

Lemon Tree Hotels delivered its best-ever Q3 performance, with EBITDA margins rebounding above 50%, improving ~320 bps YoY and 590 bps QoQ. This growth was driven by higher ARR, improved occupancy, and the strong performance of Aurika MIAL. Renovation expenses will continue until FY27 but are expected to stabilize at 1.5% to 1.8% of revenue thereafter, enhancing pricing power and boosting margins. Management fee income grew impressively by 35% YoY. While the company targets 20,000 rooms by 2027, it anticipates reaching this milestone ahead of schedule, focusing on asset-light expansion in Tier 2 & 3 cities. Renovations driving ARR & occupancy improvements. Debt reduction progressing, with a potential IPO catalyst. Management promises "massive upside" for Lemon Tree shareholders post-IPO of Fleur Hotels.

Key Financials Highlights

- Revenue from Operations at 3,552 Mn, +22% YoY/+25% QoQ
- EBITDA (Excl. OI) reported at 1,842 Mn, +30% YoY/+41% QoQ
- EBITDA Margins (Excl. OI) saw a growth of +319 bps YoY & +589 bps QoQ to come at 51.9%
- Cash Profit of ~1,149 Mn against 771 Mn (Q3FY24), +49% YoY
- EPS at 0.79 for Q3FY25 vs 0.45 (+76.5% YoY)

Portfolio Highlights

- Operational inventory of 112 Hotels with 10,317 rooms
- Pipeline of 88 Hotels with 6,068 rooms (86H & 5879 rooms under Managed & Franchised contract)
- Signed 13 Management & Franchised contracts, 766 rooms in Q3FY25.
- Operationalized 1 Hotel adding 38 rooms to portfolio.

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net sales	8,750	10,689	13,167	16,470	19,564
EBITDA	4,476	5,210	6,454	8,004	9,332
PAT (adj)	1,146	1,485	1,887	2,913	3,819
EPS	1.45	1.88	2.38	3.68	4.82
P/E (x)	101	78	61	40	30
EV/EBITDA (x)	32	27	22	18	14
RoE (%)	13	15	16	20	20
ROCE (%)	14	15	17	20	22
RoIC (%)	11	13	13	16	20

Source: Company, Dalal & Broach Research

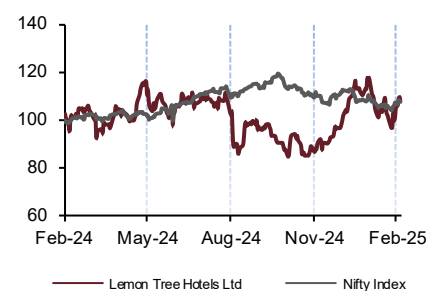
Rating	TP (Rs)	Up/Dn (%)
BUY	181	24

Market data

Current price	Rs	146
Market Cap (Rs.Bn)	(Rs Bn)	116
Market Cap (US \$ Mn)	(US \$ Mn)	1,324
Face Value	Rs	10
52 Weeks High/Low	Rs	162.4 / 112.29
Average Daily Volume	('000)	20,234
BSE Code		541233

Bloomberg LEMONTRE.IN
Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-24	Sep-24
Promoters	22.80	22.88
Public	77.15	77.07
Total	100.00	100.00

Source: BSE

Dhruv Shah
+91 22 67141414
dhruv.shah@dalal-broacha.com

Performance Quarter-wise

Particulars	Q3 FY25	Q2 FY25	Q1 FY25	Q4 FY24	Q3 FY24	Q2 FY24	Q1 FY24	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23
Gross ARR (Rs.)	6,763	5,902	5,686	6,605	6,333	5,268	5,237	5,824	5,738	4,917	4,822
Occupancy %	74.2%	68.4%	66.6%	72.0%	65.9%	71.7%	70.2%	73.6%	67.6%	66.2%	65.1%
Revenue (Rs. Cr)	355.8	284.8	268.4	331.2	290.9	230.1	224.6	254.7	234.1	197.4	192.3
EBITDA (Rs. Cr)	184.8	131.2	115.4	175.3	141.9	104.8	106.8	141.9	127.0	94.3	92.6
EBITDA %	51.9%	46.1%	43.0%	52.9%	48.8%	45.5%	47.6%	55.7%	54.3%	47.8%	48.2%
PBT (Rs. Cr)	99.5	45.3	29.2	89.0	55.5	35.0	36.2	73.4	59.2	25.0	20.7
PAT (Rs. Cr)	79.9	35.0	20.1	84.0	43.8	26.4	27.5	59.0	48.6	19.4	13.6
Cash Profit (Rs. Cr)	114.9	69.8	54.7	117.4	77.1	49.0	50.3	82.5	72.1	44.4	38.1

Quarterly Financials

(Rs.Mn)	Q3FY25	Q3FY24	YoY Growth (%)	Q2FY25	QoQ Growth (%)
Revenue from Operations	3,552	2,902	22%	2,844	25%
Other Income	6	7	-9%	5	31%
Total RM Cost	196	166	18%	172	14%
Employee Benefits Expense	564	490	15%	543	4%
Other Expenses	949	833	14%	822	16%
Total Expenses	1,710	1,490	15%	1,536	11%
EBITDA (Excluding Other Income)	1,842	1,412	30%	1,307	41%
Depreciation and Amortisation Expenses	351	333	5%	348	1%
EBIT / PBIT	1,498	1,086	38%	964	55%
Net Finance Costs	503	534	-6%	513	-2%
EBT/ PBT	994	552	80%	451	120%
Tax Expense	197	118	67%	102	92%
P&L from JV/associate	1	3	-75%	2	-43%
Net Profit after Tax	798	438	82%	350	128%
Earning Per Share	0.79	0.45	77%	0.37	111%
Margins (%)			(In bps)		(In bps)
Gross Margins	94.5%	94.3%	20	94.0%	51
EBITDA Margins (Excl Other Income)	51.9%	48.7%	319	46.0%	589
Adj. PAT Margins	19.5%	12.7%	681	11.2%	830
As a % to sales			(In bps)		(In bps)
RM as a % to sales	5.5%	5.7%	-20	6.0%	-51
EE Cost as a % to sales	15.9%	16.9%	-100	19.1%	-321
Other exps as a % to sales	26.7%	28.7%	-199	28.9%	-217
Key Operational Metrics					
Gross ARR	6,763	5,268	28%	5,686	19%
Occupancy	74.2%	71.7%	250	66.6%	760
RevPAR	5,018	3,775	33%	3,788	32%

Source: Company, Dalal & Broacah Research

Operational Highlights Brand-wise

Parameters	RevPAR (Rs.)			Occupancy Rate (%)			Average Daily Rate (Rs.)		
	Q3 FY25	Q3 FY24	Change (%)	Q3 FY25	Q3 FY24	Change (bps)	Q3 FY25	Q3 FY24	Change (%)
By Brand (#Rooms)									
Aurika Hotels & Resorts (808)	7,442	4,492	66%	71%	42%	2,935	10,457	10,743	-3%
Lemon Tree Premier (1,603)	6,388	5,700	12%	81%	77%	471	7,852	7,437	6%
Lemon Tree Hotels (1562)	4,589	4,122	11%	75%	71%	455	6,083	5,815	5%
Red Fox by Lemon Tree Hotels (952)	4,031	3,453	17%	78%	73%	561	5,144	4,748	8%
Keys by Lemon Tree Hotels (936)	2,191	1,921	14%	59%	53%	549	3,733	3,612	3%

Performance Region-Wise

Parameters	RevPAR (Rs.)			Occupancy Rate (%)			Average Daily Rate (Rs.)		
	Q3 FY25	Q3 FY24	Change (%)	Q3 FY25	Q3 FY24	Change (bps)	Q3 FY25	Q3 FY24	Change (%)
By Region (#Rooms)									
Delhi (636)	6,660	5,522	21%	84%	81%	265	7,949	6,805	17%
Gurugram (529)	4,561	4,097	11%	74%	70%	396	6,146	5,832	5%
Hyderabad (663)	5,870	5,196	13%	80%	78%	263	7,298	6,678	9%
Bengaluru (874)	3,263	2,605	25%	65%	55%	1,037	5,023	4,773	5%
Mumbai (972)	6,916	4,674	48%	76%	53%	2,356	9,052	8,844	2%
Pune (426)	4,186	3,474	20%	73%	65%	739	5,762	5,323	8%
Rest of India (1,659)	4,220	3,930	7%	72%	68%	442	5,862	5,818	1%
Total (5759)	5,018	4,155	21%	74%	66%	826	6,763	6,302	7%

Source: Company, Dalal & Broach Research

Performance break-up of LTH portfolio & Keys portfolio

Rs. Cr	Lemon Tree Consolidated excluding Keys Hotels					Keys Hotels					Lemon Tree Consolidated				
	Q3 FY25	Q2 FY25	Q3 FY24	QoQ Change	YoY Change	Q3 FY25	Q2 FY25	Q3 FY24	QoQ Change	YoY Change	Q3 FY25	Q2 FY25	Q3 FY24	QoQ Change	YoY Change
Inventory	4,823	4,823	4,154	-	16%	936	936	936	-	-	5,759	5,759	5,090	-	13%
Gross ARR	7,210	6,246	6,711	15%	7%	3,733	3,677	3,612	2%	3%	6,763	5,902	6,302	15%	7%
Occupancy %	77.2%	70.7%	68.4%	650 bps	879 bps	58.7%	56.3%	53.2%	236 bps	549 bps	74.2%	68.4%	65.9%	582 bps	826 bps
RevPAR	5,567	4,417	4,591	26%	21%	2,191	2,071	1,921	6%	14%	5,018	4,035	4,155	24%	21%
Revenue from Operations	332.8	263.4	270.6	26%	23%	22.4	21.0	19.6	6%	14%	355.2	284.4	290.2	25%	22%
Other Income	0.6	0.4	0.3	31%	117%	0.1	0.0	0.4	31%	-88%	0.6	0.5	0.7	31%	-9%
Total revenue	333.4	263.8	270.9	26%	23%	22.4	21.1	20.0	7%	12%	355.8	284.8	290.9	25%	22%
Total expenses	156.6	138.9	134.3	13%	17%	14.4	14.8	14.7	-2%	-2%	171.0	153.6	149.0	11%	15%
EBITDA	176.8	124.9	136.6	42%	29%	8.0	6.3	5.3	27%	51%	184.8	131.2	141.9	41%	30%
EBITDA Margin(%)	53.0%	47.4%	50.4%	568 bps	261 bps	35.7%	29.9%	26.6%	587 bps	914 bps	51.9%	46.1%	48.8%	588 bps	316 bps

Source: Company, Dalal & Broach Research

Summary on Renovation

- Renovated hotels see ARR growth of ~20-25% & occupancy improvements.
- Keys Hotels transformation will continue into FY27, but impact on financials will reduce.
- Post-renovation, EBITDA margins expected to increase to ~60%.
- Significant portion of renovation to be done by end of H1FY26, post that will be 1.7%-1.8% of revenue.
- Strategy for renovation - to prioritize and renovate those hotels where company is seeing pricing power coupled with strong demand & accelerating the pace of renovation in those location.
- Renovation in KEYS portfolio to continue in FY27 but the impact/expense will be lowering gradually.
- Of the 6,000 rooms, 800 (Aurika, MIAL & Udaipur) and 640 LTP (Mumbai, Pune, Kolkata) required no renovation, leaving 4,500 rooms to be upgraded (900 Keys, 3,600 others). The priority renovations focus on high-revenue properties: Lemon Tree Premier Delhi, Hyderabad, Bangalore, Gachibowli, and Electronic City, with 70% already completed.**

Other Concall KTAs

- **Targeting 20,000 rooms by 2027** (likely to be achieved ahead of schedule).
- Aurika, Coorg was shut down due to undisclosed reasons.
- More Aurika Hotels planned including a long-lease project in Varanasi
- Post renovation, target to generate EBITDA of Rs 60 cr from KEYS portfolio.
- Debt reduction strategy:
 - a. FY24 cash profit: ~Rs300 crores || YTD generated Rs 240 cr.
 - b. Lemon Tree aims to be debt-free in 3 years.
 - c. Faster timeline possible if Fleur Hotels IPO is successful.
 - d. Gross Debt – Rs 1,760 cr (Consol); Rs 300 Cr (SL)
- Next year EBITDA to improve significantly next year & Debt/EBITDA to be under 1.7x
- **Structure of Fleur & LemonTree** – All owned assets to be in Fleur. LTH will be a significant shareholder in Fleur. Expected to raise some amount of capital during IPO.
- Growth in RevPAR is expected to be in mid-teens.

Aurika MIAL

- Q3FY25 – Occupancy ~70% || ARR – ~Rs 9,000
- Q4 is expected to be much better – occupancy >85% & ARR more than Rs 9,500
- Hotel will stabilize at an ARR of Rs 11,000 – Rs 12,000
- Expected to stabilize in H2FY26
- Crew segment is less than Rs 7.5k – Rs 8k || Corporate varies from Rs 9,000 – Rs 11,000 || Retail varies from Rs 9,000 – Rs 16,000 depending on time ||
- Strategy is once demand is stable & sustained then churn the portfolio from lower priced business to higher priced business.
- Foreign demand – 15-20% || Focused on capturing Indian market

Aurika Shillong (120 rooms)

- Lemon Tree awarded redevelopment & operation of Orchid Hotel in Shillong under PPP model. Will be rebranded as Aurika, Shillong
- It's a JV between LemonTree Hotels & RJ Corporation (Ravi Jaipuria)
- Capital Structure - Eq - Rs 40cr || Debt - Rs 70-80 cr
- Expected to open in 2.5-3 years
- Project benefits from government incentives (GST reimbursement, 5% interest subvention).
- Hence will be borrowing at 3%-3.5%.
- Company will be reimbursed 100% GST (CGST for 7 years; SGST for 10 years)
- EBITDA margins to be around 65%.
- Competitive Scenario - Have Taj & Courtyard by Marriot whose ARRr are ~Rs 10,000 - Rs 12,000. Aurika is expected to be priced at ~Rs 13,000 due to location.
- Management expects this hotel to generate annual EBITDA of Rs 15 Cr.
- Will be incremental profitability of Rs 10 cr+ for next 45 years.

Outlook and Valuations

Lemon Tree Hotels remains optimistic about sustained growth, driven by pricing power, asset-light expansion, and renovation-led margin improvements. The company is on track to exceed its 20,000-room target ahead of schedule and expects significant financial upside from the Fleur Hotels IPO.

Fleur Hotels IPO planned within 1.5-2 years, which could lead to Lemon Tree becoming debt-free sooner. Focus on asset-light growth & expansion into Tier 2 & Tier 3 cities. Q4 is expected to be most profitable quarters and it is expected the performance to be as strong as in Q3FY25.

Renovation expenses will continue until FY27, but post-completion, they are expected to stabilize at **1.5-1.8% of revenue**, leading to improved pricing power and higher margins. The company is targeting an **EBITDA margin of 60%** post-renovation, with further upside potential including management fee income.

LemonTree Hotels at CMP of Rs. 146 trades at 14x EV/EBITDA FY27E; we value LTH at 18x FY27 EV/EBITDA multiple and assign a BUY rating with a target price of Rs. 181, implying an upside of 24%.

Financials

P&L (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	8,750	10,689	13,167	16,470	19,564
Operating Expenses	-499	-628	-770	-1,005	-1,213
Employee Cost	-1,497	-1,878	-2,289	-2,862	-3,522
Other Expenses	-2,278	-2,973	-3,654	-4,599	-5,497
Operating Profit	4,476	5,210	6,454	8,004	9,332
Depreciation	-966	-1,121	-1,428	-1,839	-2,155
PBIT	3,510	4,089	5,025	6,165	7,177
Other income	36	78	21	21	21
Net Interest (Exp)/Inc	-1,772	-2,016	-2,062	-1,704	-1,436
Profit before tax	1,774	2,151	2,985	4,483	5,763
Provision for tax	-377	-341	-702	-1,121	-1,441
Profit & Loss from Associates/JV	9	7	5	-	-
Reported PAT	1,405	1,817	2,288	3,362	4,322
MI	-260	-332	-401	-449	-503
Owners PAT	1,146	1,485	1,887	2,913	3,819
Adjusted Profit	1,146	1,485	1,887	2,913	3,819
Balance Sheet (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	7,916	7,918	7,918	7,918	7,918
Reserves	621	1,750	3,638	7,000	11,322
Net worth	8,537	9,669	11,556	14,918	19,240
Non Current Liabilites	19,488	21,275	21,178	18,510	15,842
Current Liabilites	3,701	3,591	3,800	4,500	4,805
Total Equity & Liabilities	37,323	40,330	42,662	44,456	46,864
Non Current Assets	35,963	38,277	39,884	40,288	39,193
Fixed Assets	30,359	32,759	34,274	34,668	33,561
Right of Use Assets	4,036	3,907	3,779	3,779	3,779
Financial Assets	859	936	982	982	982
Deferred Tax Asset	365	358	311	311	311
Long Term Loans and Advances	186	229	324	324	324
Other Non Current Assets	158	88	214	225	236
Current Assets	1,360	2,053	2,778	4,168	7,671
Current investments	10	81	45	49	54
Inventories	105	138	170	221	267
Trade Receivables	560	715	938	1,173	1,340
Cash and Bank Balances	275	537	819	1,915	5,200
Short Term Loans and Advances	-	-	-	-	-
Other Financial Assets	36	32	24	27	27
Other Current Assets	375	550	783	783	783
TOTAL ASSETS	37,323	40,330	42,662	44,456	46,864

Cashflow (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,774	2,151	2,985	4,483	5,763
Depreciation	966	1,121	1,428	1,839	2,155
Net Chg in WC	-210	3	-31	-	-
Taxes	-269	-335	-746	-1,121	-1,441
Others	1,948	1,820	1,734	1,803	1,534
CFO	4,208	4,761	5,370	7,004	8,012
Capex	-116	-7,542	-2,500	-1,500	-
Net Investments made	-12	-148	-10	-4	-5
Others	-	-	-	-	-
CFI	-127	-7,690	-2,510	-1,504	-5
Change in Share capital	-	-	-	-	-
Change in Debts	489	1,590	-131	-2,997	-2,997
Div. & Div Tax	-	-	-	-	-
Others	-4,837	1,602	-2,447	-1,407	-1,724
CFF	-4,349	3,192	-2,578	-4,404	-4,721
Total Cash Generated	-268	263	282	1,096	3,285
Cash Opening Balance	543	275	537	819	1,915
Cash Closing Balance	275	537	819	1,915	5,200

Ratios	FY23	FY24	FY25E	FY26E	FY27E
OPM	51.2	48.7	49.0	48.6	47.7
NPM	13.0	13.8	14.3	17.7	19.5
Tax rate	-21.3	-15.9	-23.5	-25.0	-25.0
Growth Ratios (%)					
Net Sales	117.5	22.2	23.2	25.1	18.8
Operating Profit	277.2	16.4	23.9	24.0	16.6
PAT	-202.3	29.3	25.9	46.9	28.6
Per Share (Rs.)					
Net Earnings (EPS)	1.45	1.88	2.38	3.68	4.82
Cash Earnings (CPS)	2.67	3.29	4.19	6.00	7.54
Dividend	-	-	-	-	-
Book Value	10.78	12.21	14.59	18.84	24.30
Free Cash Flow	4.62	-4.68	2.98	6.95	9.80
Valuation Ratios					
P/E(x)	101	78	61	40	30
P/B(x)	14	12	10	8	6
EV/EBIDTA(x)	32	27	22	18	14
Div. Yield(%)	-	-	-	-	-
FCF Yield(%)	3.16	-3.20	2.04	4.76	6.71
Return Ratios (%)					
ROE	13%	15%	16%	20%	20%
ROCE	14%	15%	17%	20%	22%
RoIC	11%	13%	13%	16%	20%

Source: Company, Dalal & Broacah Research

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com