

18 November 2024

India | Equity Research | Q2FY25 results review

Lemon Tree Hotels

Hotels

Strong bounce back; demand outlook remains robust

Lemon Tree Hotels (LEMONTRE) reported Q2FY25 consol. revenue of INR 2.8bn (up 25% YoY) in-line with I-Sec estimates, as portfolio ARR (including Mumbai Aurika) grew 12% YoY. Occupancy for the quarter stood at 68.4%, shrinking 328bps YoY (8–9% of overall room inventory closed due to renovations). Further, 25% of Keys' portfolio remained shut during the quarter for renovation – expenses for renovation rose INR 80mn YoY. Hence, Q2FY25 EBITDA of INR 1.3bn was up 28% YoY at an EBITDA margin of 46%, which could have been 48% adjusting for the rise in renovation expenses above that spent in Q2FY24. Given a robust medium-term demand outlook, we maintain our estimates and **BUY** rating. SoTP-based TP is revised to INR164 (from INR 149) based on 23x Sep'26E EV/EBITDA (earlier Mar'26E). **Key risks:** Demand slowdown in occupancies and room rates.

Strong bounce back along expected lines

After a tepid Q1FY25, which was impacted by India's general elections, heatwaves and the company's commencement of renovations at owned hotels, the company reported Q2FY25 consol. revenue of INR 2.8bn (up 25%/6% YoY/QoQ) in-line with I-Sec estimates, as portfolio ARR grew 12% YoY (including Aurika) in line with sector trends. Occupancy, for the quarter, stood at 68.4% slipping 328bps YoY. This translated into a RevPAR of INR 4,035, which increased by 7% YoY. Further, 25% of Keys' portfolio remained shut during the quarter for renovation – expenses for renovation rose INR 80mn YoY. Hence, Q2FY25 EBITDA of INR 1.3bn was up 28% YoY at an EBITDA margin of 46%, which could have been 48% adjusting for the rise in renovation expenses above that spent in Q2FY24.

Renovation/scale up of Aurika Mumbai Airport hotel in focus

In addition to the Keys portfolio renovation, management has decided to upgrade select hotels across its brand portfolio. This may result in short-term margin pain, but it expects the premiumisation trends in mid-market segment to benefit the company in the medium term. Key monitorable is the company's ability to scale up Aurika Mumbai Airport hotel ARR and occupancies in H2FY25. As per the company, the Aurika Mumbai Airport is exhibiting higher ARR and occupancies since Oct'24, which is encouraging. LEMONTRE expects debt levels to ebb over the next 3–4 years (debt of INR 19.1bn, as of Sep'24) as renovations drive higher ARR in owned hotels and scaleup in Aurika Mumbai airport hotel. **Key risks:** Demand slowdown in occupancies and room rates.

Financial Summary

Y/E March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue	10,711	13,848	16,681	19,406
EBITDA	5,232	6,287	7,907	9,198
EBITDA %	48.8	45.4	47.4	47.4
Net Profit	1,485	2,038	3,344	4,413
EPS (INR)	1.9	2.6	4.3	5.6
P/B (x)	9.8	8.1	6.3	4.9
P/E (x)	63.9	46.6	28.4	21.5
Adjusted EV/EBITDA (x)	28.7	26.8	20.7	17.0
RoCE (%)	10.2	12.1	15.6	17.6
RoE (%)	16.3	19.1	25.0	25.6

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Market Data

Market Cap (INR)	96bn
Market Cap (USD)	1,141mn
Bloomberg Code	LEMONTRE IN
Reuters Code	LEMO BO
52-week Range (INR)	158 /112
Free Float (%)	62.0
ADTV-3M (mn) (USD)	6.2

Price Performance (%)	3m	6m	12m
Absolute	2.2 (17.3)	3.7	
Relative to Sensex	4.4 (23.2)	(14.1)	

ESG Score	2022	2023	Change
ESG score	54.7	73.0	18.3
Environment	40.7	59.6	18.9
Social	30.5	71.3	40.8
Governance	77.5	80.6	3.1

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

Previous Reports

09-08-2024: [Q1FY25 results review](#)

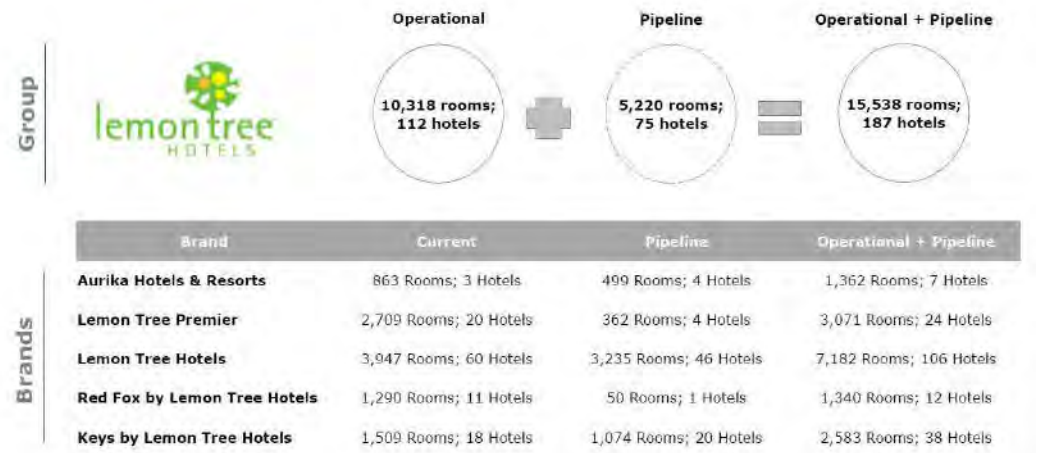
04-06-2024: [Q4FY24 results review](#)

Exhibit 1: Q2FY25 consolidated result snapshot

(INR mn)	Q2FY25	Q2FY24	Q1FY25	YoY (%)	QoQ (%)
Total Operating income	2,844	2,272	2,680	25.2	6.1
Raw Materials	399	323	398	23.6	0.3
Personnel Cost	543	463	507	17.3	7.1
Other Expenses	594	467	624	27.1	(4.9)
Total Expenses	1,536	1,253	1,530	22.6	0.4
EBITDA	1,307	1,019	1,151	28.3	13.6
EBITDA margin (%)	46.0	44.8	42.9	113.9	304.5
Interest (Net)	513	473	518	8.4	(0.8)
Depreciation	348	226	346	53.9	0.6
Other Income	5	29	4	(83.7)	33.7
Exceptional items	-	-	-		
Profit Before Tax	451	348	291	29.5	55.1
Taxation	102	86	91	18.2	12.5
Profit After Tax before MI/Associate	349	262	200	33.2	74.4
MI/Associate share	(52)	(35)	(2)		
Reported PAT	296	226	198	30.9	49.6
Net margin (%)	10.4	10.0	7.4	45.4	303.1

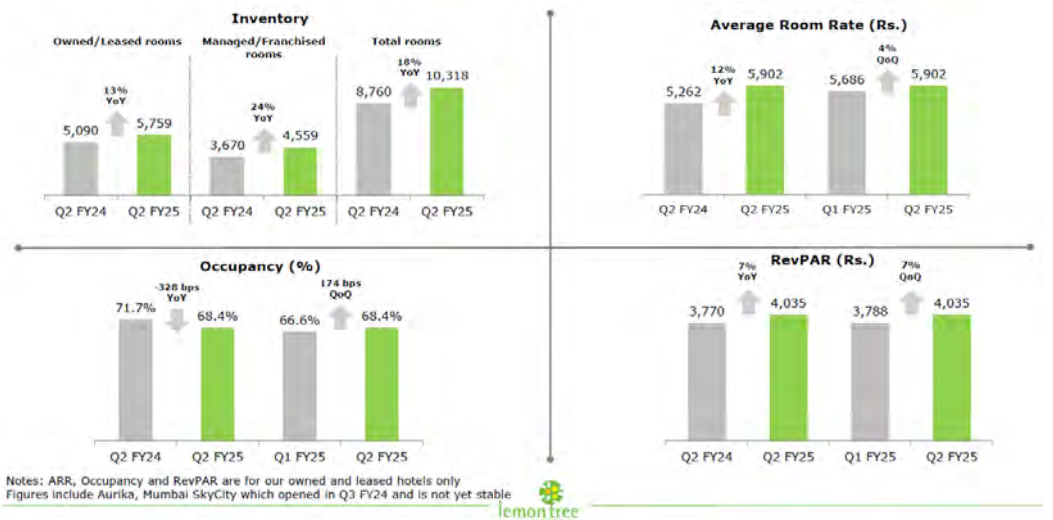
Source: I-Sec research, Company data

Exhibit 2: Current and pipeline hotel portfolio breakup, as on 30 Sep'24



Source: Company data, I-Sec research

Exhibit 3: LTH quarterly gross ARR and occupancy trend



Source: Company data, I-Sec research

Exhibit 4: LTH Q2FY25 consolidated income statement breakup

Rs. Cr	Lemon Tree Consolidated excluding Keys Hotels					Keys Hotels					Lemon Tree Consolidated				
	Q2 FY25	Q1 FY25	Q2 FY24	QoQ Change	YoY Change	Q2 FY25	Q1 FY25	Q2 FY24	QoQ Change	YoY Change	Q2 FY25	Q1 FY25	Q2 FY24	QoQ Change	YoY Change
Inventory	4,823	4,823	4,154	0%	16%	936	936	936	-	-	5,759	5,759	5,090	-	13%
Gross ARR	6,246	6,023	5,573	4%	12%	3,677	3,542	3,524	4%	4%	5,902	5,686	5,262	4%	12%
Occupancy %	70.7%	68.7%	74.5%	197 Bps	-376 bps	56.3%	55.7%	59.1%	58 bps	-283 bps	68.4%	66.6%	71.7%	174 bps	-328 bps
RevPAR	4,417	4,140	4,150	7%	6%	2,071	1,975	2,085	5%	-1%	4,035	3,788	3,770	7%	7%
Revenue from Operations	263.4	247.5	209.1	6%	26%	21.0	20.5	20.3	3%	4%	284.4	268.0	229.4	6%	24%
Other Income	0.4	0.4	0.5	23%	-15%	0.0	0.0	0.2	-	-	0.5	0.4	0.7	34%	-34%
Total revenue	263.8	247.9	209.6	6%	26%	21.1	20.5	20.5	3%	3%	284.8	268.4	230.1	6%	24%
Total expenses	138.9	138.1	111.9	1%	24%	14.8	14.9	13.4	-1%	10%	153.6	151.2	125.3	2%	23%
EBITDA	124.9	109.8	97.7	14%	28%	6.3	5.6	7.1	12%	-12%	131.2	117.1	104.8	12%	25%
EBITDA Margin(%)	47.4%	44.3%	46.6%	306 bps	76 Bps	29.9%	27.3%	34.7%	252 bps	-480 bps	46.1%	43.6%	45.5%	242 bps	53 bps
PBT	46.1	32.1	34.8	43%	32%	(0.8)	(2.9)	0.2	-	-	45.3	29.2	35.0	55%	29%

Figures include Aurika, Mumbai SkyCity which opened in Q3 FY24 and is not yet stable



Source: I-Sec research, Company data

Exhibit 5: LTH operational performance by region/brand – Q2FY25 vs. Q2FY24

Parameters	RevPAR (Rs.)			Occupancy Rate (%)			Average Daily Rate (Rs.)			Hotel level EBITDAR/room/qtr. (Rs. Lacs)**			Hotel level EBITDAR Margin %**		
	Q2 FY25	Q2 FY24	Change (%)	Q2 FY25	Q2 FY24	Change (bps)	Q2 FY25	Q2 FY24	Change (%)	Q2 FY25	Q2 FY24	Change (%)	Q2 FY25	Q2 FY24	Change (bps)
By Brand (#Rooms)															
Aurika Hotels & Resorts (808)*	4,726	5,576	-15%	50%	49%	125	9,491	11,487	-17%	3.22	4.51	-28%	53%	56%	-334
Lemon Tree Premier (1,603)	5,366	5,044	6%	79%	80%	-75	6,802	6,334	7%	3.53	3.29	8%	56%	57%	-53
Lemon Tree Hotels (1562)	3,985	3,839	4%	73%	74%	-98	5,425	5,157	5%	2.36	2.23	6%	50%	49%	87
Red Fox by Lemon Tree Hotels (952)	3,126	2,803	12%	70%	69%	108	4,458	4,059	10%	1.67	1.47	14%	51%	50%	150
Keys by Lemon Tree Hotels (936)	2,071	2,085	-1%	56%	59%	-283	3,677	3,524	4%	0.89	0.83	7%	40%	38%	147

Parameters	RevPAR (Rs.)			Occupancy Rate (%)			Average Daily Rate (Rs.)			Hotel level EBITDAR/room/qtr. (Rs. Lacs)**			Hotel level EBITDAR Margin %**		
	Q2 FY25	Q2 FY24	Change (%)	Q2 FY25	Q2 FY24	Change (bps)	Q2 FY25	Q2 FY24	Change (%)	Q2 FY25	Q2 FY24	Change (%)	Q2 FY25	Q2 FY24	Change (bps)
By Region (#Rooms)															
Delhi (636)	4,903	4,377	12%	78%	76%	156	6,318	5,757	10%	2.75	2.53	8%	50%	50%	-34
Gurugram (529)	4,137	3,582	15%	80%	74%	596	5,197	4,865	7%	2.50	2.05	22%	48%	45%	293
Hyderabad (663)	4,957	4,929	1%	76%	85%	-890	6,483	5,775	12%	3.38	3.39	0%	62%	61%	35
Bengaluru (874)	3,340	3,617	-8%	68%	74%	-595	4,897	4,878	0%	1.99	2.17	-8%	53%	56%	-260
Mumbai (972)*	5,353	6,762	-21%	62%	87%	-2,490	8,642	7,786	11%	3.78	4.64	-19%	58%	63%	-537
Pune (426)	4,056	3,565	14%	74%	71%	246	5,497	4,997	10%	2.38	2.01	18%	51%	50%	179
Rest of India (1,659)	2,891	2,721	6%	60%	60%	63	4,780	4,546	5%	1.49	1.39	8%	44%	43%	56
Total (5759)	4,035	3,770	7%	68%	72%	-328	5,902	5,262	12%	2.47	2.24	10%	52%	52%	40

Trends for owned/leased rooms

*Figures include Aurika, Mumbai SkyCity which opened in Q3 FY24 and is not yet stable

** Hotel level EBITDAR and EBITDAR Margin % is pre-renovation for both Q2 FY25 and Q2 FY24

Source: I-Sec research, Company data

Exhibit 6: Key operating assumptions for LTH

Owned + Leased Rooms	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
ARR (INR)	2,803	3,439	5,276	6,001	7,027	8,078	9,219
Occupancy (%)	41%	56%	70%	75%	73%	75%	75%
RevPAR (INR)	1,135	1,910	3,693	4,528	5,128	6,031	6,915

Source: I-Sec research, Company data

Exhibit 7: SoTP-based valuation of Lemon Tree Hotels

Sep'26 EBITDA (INR mn) (adjusted for LTH 59% stake in Fleur Hotels)	5,987
EV/EBITDA multiple (x)	23
Gross Enterprise Value (INR mn)	137,694
Less: Sep'26E Net Debt (INR mn) – LTH share	(7,597)
LTH Equity Value/Target Price (INR mn)	130,098
Equity Value per Share (INR)	164

Source: I-Sec research, Company data

Exhibit 8: Shareholding pattern

%	Mar'24	Jun'24	Sep'24
Promoters	22.9	22.8	22.8
Institutional investors	42.4	42.8	40.7
MFs and others	13.4	13.9	17.5
FIs/Banks	0.0	0.4	0.4
Insurance	1.6	0.9	1.1
FIIIs	27.4	27.6	21.8
Others	34.7	34.4	36.5

Source: Bloomberg

Exhibit 9: Price chart



Source: Bloomberg

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	10,711	13,848	16,681	19,406
Operating Expenses	5,479	7,561	8,774	10,207
EBITDA	5,232	6,287	7,907	9,198
EBITDA Margin (%)	48.8	45.4	47.4	47.4
Depreciation & Amortization	1,121	1,346	1,413	1,483
Interest expenditure	2,016	1,953	1,756	1,537
Other Non-operating Income	56	208	250	291
Recurring PBT	2,151	3,197	4,988	6,469
Less: Taxes	341	799	1,247	1,617
PAT	1,810	2,397	3,741	4,852
Less: Minority Interest	(325)	(360)	(397)	(439)
Extraordinary (Net)	-	-	-	-
Net Income (Reported)	1,485	2,038	3,344	4,413
Net Income (Adjusted)	1,485	2,038	3,344	4,413

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	3,529	5,055	6,847	9,745
of which cash & cash eqv.	537	438	1,293	3,285
Total Current Liabilities & Provisions	2,835	4,843	5,779	6,723
Net Current Assets	694	212	1,067	3,021
Investments	133	133	133	133
Net Fixed Assets	35,461	36,616	33,719	33,719
ROU Assets	-	-	-	-
Capital Work-in-Progress	2,490	1,490	3,490	3,490
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assests	-	-	-	-
Total Assets	38,779	38,450	38,893	40,364
Liabilities				
Borrowings	18,891	16,890	14,390	11,890
Deferred Tax Liability	-	-	-	-
other Liabilities	4,423	4,423	4,423	4,423
Equity Share Capital	7,918	7,918	7,918	7,918
Reserves & Surplus	1,750	3,788	7,132	11,545
Total Net Worth	9,669	11,707	15,050	19,464
Minority Interest	5,795	5,430	5,028	4,586
Total Liabilities	38,779	38,450	38,893	40,364

Source Company data, I-Sec research

Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	4,868	5,128	6,263	7,142
Working Capital Changes	(218)	383	-	37
Capital Commitments	(3,305)	(1,500)	(1,000)	(1,000)
Free Cashflow	1,345	4,011	5,263	6,179
Other investing cashflow	(660)	208	250	291
Cashflow from Investing Activities	(3,965)	(1,292)	(750)	(709)
Issue of Share Capital	5	-	-	-
Interest Cost	(1,616)	(1,953)	(1,756)	(1,537)
Inc (Dec) in Borrowings	1,426	(2,000)	(2,500)	(2,500)
Dividend paid	-	-	-	-
Others	(400)	(365)	(402)	(442)
Cash flow from Financing Activities	(585)	(4,318)	(4,658)	(4,479)
Chg. in Cash & Bank balance	100	(100)	856	1,991
Closing cash & balance	537	438	1,293	3,285

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	1.9	2.6	4.3	5.6
Cash EPS	3.3	4.3	6.1	7.5
Dividend per share (DPS)	0.0	0.0	0.0	0.0
Book Value per share (BV)	12.4	15.0	19.3	24.9
Growth (%)				
Net Sales	22.4	29.3	20.5	16.3
EBITDA	16.9	20.2	25.8	16.3
EPS (INR)	29.6	37.2	64.1	32.0
Valuation Ratios (x)				
P/E	63.9	46.6	28.4	21.5
P/BV	9.8	8.1	6.3	4.9
Adjusted EV / EBITDA	28.7	26.8	20.7	17.0
EV / Room	24.0	23.6	22.8	21.9
EV / Sales	11.2	8.5	6.9	5.6
Dividend Yield	0.0	0.0	0.0	0.0
Operating Ratios				
EBITDA Margins (%)	48.8	45.4	47.4	47.4
Net Profit Margins (%)	13.9	14.7	20.0	22.7
Net Debt / Equity (x)	1.9	1.4	0.9	0.4
Debt / EBITDA (x)	3.6	2.7	1.8	1.3
Profitability Ratios				
RoCE (%)	10.2	12.1	15.6	17.6
RoE (%)	16.3	19.1	25.0	25.6

Source Company data, I-Sec research

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