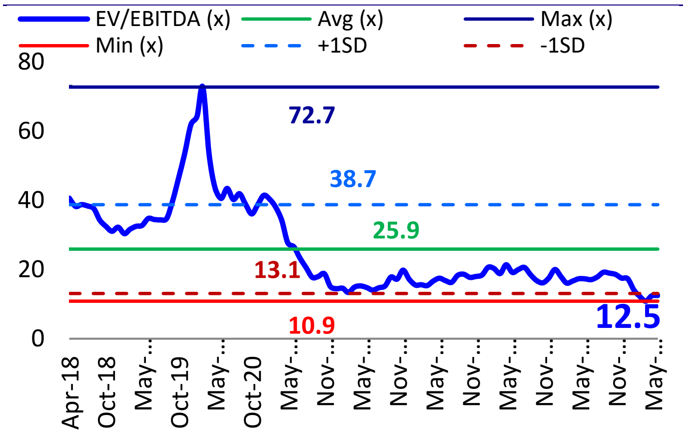
- We expect LEMONTRE to post a CAGR of 9%/13%/22% in revenue/EBITDA/adj. PAT over FY26-28, with RoCE improving to ~18% by FY28 from ~13.1% in FY26. **We reiterate our BUY rating on the stock with our SoTP-based TP of INR140 for FY28.**

**Exhibit 11: One year forward P/E**




Source: Company, MOFSL

**Exhibit 12: One year forward EV/EBITDA**




Source: Company, MOFSL

**Exhibit 13: Valuation methodology**

| Particulars | | FY28 |
|---|---|---|
| **Standalone EBITDA** | **INRm** | 556 |
| EV/EBIDTA Multiple | x | 17 |
| EV | INRm | 9,564 |
| Less: Standalone Net Debt | INRm | 901 |
| **Target Value** | **INRm** | **8,663** |
| **Carnations EBITDA (Management Contract)** | **INRm** | **1,196** |
| EV/EBIDTA Multiple | x | 30 |
| EV | INRm | 36,438 |
| **Fluer's EBITDA** | **INRm** | **7,024** |
| LemonTree's Share of Fluer EBITDA (58.91%) | INRm | 4,138 |
| EV/EBIDTA Multiple | x | 17 |
| EV | INRm | 71,219 |
| Less: LemonTree's Share of Fluer Net Debt | INRm | 5,461 |
| **Target Value** | **INRm** | **65,758** |
| Total Target Value | INRm | 1,10,858 |
| No. of shares | Mn | 792 |
| **Target Price** | **INR** | **140** |

Source: MOFSL

**Exhibit 14: Revisions to our estimates**

| Earnings Change | Old | | New | | Change | |
|---|---|---|---|---|---|---|
| (INR m) | FY27E | FY28E | FY27E | FY28E | FY27E | FY28E |
| Revenue | 16,093 | 17,280 | 16,143 | 17,263 | 0% | 0% |
| EBITDA | 7,914 | 8,897 | 7,853 | 8,775 | -1% | -1% |
| Adj. PAT | 2,895 | 3,519 | 3,064 | 3,773 | 6% | 7% |

Source: MOFSL

# Financials and valuations

## Consolidated - Income Statement

(INRm)

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|
| **Total Income from Operations** | **6,694** | **2,517** | **4,022** | **8,750** | **10,655** | **12,861** | **14,445** | **16,143** | **17,263** |
| Change (%) | 21.8 | -62.4 | 59.8 | 117.5 | 21.8 | 20.7 | 12.3 | 11.8 | 6.9 |
| F&B Consumed | 570 | 178 | 279 | 499 | 628 | 762 | 848 | 920 | 1,001 |
| Employees Cost | 1,553 | 704 | 973 | 1,497 | 1,878 | 2,185 | 2,393 | 2,612 | 2,710 |
| Other Expenses | 2,137 | 1,022 | 1,432 | 2,230 | 2,973 | 3,573 | 4,293 | 4,757 | 4,777 |
| **Total Expenditure** | **4,260** | **1,905** | **2,683** | **4,226** | **5,479** | **6,520** | **7,533** | **8,289** | **8,489** |
| % of Sales | 63.6 | 75.7 | 66.7 | 48.3 | 51.4 | 50.7 | 52.2 | 51.4 | 49.2 |
| **EBITDA** | **2,434** | **613** | **1,339** | **4,524** | **5,176** | **6,341** | **6,912** | **7,853** | **8,775** |
| Margin (%) | 36.4 | 24.3 | 33.3 | 51.7 | 48.6 | 49.3 | 47.8 | 48.6 | 50.8 |
| Depreciation | 922 | 1,076 | 1,043 | 966 | 1,121 | 1,393 | 1,388 | 1,455 | 1,471 |
| **EBIT** | **1,512** | **-463** | **296** | **3,557** | **4,054** | **4,948** | **5,524** | **6,398** | **7,304** |
| Int. and Finance Charges | 1,565 | 1,817 | 1,740 | 1,772 | 2,016 | 2,007 | 1,672 | 1,394 | 1,076 |
| Other Income | 58 | 133 | 140 | 36 | 113 | 23 | 82 | 90 | 104 |
| **PBT bef. EO Exp.** | **5** | **-2,147** | **-1,304** | **1,822** | **2,151** | **2,965** | **3,933** | **5,094** | **6,331** |
| EO Items | 0 | 0 | 153 | -48 | 0 | 0 | -333 | 0 | 0 |
| **PBT after EO Exp.** | **5** | **-2,147** | **-1,456** | **1,774** | **2,151** | **2,965** | **3,601** | **5,094** | **6,331** |
| Total Tax | 109 | -322 | -72 | 377 | 341 | 531 | 708 | 1,300 | 1,456 |
| Tax Rate (%) | 2220.8 | 15.0 | 5.0 | 21.3 | 15.9 | 17.9 | 19.7 | 25.5 | 23.0 |
| MI/ share of profit from associates | -9 | -555 | -510 | 251 | 325 | 468 | 622 | 728 | 1,097 |
| **Reported PAT** | **-95** | **-1,271** | **-874** | **1,146** | **1,485** | **1,966** | **2,271** | **3,066** | **3,778** |
| **Adjusted PAT** | **-95** | **-1,271** | **-760** | **1,182** | **1,485** | **1,966** | **2,520** | **3,066** | **3,778** |
| Change (%) | -118.0 | 1,232.4 | -40.2 | -255.5 | 25.7 | 32.4 | 28.2 | 21.6 | 23.2 |
| Margin (%) | -1.4 | -50.5 | -18.9 | 13.5 | 13.9 | 15.3 | 17.4 | 19.0 | 21.9 |

## Consolidated - Balance Sheet

(INR M)

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|
| Equity Share Capital | 7,903 | 7,904 | 7,908 | 7,916 | 7,918 | 7,918 | 7,918 | 7,918 | 7,918 |
| Eq. Share Warrants & App. Money | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Preference Capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Reserves | 1,986 | 1,272 | 404 | 621 | 1,750 | 3,716 | 6,001 | 9,065 | 12,838 |
| **Net Worth** | **9,889** | **9,176** | **8,312** | **8,537** | **9,669** | **11,635** | **13,919** | **16,983** | **20,756** |
| Minority Interest | 5,559 | 6,174 | 5,676 | 5,597 | 5,795 | 6,261 | 6,872 | 7,589 | 8,673 |
| Total Loans | 15,775 | 16,850 | 16,986 | 17,457 | 18,891 | 16,986 | 15,003 | 10,703 | 6,703 |
| Lease Liability | 4,619 | 4,671 | 4,247 | 4,253 | 4,423 | 4,431 | 4,949 | 4,949 | 4,949 |
| Deferred Tax Liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Capital Employed** | **35,841** | **36,870** | **35,223** | **35,844** | **38,779** | **39,313** | **40,743** | **40,223** | **41,080** |
| Gross Block | 35,073 | 35,016 | 34,637 | 34,666 | 42,627 | 43,170 | 44,643 | 44,968 | 46,968 |
| Less: Accum. Deprn. | 2,977 | 4,052 | 5,096 | 6,062 | 7,183 | 8,576 | 9,964 | 11,419 | 12,890 |
| **Net Fixed Assets** | **32,097** | **30,964** | **29,542** | **28,605** | **35,444** | **34,594** | **34,679** | **33,548** | **34,077** |
| Goodwill on Consolidation | 951 | 951 | 951 | 951 | 951 | 951 | 951 | 951 | 951 |
| Capital WIP | 1,896 | 2,418 | 2,968 | 4,822 | 254 | 454 | 1,081 | 2,131 | 2,131 |
| **Total Investments** | **164** | **79** | **114** | **73** | **151** | **446** | **446** | **446** | **446** |
| Current Investment | 44 | 91 | 59 | 10 | 81 | 386 | 663 | 0 | 0 |
| **Curr. Assets, Loans&Adv.** | **2,521** | **3,737** | **2,776** | **2,873** | **3,531** | **4,373** | **5,690** | **5,487** | **5,944** |
| Inventory | 82 | 72 | 81 | 105 | 138 | 138 | 138 | 152 | 156 |
| Account Receivables | 503 | 308 | 291 | 560 | 715 | 786 | 1,163 | 1,299 | 1,389 |
| Cash and Bank Balance | 408 | 1,411 | 543 | 275 | 537 | 807 | 978 | 224 | 322 |
| Loans and Advances | 1,528 | 1,945 | 1,861 | 1,933 | 2,140 | 2,642 | 3,411 | 3,812 | 4,077 |
| **Curr. Liability & Prov.** | **1,786** | **1,278** | **1,128** | **1,479** | **1,552** | **1,505** | **2,104** | **2,340** | **2,469** |
| Account Payables | 842 | 788 | 585 | 668 | 859 | 616 | 671 | 738 | 756 |
| Other Current Liabilities | 877 | 412 | 319 | 730 | 601 | 790 | 1,215 | 1,358 | 1,452 |
| Provisions | 67 | 78 | 224 | 81 | 92 | 99 | 218 | 244 | 260 |
| **Net Current Assets** | **734** | **2,459** | **1,648** | **1,394** | **1,979** | **2,868** | **3,586** | **3,147** | **3,475** |
| Misc Expenditure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Appl. of Funds** | **35,841** | **36,870** | **35,223** | **35,844** | **38,779** | **39,313** | **40,743** | **40,223** | **41,080** |

# Financials and valuations

## Ratios

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|
| **Basic (INR)** | | | | | | | | | |
| **EPS** | **-0.1** | **-1.6** | **-1.0** | **1.5** | **1.9** | **2.5** | **3.2** | **3.9** | **4.8** |
| Cash EPS | 1.0 | -0.2 | 0.4 | 2.7 | 3.3 | 4.2 | 4.9 | 5.7 | 6.6 |
| BV/Share | 12.5 | 11.6 | 10.5 | 10.8 | 12.2 | 14.7 | 17.6 | 21.4 | 26.2 |
| DPS | 0.0 | 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 | 0.0 |
| **Valuation (x)** | | | | | | | | | |
| P/E | -930 | -70 | -117 | 75 | 60 | 45 | 35 | 29 | 24 |
| Cash P/E | 107.2 | -454.5 | 312.8 | 41.3 | 34.0 | 26.4 | 22.7 | 19.6 | 16.9 |
| P/BV | 9.0 | 9.7 | 10.7 | 10.4 | 9.2 | 7.6 | 6.4 | 5.2 | 4.3 |
| EV/Sales | 16.4 | 43.8 | 27.5 | 12.7 | 10.6 | 8.6 | 7.5 | 6.6 | 6.0 |
| EV/EBITDA | 45.0 | 179.9 | 82.7 | 24.6 | 21.8 | 17.5 | 15.8 | 13.6 | 11.8 |
| EV/Room (INRm) | 25.7 | 25.9 | 26.0 | 23.1 | 23.4 | 23.0 | 22.6 | 22.1 | 21.1 |
| Dividend Yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FCF per share | -9.4 | -1.5 | 0.9 | 2.8 | 1.6 | 5.7 | 5.1 | 7.0 | 7.8 |
| **Return Ratios (%)** | | | | | | | | | |
| RoE | -1.0 | -13.3 | -8.7 | 14.0 | 16.3 | 18.5 | 19.7 | 19.8 | 20.0 |
| RoCE | 4.5 | -0.9 | 1.1 | 9.4 | 10.2 | 11.7 | 13.1 | 15.4 | 18.0 |
| RoIC | 4.4 | -1.0 | 0.7 | 8.6 | 10.0 | 10.8 | 11.7 | 12.6 | 14.9 |
| **Working Capital Ratios** | | | | | | | | | |
| Fixed Asset Turnover (x) | 0.2 | 0.1 | 0.1 | 0.3 | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 |
| Asset Turnover (x) | 0.2 | 0.1 | 0.1 | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| Inventory (Days) | 4 | 10 | 7 | 4 | 5 | 4 | 3 | 3 | 3 |
| Debtor (Days) | 27 | 45 | 26 | 23 | 24 | 22 | 29 | 29 | 29 |
| Creditor (Days) | 46 | 114 | 53 | 28 | 29 | 17 | 17 | 17 | 16 |
| **Leverage Ratio (x)** | | | | | | | | | |
| Current Ratio | 1.4 | 2.9 | 2.5 | 1.9 | 2.3 | 2.9 | 2.7 | 2.3 | 2.4 |
| Interest Cover Ratio | 1.0 | -0.3 | 0.2 | 2.0 | 2.0 | 2.5 | 3.3 | 4.6 | 6.7 |
| Net Debt/Equity | 1.5 | 1.7 | 2.0 | 2.0 | 1.9 | 1.4 | 1.0 | 0.6 | 0.3 |

## Consolidated - Cash Flow Statement (INRm)

| Y/E March | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E |
|---|---|---|---|---|---|---|---|---|---|
| OP/(Loss) before Tax | 5 | -2,147 | -1,446 | 1,782 | 2,151 | 2,962 | 3,591 | 5,086 | 6,315 |
| Depreciation | 922 | 1,076 | 1,043 | 966 | 1,121 | 1,393 | 1,388 | 1,455 | 1,471 |
| Interest & Finance Charges | 1,507 | 1,685 | 1,786 | 1,773 | 1,903 | 2,041 | 1,719 | 1,312 | 989 |
| Direct Taxes Paid | -109 | 322 | -17 | -207 | -341 | -502 | -466 | -1,298 | -1,453 |
| (Inc)/Dec in WC | -754 | -1,009 | 27 | -403 | -523 | -416 | -855 | -316 | -230 |
| **CF from Operations** | **1,572** | **-74** | **1,394** | **3,912** | **4,312** | **5,478** | **5,378** | **6,240** | **7,093** |
| Others | -62 | -635 | -41 | -63 | 339 | -63 | 38 | 709 | 1,078 |
| **CF from Operating incl EO** | **1,510** | **-709** | **1,353** | **3,849** | **4,651** | **5,416** | **5,416** | **6,949** | **8,171** |
| (Inc)/Dec in FA | -8,969 | -465 | -668 | -1,618 | -3,393 | -932 | -1,359 | -1,374 | -2,000 |
| **Free Cash Flow** | **-7,459** | **-1,174** | **685** | **2,231** | **1,258** | **4,484** | **4,057** | **5,575** | **6,171** |
| (Pur)/Sale of Investments | 210 | 85 | 132 | 8 | -78 | -357 | -2,595 | 0 | 0 |
| Others | 2,677 | -276 | -56 | -1,222 | -495 | 14 | 2,265 | 90 | 104 |
| **CF from Investments** | **-6,082** | **-656** | **-591** | **-2,832** | **-3,965** | **-1,274** | **-1,689** | **-1,284** | **-1,896** |
| Issue of Shares | 10 | 1,750 | 8 | 17 | 2 | 0 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | 3,733 | 1,075 | 134 | 471 | 1,434 | -1,927 | -2,064 | -4,300 | -4,000 |
| Interest Paid | -1,565 | -1,817 | -1,400 | -1,432 | -2,016 | -1,593 | -1,277 | -1,402 | -1,092 |
| Dividend Paid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 2,488 | 1,361 | -372 | -379 | 157 | -352 | -215 | -717 | -1,084 |
| **CF from Fin. Activity** | **4,667** | **2,368** | **-1,630** | **-1,323** | **-423** | **-3,872** | **-3,556** | **-6,418** | **-6,176** |
| **Inc/Dec of Cash** | **94** | **1,003** | **-869** | **-306** | **263** | **269** | **171** | **-754** | **98** |
| Opening Balance | 314 | 408 | 1,411 | 543 | 275 | 537 | 807 | 978 | 224 |
| **Closing Balance** | **408** | **1,411** | **543** | **275** | **537** | **807** | **978** | **224** | **322** |

| 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 |

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Nainesh Rajani
Email: nainesh.rajani@motilaloswal.com
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| Contact Person | Contact No. | Email ID |
|---|---|---|
| Ms. Hemangi Date | 022 40548000 / 022 67490600 | query@motilaloswal.com |
| Ms. Kumud Upadhyay | 022 40548082 | servicehead@motilaloswal.com |
| Mr. Ajay Menon | 022 40548083 | am@motilaloswal.com |
| Mr. Neeraj Agarwal | 022 40548085 | na@motilaloswal.com |
| Mr. Siddhartha Khemka | 022 50362452 | po.research@motilaloswal.com |

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