



Lemon Tree Hotels

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR122 TP: INR165 (+36%) Buy

Healthy growth in ARR and Aurika Mumbai drive revenue

Operating performance above estimates

- Lemon Tree Hotels (LEMONTRE) reported strong revenue growth of 25% YoY in 2QFY25, primarily led by healthy growth in ARR (up 12% YoY) and the incremental contribution from Aurika Mumbai (a 669-room hotel opened in Oct'23). EBITDA rose 28% YoY, led by favorable operating leverage.
- We expect LEMONTRE to continue the strong growth momentum in 2H on account of the stabilization of Aurika Mumbai, strong wedding season (targeting ~25 weddings in the upcoming wedding season), and favorable demand-supply dynamics.
- We largely maintain our FY25/FY26 EBITDA estimates and reiterate our **BUY** rating on the stock, with our SoTP-based TP of INR165 for FY26.

Operating leverage offsets drag from higher renovation expenses

- Revenue grew 25% YoY to INR2.8b (est. in line), led by a higher ARR of INR5,902 (up 12% YoY) and incremental contributions from Aurika Mumbai (opened in Oct'23). However, the occupancy declined 330bp YoY to 68.4%, reflecting the ongoing ramp-up at Aurika Mumbai and weaker occupancy rates in Hyderabad and Bengaluru due to renovations and relatively subdued demand.
- EBITDA rose 28% YoY to INR1.3b (est. INR1.2b). EBITDA margin expanded 110bp YoY to 46% (est. ~44%) on account of favorable operating leverage, despite the drag from higher planned renovation expenses (~4.6% of 2QFY25 revenue). PAT increased 31% YoY to INR296m (est. INR266m).
- During the quarter, LEMONTRE signed 19 new management and franchise contracts, which added 1,373 new rooms to its pipeline, and operationalized five hotels, which added 193 rooms to its portfolio.
- As of 30th Sep'24, the total operational inventory comprised 112 hotels with 10,318 rooms and the pipeline comprised 75 hotels with 5,220 rooms.
- In 1HFY25, revenue/EBITDA/adj. PAT grew 23%/19%/7% YoY to INR5.5b/INR2.5b/ INR294m, while implied revenue/EBITDA growth for 2H is 12%/11% YoY.
- LEMONTRE witnessed a reduction of INR900m in debt, from INR19.1b as of Sep'23 to INR18.2b as of Sep'24.

Highlights from the management commentary

- **Guidance:** The company expects revenue growth of 15-20% YoY and EBITDA growth of over 20% YoY in 3Q. Half of the revenue growth will be demand-led, while the other half will be due to an increase in prices.
- **Aurika:** Aurika Mumbai is witnessing healthy traction. The company expects the hotel to perform better from 3Q onwards, with an occupancy of over 60%. It expects the hotel to generate an EBITDA margin of over 60% in 3Q. Further, Aurika Udaipur is likely to benefit from the strong wedding season. The company has booked 21-22 weddings in Aurika Udaipur, with some more under negotiations.

Motilal Oswal values your support in the EXTEL POLL 2024 for India Research, Sales, Corporate Access and Trading team. We request your ballot.

Bloomberg	LEMONTRE IN
Equity Shares (m)	792
M.Cap.(INRb)/(USD\$b)	96.3 / 1.1
52-Week Range (INR)	158 / 112
1, 6, 12 Rel. Per (%)	4/-22/-15
12M Avg Val (INR M)	678

Financials & Valuations (INR b)

Y/E Mar	2025E	2026E	2027E
Sales	12.8	15.3	16.5
EBITDA	6.2	7.9	8.7
PAT	1.80	2.98	3.52
EBITDA (%)	48.2	52.0	52.7
EPS (INR)	2.3	3.8	4.5
EBITDA Gr. (%)	21.4	65.2	18.3
BV/Sh. (INR)	14.7	18.5	23.0
Ratios			
Net D/E	1.3	0.7	0.3
RoE (%)	17.1	23.0	21.7
RoCE (%)	11.6	16.5	19.5
Payout (%)	-	-	-
Valuations			
P/E (x)	52.6	31.9	26.9
EV/EBITDA (x)	18.9	14.2	12.4
Div Yield (%)	-	-	-
FCF Yield (%)	5.7	7.2	8.4

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	22.8	22.8	23.3
DII	18.9	15.2	13.4
FII	21.8	27.7	24.9
Others	36.5	34.3	38.4