

# Lemon Tree Hotels

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR114**      **TP: INR150 (+32%)**      **Buy**

## Fleur expansion and asset-light scale-up strengthen growth outlook

### Stock Info

Bloomberg	LEMONTRE IN
Equity Shares (m)	792
M.Cap.(INRb)/(USD\$b)	90.3 / 1
52-Week Range (INR)	181 / 100
1, 6, 12 Rel. Per (%)	-1/-18/-15
12M Avg Val (INR M)	600
Free float (%)	77.7

### Financials & Valuations (INR b)

Y/E Mar	2026	2027E	2028E
Sales	14.4	16.6	17.8
EBITDA	6.9	8.0	9.0
PAT	2.52	3.11	3.75
EBITDA (%)	47.8	48.0	50.4
EPS (INR)	3.2	3.9	4.7
EBITDA Gr. (%)	28.2	23.3	20.8
BV/Sh. (INR)	17.6	21.5	26.2

### Ratios

Net D/E	1.0	0.6	0.3
RoE (%)	19.7	20.1	19.9
RoCE (%)	13.1	15.7	18.7

### Valuations

P/E (x)	35.8	29.1	24.1
EV/EBITDA (x)	16.0	13.6	11.7
FCF Yield (%)	4.5	6.5	7.2

### Shareholding Pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	22.3	22.3	22.3
DII	15.7	19.5	19.7
FII	21.7	21.6	21.0
Others	40.4	36.7	37.0

### Earnings in line with estimates

- Lemon Tree Hotels (LEMONTRE) reported healthy revenue growth of 10% YoY in 4QFY26, led by 17%/29%/6% YoY growth in FnB revenue/ Management fees/Room revenue. Average room rate (ARR) grew 6% YoY to INR7,457, with occupancy rate (OR) expanding 100bp YoY to 78.5%.
- LEMONTRE reported industry-leading EBITDA margins at 51.7% in 4QFY26, which were, however, impacted by higher investments in renovations and technology and the GST impact, leading to a 220bp YoY contraction.
- As mentioned in our [recent note](#), going forward, we expect LEMONTRE to show healthy growth, primarily led by aggressive expansion through Fleur (pipeline of 3,375 keys), accelerating asset-light management fee income, premiumization via Aurika, and improving operating leverage as renovation cost, GST, and tech-related cost pressures normalize from FY27 onward.
- We largely maintain our FY27/FY28 EBITDA estimates and reiterate our **BUY** rating on the stock with our SoTP-based **TP of INR150**.

### Stable quarterly performance supported by ARR growth

- Revenue grew ~10% YoY to INR4.2b (est. in line) in 4QFY26. OR expanded 96bp YoY to 78.5%. ARR increased 6% YoY to INR7,457. Management fees grew 29% YoY to INR206m.
- EBITDA grew 5% YoY to INR2.2b (est. in line). EBITDA margin contracted 220bp YoY to ~51.7% (est. 51.8%). Adj. PAT grew ~10% YoY to INR929m (est. in line), adjusted for exceptional items of INR19m (restructuring expenses).
- For FY26, revenue/EBITDA/adj. PAT grew 12%/9%/28% to INR14.4b/INR6.9b/INR2.5b.
- Gross debt stood at INR15b vs. INR17b as of Mar'25. Further, CFO stood at INR54.2b (largely flat vs. Mar'25).

### Highlights from the management commentary

- **Fleur:** Backed by Warburg Pincus and a stronger balance sheet, management is evaluating multiple greenfield, brownfield, and acquisition opportunities, with ~2,500 rooms currently under discussion, primarily in the upscale and upper-upscale segments across top Indian cities. Expansion timelines vary from immediate contributions for operational acquisitions to 3-4 years for greenfield projects.
- **Renovation:** 400-500 rooms were under renovation in 4Q, with renovation activity typically peaking in summer and moderating during winter. Key projects such as Keys Whitefield, Lemon Tree Premier Bengaluru, Keys Hosur Road, and Red Fox Delhi (rebranded as Lemon Tree Hotel Delhi) are at various stages of completion, while Keys Pimpri Pune has already been fully renovated.

- Restructuring:** After reorganization, Lemon Tree shareholders will effectively own ~58% of Fleur vs. 46% currently, while benefiting from management contracts that provide stable fee income and operational synergies between the two entities. Although Fleur will retain flexibility to partner with other brands where commercially viable, Lemon Tree is expected to remain a preferred partner given its strong operating track record. The demerger process is expected to take 12-18 months, depending on NCLT approvals.

### Valuation and view

- LEMONTRE 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 Warbug Pincus, 5) increase in yield due to the completion of renovation across brands, and 6) the addition of owned hotels through Fleur (3,375 keys).
- We expect LEMONTRE to post a CAGR of 11%/14%/22% in revenue/EBITDA/adj. PAT over FY26-28, with RoCE improving to ~18.7% by FY28 from ~13.1% in FY26. We reiterate our BUY rating on the stock with our SoTP-based TP of INR150 for FY28.

### Consolidated Quarterly Performance

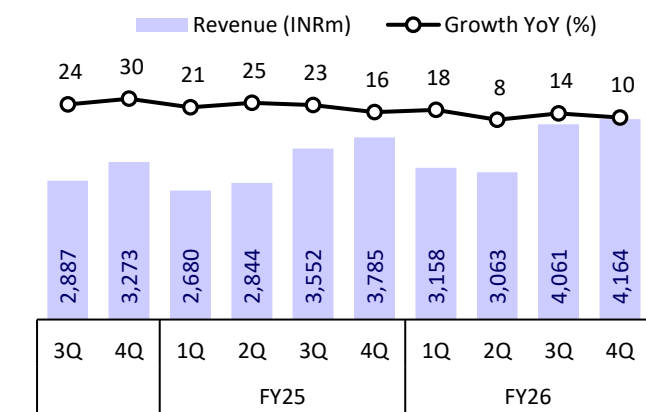
Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4Q		
<b>Gross Sales</b>	<b>2,680</b>	<b>2,844</b>	<b>3,552</b>	<b>3,785</b>	<b>3,158</b>	<b>3,063</b>	<b>4,061</b>	<b>4,164</b>	<b>12,861</b>	<b>14,445</b>	<b>4,143</b>	<b>1</b>
YoY Change (%)	20.6	25.2	23.0	15.6	17.8	7.7	14.3	10.0	20.7	12.3	9.4	
Total Expenditure	1,530	1,536	1,710	1,744	1,753	1,756	2,014	2,012	6,520	7,533	1,999	
<b>EBITDA</b>	<b>1,151</b>	<b>1,307</b>	<b>1,842</b>	<b>2,041</b>	<b>1,405</b>	<b>1,307</b>	<b>2,047</b>	<b>2,152</b>	<b>6,341</b>	<b>6,912</b>	<b>2,144</b>	<b>0</b>
Margins (%)	42.9	46.0	51.9	53.9	44.5	42.7	50.4	51.7	49.3	47.8	51.8	
Depreciation	346	348	351	349	342	343	348	355	1,393	1,388	355	
Interest	518	513	503	472	447	423	414	388	2,007	1,672	390	
Other Income	4	5	6	9	16	17	17	31	23	82	18	
<b>PBT before EO expense</b>	<b>291</b>	<b>451</b>	<b>994</b>	<b>1,229</b>	<b>633</b>	<b>558</b>	<b>1,302</b>	<b>1,441</b>	<b>2,965</b>	<b>3,933</b>	<b>1,417</b>	
Extra-Ord expense	0	0	0	0	0	0	313	19	0	333	0	
<b>PBT</b>	<b>291</b>	<b>451</b>	<b>994</b>	<b>1,229</b>	<b>633</b>	<b>558</b>	<b>988</b>	<b>1,422</b>	<b>2,965</b>	<b>3,601</b>	<b>1,417</b>	
Tax	91	102	197	141	148	139	170	251	531	708	208	
Rate (%)	31.2	22.7	19.8	11.5	23.3	24.9	17.2	17.7	17.9	19.7	14.6	
MI & P/L of Asso. Cos.	2	52	173	241	102	73	191	255	468	622	249	
<b>Reported PAT</b>	<b>198</b>	<b>296</b>	<b>625</b>	<b>846</b>	<b>383</b>	<b>346</b>	<b>627</b>	<b>915</b>	<b>1,966</b>	<b>2,271</b>	<b>961</b>	
<b>Adj PAT</b>	<b>198</b>	<b>296</b>	<b>625</b>	<b>846</b>	<b>383</b>	<b>346</b>	<b>862</b>	<b>929</b>	<b>1,966</b>	<b>2,520</b>	<b>961</b>	<b>-3</b>
YoY Change (%)	-15.6	30.9	76.5	26.3	93.5	16.7	37.9	9.8	32.4	28.2	13.5	
Margins (%)	7.4	10.4	17.6	22.4	12.1	11.3	21.2	22.3	15.3	17.4	23.2	

### Key Performance Indicators

Y/E March	FY25				FY26				FY25	FY26
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Occupancy (%)	66.6	68.4	74.2	77.6	72.5	69.8	73.4	78.5	73.0	74.7
ARR (INR)	5,686	5,902	6,763	7,042	6,236	6,247	7,487	7,457	6,819	7,126
Change (%)	8.6	12.0	6.8	6.6	9.7	5.8	10.7	5.9	8.4	4.5
RevPAR (INR)	3,787	4,035	5,018	5,465	4,521	4,360	5,495	5,854	4,980	5,327
Change (%)	3.0	6.9	20.2	14.9	19.4	8.1	9.5	7.1		
<b>Cost Break-up</b>										
F&B Cost (% of sales)	6.1	6.0	5.5	6.1	6.3	6.5	5.7	5.3	5.9	5.9
Staff Cost (% of sales)	18.9	19.1	15.9	15.1	18.4	19.1	14.6	15.2	17.0	16.6
Power and fuel (% of sales)	8.7	8.0	6.0	5.3	6.9	7.4	5.0	4.8	6.8	5.9
Other Cost (% of sales)	23.3	20.9	20.7	19.6	23.9	24.3	24.3	23.0	21.0	23.8
Gross Margins (%)	93.9	94.0	94.5	93.9	93.7	93.5	94.3	94.7	94.1	94.1
EBITDA Margins (%)	42.9	46.0	51.9	53.9	44.5	42.7	50.4	51.7	49.3	47.8
EBIT Margins (%)	30.0	33.7	42.0	44.7	33.7	31.5	41.8	43.2	38.5	38.2

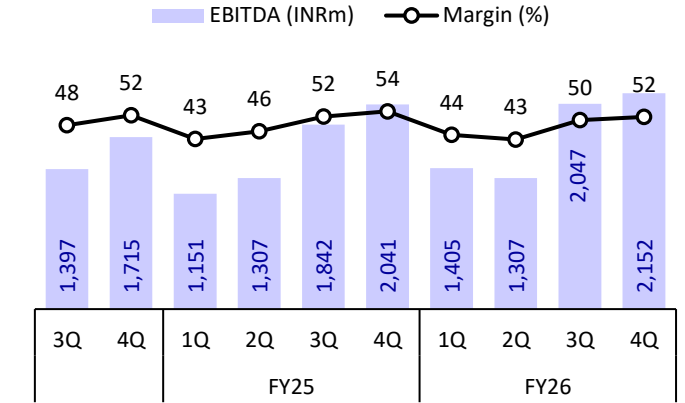
## Key exhibits

**Exhibit 1: Consolidated revenue trend**



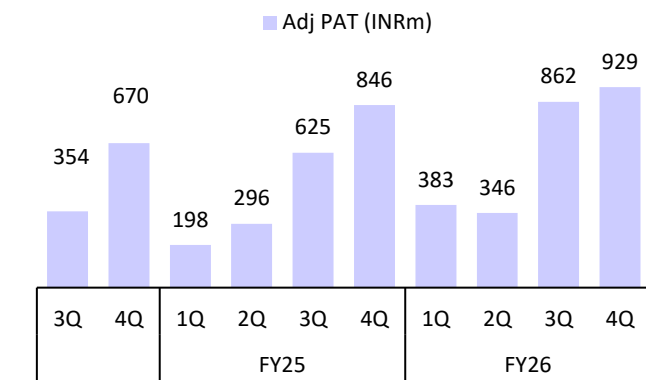
Source: Company, MOFSL

**Exhibit 2: Consolidated EBITDA trend**



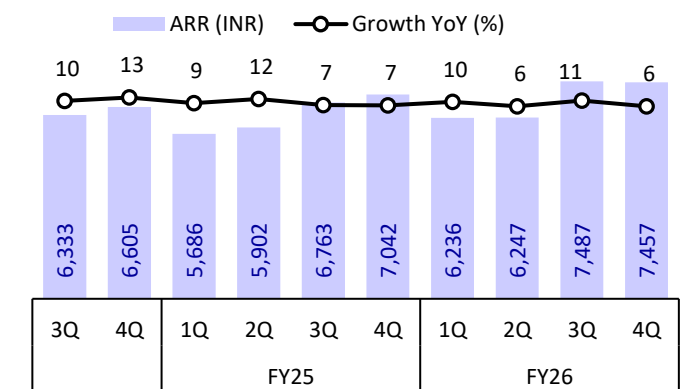
Source: Company, MOFSL

**Exhibit 3: Consolidated adjusted PAT trend**



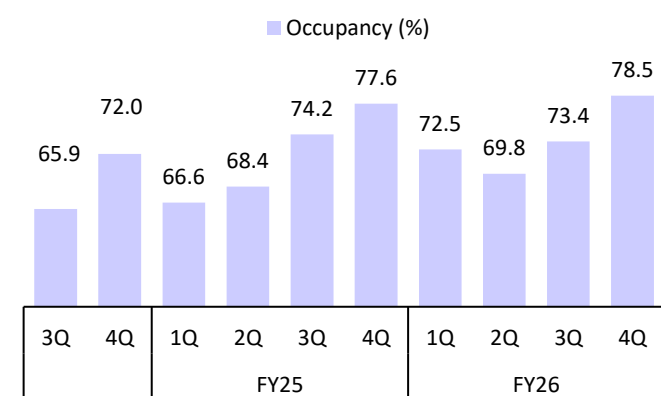
Source: Company, MOFSL

**Exhibit 4: ARR trend**



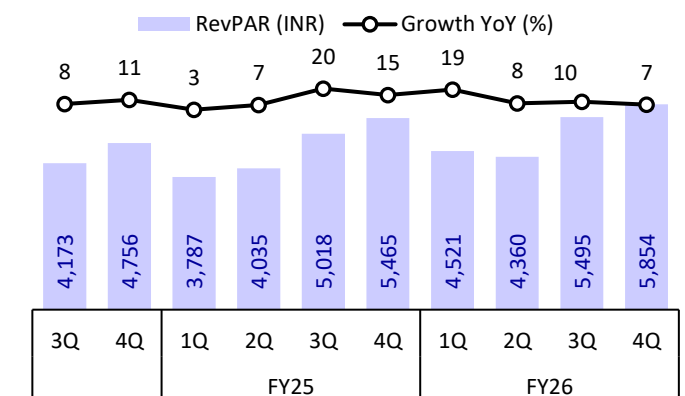
Source: Company, MOFSL

**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'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	15	1,381	24	2,984
Lemon Tree Hotels	14	1,448	4	321	54	3,423	72	5,192
Red Fox Hotels	4	552	1	91	4	360	9	1,003
Keys Prima	0	0	0	0	3	130	4	231
Keys Select	7	936	0	0	6	396	12	1,231
Keys Lite	0	0	0	0	8	362	8	362
<b>Total</b>	<b>34</b>	<b>5,186</b>	<b>7</b>	<b>573</b>	<b>89</b>	<b>6,052</b>	<b>131</b>	<b>11,811</b>

Source: Company, MOFSL

**Exhibit 8: Portfolio breakup as of 31<sup>st</sup> 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	663	1	47	1	165	4	499	8	1,374
Lemon Tree Premier	0	0	0	0	0	0	14	1,651	14	1,651
Lemon Tree Hotels	0	0	0	0	0	0	71	5,316	71	5,316
Red Fox Hotels	0	0	0	0	0	0	1	50	1	50
Keys Prima	0	0	0	0	0	0	8	538	8	538
Keys Select	0	0	0	0	0	0	22	1,308	22	1,308
Keys Lite	0	0	0	0	0	0	13	533	13	533
<b>Total</b>	<b>2</b>	<b>663</b>	<b>1</b>	<b>47</b>	<b>1</b>	<b>165</b>	<b>133</b>	<b>9,895</b>	<b>137</b>	<b>10,770</b>

Source: Company, MOFSL

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

	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
<b>Lemon Tree Premier</b>									
Occupancy (%)	81.0	79.0	79.0	81.0	83.0	81.0	80.0	81.0	85.0
ARR (INR)	7,565	6,558	6,802	7,852	8,156	7,132	7,142	8,506	7,232
Hotel level EBITDAR/room (INR m)	0.42	0.32	0.35	0.44	0.48	0.37	0.37	0.47	0.48
Hotel level EBITDAR Margin (%)	60.0	53.0	56.0	60.0	62.0	57.0	56.0	60.0	60.0
<b>Lemon Tree Hotels</b>									
Occupancy (%)	74.0	72.0	73.0	75.0	78.0	73.0	67.0	73.0	80.0
ARR (INR)	6,036	5,299	5,425	6,083	6,171	5,693	5,695	7,081	6,924
Hotel level EBITDAR/room (INR m)	0.25	0.20	0.24	0.28	0.27	0.23	0.19	0.31	0.31
Hotel level EBITDAR Margin (%)	50.0	43.0	50.0	52.0	50.0	47.0	44.0	52.0	51.0
<b>Red Fox Hotels</b>									
Occupancy (%)	76.0	64.0	70.0	78.0	80.0	67.0	65.0	70.0	76.0
ARR (INR)	4,796	4,214	4,458	5,144	5,457	4,873	4,824	5,016	4,706
Hotel level EBITDAR/room (INR m)	0.21	0.13	0.17	0.25	0.26	0.17	0.16	0.19	0.20
Hotel level EBITDAR Margin (%)	58.0	46.0	51.0	60.0	59.0	52.0	50.0	52.0	57.0
<b>Aurika</b>									
Occupancy (%)	66.0	46.0	50.0	71.0	83.0	72.0	71.0	74.0	81.0
ARR (INR)	10,553	9,061	9,491	10,457	10,566	9,118	8,806	10,984	11,097
Hotel level EBITDAR/room (INR m)	0.56	0.27	0.32	0.63	0.78	0.49	0.47	0.72	0.83
Hotel level EBITDAR Margin (%)	64.0	49.0	53.0	64.0	68.0	58.0	58.0	65.0	70.0

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 (%)
	4QFY26	4QFY25		4QFY26	4QFY25	
Delhi (636)	89	88	65	8,916	8,126	10
Gurugram (529)	76	76	-88	6,510	6,504	0
Hyderabad (663)	80	80	28	8,420	7,687	10
Bengaluru (874)	68	67	179	6,202	5,579	11
Mumbai (972)	83	85	-223	9,865	9,382	5
Pune (426)	83	77	572	6,103	5,749	6
Rest of India (1,659)	76	74	214	6,146	5,919	4

Source: Company, MOFSL



## Highlights from the management commentary

### Operating performance

- The company shifted its focus from ARR to OR beginning mid-March.
- This strategy has delivered strong results so far.
- While ORR appears to have reached a ceiling, ARR has remained largely flat.
- Management intends to continue prioritizing OR as long as uncertainty persists.
- Openings and signings:
  - Management highlighted that openings should be evaluated against signings from roughly three years ago, as projects typically take that long to materialize.
  - The company expects to open around 2,000 rooms in FY27.
  - The B2C segment has seen exceptionally strong growth, while corporate travel has slowed due to higher airfares and geopolitical tensions.
  - Renovation expenses in FY27 are expected to be around 3-4%, split equally between opex and capex.
  - In FY26, the company spent 5.8% of revenue on GST, technology investments, and renovations. GST costs are expected to rise from 1% of revenue to 2% in FY27 due to the full-year impact. Technology investments will remain elevated at ~0.9% of revenue vs. 0.6% in FY26, reflecting continued investments.
  - Renovation expenses, however, are expected to decline to ~1.9% as most of the portfolio renovation cycle nears completion. Thereafter, renovation costs are expected to normalize at ~1.2-1.4% of revenue.
  - Management noted that annual room rate hikes of 7-8% should gradually reduce the GST impact to ~1.7% of revenue, while technology costs are expected to stabilize at ~0.6-0.7%.
  - Consequently, the combined impact of GST, technology, and renovation expenses is expected to decline from 5.8% in FY26 to 4.8% in FY27 and further to 3.7% thereafter, implying savings of roughly 1% annually.
  - Additionally, one-off expenses incurred in FY26 — including ex gratia payments, Delhi property tax, and the impact of the new labor code — amounting to ~INR250-300m, are expected to roll off from FY27, supporting further margin improvement.
  - A significant portion of management fees comes from incentive fees, which are linked to EBITDA delivery across different performance slabs. Incentive fees can range from 1% to 5% of revenue depending on hotel-level EBITDA/GOP performance.
  - During the year, aggressive renovation across the owned portfolio, coupled with GST-related costs, weighed on EBITDA margins and consequently impacted incentive fee income.

- Management stated that the ongoing war/geopolitical situation has not impacted business performance in May.

### Expansion plans

- Aurika Shimla is an owned property comprising 91 rooms and is expected to open in FY27. Total capital deployed/capex incurred as of Mar'26 stood at ~INR820m (including CWIP, land capitalized, capital advances, net of capital creditors).
- Aurika Shillong is a leased property with 165 rooms, slated for opening in FY28. Total capital deployed/capex incurred as of Mar'26 was ~INR230m.
- Aurika, Nehru Place, Delhi is a leased hotel project with 572 rooms, expected to commence operations in FY30.
- Aurika Varanasi is a leased property comprising 47 rooms and is expected to open in FY30.

### Restructuring

#### ■ Benefits to Lemon Tree

- Strengthens its position as the preferred hospitality operator across multiple brands for hotel asset owners.
- Retains strategic alignment through a meaningful ~41% stake in Fleur, supporting long-term growth and pipeline expansion.
- Gains enhanced visibility on recurring fee income through a long-term management agreement with Fleur.
- Expands its management contract portfolio across various hotel segments and Tier I, II and III cities.

#### ■ Benefits to Fleur

- Maintains the flexibility to collaborate with leading hospitality brands, including Lemon Tree Hotels, as well as other domestic and international operators.
- Acts as the exclusive development partner for owned-hotel opportunities generated within the Lemon Tree ecosystem while retaining the ability to pursue third-party transactions, M&A opportunities and strategic partnerships.
- Benefits from a stable and predictable management partnership with Lemon Tree, facilitating faster project underwriting and execution.
- Leverages an experienced in-house development team with a demonstrated track record in sourcing, evaluating and executing hotel projects.

### Fleur

- Fleur is set to become India's largest hotel platform by inventory, with 5,600 rooms across 39 operational hotels.
- The confirmed pipeline includes four hotels with a total of 875 rooms.
- The company's 572-room property at Nehru Place is expected to become the largest hotel in North India.
- Management plans to operationalize two out of the three blocks at Aurika Shimla.
- The company has also signed a license agreement for Aurika Varanasi.
- With the addition of Warbug as a partner, the company believes it now has the capital structure and financial backing required to further expand its pipeline.
- The company remains focused on both urban and leisure markets.
- Management indicated that it is evaluating a growing number of opportunities within the pipeline, including both new developments and acquisitions of existing assets.

- Around 2,500 rooms are currently under various stages of discussion. Backed by the capital infusion from WP and a strengthened balance sheet, the company is confident of adding these keys over time.
- The investment focus will remain on the upscale and upper-upscale segments, particularly across the top six Indian cities. Opportunities under consideration include both greenfield and brownfield projects, along with selective entry into international and leisure markets.
- Indicative timelines for expansion projects are as follows: Acquired operational assets – Immediate contribution; Acquired assets requiring renovation – 1-2 years; Greenfield projects – 3-4 years

### **Lemon Tree**

- Despite headwinds from aviation disruptions and GST-related changes, FY26 was the best year in Lemon Tree's history. Margins during the year were impacted by elevated renovation expenses, higher technology investments, and GST-related costs.
- Management expects the GST impact to moderate going forward as the number of customers paying tariffs below INR7,500 declines due to ongoing ARR growth and annual price hikes.
- The upper-upscale Aurika portfolio remains largely unaffected by these GST changes.
- The company reduced total borrowings to INR15b from ~INR17b a year ago, while the average cost of debt declined by 115bp YoY to 7.42%.
- Lemon Tree's operational and signed pipeline now stands at 22,581 rooms across 268 hotels, of which 131 hotels with 11,811 rooms are already operational.
- On the asset-light side, the company opened 20 managed and franchised hotels with 1,423 rooms during FY26 and signed 55 additional managed and franchised hotels.
- Operating expenses increased during the year due to investments in technology and the hiring of senior talent across operations, marketing, digital, and sales functions. Management believes these investments will support future revenue growth. Although the benefits will materialize with a lag, the costs are reflected immediately in P&L.
- Management emphasized that the current cost structure should not be viewed as a steady-state margin profile. As more signed hotels become operational and begin contributing fee income, operating leverage is expected to improve meaningfully.
- EBITDA margins are expected to move from current levels toward 70%+ in steady state, with management aspiring for 75% over time.
- The company highlighted the significant opportunity within India's ~2.5m unbranded hotel rooms, particularly in the mid-market and upper mid-scale segments where Lemon Tree has a strong positioning.
- Management fees have grown 23% despite having only ~6,000 branded managed rooms currently operational.
- With Fleur's portfolio additions and the existing construction pipeline, Fleur's operating asset base is expected to increase by ~60% over the next three years, which should directly benefit Lemon Tree through higher fee income.
- The managed portfolio is expected to open around 2,000 rooms in FY27, with annual openings likely to scale significantly thereafter as the current signing momentum converts into operational inventory.

- Management indicated that annual openings could potentially rise to 3,000–5,000 rooms over the next few years.
- Technology spending should be viewed as a long-term investment rather than a recurring drag on profitability.
- Management expects that corporate and technology expenses will not rise proportionately with revenue over time.
- As management fee income scales up, incremental revenue is expected to deliver strong operating leverage, with a projected steady-state flow-through of 75-80%.
- After accounting for taxes, this could translate into ~60% incremental profitability on additional fee income growth.

### **Restructuring**

- Lemon Tree will operate as a pure-play asset-light hospitality company, while Fleur will function as a large-scale, growth-oriented hotel ownership platform.
- Both entities will have independent management teams and operational structures.
- Following the reorganization, Lemon Tree is expected to emerge as a high-margin, debt-free hospitality platform.
- This compares with Lemon Tree’s current direct stake of 59% in Fleur and excludes any future primary capital infusion by Warburg Pincus.
- Despite the reorganization, Lemon Tree and Fleur are expected to continue benefiting from strong strategic synergies.
- Long-term management contracts will provide Lemon Tree with stable and growing fee income from Fleur-operated assets.
- At the same time, Fleur will retain the flexibility to evaluate opportunities across brands while benefiting from the certainty and execution capabilities offered by Lemon Tree as a management partner.
- Management highlighted that the chairman will continue to oversee both companies, with a significant focus on executing Fleur’s expansion pipeline and growth strategy.
- On management contracts, the company stated that Warburg Pincus conducted a detailed evaluation of Lemon Tree’s management agreements and found their structure and economics to be comparable with industry peers.
- Management clarified that while Fleur will remain open to partnering with other hotel brands where commercially appropriate, Lemon Tree would continue to be a preferred partner given the long-standing relationship between the two entities and its strong operating track record in the mid-market and upscale segments.
- The company emphasized that Lemon Tree would not be disadvantaged in evaluating future opportunities.
- Management indicated that the demerger process could be completed within 12 months if NCLT approvals are received earlier, while delays in approvals could extend the timeline to 18 months.

### **Other key highlights**

- Keys and Aurika operate in different market segments and micro-markets.
- Keys has a more diversified presence, while Aurika is concentrated in select locations. In Mumbai, competitive intensity increased significantly over the past year, with five new hotels opening in the same micro-market as Aurika.

- Aurika Udaipur witnessed muted growth due to disruptions caused by Indigo flight shutdowns during December–January, with the impact extending into April. Despite these headwinds, Aurika delivered 19% RevPAR growth in FY26 over FY25, while Keys reported 20% RevPAR growth.
- Management highlighted that the Keys portfolio currently reflects the benefit of only two fully renovated hotels, with the broader renovation program still underway.
- Management clarified that new airports such as Navi Mumbai are being developed to cater to incremental travel demand rather than shift existing demand pools.
- The larger impact on hotel performance comes from supply additions within specific micro-markets rather than airport developments themselves.
- In Mumbai, recent supply additions in Aurika’s catchment area weighed on performance, while airline crew demand also moderated due to lower wet-lease activity compared to last year.
- The company has consciously started diversifying away from dependence on airline crew business toward broader commercial demand segments.
- Despite these factors, Aurika as a brand still delivered ~19% RevPAR growth during FY26.
- The company continues to accelerate renovations during the summer season while minimizing disruption during peak winter demand periods.
- Around 400–500 rooms were under renovation during the quarter. Key ongoing projects include: Keys Whitefield, Lemon Tree Premier Bengaluru, Keys Hosur Road, Red Fox Delhi (now rebranded as Lemon Tree Hotel Delhi). Keys Pimpri Pune has already been fully renovated.
- Of the ~5,000 rooms identified for renovation, heavy renovation work was required in ~4,000 rooms, of which nearly 85% has now been completed.
- Certain premium assets, including Aurika Mumbai, Lemon Tree Premier Pune, Lemon Tree Premier Kolkata, and Aurika Udaipur, did not require major renovation work.
- Acquisition valuations in the hotel sector currently range from ~8x EBITDA for standard assets to 16x+ EBITDA for trophy assets, although management indicated limited interest in trophy acquisitions at elevated valuations.
- Acquiring operational assets typically involves higher upfront capital but provides immediate EBITDA contribution, while greenfield developments remain structurally cheaper.
- Management stated that if current active discussions convert successfully, the company could deploy up to INR3,000 crore over the next 12–18 months, supported by Fleur and Warburg Pincus funding.
- Approximately 2,500 rooms are currently under active discussion across various opportunities.

## Valuation and view

- LEMONTRE 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 Warbug Pincus, 5) increase in yield due to completion of renovation across brands, and 6) addition of owned hotels through Fleur (3,375 keys).
- We expect LEMONTRE to post a CAGR of 11%/14%/22% in revenue/EBITDA/adj. PAT over FY26-28, with RoCE improving to ~18.7% by FY28 from ~13.1% in FY26. We reiterate our BUY rating on the stock with our SoTP-based TP of INR150 for FY28.

### Exhibit 11: Valuation methodology

Particulars		FY28
<b>Standalone EBITDA</b>	<b>INRm</b>	<b>1,217</b>
EV/EBIDTA Multiple	x	17
EV	INRm	21,238
Less: Standalone Net Debt	INRm	751
<b>Target Value</b>	<b>INRm</b>	<b>20,486</b>
<b>Carnations EBITDA (Management Contract)</b>	<b>INRm</b>	<b>1,173</b>
EV/EBIDTA Multiple	x	30
EV	INRm	35,737
<b>Fluer's EBITDA</b>	<b>INRm</b>	<b>6,606</b>
LemonTree's Share of Fluer EBITDA (58.91%)	INRm	3,891
EV/EBIDTA Multiple	x	17
EV	INRm	67,881
Less: LemonTree's Share of Fluer Net Debt	INRm	5,328
<b>Target Value</b>	<b>INRm</b>	<b>62,553</b>
Total Target Value	INRm	1,18,777
No. of shares	Mn	792
<b>Target Price</b>	<b>INR</b>	<b>150</b>

Source: MOFSL

### Exhibit 12: Revisions to our estimates

Earnings Change (INR m)	Old		New		Change	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	16,636	17,870	16,614	17,845	0%	0%
EBITDA	8,068	9,096	7,973	8,996	-1%	-1%
Adj. PAT	3,173	3,929	3,107	3,753	-2%	-4%

Source: MOFSL

## Financials and valuations

Consolidated - Income Statement								(INRm)	
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
<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>14,445</b>	<b>16,614</b>	<b>17,845</b>
Change (%)	21.8	-62.4	59.8	117.5	21.8	20.7	12.3	15.0	7.4
F&B Consumed	570	178	279	499	628	762	848	964	1,035
Employees Cost	1,553	704	973	1,497	1,878	2,185	2,393	2,608	2,802
Other Expenses	2,137	1,022	1,432	2,230	2,973	3,573	4,293	5,069	5,012
<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>7,533</b>	<b>8,641</b>	<b>8,849</b>
% of Sales	63.6	75.7	66.7	48.3	51.4	50.7	52.2	52.0	49.6
<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>6,912</b>	<b>7,973</b>	<b>8,996</b>
Margin (%)	36.4	24.3	33.3	51.7	48.6	49.3	47.8	48.0	50.4
Depreciation	922	1,076	1,043	966	1,121	1,393	1,388	1,455	1,471
<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>5,524</b>	<b>6,518</b>	<b>7,525</b>
Int. and Finance Charges	1,565	1,817	1,740	1,772	2,016	2,007	1,672	1,416	1,076
Other Income	58	133	140	36	113	23	82	100	107
<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>3,933</b>	<b>5,202</b>	<b>6,556</b>
EO Items	0	0	153	-48	0	0	-333	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>3,601</b>	<b>5,202</b>	<b>6,556</b>
Total Tax	109	-322	-72	377	341	531	708	1,196	1,508
Tax Rate (%)	2220.8	15.0	5.0	21.3	15.9	17.9	19.7	23.0	23.0
MI/ share of profit from associates	-9	-555	-510	251	325	468	622	899	1,295
<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>2,271</b>	<b>3,107</b>	<b>3,753</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>2,520</b>	<b>3,107</b>	<b>3,753</b>
Change (%)	-118.0	1,232.4	-40.2	-255.5	25.7	32.4	28.2	23.3	20.8
Margin (%)	-1.4	-50.5	-18.9	13.5	13.9	15.3	17.4	18.7	21.0

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
Total Reserves	1,986	1,272	404	621	1,750	3,716	6,001	9,108	12,860
<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>13,919</b>	<b>17,026</b>	<b>20,778</b>
Minority Interest	5,559	6,174	5,676	5,597	5,795	6,261	6,872	7,764	9,053
Total Loans	15,775	16,850	16,986	17,457	18,891	16,986	15,003	10,503	6,503
Lease Liability	4,619	4,671	4,247	4,253	4,423	4,431	4,949	4,949	4,949
<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>40,743</b>	<b>40,241</b>	<b>41,283</b>
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
<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>34,679</b>	<b>33,549</b>	<b>34,078</b>
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
<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>	<b>446</b>
Current Investment	44	91	59	10	81	386	663	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>5,690</b>	<b>5,582</b>	<b>6,236</b>
Inventory	82	72	81	105	138	138	138	158	162
Account Receivables	503	308	291	560	715	786	1,163	1,337	1,436
Cash and Bank Balance	408	1,411	543	275	537	807	978	163	423
Loans and Advances	1,528	1,945	1,861	1,933	2,140	2,642	3,411	3,923	4,214
<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>2,104</b>	<b>2,418</b>	<b>2,559</b>
Account Payables	842	788	585	668	859	616	671	770	788
Other Current Liabilities	877	412	319	730	601	790	1,215	1,398	1,501
Provisions	67	78	224	81	92	99	218	251	269
<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>3,586</b>	<b>3,164</b>	<b>3,677</b>
Misc Expenditure	0	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>40,743</b>	<b>40,241</b>	<b>41,283</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
<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>3.2</b>	<b>3.9</b>	<b>4.7</b>
Cash EPS	1.0	-0.2	0.4	2.7	3.3	4.2	4.9	5.8	6.6
BV/Share	12.5	11.6	10.5	10.8	12.2	14.7	17.6	21.5	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
<b>Valuation (x)</b>									
P/E	-947	-71	-119	76	61	46	36	29	24
Cash P/E	109.2	-462.8	318.5	42.1	34.6	26.9	23.1	19.8	17.3
P/BV	9.1	9.8	10.9	10.6	9.3	7.8	6.5	5.3	4.3
EV/Sales	16.6	44.4	27.9	12.9	10.7	8.7	7.7	6.5	5.9
EV/EBITDA	45.7	182.5	83.9	25.0	22.1	17.7	16.0	13.6	11.7
EV/Room (INRm)	26.1	26.3	26.4	23.4	23.7	23.3	22.9	22.5	21.4
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	7.4	8.2
<b>Return Ratios (%)</b>									
RoE	-1.0	-13.3	-8.7	14.0	16.3	18.5	19.7	20.1	19.9
RoCE	4.5	-0.9	1.1	9.4	10.2	11.7	13.1	15.7	18.7
RoIC	4.4	-1.0	0.7	8.6	10.0	10.8	11.7	13.3	15.3
<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	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
<b>Leverage Ratio (x)</b>									
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	7.0
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	5,202	6,556
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	1,316	969
Direct Taxes Paid	-109	322	-17	-207	-341	-502	-466	-1,196	-1,508
(Inc)/Dec in WC	-754	-1,009	27	-403	-523	-416	-855	-393	-253
<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>5,378</b>	<b>6,383</b>	<b>7,235</b>
Others	-62	-635	-41	-63	339	-63	38	884	1,283
<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>5,416</b>	<b>7,267</b>	<b>8,519</b>
(Inc)/Dec in FA	-8,969	-465	-668	-1,618	-3,393	-932	-1,359	-1,374	-2,000
<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>4,057</b>	<b>5,893</b>	<b>6,519</b>
(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	100	107
<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>-1,689</b>	<b>-1,275</b>	<b>-1,893</b>
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	-4,500	-4,000
Interest Paid	-1,565	-1,817	-1,400	-1,432	-2,016	-1,593	-1,277	-1,416	-1,076
Others	2,488	1,361	-372	-379	157	-352	-215	-891	-1,289
<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>-3,556</b>	<b>-6,807</b>	<b>-6,366</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>171</b>	<b>-815</b>	<b>260</b>
Opening Balance	314	408	1,411	543	275	537	807	978	163
<b>Closing Balance</b>	<b>408</b>	<b>1,411</b>	<b>543</b>	<b>275</b>	<b>537</b>	<b>807</b>	<b>978</b>	<b>163</b>	<b>423</b>

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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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