

05 December 2024

India | Equity Research | Company Update

Lemon Tree Hotels

Hotels

Keys to success: Strong room pipeline; demand outlook remains robust

As of Sep'24, Lemon Tree Hotels (LEMONTRE) has 10,318 operational keys across 112 hotels. The company has an aggressive room expansion plan for H2FY25–FY29 with an incremental 5,220 keys – should take overall operational keys to 15,538 by FY29–30E. In the near term, FY25E operations may remain constrained by ongoing renovations in its Keys portfolio and other owned/leased hotels. We expect LEMONTRE to deliver revenue and EBITDA CAGRs of 22% over FY24–27E as Aurika, its Mumbai airport hotel, fully stabilises, and renovated rooms and management contract revenues see an uptick. As earnings scale up in the medium term, the company expects debt levels to gradually dip over the next 3–4 years (debt of INR 19.1bn, as of Sep'24). Retain **BUY**; SoTP-based TP of INR164 (based on 23x Sep'26E EV/EBITDA) unchanged.

Focus remains on renovation/scale up of Aurika

In addition to the ongoing Keys portfolio renovation, management has decided to upgrade select hotels across its brand portfolio. This may result in short-term margin pain, but it expects the premiumisation trend in the mid-market segment to benefit LEMONTRE in the medium term. Key monitorable is its ability to scale up Aurika's ARR and occupancies in H2FY25. As per the company, Aurika is exhibiting higher ARR and occupancies since Oct'24, which is encouraging. LEMONTRE expects debt levels to gradually decline over the next 3–4 years (debt of INR 19.1bn, as of Sep'24) as renovations drive higher ARR in owned hotels and scale-up in Aurika.

Strong room pipeline to take operational keys to over 15,000 keys by FY29–30E

As of Sep'24, the company has 10,318 operational keys across 112 hotels. LEMONTRE has an aggressive room expansion plan over H2FY25–FY29E with an incremental 5,220 keys across 75 hotels, which should take overall operational keys to 15,538 rooms by FY29–30E. A large portion of these incremental keys (~5,150 keys) is expected to be through the asset-light management contract route. Hence, we expect the company to deliver revenue and EBITDA CAGR of 22% over FY24–27E as Aurika fully stabilises and renovated rooms and management contract revenue sees an uptick.

Key risks: Demand slowdown in occupancies and room rates.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	10,711	13,848	16,681	19,406
EBITDA	5,232	6,287	7,907	9,198
EBITDA %	48.8	45.4	47.4	47.4
Net Profit	1,485	2,038	3,344	4,413
EPS (INR)	1.9	2.6	4.3	5.6
P/B (x)	10.7	8.9	6.9	5.3
P/E (x)	70.0	51.0	31.1	23.5
Adjusted EV/EBITDA (x)	30.9	28.9	22.3	18.4
RoCE (%)	10.2	12.1	15.6	17.6
RoE (%)	16.3	19.1	25.0	25.6

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Market Data

Market Cap (INR)	105bn
Market Cap (USD)	1,242mn
Bloomberg Code	LEMONTRE IN
Reuters Code	LEMO BO
52-week Range (INR)	158 / 112
Free Float (%)	62.0
ADTV-3M (mn) (USD)	5.4

Price Performance (%)	3m	6m	12m
Absolute	2.3	0.2	15.0
Relative to Sensex	4.0 (12.1)		(2.6)

ESG Score	2022	2023	Change
ESG score	54.7	73.0	18.3
Environment	40.7	59.6	18.9
Social	30.5	71.3	40.8
Governance	77.5	80.6	3.1

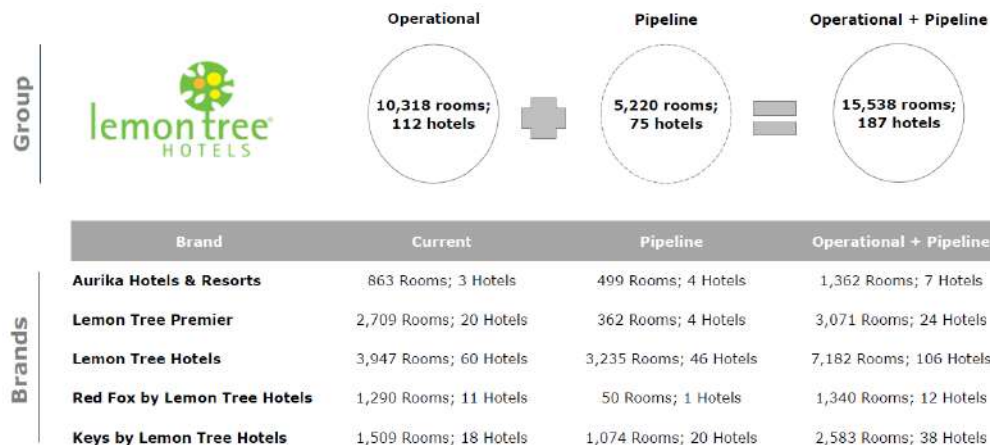
Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

Previous Reports

18-11-2024: [Q2FY25 results review](#)

09-08-2024: [Q1FY25 results review](#)

Exhibit 1: Current and pipeline hotel portfolio breakup, as on 30 Sep'24


Source: Company data, I-Sec research

Exhibit 2: LTH quarterly gross ARR and occupancy trend


Source: Company data, I-Sec research

Exhibit 3: LTH Q2FY25 consolidated income statement breakup

Rs. Cr	Lemon Tree Consolidated excluding Keys Hotels					Keys Hotels					Lemon Tree Consolidated				
	Q2 FY25	Q1 FY25	Q2 FY24	QoQ Change	YoY Change	Q2 FY25	Q1 FY25	Q2 FY24	QoQ Change	YoY Change	Q2 FY25	Q1 FY25	Q2 FY24	QoQ Change	YoY Change
Inventory	4,823	4,823	4,154	0%	16%	936	936	936	-	-	5,759	5,759	5,090	-	13%
Gross ARR	6,246	6,023	5,573	4%	12%	3,677	3,542	3,524	4%	4%	5,902	5,686	5,262	4%	12%
Occupancy %	70.7%	68.7%	74.5%	197 bps	-376 bps	56.3%	55.7%	59.1%	58 bps	-283 bps	68.4%	66.6%	71.7%	174 bps	-328 bps
RevPAR	4,417	4,140	4,150	7%	6%	2,071	1,975	2,085	5%	-1%	4,035	3,788	3,770	7%	7%
Revenue from Operations	263.4	247.5	209.1	6%	26%	21.0	20.5	20.3	3%	4%	284.4	268.0	229.4	6%	24%
Other Income	0.4	0.4	0.5	23%	-15%	0.0	0.0	0.2	-	-	0.5	0.4	0.7	34%	-34%
Total revenue	263.8	247.9	209.6	6%	26%	21.1	20.5	20.5	3%	3%	284.8	268.4	230.1	6%	24%
Total expenses	138.9	138.1	111.9	1%	24%	14.8	14.9	13.4	-1%	10%	153.6	151.2	125.3	2%	23%
EBITDA	124.9	109.8	97.7	14%	28%	6.3	5.6	7.1	12%	-12%	131.2	117.1	104.8	12%	25%
EBITDA Margin(%)	47.4%	44.3%	46.6%	306 bps	76 bps	29.9%	27.3%	34.7%	252 bps	-480 bps	46.1%	43.6%	45.5%	242 bps	53 bps
PBT	46.1	32.1	34.8	43%	32%	(0.8)	(2.9)	0.2	-	-	45.3	29.2	35.0	55%	29%

Figures include Aurika, Mumbai SkyCity which opened in Q3 FY24 and is not yet stable

Source: I-Sec research, Company data

Exhibit 4: LTH operational performance by region/brand – Q2FY25 vs. Q2FY24

Parameters	RevPAR (Rs.)			Occupancy Rate (%)			Average Daily Rate (Rs.)			Hotel level EBITDAR/room/qtr. (Rs. Lacs)**			Hotel level EBITDAR Margin %**		
	Q2 FY25	Q2 FY24	Change (%)	Q2 FY25	Q2 FY24	Change (bps)	Q2 FY25	Q2 FY24	Change (%)	Q2 FY25	Q2 FY24	Change (%)	Q2 FY25	Q2 FY24	Change (bps)
By Brand (#Rooms)															
Aurika Hotels & Resorts (808)*	4,726	5,576	-15%	50%	49%	125	9,491	11,487	-17%	3.22	4.51	-28%	53%	56%	-334
Lemon Tree Premier (1,603)	5,366	5,044	6%	79%	80%	-75	6,802	6,334	7%	3.53	3.29	8%	56%	57%	-53
Lemon Tree Hotels (1562)	3,985	3,839	4%	73%	74%	-98	5,425	5,157	5%	2.36	2.23	6%	50%	49%	87
Red Fox by Lemon Tree Hotels (952)	3,126	2,803	12%	70%	69%	108	4,458	4,059	10%	1.67	1.47	14%	51%	50%	150
Keys by Lemon Tree Hotels (936)	2,071	2,085	-1%	56%	59%	-283	3,677	3,524	4%	0.89	0.83	7%	40%	38%	147

Parameters	RevPAR (Rs.)			Occupancy Rate (%)			Average Daily Rate (Rs.)			Hotel level EBITDAR/room/qtr. (Rs. Lacs)**			Hotel level EBITDAR Margin %**		
	Q2 FY25	Q2 FY24	Change (%)	Q2 FY25	Q2 FY24	Change (bps)	Q2 FY25	Q2 FY24	Change (%)	Q2 FY25	Q2 FY24	Change (%)	Q2 FY25	Q2 FY24	Change (bps)
By Region (#Rooms)															
Delhi (636)	4,903	4,377	12%	78%	76%	156	6,318	5,757	10%	2.75	2.53	8%	50%	50%	-34
Gurgaon (529)	4,137	3,582	15%	80%	74%	596	5,197	4,865	7%	2.50	2.05	22%	48%	45%	293
Hyderabad (663)	4,957	4,929	1%	76%	85%	-890	6,483	5,775	12%	3.38	3.39	0%	62%	61%	35
Bengaluru (874)	3,340	3,617	-8%	68%	74%	-595	4,897	4,878	0%	1.99	2.17	-8%	53%	56%	-260
Mumbai (972)*	5,353	6,762	-21%	62%	87%	-2,490	8,642	7,786	11%	3.78	4.64	-19%	58%	63%	-537
Pune (426)	4,056	3,565	14%	74%	71%	246	5,497	4,997	10%	2.38	2.01	18%	51%	50%	179
Rest of India (1,659)	2,891	2,721	6%	60%	60%	63	4,780	4,546	5%	1.49	1.39	8%	44%	43%	56
Total (5759)	4,035	3,770	7%	68%	72%	-328	5,902	5,262	12%	2.47	2.24	10%	52%	52%	40

Trends for owned/leased rooms

*Figures include Aurika, Mumbai SkyCity which opened in Q3 FY24 and is not yet stable

** Hotel level EBITDAR and EBITDAR Margin % is pre-renovation for both Q2 FY25 and Q2 FY24

Source: I-Sec research, Company data

Exhibit 5: Key operating assumptions for Lemon Tree Hotels

Owned + Leased Rooms	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
ARR (INR)	2,803	3,439	5,276	6,001	7,027	8,078	9,219
Occupancy (%)	41%	56%	70%	75%	73%	75%	75%
RevPAR (INR)	1,135	1,910	3,693	4,528	5,128	6,031	6,915

Source: I-Sec research, Company data

Exhibit 6: SoTP-based valuation of Lemon Tree Hotels

Sep'26E EBITDA (INR mn) (adjusted for LTH 59% stake in Fleur Hotels)	5,987
EV/EBITDA multiple (x)	23
Gross Enterprise Value (INR mn)	137,694
Less: Sep'26E Net Debt (INR mn) – LTH share	(7,597)
LTH Equity Value/Target Price (INR mn)	130,098
Equity Value per Share (INR)	164

Source: I-Sec research, Company data

Exhibit 7: Expansion plans – pipeline of managed and franchised contracts by opening, as on 30 Sep'24

#	Hotels Pipeline	States	Rooms	Expected Opening
1	The Spectrum, operated by Lemon Tree Hotels, Gurugram	Haryana	260	FY25
2	Lemon Tree Premier, Biratnagar	Nepal	80	FY25
3	Lemon Tree Resort, Thimphu, Bhutan	Bhutan	38	FY25
4	Keys Lite by Lemon Tree Hotels, Jaipur	Rajasthan	47	FY25
5	Lemon Tree Hotel, Erode	Tamil Nadu	64	FY25
6	Lemon Tree Hotel, Chandausi	Uttar Pradesh	70	FY25
7	Keys Lite by Lemon Tree Hotel Dehradun (Franchised)	Uttarakhand	32	FY25
8	Lemon Tree Hotel, Mussoorie (Franchised)	Uttarakhand	60	FY25
9	Lemon Tree Hotel, Meerut (Franchised)	Uttar Pradesh	75	FY25
10	Lemon Tree Hotel, Motihari (Franchised)	Bihar	50	FY25
11	Lemon Tree Hotel, Ranchi (Franchised)	Jharkhand	45	FY25
12	Keys Select by Lemon Tree Hotels, Bareilly (Franchised)	Uttar Pradesh	60	FY25
13	Keys Lite by Lemon Tree Hotels, Vadodara	Gujarat	63	FY25
14	Keys Prima by Lemon Tree Hotels, Kota	Rajasthan	58	FY25
15	Lemon Tree Hotel Sri Ganganagar	Rajasthan	60	FY26
16	Lemon Tree Hotel, Rajamundry	Andhra Pradesh	60	FY26
17	Lemon Tree Premier Hotel Tirupathi	Andhra Pradesh	120	FY26
18	Lemon Tree Hotel, Darjeeling	West Bengal	55	FY26
19	Lemon Tree Hotel, Tejpur	Assam	42	FY26
20	Lemon Tree Hotel, Jabalpur	Madhya Pradesh	75	FY26
21	Lemon Tree Hotel Gomti Nagar Lucknow	Uttar Pradesh	72	FY26
22	Lemon Tree Hotel, Mashobra	Himachal Pradesh	48	FY26
23	Lemon Tree Resort, Kasauli (Franchised)	Himachal Pradesh	50	FY26
24	Red Fox Hotel, Vishakhapatnam	Vishakhapatnam	50	FY26
25	Keys Select by Lemon Tree Hotels, Yadagirligutta	Telangana	150	FY26
26	Keys Select by Lemon Tree Hotels, Vadodara (Franchised)	Gujarat	45	FY26
27	Lemon Tree Hotel, Kharar	Punjab	60	FY26
28	Lemon Tree Hotel, Jamnagar	Gujarat	60	FY26
29	Lemon Tree Premier, Dehradun	Uttarakhand	80	FY26
30	Lemon Tree Hotel, Junagadh	Gujarat	64	FY26
31	Keys Select by Lemon Tree Hotels, Chirang	Assam	40	FY26
32	Keys Lite by Lemon Tree Hotels, Coimbatore	Tamil Nadu	40	FY26
33	Keys Lite by Lemon Tree Hotels, Vijayawada	Andhra Pradesh	44	FY26
34	Sankhwas Garh, a Lemon Tree Resort	Rajasthan	51	FY26
35	Lemon Tree Hotel, Bokaro	Jharkhand	70	FY26
36	Lemon Tree Premier Gomti Nagar, Lucknow	Uttar Pradesh	82	FY26
37	Lemon Tree Hotel, Badrinath	Uttarakhand	72	FY26
38	Lemon Tree Hotel, Bhubaneswar	Odisha	60	FY26
39	Bhangeri Durbar Resort, operated by Lemon Tree Hotels	Nepal	51	FY26
40	Keys Lite by Lemon Tree Hotels, Banswara	Rajasthan	54	FY26
41	Lemon Tree Hotel, Morbi	Gujarat	75	FY26
42	Keys Lite by Lemon Tree Hotels, Somnath	Gujarat	52	FY26
43	Lemon Tree Hotel, Arpora	Goa	57	FY26
44	Keys Lite by Lemon Tree Hotels, Pathankot	Punjab	44	FY26
45	Keys Select by Lemon Tree Hotels, Shivpuri (Franchised)	Madhya Pradesh	50	FY26
46	Lemon Tree Hotel, Ayodhya	Uttar Pradesh	72	FY26
47	Lemon Tree Hotel, Nashik	Maharashtra	57	FY26
48	Lemon Tree Hotel, Mira Road, Mumbai	Maharashtra	108	FY26
49	Lemon Tree Hotel, Pune	Maharashtra	117	FY26
50	Keys Lite by Lemon Tree Hotels, Metropolitan, Vijayawada	Andhra Pradesh	44	FY26
51	Keys Select by Lemon Tree Hotels, Srinagar	J&K	40	FY26
52	Lemon Tree Hotel, Sasan Gir	Gujarat	74	FY26
53	Lemon Tree Hotel, Zirakpur	Punjab	80	FY27
54	Keys Prima by Lemon Tree Hotels, Dehradun	Uttarakhand	55	FY27
55	Lemon Tree Hotel, Kundapura	Karnataka	80	FY27
56	Lemon Tree Hotel, Agartala	Tripura	80	FY27
57	Lemon Tree Resort, Marpalle	Telangana	50	FY27
58	Keys Select by Lemon Tree Hotels, Anjar (Franchised)	Gujarat	61	FY27
59	Lemon Tree Hotel, Bharuch	Gujarat	83	FY27
60	Aurika, Rishikesh	Uttarakhand	132	FY27
61	Lemon Tree Hotel, Ujjain	Madhya Pradesh	72	FY27
62	Keys Select by Lemon Tree Hotels, Nashik	Maharashtra	45	FY27
63	Keys Select by Lemon Tree Hotels, Varanasi (Franchised)	Uttar Pradesh	50	FY28
64	Lemon Tree Hotel, Civil Lines, Ayodhya	Uttar Pradesh	80	FY28
65	Lemon Tree Hotel, Amritsar	Punjab	68	FY28
66	Aurika, Sasan Gir	Gujarat	82	FY29
67	Lemon Tree Hotel, Gir	Gujarat	80	FY30
68	Aurika, Surat	Gujarat	175	FY30
69	Lemon Tree Hotel, Kathmandu	Nepal	75	TBD
70	Lemon Tree Hotel, Gulmarg	J&K	35	TBD
71	Lemon Tree Hotel, Anjuna, Goa	Goa	51	TBD
72	Aurika, Kasauli	Himachal Pradesh	110	TBD
73	Lemon Tree Hotel, Thiruvananthapuram	Kerala	100	TBD
74	Lemon Tree Hotel, Ludhiana	Punjab	60	TBD
Total Pipeline			5,151	

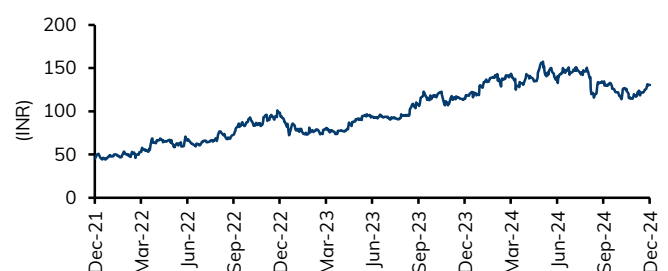
Source: Company data, I-Sec research

Exhibit 8: Shareholding pattern

%	Mar'24	Jun'24	Sep'24
Promoters	22.9	22.8	22.8
Institutional investors	42.4	42.8	40.7
MFs and others	13.4	13.9	17.5
FIs/Banks	0.0	0.4	0.4
Insurance	1.6	0.9	1.1
FIIIs	27.4	27.6	21.8
Others	34.7	34.4	36.5

Source: Bloomberg

Exhibit 9: Price chart



Source: Bloomberg

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	10,711	13,848	16,681	19,406
Operating Expenses	5,479	7,561	8,774	10,207
EBITDA	5,232	6,287	7,907	9,198
EBITDA Margin (%)	48.8	45.4	47.4	47.4
Depreciation & Amortization	1,121	1,346	1,413	1,483
Interest expenditure	2,016	1,953	1,756	1,537
Other Non-operating Income	56	208	250	291
Recurring PBT	2,151	3,197	4,988	6,469
Less: Taxes	341	799	1,247	1,617
PAT	1,810	2,397	3,741	4,852
Less: Minority Interest	(325)	(360)	(397)	(439)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	1,485	2,038	3,344	4,413
Net Income (Adjusted)	1,485	2,038	3,344	4,413

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	3,529	5,055	6,847	9,745
of which cash & cash eqv.	537	438	1,293	3,285
Total Current Liabilities & Provisions	2,835	4,843	5,779	6,723
Net Current Assets	694	212	1,067	3,021
Investments	133	133	133	133
Net Fixed Assets	35,461	36,616	33,719	33,719
ROU Assets	-	-	-	-
Capital Work-in-Progress	2,490	1,490	3,490	3,490
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
Total Assets	38,779	38,450	38,893	40,364
Liabilities				
Borrowings	18,891	16,890	14,390	11,890
Deferred Tax Liability	-	-	-	-
other Liabilities	4,423	4,423	4,423	4,423
Equity Share Capital	7,918	7,918	7,918	7,918
Reserves & Surplus	1,750	3,788	7,132	11,545
Total Net Worth	9,669	11,707	15,050	19,464
Minority Interest	5,795	5,430	5,028	4,586
Total Liabilities	38,779	38,450	38,893	40,364

Source Company data, I-Sec research

Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	4,868	5,128	6,263	7,142
Working Capital Changes	(218)	383	-	37
Capital Commitments	(3,305)	(1,500)	(1,000)	(1,000)
Free Cashflow	1,345	4,011	5,263	6,179
Other investing cashflow	(660)	208	250	291
Cashflow from Investing Activities	(3,965)	(1,292)	(750)	(709)
Issue of Share Capital	5-	-	-	-
Interest Cost	(1,616)	(1,953)	(1,756)	(1,537)
Inc (Dec) in Borrowings	1,426	(2,000)	(2,500)	(2,500)
Dividend paid	-	-	-	-
Others	(400)	(365)	(402)	(442)
Cash flow from Financing Activities	(585)	(4,318)	(4,658)	(4,479)
Chg. in Cash & Bank balance	100	(100)	856	1,991
Closing cash & balance	537	438	1,293	3,285

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	1.9	2.6	4.3	5.6
Cash EPS	3.3	4.3	6.1	7.5
Dividend per share (DPS)	0.0	0.0	0.0	0.0
Book Value per share (BV)	12.4	15.0	19.3	24.9
Growth (%)				
Net Sales	22.4	29.3	20.5	16.3
EBITDA	16.9	20.2	25.8	16.3
EPS (INR)	29.6	37.2	64.1	32.0
Valuation Ratios (x)				
P/E	70.0	51.0	31.1	23.5
P/BV	10.7	8.9	6.9	5.3
Adjusted EV / EBITDA	30.9	28.9	22.3	18.4
EV / Room	25.9	25.4	24.7	23.7
EV / Sales	12.1	9.2	7.4	6.1
Dividend Yield	0.0	0.0	0.0	0.0
Operating Ratios				
EBITDA Margins (%)	48.8	45.4	47.4	47.4
Net Profit Margins (%)	13.9	14.7	20.0	22.7
Net Debt / Equity (x)	1.9	1.4	0.9	0.4
Debt / EBITDA (x)	3.6	2.7	1.8	1.3
Profitability Ratios				
RoCE (%)	10.2	12.1	15.6	17.6
RoE (%)	16.3	19.1	25.0	25.6

Source Company data, I-Sec research

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