Lemon Tree Hotels

India | Hotels | Company Update | Rating Downgrade

Global Markets Research

15 January 2026

Restructuring unlikely to create value

Lemon Tree Hotels (LEMONTRE IN) has announced a composite reorganization, wherein the group would be split into an asset-light, fee platform – Lemon Tree Hotels and an asset-heavy ownership platform – Fleur Hotels. As part of the transaction, Warburg Pincus has acquired APG's entire 41% stake in Fleur and committed up to INR 9.6bn of primary equity in Fleur to fund growth. The transaction is aimed at creating separate platforms for pure play asset light (LEMONTREE) and asset heavy growth-oriented (Fleur Hotels) companies. Fleur is expected to be listed within 12-15 months. While the restructuring has created separate platforms and provided an exit to APG, it does not create material value for LEMONTRE's shareholders. Post completion of the deal and listing of Fleur, LEMONTREE will get a holding company discount for its holding in Fleur. We have valued LEMONTREE on SoTP, factoring in the current restructuring and have lowered our TP to INR 157 (INR 210 earlier). We revise rating to **Accumulate** from Buy.

LEMONTRE emerges as pure-play, asset-light platform: Post-implementation, LTH will operate as a pure-play, debt-free, asset-light hotel management and brand platform, retaining its brand, management, loyalty program and distribution. The fee-based model will deliver ~70%+ EBITDA margin, with third-party pipeline exceeding ~9,400 rooms, positioning LTH as a high-growth, high-RoCE platform. While reported revenues will reduce following asset transfers, the proportion of management fees will rise, EBITDA margin will expand, and depreciation and interest costs will decline. LTH's shareholding structure will be unchanged.

Fleur's portfolio post-implementation of scheme: Fleur Hotels will own/lease 39 operational hotels (5,556 rooms) and two under-construction hotels (256 rooms) across 21 locations, positioning it as the largest hospitality asset owner among listed peers by room count. Its owned asset business grew at a CAGR of 26% while maintaining healthy margins of ~43-44% in FY23-25. Fleur will see higher revenue, increased cost, depreciation, and interest post-transfer of owned hotels. The platform benefits from in-house development capabilities and a strategic partnership with Warburg Pincus, enabling the acquisition and development of a significant hotel pipeline. Post-scheme, LEMONTRE shareholders will hold 73.99% of Fleur (32.96% directly, 41.03% indirectly via LTH), Warburg Pincus 26.01%, APG 4.94%, promoters 7.34%, and public shareholders 20.68%, with total shares increasing from 97.8mn to 154.6mn. Fleur will be separately listed on the stock exchanges.

Revise to Accumulate with a lower TP of INR 157: We have not factored in the impact of LEMONTRE's restructuring in our financials due to inadequate financial data. In addition, we are lowering our financials projections for LEMONTRE to factor in the impact of gratuity provisions, the negative impact of GST and realignment of growth assumptions. Hence, we lower our topline, EBITDA and APAT estimates by 4%, 11% and 18% for FY27E and by 6%, 13% and 19% for FY28E respectively. So, we revise LEMONTRE to **Accumulate** from Buy with a lower TP of INR 157 based on SoTP (Exhibit 1).

Rating: Accumulate
Target Price: INR 157
Upside: 5%
CMP: INR 149
As on 14 January 2026

Key data	
Bloomberg	LEMONTRE IN
Reuters Code	LEMO.NS
Shares outstanding (mn)	792
Market cap (INR bn/USD mn)	118/1,311
EV (INR bn/USD mn)	144/1,596
ADTV 3M (INR mn/USD mn)	441/5
52 week high/low	181/111
Free float (%)	63

Note: as on 14 January 2026; Source: Bloomberg

Price chart

Source: Bloomberg

Shareholding (%)	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
Promoter	22.8	22.5	22.3	22.3
% Pledge	0.0	0.0	0.0	0.0
FII	35.1	36.0	21.3	21.5
DII	20.8	19.7	20.0	19.7
Others	21.3	21.8	36.4	36.5

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	0.3	1.8	10.1
Lemon Tree Hotels	(8.3)	(2.8)	5.7
NSE Mid-cap	0.2	0.7	9.3
NSE Small-cap	(4.9)	(9.5)	(2.5)

Source: Bloomberg

Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	10,711	12,861	14,256	16,066	17,606
YoY (%)	16.9	21.2	8.2	18.0	13.7
EBITDA (INR mn)	5,232	6,341	6,862	8,095	9,208
EBITDA margin (%)	48.8	49.3	48.1	50.4	52.3
Adj PAT (INR mn)	1,485	1,968	2,322	3,212	4,010
YoY (%)	29.6	32.5	18.0	38.3	24.8
Fully DEPS (INR)	1.9	2.5	2.9	4.1	5.1
RoE (%)	10.0	11.8	11.8	13.4	13.7
RoCE (%)	12.5	14.3	15.4	17.7	18.9
P/E (x)	79.7	60.1	51.0	36.8	29.5
EV/EBITDA (x)	27.5	22.7	21.0	17.8	15.7

Note: Pricing as on 14 January 2026; Source: Company, Elara Securities Estimate

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	10,711	12,861	14,256	16,066	17,606
Gross Profit	10,083	12,099	13,404	15,087	16,524
EBITDA	5,232	6,341	6,862	8,095	9,208
EBIT	4,111	4,948	5,443	6,622	7,680
Interest expense	2,085	2,112	1,807	1,545	1,315
Other income	125	129	139	150	163
Exceptional/ Extra-ordinary items	-	-	-	-	-
PBT	2,151	2,965	3,776	5,227	6,528
Tax	341	529	954	1,320	1,648
Minority interest/Associates income	(325)	(468)	(500)	(695)	(870)
Reported PAT	1,485	1,968	2,322	3,212	4,010
Adjusted PAT	1,485	1,968	2,322	3,212	4,010
Balance Sheet (INR mn)	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Shareholders' Equity	9,669	11,635	14,801	18,724	23,776
Minority Interest	5,795	6,261	6,771	7,476	8,356
Trade Payables	859	616	781	880	965
Provisions & Other Current Liabilities	608	773	855	958	1,045
Total Borrowings	18,891	16,986	14,434	12,434	10,434
Other long term liabilities	4,508	4,546	4,669	4,718	4,762
Total liabilities & equity	**40,330**	**40,818**	**42,312**	**45,190**	**49,338**
Net Fixed Assets	35,298	34,731	35,408	35,934	36,207
Goodwill	951	951	951	951	951
Intangible assets	400	449	165	165	165
Business Investments / other NC assets	1,628	1,753	3,025	3,815	4,515
Cash, Bank Balances & treasury investments	618	1,192	788	2,104	4,658
Inventories	138	138	195	220	241
Sundry Debtors	715	786	898	1,012	1,109
Other Current Assets	582	817	881	989	1,492
Total Assets	**40,330**	**40,818**	**42,312**	**45,190**	**49,338**
Cash Flow Statement (INR mn)	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Cashflow from Operations	**4,650**	**5,416**	**5,852**	**6,710**	**7,506**
Capital expenditure	(3,305)	(932)	(2,046)	(2,000)	(1,800)
Acquisitions / divestitures	-	(58)	-	-	-
Other Business cashflow	(660)	(285)	139	150	163
Free Cash Flow	**685**	**4,141**	**3,945**	**4,860**	**5,869**
Cashflow from Financing	(351)	(3,567)	(4,349)	(3,545)	(3,315)
Net Change in Cash / treasury investments	334	574	(404)	1,315	2,554
Key assumptions & Ratios	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Dividend per share (INR)	-	-	-	-	-
Book value per share (INR)	12.2	14.7	18.7	23.7	30.0
RoCE (Pre-tax) (%)	12.5	14.3	15.4	17.7	18.9
ROIC (Pre-tax) (%)	12.6	14.7	15.8	18.5	20.6
ROE (%)	10.0	11.8	11.8	13.4	13.7
Asset Turnover (x)	0.3	0.4	0.4	0.5	0.5
Net Debt to Equity (x)	1.9	1.4	0.9	0.6	0.2
Net Debt to EBITDA (x)	3.5	2.5	2.0	1.3	0.6
Interest cover (x) (EBITDA/ int exp)	2.5	3.0	3.8	5.2	7.0
Total Working capital days (WC/rev)	22.0	47.9	30.3	59.9	119.0
Valuation	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
P/E (x)	79.7	60.1	51.0	36.8	29.5
P/Sales (x)	11.1	9.2	8.3	7.4	6.7
EV/ EBITDA (x)	27.5	22.7	21.0	17.8	15.7
EV/ OCF (x)	31.0	26.6	24.6	21.5	19.2
FCF Yield	0.5	2.9	2.7	3.4	4.1
Price to BV (x)	12.2	10.2	8.0	6.3	5.0
Dividend yield (%)	-	-	-	-	-

Note: Pricing as on 14 January 2026; Source: Company, Elara Securities Estimate

Strategic split: Management versus ownership platforms

The transaction will be implemented through a composite scheme of arrangement. Under Part A, LTH will transfer 359 operational keys across four hotels to Fleur in exchange for 5.8mn shares. Part B involves the transfer of 1,204 operational keys across 11 hotels, along with the under-construction Aurika, Shillong (165 keys) and Aurika, Shimla (91 keys), with LTH shareholders receiving 50.9mn Fleur shares. On completion, LTH shareholders will directly and indirectly own 73.99% of Fleur (32.96% directly and 41.03% via LTH).

Warburg Pincus backs Fleur's expansion

Warburg Pincus, through Coastal Cedar Investments BV, will acquire APG's entire 41.09% stake in Fleur Hotels and commit up to INR 9.6bn of primary equity, to be infused in tranches to support future growth. This marks Warburg Pincus' re-entry into LEMONTRE, following its 2006 investment in the company. The capital infusion will provide Fleur with the financial flexibility to acquire, develop, and expand its hotel ownership and leasing platform, enabling faster scaling and deployment of its pipeline. The transaction is part of a composite scheme of arrangement, under which 15 operational LEMONTRE hotels (1,563 rooms), two under-construction Aurika hotels in Shimla (91 keys) and Shillong (165 rooms), and the entire hotel development team and capability will be transferred to Fleur.

Exhibit 1: Valuation

Particulars (INR mn)	**FY26E**	**FY27E**	**FY28E**
Topline from owned hotels in standalone entity	580	609	639
Management fees from third party (A)	803	1,083	1,279
Management fees from Fleur (B)	1,177	1,236	1,319
Total management fees (C= A+B)	1,980	2,318	2,597
Implied EBITDA From owned hotels	319	335	352
Implied EBITDA from managed hotels	1,584	1,855	2,078
Implied PAT from owned hotels	128	134	141
Implied PAT from management fee business	1,188	1,391	1,558
Indicative m. cap from owned hotels (D)	3,827	4,018	4,219
Indicative m. cap from management fee business (E)	59,403	69,547	77,924
Fleur Hotels EBITDA	5,440	5,801	6,330
Fleur Hotels EV @ 18x multiple (F)	97,917	104,420	113,942
Fleur Hotels: Debt (G)	16,000	16,000	16,000
Indicative m. cap of Fleur Hotels (H=I-J)	81,917	88,420	97,942
Direct value of LEMONTRE in Fleur @41.03%	33,611	36,279	40,186
Value after adjusting 20% holding company discount on above (K)	26,889	29,023	32,149
Indirect value of LEMONTRE in Fleur @25.62% (L)	8,611	9,295	10,296
SoTP of LEMONTREE (D+E+J+L)	98,729	111,883	124,587
O/S shares of LEMONTREE	791.6	791.6	791.6
Target price (INR)			**157**

Source: Elara Securities Estimate

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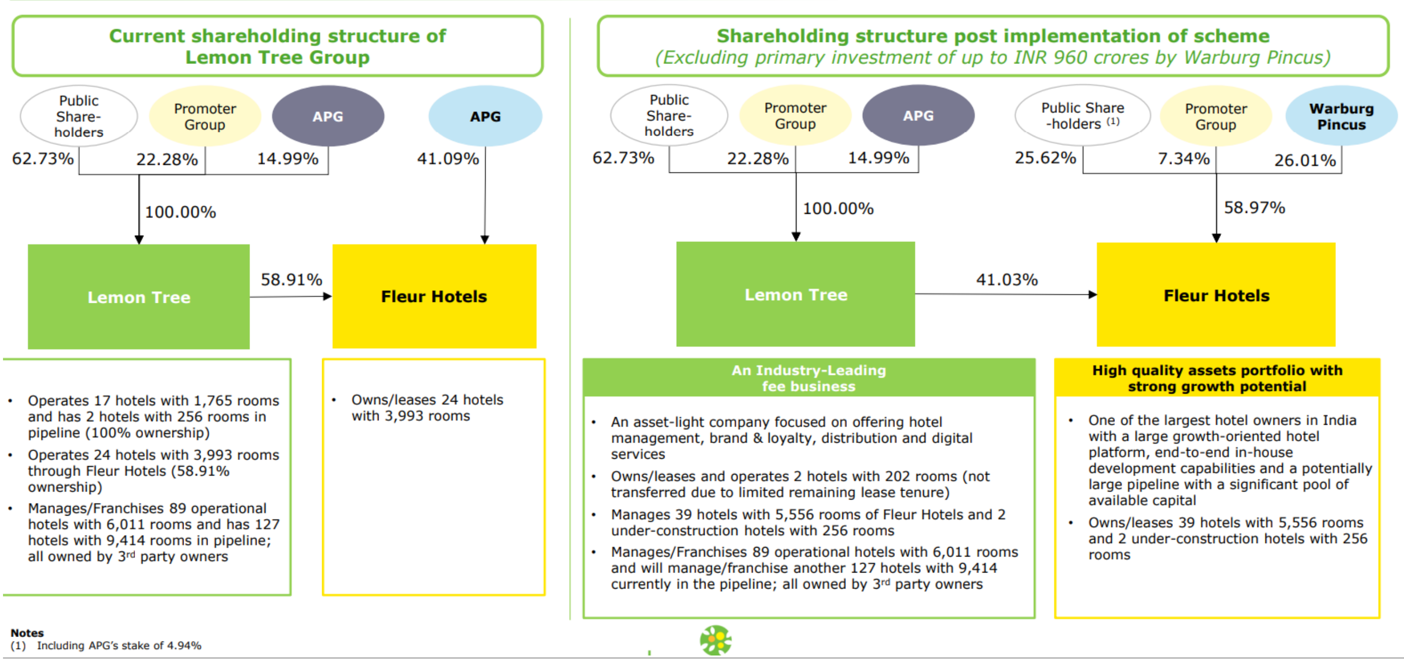
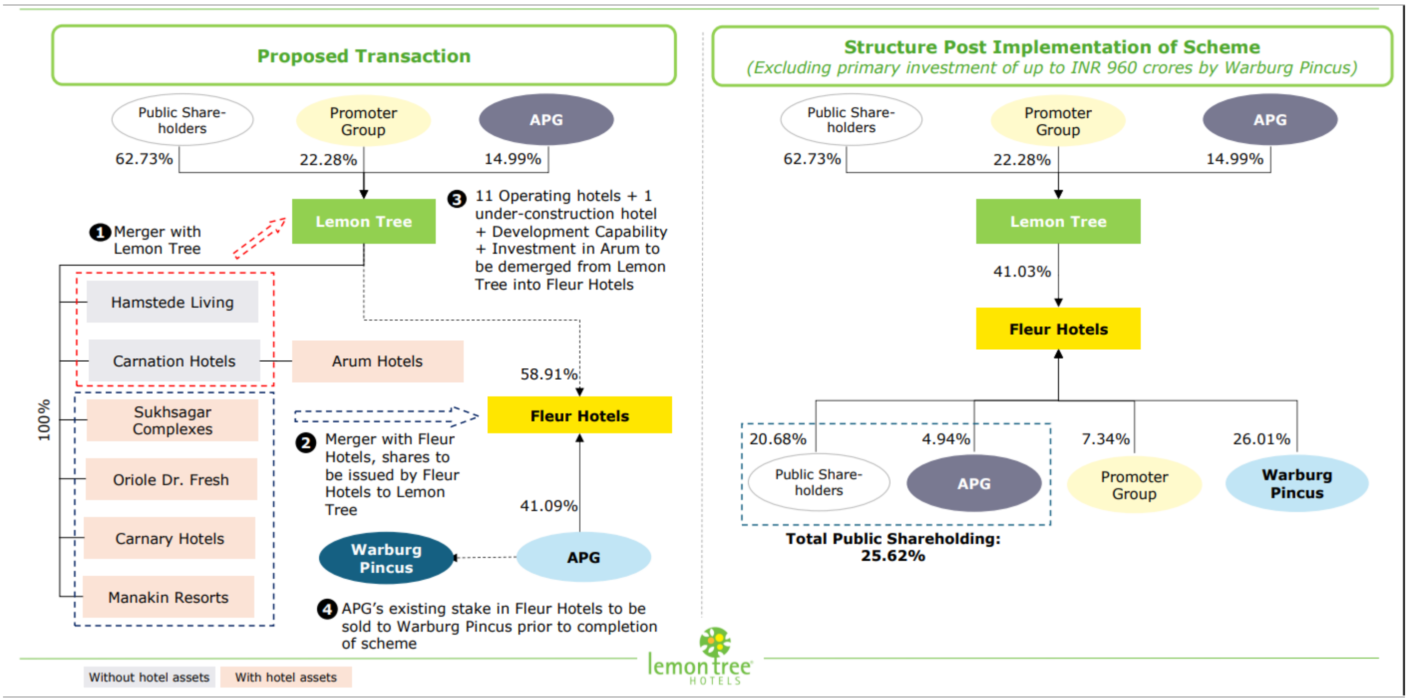
Exhibit 2: Pre and post shareholding structure of the scheme



Source: Company, Elara securities Research

Exhibit 3: Transaction structure of the proposed demerger



Source: Company, Elara Securities Research

Exhibit 4: Proforma management fees for standalone LEMONTREE

Particulars (INR mn)	FY26E	FY27E	FY28E
Total management fees	1,980	2,318	2,597
Management fees from third party	803	1,083	1,279
Management fees from Fleur	1,177	1,236	1,319

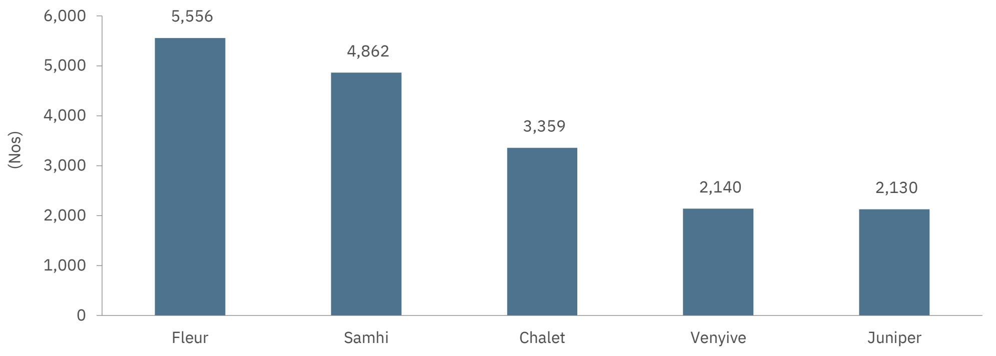
Source: Elara Securities Estimate

Exhibit 5: Fleur Hotels – Indicative proforma

Particulars (INR mn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	8,100	9,910	11,890	13,077	13,730	14,653
YoY (%)		*22.3*	*20.0*	*10.0*	*5.0*	*6.7*
EBITDA	3,590	4,230	5,090	5,440	5,801	6,330
YoY (%)		*17.8*	*20.3*	*6.9*	*6.6*	*9.1*
EBITDA margin (%)	*44.3*	*42.7*	*42.8*	*41.6*	*42.3*	*43.2*

Source: Company, Elara Securities Estimate

Exhibit 6: Fleur Hotels would have the largest owned portfolio of rooms among all asset owners



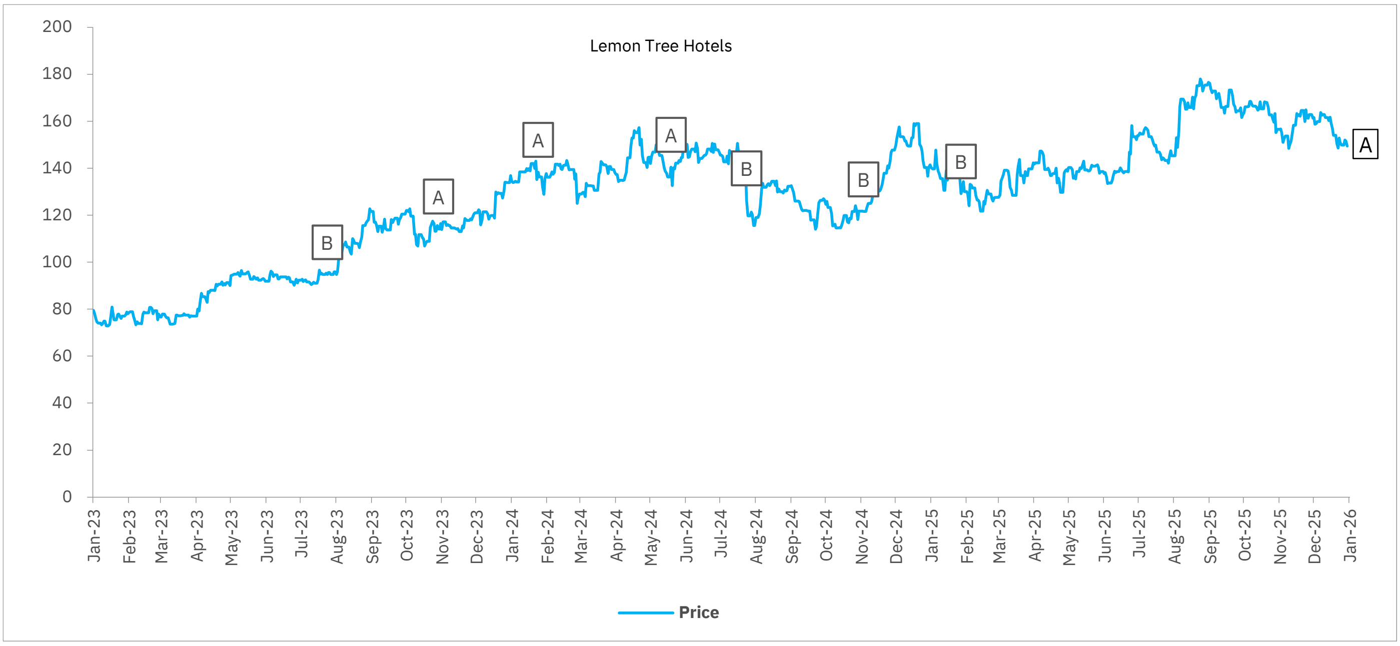
Source: Company, Elara Securities Research

Exhibit 7: Change in estimates

	Old estimates			Revised estimates			Change (%)		
(INR Mn)	**FY26E**	**FY27E**	**FY28**	**FY26E**	**FY27E**	**FY28**	**FY26E**	**FY27E**	**FY28E**
Net sales	14,872	16,763	18,747	14,256	16,066	17,606	(4.1)	(4.2)	(6.1)
EBITDA	7,632	9,071	10,588	6,862	8,095	9,208	(10.1)	(10.8)	(13.0)
EBITDA margin (%)	51.3	54.1	56.5	48.1	50.4	52.3	(6.2)	(6.9)	(7.4)
Adjusted PAT	2,847	3,917	4,962	2,322	3,212	4,010	(18.4)	(18.0)	(19.2)
EPS (INR)	3.6	4.9	6.3	2.9	4.1	5.1	(17.8)	(17.2)	(19.6)
Target Price (INR)		**185**			**157**			**(14.9)**	
Rating		**Buy**			**Accumulate**				

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
08-Aug-2023	Buy	114	95
13-Nov-2023	Accumulate	121	114
08-Feb-2024	Accumulate	154	138
03-Jun-2024	Accumulate	160	140
08-Aug-2024	Buy	160	126
18-Nov-2024	Buy	152	122
11-Feb-2025	Buy	185	146
14-Jan-2026	Accumulate	157	149

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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