

August 8, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	159		162	
Sales (Rs. m)	13,021	14,625	13,337	14,874
% Chng.	(2.4)	(1.7)		
EBITDA (Rs. m)	6,658	7,729	6,868	7,888
% Chng.	(3.1)	(2.0)		
EPS (Rs.)	2.9	3.8	3.0	3.9
% Chng.	(4.0)	(2.3)		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	8,750	10,711	13,021	14,625
EBITDA (Rs. m)	4,476	5,232	6,658	7,729
Margin (%)	51.2	48.8	51.1	52.9
PAT (Rs. m)	1,146	1,485	2,258	3,009
EPS (Rs.)	1.4	1.9	2.9	3.8
Gr. (%)	(230.9)	29.6	52.0	33.3
DPS (Rs.)	-	-	0.1	0.4
Yield (%)	-	-	0.1	0.3
RoE (%)	13.6	16.3	21.0	22.9
RoCE (%)	13.7	15.1	18.8	22.9
EV/Sales (x)	13.4	11.0	8.7	7.5
EV/EBITDA (x)	26.2	22.6	17.0	14.1
PE (x)	87.2	67.3	44.3	33.2
P/BV (x)	11.7	10.3	8.5	6.9

Key Data LEMO.BO | LEMONTRE IN

52-W High / Low	Rs.158 / Rs.93
Sensex / Nifty	78,886 / 24,117
Market Cap	Rs.100bn / \$ 1,191m
Shares Outstanding	792m
3M Avg. Daily Value	Rs.504.11m

Shareholding Pattern (%)

Promoter's	22.80
Foreign	27.61
Domestic Institution	15.20
Public & Others	34.34
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(14.2)	(8.7)	33.3
Relative	(13.0)	(17.3)	11.3

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Margin miss due to renovation exercise

Quick Pointers:

- Same store RevPAR was up 7%.
- EBITDA margin falls to 42.9% amid the ongoing renovation exercise.

Lemon Tree Hotel Ltd's (LTHL) operational performance was subdued with EBITDA margin of 42.9% (PLe 44.9%) led by 1) higher renovation expense and 2) under-absorption of fixed overheads amid weak occupancy at Aurika, Mumbai. Occupancy at Aurika stood at 45.9% as LTHL decided not to lock itself with the low-ARR crew business for long term. We believe foregoing the low-yielding airline business reflects confidence of strong retail demand in 2HFY25 that comes with better pricing. In addition, as renovation exercise is typically a 1H phenomenon, occupancy is likely to improve in 2HFY25. Amid anticipation of a strong recovery in 2H, we keep our estimates broadly unchanged and expect sales/EBITDA CAGR of 17%/22% over FY24-FY26E. We believe the current knee jerk reaction provides a good entry point, and retain BUY on the stock with a TP of Rs159 (24x FY26E EBITDA; no change in target multiple).

RevPAR up by 3.6% YoY: Revenue increased 20.6% YoY to Rs2,680mn (PLe Rs2,649mn). Blended ARR increased 9.2% YoY to Rs5,686, RevPar grew 3.6% YoY to Rs3,788, while occupancy stood at 66.6%. Revenue from management contracts increased 21.8% YoY to Rs291mn.

EBITDA margin falls to 42.9%: EBITDA increased 10.1% YoY to Rs1,151mn (PLe Rs1,189mn) with a margin of 42.9% (PLe 44.9%) as compared to 47.0% in 1QFY24. EBITDA margin contracted ~410bps YoY due to higher renovation expense and expansion of the business development team. PAT after MI decreased 15.6% YoY to Rs198mn (PLe Rs219mn) with a margin of 7.4% (PLe 8.3%).

Con-call highlights: **1)** LTHL's same store RevPAR was up 7% in 1QFY25. **2)** Number of rooms reserved for airline business at Aurika, Mumbai, decreased from 200+ in 4QFY24 to 115 in 1QFY25, and is expected to drop further to 100 in 2QFY25E. **3)** Aurika had an occupancy/ARR of 45.9%/~Rs8,900. **4)** LTHL will be debt free in 4 years. **5)** LTHL's ARR excluding Aurika, Mumbai, stood at Rs5,400. **6)** Excluding Aurika, Mumbai, the overall rate increase in Commercial segment/Travel Trade/Corporate/Web was 5%/11%/6%/8%, while OTA rates remained flat. **7)** ~700 rooms were shut for renovation in 1QFY25. **8)** Out of 5,861 rooms, ~1,500 are new and don't require renovation. From the remaining 4,361 rooms, ~900 belong to "Keys" portfolio and will require ongoing renovation. From the residual 3,461 rooms, ~300 were renovated last year, with the remaining rooms scheduled for renovation by FY26E. **9)** EBITDA flow-through across segments in descending order is as follows: i) LT.com and other FITs, ii) Corporate, iii) Travel Trade, iv) OTAs, and v) Airlines. **10)** Renovations are not conducted in second half of the year. **11)** In the managed portfolio, 50% of the inventory is new, and of the remaining 50%, about two-thirds need renovation.



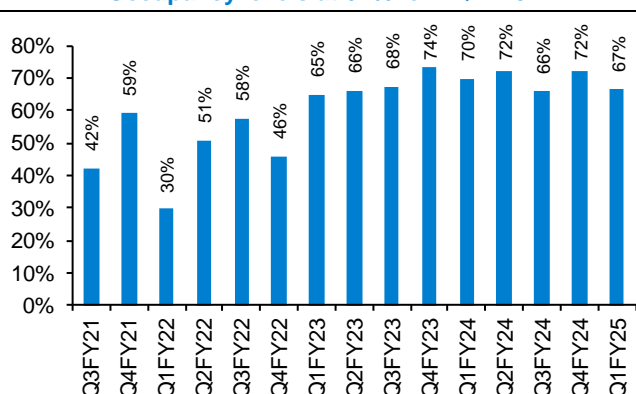
1QFY25 Result Overview – Consolidated (Rs mn)

Y/e March	1QFY25	1QFY24	YoY gr.	4QFY24	QoQ gr.	FY25E	FY24	YoY gr.
Net sales	2,680	2,223	20.6%	3,273	-18.1%	13,021	10,711	21.6%
Cost of F&B consumed	164	124	32.2%	205	-19.9%	721	628	14.9%
<i>As a % of sales</i>	<i>6.1%</i>	<i>5.6%</i>		<i>6.3%</i>		<i>5.5%</i>	<i>5.9%</i>	
Employee Cost	507	426	19.0%	499	1.7%	2,079	1,878	10.7%
<i>As a % of sales</i>	<i>18.9%</i>	<i>19.2%</i>		<i>15.2%</i>		<i>16.0%</i>	<i>17.5%</i>	
Ex Power Oil and Fuel	234	193	21.3%	197	18.5%	944	780	20.9%
<i>As a % of sales</i>	<i>8.7%</i>	<i>8.7%</i>		<i>6.0%</i>		<i>7.2%</i>	<i>7.3%</i>	
Other Expenses	624	435	43.7%	657	-5.0%	2,619	2,193	19.4%
<i>As a % of sales</i>	<i>23.3%</i>	<i>19.6%</i>		<i>20.1%</i>		<i>20.1%</i>	<i>20.5%</i>	
EBITDA	1,151	1,045	10.1%	1,715	-32.9%	6,658	5,232	27.2%
<i>EBITDA margin</i>	<i>42.9%</i>	<i>47.0%</i>		<i>52.4%</i>		<i>51.1%</i>	<i>48.8%</i>	
Depreciation	346	228	51.7%	334	3.5%	1,338	1,121	19.4%
EBIT	805	817	-1.5%	1,381	-41.7%	5,320	4,111	29.4%
<i>EBIT margin</i>	<i>30.0%</i>	<i>36.8%</i>		<i>42.2%</i>		<i>40.9%</i>	<i>38.4%</i>	
Interest cost	518	481	7.5%	528	-1.9%	1,657	2,016	-17.8%
Other income	4	24	-84.9%	39	-90.8%	78	56	38.5%
PBT	291	359	-19.0%	892	-67.4%	3,741	2,151	73.9%
Exceptional items/Share of JVs	1	3	-61.7%	-2	NM	-	7	NM
PBT (ater exceptional items/ Share of JVs)	292	362	-19.4%	890	-67.2%	3,741	2,158	73.3%
Tax expenses	91	87	4.5%	50	80.5%	935	341	174.0%
<i>Tax rate</i>	<i>31.1%</i>	<i>24.0%</i>		<i>5.7%</i>		<i>25.0%</i>	<i>15.8%</i>	
PAT	201	275	-26.9%	840	-76.0%	2,805	1,817	54.4%
<i>PAT margin</i>	<i>7.5%</i>	<i>12.4%</i>		<i>25.7%</i>		<i>21.5%</i>	<i>17.0%</i>	
Noncontrolling interest	3	41	-92.4%	170	-98.2%	548	332	64.9%
Other comprehensive income (OCI)	(0)	0	NM	(5)	NM	-	(4)	NM
PAT inclusive of OCI	201	276	-27.1%	835	-75.9%	2,805	1,813	54.7%
EPS (Rs)	0.3	0.3	-15.6%	0.9	-70.6%	2.8	1.9	51.6%

Source: Company, PL

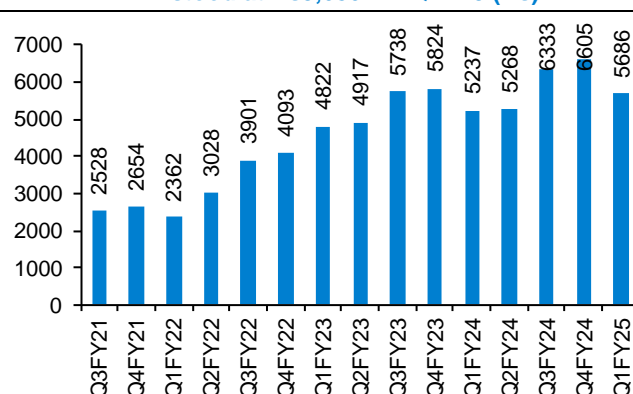
Exhibit 2: Exhibit 3:

Occupancy levels at 67% for 1QFY25



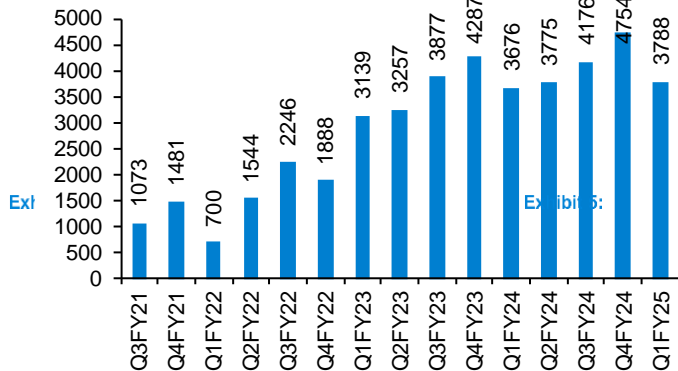
Source: Company, PL

ARR stood at Rs5,686 in 1QFY25 (Rs)



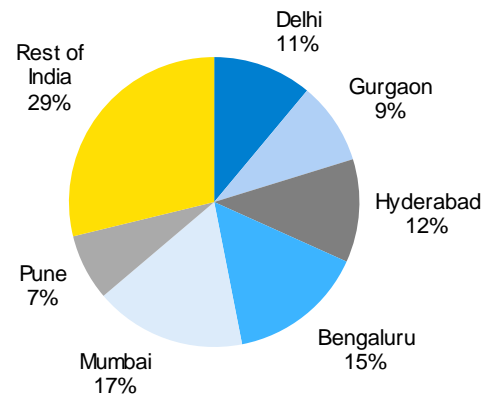
Source: Company, PL

RevPAR for 1QFY25 was at Rs3,788 (Rs)



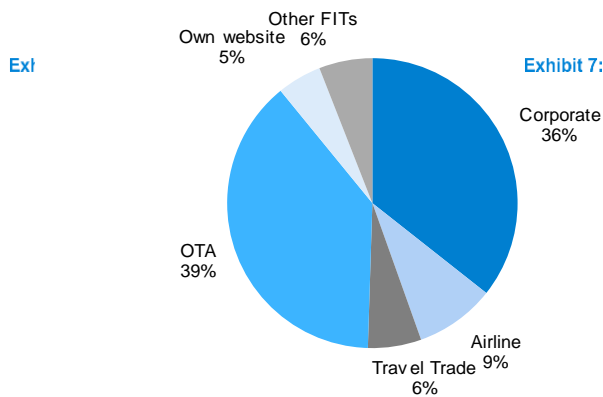
Source: Company, PL

Mumbai forms 17% of LTHL's room portfolio



Source: Company, PL

Market segment breakdown for 1QFY25



Source: Company, PL

Operational & pipeline portfolios breakup as of 1QFY25

Particulars	Operational rooms	Pipeline rooms
Aurika Hotels & Resorts	863	311
Lemon Tree Premier	2,709	377
Lemon Tree Hotels	3,754	2,555
Red Fox by Lemon Tree Hotels	1,290	50
Keys Prima by Lemon Tree Hotels	42	55
Keys Select by Lemon Tree Hotels	1,271	356
Keys Lite by Lemon Tree Hotels	196	332
Total	10,125	4,036

Source: Company, PL

Exhibit 8:

SOTP Valuation

(Rs mn)	FY26E
LT standalone EV	63,586
Fleur's stake adjusted EV	71,934
Total EV	1,35,519
Less: Debt	13,141
Add: Cash	3,861
Equity value	1,26,239
No of shares	792
SOTP per share (Rs)	159

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	8,750	10,711	13,021	14,625
YoY gr. (%)	117.5	22.4	21.6	12.3
Cost of Goods Sold	499	628	721	798
Gross Profit	8,251	10,083	12,300	13,827
Margin (%)	94.3	94.1	94.5	94.5
Employee Cost	1,497	1,878	2,079	2,209
Other Expenses	2,278	2,973	3,562	3,889
EBITDA	4,476	5,232	6,658	7,729
YoY gr. (%)	277.2	16.9	27.2	16.1
Margin (%)	51.2	48.8	51.1	52.9
Depreciation and Amortization	966	1,121	1,338	1,364
EBIT	3,510	4,111	5,320	6,366
Margin (%)	40.1	38.4	40.9	43.5
Net Interest	1,772	2,016	1,657	1,354
Other Income	36	56	78	102
Profit Before Tax	1,774	2,151	3,741	5,115
Margin (%)	20.3	20.1	28.7	35.0
Total Tax	377	341	935	1,279
Effective tax rate (%)	21.3	15.9	25.0	25.0
Profit after tax	1,397	1,810	2,805	3,836
Minority interest	260	332	548	827
Share Profit from Associate	9	7	-	-
Adjusted PAT	1,146	1,485	2,258	3,009
YoY gr. (%)	(231.0)	29.6	52.0	33.3
Margin (%)	13.1	13.9	17.3	20.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,146	1,485	2,258	3,009
YoY gr. (%)	(231.0)	29.6	52.0	33.3
Margin (%)	13.1	13.9	17.3	20.6
Other Comprehensive Income	2	(4)	-	-
Total Comprehensive Income	1,147	1,481	2,258	3,009
Equity Shares O/s (m)	792	792	792	792
EPS (Rs)	1.4	1.9	2.9	3.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	36,128	44,088	44,628	45,468
Tangibles	35,822	43,350	43,820	44,590
Intangibles	306	738	808	878
Acc: Dep / Amortization	7,506	8,627	9,965	11,329
Tangibles	7,263	8,283	9,501	10,742
Intangibles	243	344	464	587
Net fixed assets	28,622	35,461	34,663	34,139
Tangibles	28,559	35,067	34,319	33,848
Intangibles	64	394	344	291
Capital Work In Progress	4,822	254	6	6
Goodwill	951	951	951	951
Non-Current Investments	859	936	1,107	1,237
Net Deferred tax assets	329	306	443	453
Other Non-Current Assets	344	317	456	556
Current Assets				
Investments	10	81	81	81
Inventories	105	138	168	189
Trade receivables	560	715	820	922
Cash & Bank Balance	275	537	2,689	3,920
Other Current Assets	375	550	534	600
Total Assets	37,323	40,330	42,035	43,184
Equity				
Equity Share Capital	7,916	7,918	7,918	7,918
Other Equity	621	1,750	3,895	6,603
Total Networkth	8,537	9,669	11,814	14,522
Non-Current Liabilities				
Long Term borrowings	15,174	16,767	14,267	11,767
Provisions	25	32	39	44
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,283	2,125	1,825	1,375
Trade payables	668	859	1,427	1,643
Other current liabilities	750	608	1,000	1,105
Total Equity & Liabilities	37,323	40,330	42,035	43,184

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	1,782	2,158	3,741	5,115
Add. Depreciation	966	1,121	1,338	1,364
Add. Interest	1,773	2,025	1,657	1,354
Less Financial Other Income	36	56	78	102
Add. Other	(63)	(77)	-	-
Op. profit before WC changes	4,459	5,228	6,736	7,832
Net Changes-WC	(403)	(218)	677	49
Direct tax	(207)	(360)	(935)	(1,279)
Net cash from Op. activities	3,849	4,650	5,930	5,775
Capital expenditures	(1,618)	(3,305)	(52)	(600)
Interest / Dividend Income	57	71	-	-
Others	(42)	(242)	(519)	(394)
Net Cash from Inv. activities	(2,832)	(3,965)	(604)	(1,002)
Issue of share cap. / premium	17	5	-	-
Debt changes	471	1,418	(2,800)	(2,950)
Dividend paid	-	-	(113)	(301)
Interest paid	(1,432)	(1,616)	(1,657)	(1,354)
Others	(379)	(392)	1,544	1,055
Net cash from Fin. activities	(1,323)	(585)	(3,026)	(3,549)
Net change in cash	(306)	100	2,301	1,224
Free Cash Flow	2,228	1,338	5,879	5,175

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	1.4	1.9	2.9	3.8
CEPS	2.7	3.3	4.5	5.5
BVPS	10.8	12.2	14.9	18.3
FCF	2.8	1.7	7.4	6.5
DPS	-	-	0.1	0.4
Return Ratio(%)				
RoCE	13.7	15.1	18.8	22.9
ROIC	12.0	13.0	15.8	17.9
RoE	13.6	16.3	21.0	22.9
Balance Sheet				
Net Debt : Equity (x)	2.0	1.9	1.1	0.6
Net Working Capital (Days)	0	0	(12)	(13)
Valuation(x)				
PER	87.2	67.3	44.3	33.2
P/B	11.7	10.3	8.5	6.9
P/CEPS	47.3	38.4	27.8	22.9
EV/EBITDA	26.2	22.6	17.0	14.1
EV/Sales	13.4	11.0	8.7	7.5
Dividend Yield (%)	-	-	0.1	0.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

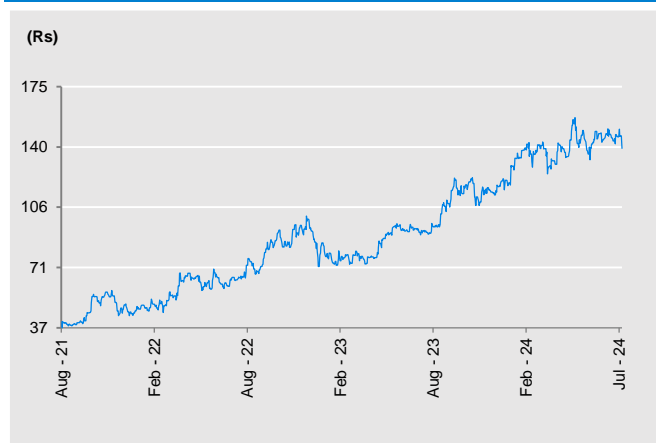
Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	2,272	2,887	3,273	2,680
YoY gr. (%)	15.5	23.6	29.5	20.6
Raw Material Expenses	323	366	402	398
Gross Profit	1,949	2,521	2,871	2,282
Margin (%)	85.8	87.3	87.7	85.1
EBITDA	1,019	1,397	1,715	1,151
YoY gr. (%)	8.8	10.5	22.6	10.1
Margin (%)	44.8	48.4	52.4	42.9
Depreciation / Depletion	226	333	334	346
EBIT	793	1,064	1,381	805
Margin (%)	34.9	36.9	42.2	30.0
Net Interest	473	534	528	518
Other Income	29	22	39	4
Profit before Tax	348	552	892	291
Margin (%)	15.3	19.1	27.2	10.9
Total Tax	86	118	50	91
Effective tax rate (%)	24.8	21.3	5.6	31.2
Profit after Tax	262	434	842	200
Minority interest	37	84	170	3
Share Profit from Associates	2	3	(2)	1
Adjusted PAT	226	354	670	198
YoY gr. (%)	35.1	(11.4)	52.3	(15.6)
Margin (%)	10.0	12.3	20.5	7.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	226	354	670	198
YoY gr. (%)	35.1	(11.4)	52.3	(15.6)
Margin (%)	10.0	12.3	20.5	7.4
Other Comprehensive Income	-	1	(5)	-
Total Comprehensive Income	227	355	665	198
Avg. Shares O/s (m)	792	792	792	792
EPS (Rs)	0.3	0.5	0.9	0.3

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	BUY	162	148
2	03-Jun-24	BUY	155	140
3	12-Apr-24	BUY	153	141
4	08-Feb-24	BUY	155	138
5	05-Jan-24	BUY	141	130
6	11-Nov-23	BUY	140	113
7	09-Oct-23	BUY	140	119
8	07-Sep-23	BUY	140	109

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	887	836
2	Imagicaaworld Entertainment	BUY	116	79
3	Indian Railway Catering and Tourism Corporation	Reduce	811	1,026
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	Accumulate	4,958	4,493
6	Lemon Tree Hotels	BUY	162	148
7	Navneet Education	Accumulate	167	156
8	Nazara Technologies	Hold	878	919
9	PVR Inox	Hold	1,474	1,430
10	S Chand and Company	BUY	307	245
11	Safari Industries (India)	BUY	2,364	2,166
12	V.I.P. Industries	Hold	529	481
13	Zee Entertainment Enterprises	Hold	157	149

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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