nuvama institutional equities

LEMON TREE HOTEL

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	140
12 month price target (INR)	166
52 Week High/Low	162/111
Market cap (INR bn/USD bn)	111/1.3
Free float (%)	0.0
Avg. daily value traded (INR mn)	427.5

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep=24
Promoter	22.50%	22.77%	22.77%
FII	20.89%	20.01%	21.75%
DII	19.68%	20.80%	18.91%
Pledge	0%	0%	0%

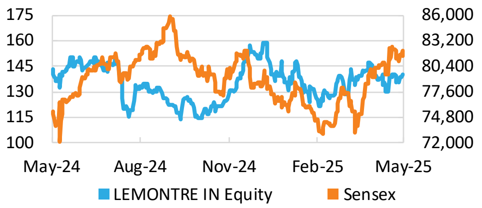
FINANCIALS (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	10,711	12,861	14,667	16,361
EBITDA	5,232	6,341	7,097	8,525
Adjusted profit	1,485	1,966	2,437	3,528
Diluted EPS (INR)	1.9	2.5	3.1	4.5
EPS growth (%)	nm	71.5	64.1	79.5
RoAE (%)	16.3	18.5	18.5	20.6
P/E (x)	74.3	56.1	45.3	31.3
EV/EBITDA (x)	24.5	19.9	17.0	13.4
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	14,667	16,361	+0.4%	0.0%
EBITDA	7,097	8,525	-0.2%	-1.2%
Adjusted profit	2,437	3,528	+1.9%	-1.6%
Diluted EPS (INR)	3.1	4.5	+1.9%	-1.6%

PRICE PERFORMANCE



Robust growth; INR9bn EBITDA in sight

Aurika Mumbai continues to accelerate, leading to strong revenue and top-line expansion. This growth is mirrored by a healthy performance across all micromarkets and sub-brands. Notably, management fees increased 22% YoY in FY25. We are also seeing exceptionally promising incremental EBITDAR margins in Q4FY25, especially for Keys, Aurika, and LTP. Management reported particularly strong growth of 21% in April while May—despite some headwinds from geopolitical events and increased Covid-19 cases—still delivered a healthy 14% growth.

We are keeping estimates largely unchanged, Our revised target price comes in at INR166 (INR168 earlier); maintain 'BUY'.

Aurika's occupancy lifts growth as well as margins

Lemon Tree reported a 15.6% YoY increase in revenue to INR3.79bn driven by better occupancy rates and increased ARRs. A 15% YoY increase in RevPAR was driven by both improved occupancy, which rose 5.6pp YoY, and a 6.6% gain in ARR, which stands at INR 7,042. Aurika reported the largest growth in occupancies of ~17pp driven by stabilisation of the Aurika MIAL, which opened in Q3FY24. The approach at Aurika Mumbai suggests an initial focus on achieving full occupancy to maximise revenue from the property, and then, over time, it might aim to replace lower-revenue guests with more lucrative ones. RevPAR increased 14% YoY, excluding Keys. Total management fee grew +7.5% YoY to INR443mn while management fee from third-party owned rooms came in at INR160mn (+11.1% YoY).

EBITDA margin came in at 53.9% (up 154bp YoY/206bp QoQ). Pickup in margins can be attributed to pick up in Aurika MIAL and lower renovation expenses this quarter, as the renovation activity will now resume in Q1FY26. Incremental EBITDAR margin appear extremely promising especially for Keys, Aurika and LTP. Management has maintained its 50%+ EBITDA margin guidance as per its five-year plan. PAT jumped 26% due to improved EBITDA, and lower interest costs. Cash profit stood at INR1.2bn in Q4FY25, which was up 4% QoQ from INR1.15bn in Q3FY25 and was up 19% compared with INR1bn in Q4FY24.

Growth momentum going strong across brands and micro markets

The Bengaluru, Mumbai and Delhi markets clocked the highest RevPAR improvement among other micro markets on a YoY basis. Across LTs, key brands, Aurika/Lemon Tree Premier/Lemon Tree/Red Fox/Keys reported a YoY RevPAR growth of 25%/11%/8%/20%/24%.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	3,785	3,273	15.6	3,552	6.6
EBITDA	2,041	1,715	19.0	1,842	10.8
Adjusted Profit	846	670	26.4	625	35.4
Diluted EPS (INR)	1.1	0.8	26.3	0.8	35.4

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Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	10,711	12,861	14,667	16,361
Gross profit	10,083	12,099	13,797	15,391
Employee costs	1,878	2,185	2,346	2,524
Other expenses	2,973	3,573	4,355	4,343
EBITDA	5,232	6,341	7,097	8,525
Depreciation	1,121	1,393	1,506	1,538
Less: Interest expense	2,016	2,007	1,832	1,321
Add: Other income	56	23	60	60
Profit before tax	2,158	2,962	3,819	5,725
Prov for tax	341	531	684	1,025
Less: Other adj	0	0	0	0
Reported profit	1,485	1,966	2,437	3,528
Less: Excp.item (net)	0	0	0	0
Adjusted profit	1,485	1,966	2,437	3,528
Diluted shares o/s	792	792	792	792
Adjusted diluted EPS	1.9	2.5	3.1	4.5
DPS (INR)	0	0	0	0
Tax rate (%)	15.8	17.9	17.9	17.9

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	7,918	7,918	7,918	7,918
Reserves	1,750	3,717	6,852	11,553
Shareholders funds	9,669	11,635	14,771	19,471
Minority interest	5,795	6,261	6,466	7,753
Borrowings	18,891	16,986	13,322	9,322
Trade payables	859	616	1,005	1,121
Other liabs & prov	661	845	2,551	2,661
Total liabilities	40,329	40,818	42,586	44,799
Net block	31,137	30,627	29,917	29,199
Intangible assets	1,357	1,400	1,268	1,268
Capital WIP	248	454	454	454
Total fixed assets	32,742	32,480	31,638	30,920
Non current inv	70	77	77	77
Cash/cash equivalent	537	807	2,703	5,169
Sundry debtors	715	786	1,076	1,201
Loans & advances	0	0	0	0
Other assets	1,158	1,551	1,666	1,744
Total assets	40,329	40,818	42,586	44,799

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Room Count - Total	9,863.0	11,320.0	13,834.0	14,654.0
Gross ARR (INR)	6,100.8	6,381.0	6,891.5	7,442.8
Occupancy (%)	70.9	71.7	75.0	75.0
EBITDA margin (%)	48.8	49.3	48.4	52.1
Net profit margin (%)	13.9	15.3	16.6	21.6
Revenue growth (% YoY)	22.4	20.1	14.0	11.6
EBITDA growth (% YoY)	16.9	21.2	11.9	20.1
Adj. profit growth (%)	29.6	32.4	24.0	44.8

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	1,485	1,966	2,437	3,528
Add: Depreciation	1,121	1,393	1,506	1,538
Interest (net of tax)	1,697	1,647	1,504	1,085
Others	0	0	0	0
Less: Changes in WC	(381)	(690)	1,689	24
Operating cash flow	4,264	4,846	7,819	7,200
Less: Capex	(4,409)	(1,137)	(663)	(820)
Free cash flow	(145)	3,709	7,156	6,380

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	6.9	6.0	6.2	6.2
Repo rate (%)	6.5	6.0	5.0	5.0
USD/INR (average)	83.0	84.0	85.0	85.0

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	16.3	18.5	18.5	20.6
RoCE (%)	12.6	14.4	16.3	19.8
Inventory days	64	58	69	66
Receivable days	17	19	22	22
Payable days	420	307	391	327
Working cap (% sales)	0.5	5.7	(6.5)	(6.0)
Gross debt/equity (x)	1.2	0.9	0.6	0.3
Net debt/equity (x)	1.2	0.9	0.5	0.2
Interest coverage (x)	2.0	2.5	3.1	5.3

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	74.3	56.1	45.3	31.3
Price/BV (x)	11.4	9.5	7.5	5.7
EV/EBITDA (x)	24.5	19.9	17.0	13.4
Dividend yield (%)	0	0	0	0

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	nm	71.5	64.1	79.5
RoE (%)	16.3	18.5	18.5	20.6
EBITDA growth (%)	16.9	21.2	11.9	20.1
Payout ratio (%)	0	0	0	0

Source: Company and Nuvama estimates

Q4FY25 Conference Call Highlights

Q4 and FY25

- Usually in H1 the focus is on occupancy and in H2 the focus is on ARR for the company
- Managed hotels have faced delays in openings due to various problems at the end of hotel owners; management has little control on these external delays.
- May 2025 had negative effects of India-Pakistan tension, and also the sudden spike in Covid cases. The drop in performance is in line with the commentary from other hotel players. Positive part is that all player have seen recovery in June.
- Hyderabad RevPAR growth was slow as many rooms were shut for renovation in the hotel at Banjara Hills.
- Effective tax is coming lower due to deferred tax adjustment
- Covid led to structural cost changes—many fixed costs have become semi-variable, improving operating leverage, management sounded confident of achieving 55% EBITDA margin by FY28.
- High renovation spend (INR1-1.3bn/year) has temporarily inflated expenses. Once it normalises, margins should expand naturally.
- Tech investments are also peaking at ~1.4% of revenue and are likely to reduce sharply in coming years.
- Margin in Keys portfolio has improved to ~40% EBITDA, and management targets over INR600mn EBITDA from Keys by FY27. Assuming 66% incremental margin it would require 60% revenue growth over the current run rate, which should involve 10% RevPAR increase in line with peers and the balance 30% led by one time price increase owing to major renovation.

Renovation

- Renovation will continue in FY26 and a very small portion in FY27, post which it will be around 1.2% –1.3% of revenue on an ongoing basis
- Renovation spend this year will be around INR1.3bn, which will be about 3% of revenue
- The company has renovated about 70%–75% of its portfolio of higher value renovations, with the balance to be done in FY26

Aurika Mumbai – Commentary

- Occupancy has significantly improved to 80%+ in Q4 (from 65% last year); full-year occupancy at 63% vs 53% in FY24.
- Aurika generated INR420mn in EBITDA in Q4 at a 67% margin—seen as very healthy given the hotel is only 1.5 years old.
- Confident about achieving ARR of INR11–12k in the upcoming winter season.

Outlook

- The company is confident of adding 3,000 rooms to its pipeline in FY26.
- Loyalty Program has been revived, which is expected uptick the retail share of business and take it to the target level of 66% by FY28 from current 45%
- Management has internal targets of 55% EBITDA margins but has maintained the guidance of 50% EBITDA margins in the five year plan.
- LT Premiere and Aurika have small pipeline as most of the pipeline is focused on increasing network in Tier 2 and 3 cities, where the demand is more for decent 3 – star hotels, making way for Lemon tree hotels and Keys
- In summers negotiated and non-negotiated pricing are nearly same while in winters there is huge difference
- Lemon Tree will be requiring very little capital post listing of Fleur and will become debt free
- International expansion is opportunistic—targeting markets where Indian travellers go. Dubai was the first step.

INR9bn EBITDA in sight

Exhibit 1: Reaching INR9bn EBITDA involves quite manageable milestones.

	2025	2028	CAGR	Remarks
EBITDA (S)	1,891	2,721	13%	Assuming 8–10% CAGR and some operating leverage
Keys	252	600	32%	Post the renovation of Keys portfolio, LT expects EBITDA to 2.3x–3.0x
Aurika Mumbai	1,126	2,058	22%	Current ARR of INR10–11k expands to INR14k while assuming EBITDAR margin of 75%
Other subs	3,072	3,994	9%	Assuming base business expands 9% CAGR
EBITDA (C)	6,341	9,373	14%	

Source: Nuvama Research

Aurika Mumbai: Assuming 75% EBITDAR margin at 80% occupancy implying say 65% EBITDA Margin in FY28. That means for INR2,058 mn EBITDA the company would need INR3,118mn revenue or INR13,000 ARR.

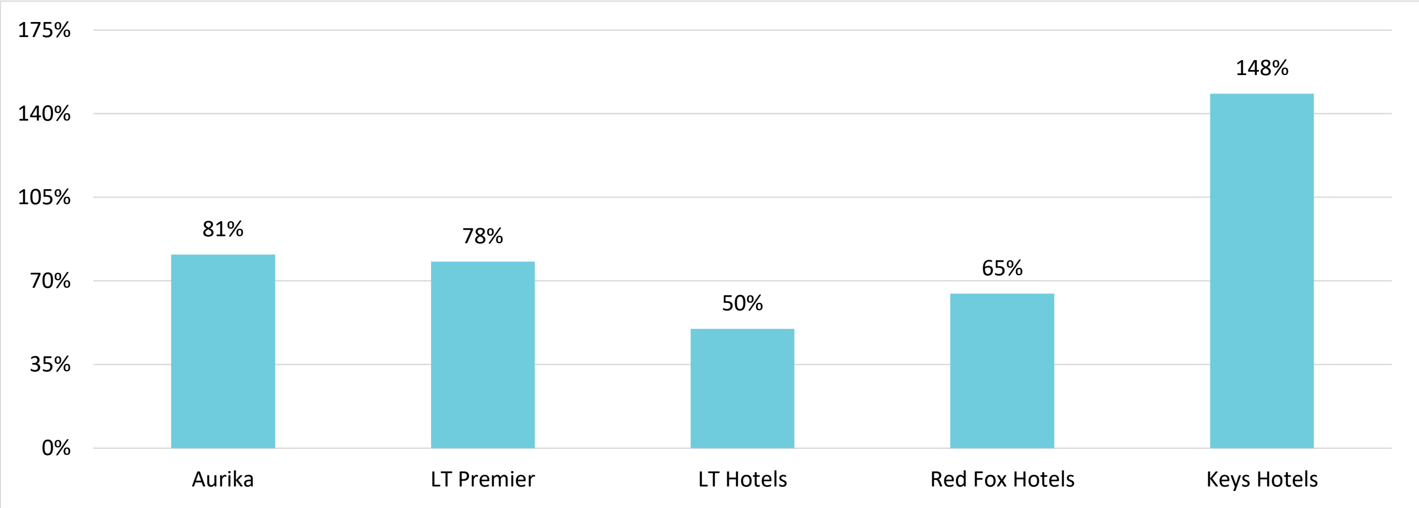
Exhibit 2: EBITDAR-to-occupancy ratio trend

EBITDAR Margin	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Aurika	48%	49%	69%	72%	44%	44%	55%	64%	49%	53%	64%	68%
LT Premier	56%	54%	65%	61%	46%	56%	55%	60%	53%	56%	60%	62%
LT Hotels	49%	47%	57%	51%	49%	46%	50%	50%	43%	50%	52%	50%
Red Fox Hotels	47%	49%	60%	59%	50%	46%	54%	58%	46%	51%	60%	59%
Keys Hotels	31%	52%	18%	48%	31%	36%	28%	22%	18%	40%	38%	40%
EBITDAR to Occupancy Ratio	**Q1FY23**	**Q2FY23**	**Q3FY23**	**Q4FY23**	**Q1FY24**	**Q2FY24**	**Q3FY24**	**Q4FY24**	**Q1FY25**	**Q2FY25**	**Q3FY25**	**Q4FY25**
Aurika	1.3	1.3	1.3	1.0	1.0	0.9	1.3	1.0	1.1	1.1	0.9	0.8
LT Premier	0.8	0.7	0.9	0.8	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
LT Hotels	0.7	0.7	0.8	0.7	0.7	0.6	0.7	0.7	0.6	0.7	0.7	0.6
Red Fox Hotels	0.7	0.7	0.8	0.8	0.7	0.7	0.7	0.8	0.7	0.7	0.8	0.7
Keys Hotels	0.6	1.0	0.4	0.9	0.5	0.6	0.5	0.4	0.3	0.7	0.6	0.7

Source: Nuvama Research

The confidence also stems from exceptional strong operating leverage seen in Q4 across brands

Exhibit 3: Incremental EBITDAR to incremental revenue ratio in Q4FY25 over Q4FY24



Source: Nuvama Research

Exhibit 4: Quarterly snapshot

Particulars (INR mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY %
Net Sales	3,785	3,273	16	3,552	7	12,861	10,674	20
Operating Expenses:								
Power Oil and Fuel	202	197	2	215	(6)	878	780	12
Cost of food and beverages consumed	230	205	12	196	17	762	628	21
Other Expenses	742	657	13	734	1	2,695	2,193	23
Rent	-	-		-		-	-	
Employee Cost	570	499	14	564	1	2,185	1,878	16
Total Expenditure	1,744	1,558	12	1,710	2	6,520	5,479	19
EBITDA	2,041	1,715	19	1,842	11	6,341	5,196	22
Other Income	8.8	39	(77)	6.2	41	23	93	(75)
Depreciation	349	334	4	351	(1)	1,393	1,121	24
EBIT	1,701	1,419	20	1,498	14	4,972	4,168	19
Interest	472	528	(10)	503	(6)	2,007	2,016	(0)
PBT before exceptional item	1,229	892	38	994	24	2,965	2,151	38
Exceptional Item	-	-	-	-	-	-	-	-
PBT after exceptional item	1,229	892	38	994	24	2,965	2,151	38
Total tax	141	50	180	197	(28)	531	341	56
PAT	1,088	842	29	798	36	2,434	1,810	34
Share of profit from associates	(6)	(2)	-	1	-	(3)	7	-
Minority Interest	235	170	38	174	35	466	332	40
Net Income	846	670	26	625	35	1,966	1,485	32
Margins(%)			bp		bp			bp
EBITDA margin	53.9%	52.4%	154	51.9%	206	49.3%	48.7%	63
PBT margin	32.5%	27.2%	522	28.0%	447	23.1%	20.2%	290
Tax rate	11.5%	5.6%	584	19.8%	(830)	17.9%	15.9%	204
NPM (after MI and share of associates)	22.4%	20.5%	190	17.6%	477	15.3%	13.9%	137
EPS	1.07	0.85		0.79		2.48	1.88	
Shares Outstanding	792	792		792		791	792	

Source: Company, Nuvama Research

Exhibit 5: Keys portfolio snapshot (Quarterly)

Keys (INR mn)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
Inventory	936	936	936	936	936	936	936	936	936	936	936	936	936	936
ARR	2,331	2,374	3,211	3,355	3,512	3,264	3,434	3,524	3,585	3,637	3,637	3,677	3,733	4,068
Occupancy	38%	32%	56%	53%	51%	56%	57%	59%	53%	56%	56%	56%	59%	62%
RevPAR	891	759	1,784	1,771	1,778	1,815	1,965	2,085	1,907	2,018	1,975	2,071	2,191	2,500
	-55%	-47%	400%	273%	-10%	26%	10%	18%	7%	11%	1%	-1%	15%	24%
Revenue from Operations	102	80	171	176	179	182	194	203	196	215	205	210	224	246
EBITDA Margin (%)	20%	10%	22%	32%	16%	40%	23%	27%	19%	26%	19%	30%	36%	28%
EBITDA w/o Other Income	18	(16)	36	54	24	69	43	54	34	38	39	62	79	68
EBITDA margin before Other Income (%)	18%	-20%	21%	31%	13%	38%	22%	27%	17%	18%	19%	30%	35%	28%
PBT	(37)	(32)	(23)	(6)	(29)	19	(28)	(13)	(28)	(11)	(29)	(8)	8	2

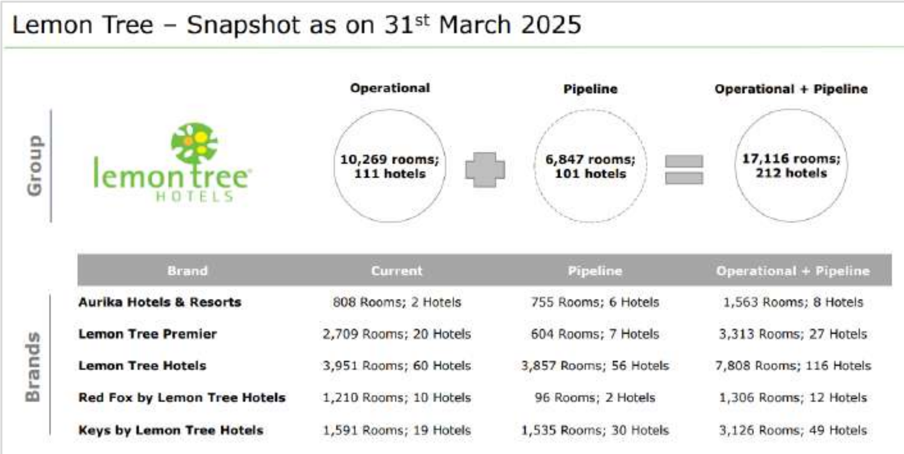
Source: Company, Nuvama Research

Exhibit 6: Quarterly snapshot by region (Consolidated)

Occupancy	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Delhi	64%	73%	79%	81%	88%	74%	76%	81%	87%	75%	78%	84%	88%
Gurgaon	36%	57%	65%	68%	77%	68%	74%	70%	72%	76%	80%	74%	77%
Hyderabad	45%	73%	81%	74%	77%	84%	85%	78%	79%	73%	76%	80%	80%
Bengaluru	39%	76%	68%	64%	63%	71%	74%	55%	58%	65%	68%	65%	67%
Mumbai	69%	74%	77%	79%	84%	86%	87%	53%	73%	59%	62%	76%	85%
Pune	0%	71%	69%	69%	72%	72%	71%	65%	75%	76%	74%	73%	77%
ROI	0%	53%	52%	64%	70%	60%	60%	68%	69%	61%	60%	72%	74%
Combined	46%	65%	66%	68%	74%	70%	72%	66%	72%	67%	68%	74%	78%
ARR													
Delhi	3,912	4,895	4,941	6,090	6,352	5,744	5,757	6,803	7,055	5,971	6,318	7,949	8,126
Gurgaon	4,186	4,758	4,654	5,286	5,412	5,078	4,865	5,832	5,985	5,226	5,197	6,146	6,504
Hyderabad	4,125	5,300	5,390	6,245	6,459	5,627	5,775	6,678	7,156	6,038	6,483	7,298	7,687
Bengaluru	3,399	4,352	4,661	5,205	5,050	4,878	4,910	5,016	5,218	4,890	4,897	5,023	5,579
Mumbai	4,762	7,114	7,101	8,473	9,064	7,721	7,786	8,844	9,077	8,405	8,642	9,052	9,382
Pune	-	4,501	4,703	4,978	4,857	4,920	4,997	5,315	5,231	5,252	5,497	5,762	5,749
ROI	-	4,431	4,374	5,317	5,341	4,510	4,550	5,822	5,813	4,614	4,780	5,862	5,919
Combined	4,093	4,822	4,917	5,738	5,824	5,237	5,268	6,333	6,605	5,686	5,902	6,763	7,042
RevPAR													
Delhi	2,504	3,549	3,928	4,941	5,559	4,251	4,377	5,520	6,144	4,257	4,903	6,660	7,187
Gurgaon	1,507	2,693	3,005	3,587	4,191	3,448	3,582	4,097	4,335	3,997	4,137	4,561	4,981
Hyderabad	1,856	3,885	4,361	4,644	5,001	4,749	4,929	5,195	5,665	4,428	4,957	5,870	6,151
Bengaluru	1,326	3,299	3,178	2,805	3,178	3,444	3,640	2,738	3,029	3,187	3,340	3,263	3,712
Mumbai	3,286	5,293	5,438	6,683	7,657	6,656	6,762	4,674	6,616	4,937	5,353	6,916	7,958
Pune	-	3,209	3,225	3,436	3,494	3,518	3,565	3,469	3,911	3,999	4,056	4,186	4,451
ROI	-	2,348	2,282	3,419	3,718	2,724	2,723	3,933	4,026	2,799	2,891	4,220	4,396
Combined	**-**	**3,139**	**3,257**	**3,877**	**4,287**	**3,676**	**3,775**	**4,176**	**4,754**	**3,788**	**4,035**	**5,018**	**5,462**

Source: Company, Nuvama Research

Exhibit 7: Lemon Tree - Operational and Pipeline supply


Lemon Tree – Snapshot as on 31st March 2025

Group

Operational	Pipeline	Operational + Pipeline
10,269 rooms; 111 hotels	6,847 rooms; 101 hotels	17,116 rooms; 212 hotels

Brands

Brand	Current	Pipeline	Operational + Pipeline
Aurika Hotels & Resorts	808 Rooms; 2 Hotels	755 Rooms; 6 Hotels	1,563 Rooms; 8 Hotels
Lemon Tree Premier	2,709 Rooms; 20 Hotels	604 Rooms; 7 Hotels	3,313 Rooms; 27 Hotels
Lemon Tree Hotels	3,951 Rooms; 60 Hotels	3,857 Rooms; 56 Hotels	7,808 Rooms; 116 Hotels
Red Fox by Lemon Tree Hotels	1,210 Rooms; 10 Hotels	96 Rooms; 2 Hotels	1,306 Rooms; 12 Hotels
Keys by Lemon Tree Hotels	1,591 Rooms; 19 Hotels	1,535 Rooms; 30 Hotels	3,126 Rooms; 49 Hotels

Source: Company

Exhibit 8: SotP valuation

	Labels	Criteria	Value (Rs mn)	Multipler	FY27 Valuation
EV (Standalone)	A	EBITDA (FY27)	1,374	18	24,738
EV (Subs)	B	EBITDA (FY27)	3,574	18	64,333
EV (Management Contract)	C	EBITDA (FY27)	2,038	22	44,840
EV (Total)	D=A+B+C				1,33,911
Net Debt	E				2,731
CWIP	F				-
Valuation of Equity (Rs. mn)	G=D-E+F				1,31,180
Number of Shares Outstanding (mn)	H				792
Fair Value	**I=G/H**				**166**
CMP	J				140
Upside	**K=I/J-1**				**19%**

Source: Company, Nuvama Research

Company Description

Lemon Tree was established in 2002 under the leadership of Mr. Patanjali Keswani and commenced operations by opening a 49 room hotel in Gurugram in 2004. The company has positioned itself as a market leader in India's mid-priced hotel sector. With ~10,269 rooms in 111 hotels, Lemon Tree is India's largest hotel chain in the mid-priced hotel sector and the third largest overall (on the basis of controlling interest in owned and leased rooms). The company operates in the mid-priced hotel sector comprising upper-midscale, midscale and economy hotel segments. It has created three brands to cater to the midscale segment—Lemon Tree Premier, Lemon Tree Hotels and Red Fox.

Investment Theme

Best-in-class performance parameters

Lemon Tree's clear location and brand identification criteria along with better distribution & branding and higher base of corporates underpin its industry-leading occupancy. Thus, operating at close to peak occupancy, while efficiently managing costs, helped the company drive significant operating leverage, which along with ARR hikes powered up EBITDA margin about 1,800bps over FY14–19 to among the highest in the industry. The company's development costs (~15%) and time (~10%) are also lower than peers owing to its background in developing hotels.

One of the strongest pipelines imparts visibility

Presence in the less-penetrated mid-scale category along with right brands and positioning led to Lemon Tree's emergence as the leader in the mid-priced segment. Besides, regular engagement of external equity investors (APG) helped it monetise completed projects to fund further growth, thereby creating regular inflows. After clocking a 19% CAGR in room inventory over FY13–19, Lemon Tree continues to have one of the strongest room addition pipelines, imparting it significant growth visibility.

Key Risks

Adverse industry cycle could impact performance: The current supply situation in the industry remains stable with ARR hikes expected to sustain. However, any increase in supply, could impact the industry's as well Lemon Tree's operating performance.

Lower-than-expected scale up of or delay in MIAL airport property: Lemon Tree's new 669 room property at MIAL is its biggest and among the single largest properties in India. This property alone is expected to contribute ~13% to the company's room revenue from FY22E and a much higher share to its EBITDA.

Competition from emerging brands in mid-scale segment: While the mid-scale segment—Lemon Tree's key segment—remains the fastest growing, emerging competition from brands like Oyo Townhouse, Treebo and Fab Hotels could intensify the competition, impacting incremental management contract growth and also rate hikes in the segment.

Additional Data

Management

CEO	Patanjali Keswani
CFO	Kapil Sharma
COO	
Other	
Auditor	Deloitte Haskins & Sells

Holdings – Top 10*

	% Holding		% Holding
Franklin Resour	7.15	L&T MF	1.91
SBI Funds manag	4.98	Nippon Life Ind	1.72
Vanguard Group	3.06	Blackrock	1.16
Nomura India	2.35	Allianz SE	1.14
Nomura Holdings	2.35	Sparrow Buildwe	0.86

**Latest public data*

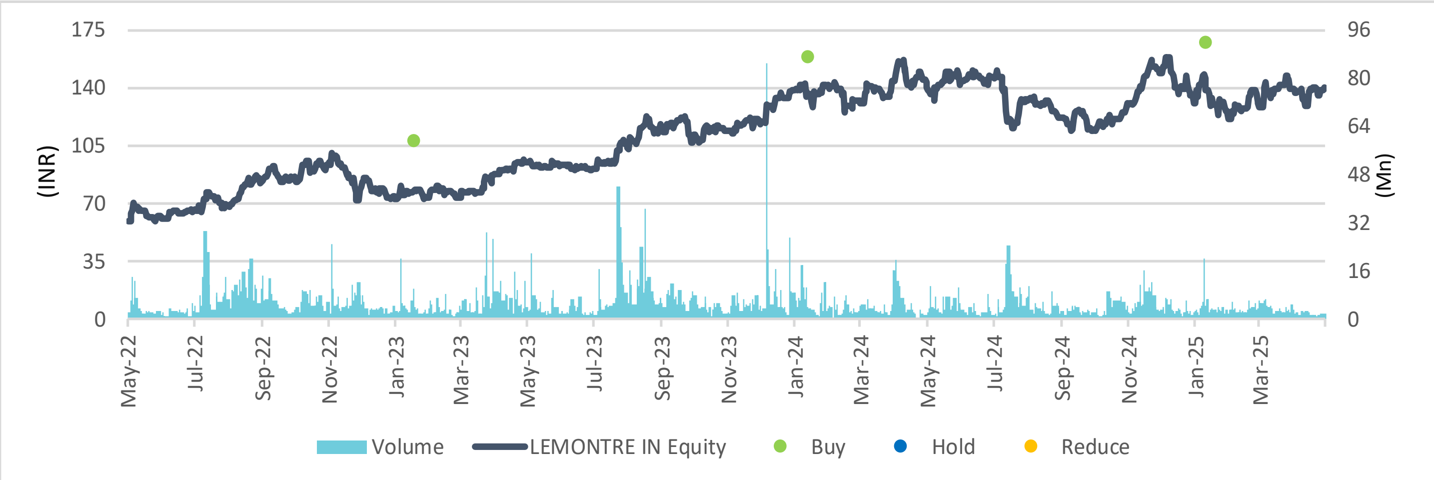
Recent Company Research

Date	Title	Price	Reco
06-Feb-25	Aurika's occupancy scale-up lifts result; *Result Update*	146	Buy
18-Nov-24	Lemon Tree Hotel (LEMONTRE IN, INR 122, ; *Result Update*	121	Buy
09-Aug-24	Renovations and Aurika hurt margins; *Result Update*	119	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
06-May-25	INDIAN HOTELS CO	Strong performance even as base catching; *Result Update*
25-Feb-25	Leisure & Hotels	Promising quarter on high base; *Sector Update*
17-Jan-25	INDIAN HOTELS CO	Mid-teen growth with double-digit opex ; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34

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