

Seasonally weak quarter aggravated by increased renovation expense

LemonTree Hotels recorded its highest ever revenue in Q1FY25. However, the margins were a major drag (~455 bps YoY) due to increased renovation expenses over same period last year. Managements states ~50% of the drop was a factor of renovation expense. Also expense towards expanding business development team which increased 4x also led to drop in margins. The company took a conscious call on reducing its dependence on airline contracts in Aurika MIAL which led to lower occupancy but these contracts also commands lower ARR. Hence company expects this will benefit during peak demand i.e. H2FY25. Once these renovations are done, company expects to be able to charge significantly higher from these new rooms giving better margins.

Key Financials Highlights

- Revenue from Operations at 2,680 Mn, +20% YoY/-18% QoQ
- EBITDA (Excl. OI) reported at 1,151 Mn, +8% YoY/-33% QoQ
- EBITDA Margins (Excl. OI) saw a de-growth of 455 bps YoY & 946 bps QoQ to come at 42.9%
- Cash Profit of ~547 Mn against 503 Mn (Q1FY24), +8.6% YoY
- EPS at 0.25 for Q1FY25 vs 0.30 (-15% YoY)

Portfolio Highlights

- Operational inventory of 107 Hotels with 10,125 rooms
- Pipeline of 61 Hotels with 4036 rooms (60H & 3967 rooms under Managed & Franchised contract)
- Signed 3 new Management & Franchised contracts, 187 rooms in Q1FY25
- Operationalized 4 Hotels adding 331 rooms to portfolio.

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net sales	4,022	8,750	10,711	12,733	15,820
EBITDA	1,187	4,476	5,232	6,317	8,050
EBITDA margins	29.5	51.2	48.8	49.6	50.9
PAT (adj)	-874	1,146	1,485	1,605	2,851
EPS	-1.11	1.45	1.88	2.03	3.60
P/E (x)	-120	92	71	66	37
P/B (x)	13	12	11	9	7
EV/EBITDA (x)	99	29.34	25.31	20.82	15.99
RoE (%)	-11	13	15	14	20
ROCE (%)	1	14	15	16	21
RoIC (%)	1	11	13	13	17

Source: Dalal and Broacha

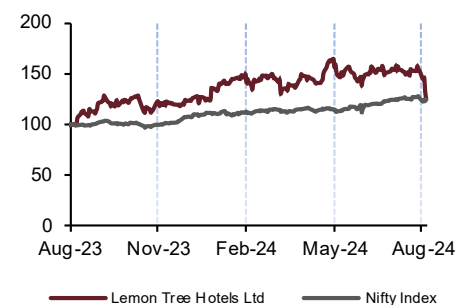
Rating	TP (Rs)	Up/Dn (%)
BUY	154	29

Market data

Current price	Rs	120
Market Cap (Rs.Bn)	(Rs Bn)	95
Market Cap (US\$ Mn)	(US\$ Mn)	1,130
Face Value	Rs	10
52 Weeks High/Low	Rs	158.05 / 92.5
Average Daily Volume	('000)	18,357
BSE Code		541233

Bloomberg LEMONTRE.IN
Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	22.80	22.88
Public	77.15	77.07
Total	100	100

Source: BSE

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Performance Quarter-wise – Q4FY24 was the best ever Q4

Particulars	Q1 FY25	Q4 FY24	Q3 FY24	Q2 FY24	Q1 FY24	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23
Gross ARR (Rs.)	5,686	6,605	6,333	5,268	5,237	5,824	5,738	4,917	4,822
Occupancy %	66.6%	72.0%	65.9%	71.7%	70.2%	73.6%	67.6%	66.2%	65.1%
Revenue (Rs. Cr)	268.4	331.2	290.9	230.1	224.6	254.7	234.1	197.4	192.3
EBITDA (Rs. Cr)	115.4	175.3	141.9	104.8	106.8	141.9	127.0	94.3	92.6
EBITDA %	43.0%	52.9%	48.8%	45.5%	47.6%	55.7%	54.3%	47.8%	48.2%
PBT (Rs. Cr)	29.2	89.0	55.5	35.0	36.2	73.4	59.2	25.0	20.7
PAT (Rs. Cr)	20.1	84.0	43.8	26.4	27.5	59.0	48.6	19.4	13.6

Quarterly Financials

(Rs.Mn)	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Revenue from Operations	2,680	2,242	20%	3,273	-18%
Other Income	4	4	-6%	39	-91%
Total RM Cost	164	124	32%	205	-20%
Employee Benefits Expense	507	426	19%	499	2%
Other Expenses	858	627	37%	855	0%
Total Expenses	1,530	1,178	30%	1,558	-2%
EBITDA (Excluding Other Income)	1,151	1,065	8%	1,715	-33%
Depreciation and Amortisation Expenses	346	228	52%	334	4%
EBIT / PBIT	808	841	-4%	1,419	-43%
Net Finance Costs	518	481	8%	528	-2%
EBT/ PBT	291	359	-19%	892	-67%
Tax Expense	91	87	5%	50	81%
P&L from JV/associate	1	3	-62%	(2)	-178%
Net Profit after Tax	201	275	-27%	840	-76%
Earning Per Share	0.25	0.30	-16%	0.85	-70%
Margins (%)			(In bps)		(In bps)
Gross Margins	93.9%	94.5%	-59	93.7%	14
EBITDA Margins (Excl Other Income)	42.9%	47.5%	-455	52.4%	-946
Adj. PAT Margins	8.2%	11.4%	-327	18.7%	-1051
As a % to sales			(In bps)		(In bps)
RM as a % to sales	6.1%	5.5%	59	6.3%	-14
EE Cost as a % to sales	18.9%	19.0%	-8	15.2%	368
Other exps as a % to sales	32.0%	28.0%	404	26.1%	591
Key Operational Metrics					
Gross ARR	5,686	5,237	9%	6,605	-14%
Occupancy	66.6%	70.2%	-360	72.0%	-540
RevPAR	3,788	3,678	3%	4,754	-20%

Source: Company, Dalal & Broacah Research

Operational Highlights Brand-wise

Parameters	RevPAR (Rs.)			Occupancy Rate (%)			Average Daily Rate (Rs.)		
	Q1 FY25	Q1 FY24	Change (%)	Q1 FY25	Q1 FY24	Change (bps)	Q1 FY25	Q1 FY24	Change (%)
By Brand (#Rooms)									
Aurika Hotels & Resorts (808)*	4,170	4,640	-10%	46%	46%	-42	9,061	9,989	-9%
Lemon Tree Premier (1,603)	5,177	4,991	4%	79%	78%	72	6,558	6,380	3%
Lemon Tree Hotels (1562)	3,838	3,754	2%	72%	73%	-76	5,299	5,129	3%
Red Fox by Lemon Tree Hotels (952)	2,709	2,745	-1%	64%	68%	-359	4,214	4,044	4%
Keys by Lemon Tree Hotels (936)	1,975	1,891	4%	56%	57%	-148	3,542	3,305	7%

Performance Region-Wise

Parameters	RevPAR (Rs.)			Occupancy Rate (%)			Average Daily Rate (Rs.)		
	Q1 FY25	Q1 FY24	Change (%)	Q1 FY25	Q1 FY24	Change (bps)	Q1 FY25	Q1 FY24	Change (%)
By Region (#Rooms)									
Delhi (636)	4,457	4,248	5%	75%	74%	68	5,971	5,744	4%
Gurugram (529)	3,997	3,447	16%	76%	68%	859	5,226	5,078	3%
Hyderabad (663)	4,428	4,749	-7%	73%	84%	-1,106	6,038	5,627	7%
Bengaluru (874)	3,187	3,346	-5%	65%	71%	-541	4,890	4,740	3%
Mumbai (972)*	4,937	6,653	-26%	59%	86%	-2,742	8,405	7,721	9%
Pune (426)	3,999	3,519	14%	76%	72%	462	5,252	4,920	7%
Rest of India (1,659)	2,799	2,712	3%	61%	60%	23	4,614	4,488	3%
Total (5759)	3,788	3,657	4%	67%	70%	-360	5,686	5,207	9%

Source: Company, Dalal & Broach Research

- Hyderabad & Bangalore market poor performance primarily due to shutdown of inventory
- In Bangalore, a large portion of keys portfolio rather than lemon tree was shutdown due to renovations.

Performance break-up of LTH portfolio & Keys portfolio

Rs. Cr	Lemon Tree Consolidated excluding Keys Hotels					Keys Hotels					Lemon Tree Consolidated				
	Q1 FY25	Q4 FY24	Q1 FY24	QoQ Change	YoY Change	Q1 FY25	Q4 FY24	Q1 FY24	QoQ Change	YoY Change	Q1 FY25	Q4 FY24	Q1 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	6,023	7,030	5,543	-14%	9%	3,542	3,637	3,305	-3%	7%	5,686	6,605	5,207	-14%	9%
Occupancy %	68.7%	75.2%	73.2%	-644 bps	-442 bps	55.7%	55.5%	57.2%	26 Bps	-148 bps	66.6%	72.0%	70.2%	-535 bps	-360 bps
RevPAR	4,832	5,285	4,563	-9%	6%	1,975	2,018	1,891	-2%	4%	3,788	4,754	3,657	-20%	4%
Revenue from Operations	247.5	305.8	204.7	-19%	21%	20.5	21.5	19.5	-5%	5%	268.0	327.3	224.2	-18%	20%
Other Income	0.4	2.2	0.4	-84%	-6%	0.0	1.7	0.0	-100%	-	0.4	3.9	0.4	-91%	-6%
Total revenue	247.9	308.0	205.1	-20%	21%	20.5	23.2	19.5	-12%	5%	268.4	331.2	224.6	-19%	19%
Total expenses	136.3	138.2	104.0	-1%	31%	16.6	16.3	13.8	2%	20%	153.0	154.5	117.8	-1%	30%
EBITDA	111.5	169.8	101.1	-34%	10%	3.9	6.9	5.7	-44%	-32%	115.4	176.7	106.8	-35%	8%
<i>EBITDA Margin(%)</i>	45.0%	55.1%	49.3%	-1013 bps	-432 bps	18.9%	29.7%	29.3%	-1074 bps	-1,034 Bps	43.0%	53.4%	47.6%	-1034 bps	-456 bps

Source: Company, Dalal & Broach Research

Other Concall KTAs

- Highest ever q1 revenue
- Margin reduction of ~4.6% of which 50% was due to one off increase in renovation & digital transformation
- Under digital transformation - created dynamic algorithms for repricing, reimagining of loyalty programs etc which is geared to capture 66% of retail demand going forward.
- Keys port margin reduction due to 100% increase in renovation expense.
- During Q1 25% of keys portfolio was shut for renovation leading to lower occupancy
- Some growth levers going forward are stabilization of AURIKA MIAL which is EBITDA accretive, accelerated growth in management & franchise contracts, timely completion of renovations.
- Sales and marketing cost also increased due to 4x increase in business development team.
- 7% same-store growth in RevPAR for Q1FY25
- Positive customer response about renovated rooms especially for older hotels
- When fully renovated management expects EBITDA of Rs~60 cr from KEYS Portfolio. Post renovation see KEYS ARR to be Rs ~4,500 (Q1FY25 - Rs 3,542)

- At peak ~700 rooms were under renovation out of ~5000 owned rooms
- Wish to renovation/refurbish close to 1/6th of total rooms every year
- Guided for ~20% of ROC. Total deployed capital including retained earnings is ~Rs 4500 cr. Hence expects net EBITDA of Rs ~900 cr.
- Debt reduction plans – generate FCF Rs ~50cr every quarter which is going into renovation (during summers) || In FY24 – generated FCF of Rs300cr (Rs 100cr in summer) & FCF generated in winter goes towards payment of debt
- In next 4 years expect to be debt free.
- Excluding Aurika MIAL, overall rate increase in commercial/Travel Trade/ Corporate/Web was 5%/11%/6%/8%. OTA rates remained flat.
- Out of the ~5800 rooms, 1500 are new and don't require renovation & off the remaining ~4300 rooms, 900 belongs to keys and will consistently require renovation

Aurika MIAL (669 rooms)

- Clocked 45.9% occupancy during the quarter i.e. ~300 rooms
- Reduced dependence on airline crew base which dropped from 200+ rooms in Q4FY24 to 115 in Q1FY25 now has reduced further to 100 rooms in Q2FY25
- These contracts yield lower ARR.
- Had ARR of Rs 9,000
- Some improvement has been observed in Q2FY25

Outlook and Valuations

Renovation expenses currently are dragging the margins, however, we expect margins to pick up as these renovated rooms comes online and will then provide better ARR and margins. Occupancy is also expected to pick up gradually.

AURIKA MIAL will take 2 more quarters to fully stabilized which then will drive the overall performance of the company. Robust pipeline of managed & franchised contracts are further boost to management fees which majorly flow through EBITDA.

However, for couple of more quarters we expect margins to remain subdued.

LemonTree Hotels at CMP of Rs. 120 trades at 16x EV/EBITDA FY26E; we value LTH at 18x FY26 EV/EBITDA multiple and assign a BUY rating with a target price of Rs. 154, implying an upside of 28.2%.

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	4,022	8,750	10,711	12,733	15,820
Operating Expenses	-279	-499	-628	-700	-838
Employee Cost	-973	-1,497	-1,878	-2,186	-2,558
Other Expenses	-1,584	-2,278	-2,973	-3,528	-4,374
Operating Profit	1,187	4,476	5,232	6,317	8,050
Depreciation	-1,043	-966	-1,121	-1,523	-1,840
PBIT	143	3,510	4,111	4,794	6,210
Other income	140	36	56	56	56
Net Interest (Exp)/Inc	-1,740	-1,772	-2,016	-2,225	-1,920
Profit before tax	-1,456	1,774	2,151	2,626	4,346
Provision for tax	72	-377	-341	-656	-1,087
Profit & Loss from Associates/JV	10	9	7	8	8
Reported PAT	-1,374	1,405	1,817	1,977	3,268
MI	499	-260	-332	-372	-417
Owners PAT	-874	1,146	1,485	1,605	2,851
Adjusted Profit	-874	1,146	1,485	1,605	2,851

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	7,908	7,916	7,918	7,918	7,918
Reserves	404	621	1,750	3,356	6,624
Net worth	8,312	8,537	9,669	11,274	14,542
MI	5,676	5,597	5,795	6,128	6,500
Non Current Liabilites	19,828	19,488	21,275	21,323	18,655
Current Liabilites	2,533	3,701	3,591	4,325	4,422
Total Equity & Liabilities	36,350	37,323	40,330	43,050	44,118
Non Current Assets	35,041	35,963	38,277	39,294	39,692
Fixed Assets	29,180	30,359	32,759	33,771	34,164
Right of Use Assets	4,299	4,036	3,907	3,907	3,907
Financial Assets	799	859	936	937	937
Deferred Tax Asset	461	365	358	358	358
Long Term Loans and Advances	245	186	229	229	229
Other Non Current Assets	57	158	88	93	97
Current Assets	1,310	1,360	2,053	3,756	4,427
Current investments	59	10	81	89	98
Inventories	81	105	138	154	185
Trade Receivables	291	560	715	907	1,127
Cash and Bank Balances	543	275	537	2,021	2,428
Short Term Loans and Advances	-	-	-	-	-
Other Financial Assets	24	36	32	35	38
Other Current Assets	312	375	550	550	550
TOTAL ASSETS	36,350	37,323	40,330	43,050	44,118

Cashflow (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	-1,456	1,774	2,151	2,626	4,346
Depreciation	1,043	966	1,121	1,523	1,840
Net Chg in WC	-180	-210	3	538	-
Taxes	-17	-269	-335	-656	-1,087
Others	1,963	1,948	1,820	2,319	1,989
CFO	1,353	4,208	4,761	6,349	7,088
Capex	-668	-116	-3,000	-2,500	-1,500
Net Investments made	159	-12	-148	-8	-9
Others	55	-	-	-	-
CFI	-454	-127	-3,148	-2,508	-1,509
Change in Share capital	8	-	-	-	-
Change in Debts	134	489	1,590	2	-2,998
Div. & Div Tax	-	-	-	-	-
Others	-1,773	-4,837	-2,940	-2,360	-2,174
CCF	-1,630	-4,349	-1,350	-2,358	-5,172
Total Cash Generated	-732	-268	263	1,483	408
Cash Opening Balance	1,275	543	275	537	2,021
Cash Closing Balance	543	275	537	2,021	2,428
Ratios	FY22	FY23	FY24	FY25E	FY26E
OPM	29.5	51.2	48.8	49.6	50.9
NPM	-21.0	13.0	13.8	12.6	18.0
Tax rate	-5.0	-21.3	-15.9	-25.0	-25.0
Growth Ratios (%)					
Net Sales	59.8	117.5	22.4	18.9	24.3
Operating Profit	93.7	277.2	16.9	20.7	27.4
PBIT	-130.9	2,351.8	17.1	16.6	29.5
PAT	-26.4	-202.3	29.3	8.8	65.3
Per Share (Rs.)					
Net Earnings (EPS)	-1.11	1.45	1.88	2.03	3.60
Cash Earnings (CPS)	0.21	2.67	3.29	3.95	5.92
Dividend	-	-	-	-	-
Book Value	10.51	10.78	12.21	14.24	18.36
Free Cash Flow	-2.26	4.62	-4.25	3.93	6.43
Valuation Ratios					
P/E(x)	-120	92	71	66	37
P/B(x)	13	12	11	9	7
EV/EBIDTA(x)	99	29	25	21	16
Div. Yield(%)	-	-	-	-	-
FCF Yield(%)	-1.70	3.47	-3.20	2.96	4.84
Return Ratios (%)					
ROE	-11%	13%	15%	14%	20%
ROCE	1%	14%	15%	16%	21%
RoIC	1%	11%	13%	13%	17%

Source: Company, Dalal & Broacah Research

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