

January 15, 2026

Event Update

■ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		HOLD	
Target Price	185		174	
Sales (Rs. m)	15,484	16,817	15,484	16,817
% Chng.	-	-	-	-
EBITDA (Rs. m)	8,014	8,934	8,014	8,934
% Chng.	-	-	-	-
EPS (Rs.)	3.9	4.7	3.9	4.7
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	12,861	14,253	15,484	16,817
EBITDA (Rs. m)	6,341	6,889	8,014	8,934
Margin (%)	49.3	48.3	51.8	53.1
PAT (Rs. m)	1,966	2,271	3,097	3,703
EPS (Rs.)	2.5	2.9	3.9	4.7
Gr. (%)	32.4	15.5	36.4	19.6
DPS (Rs.)	-	-	0.4	0.5
Yield (%)	-	-	0.3	0.3
RoE (%)	18.5	17.8	20.2	20.2
RoCE (%)	17.3	19.1	23.1	25.6
EV/Sales (x)	10.4	9.1	8.2	7.4
EV/EBITDA (x)	21.2	18.9	15.9	13.9
PE (x)	60.2	52.1	38.2	32.0
P/BV (x)	10.2	8.5	7.1	5.9

Key Data LEMO.BO | LEMONTRE IN

52-W High / Low	Rs.181 / Rs.111
Sensex / Nifty	83,383 / 25,666
Market Cap	Rs.118bn/ \$ 1,311m
Shares Outstanding	792m
3M Avg. Daily Value	Rs.442.68m

Shareholding Pattern (%)

Promoter's	22.28
Foreign	21.45
Domestic Institution	19.71
Public & Others	36.56
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(8.2)	(1.7)	6.4
Relative	(6.2)	(3.1)	(2.3)

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Value unlocking on the cards

Quick Pointers:

- Strategic re-organization undertaken to demarcate asset-light (Lemon Tree Hotels) and asset heavy (Fleur Hotels) businesses.
- Warburg Pincus to invest up to Rs9.6bn in Fleur Hotels.

We upgrade LEMONTRE IN to "BUY" (earlier "HOLD") with a SoTP based TP of Rs185 (earlier Rs174) as strategic re-organization of the business has potential to unlock value for shareholders. As a part of the restructuring exercise, 1,563 operating rooms of Lemon Tree will be transferred to Fleur. Consequently, Lemon Tree will emerge as a pure-play asset light entity whereas Fleur will evolve as a hotel ownership platform. Post the re-organization, Lemon Tree will manage a) 39 hotels with 5,556 rooms of Fleur along-with 2 under-construction hotels with 256 rooms, b) 89 operational hotels with 6,011 rooms owned by 3rd party players, and c) existing future pipeline of 127 hotels with 9,414 rooms. We believe the fee income business has a potential to command higher multiple as it will be asset-light, debt free, capital efficient and margin lucrative (flow-through to EBITDA is 70%+). On the other hand, the asset heavy business will witness a fund infusion up to Rs9.6bn from Warburg Pincus that can act as a growth capital. We value Lemon Tree (fee income business) at 30x-Sep 27E EBITDA and Fleur (asset-ownership business) at 24x Sep-27E EBITDA to arrive at a SoTP based TP of Rs185. Upgrade to "BUY".

Strategic re-organization to demarcate asset heavy/light businesses: Presently, Lemon Tree owns 17 hotels with 1,765 rooms and has 2 hotels with 256 rooms in pipeline. On the other hand, Fleur, the asset owning subsidiary of Lemon Tree, owns 24 hotels with 3,993 rooms.

As a part of the restructuring exercise, 1,563 operating rooms and the upcoming 256 rooms of Lemon Tree will be transferred to Fleur. Subsequently, Lemon Tree will own 202 rooms that are not getting transferred due to limited residual lease tenure. Further, after the transfer is complete, Fleur will emerge as an asset owning platform with 39 hotels and 5,556 rooms along with 2 under-construction hotels with 256 rooms.

The re-organization aims to demarcate two distinct entities – asset-light and asset-heavy with an aim to unlock value in the former. However, given no comparable benchmarks, valuation discovery for the asset-light business will be a function of growth and clearly defined capital allocation plan (fee income business will generate strong FCFF as capex requirements will be minimal).

Fund infusion in Fleur to act as growth capital: Warburg Pincus is set to acquire 41.0% stake in Fleur from the Dutch pension fund, APG, prior to the strategic organization exercise. Subsequently, Warburg Pincus will infuse up to Rs9.6bn in Fleur. We believe fresh capital can be deployed to fund capex requirements of Fleur or to acquire new hotels (active discussion underway to acquire 2,500+ rooms).

Lemon Tree to emerge as pure-play franchisee/managed hotel player: Post the re-organization, Lemon tree will manage 89 operational hotels with 6,011 rooms owned by 3rd party players. It will also manage 39 hotels with 5,556 rooms of Fleur and 2 under-construction hotels with 256 rooms. In addition, the existing future pipeline of 127 hotels with 9,414 rooms will also be managed by Lemon Tree. After the re-organization, Lemon Tree will emerge as a pure play asset-light business with minimal capex requirements and zero debt.

Given healthy future pipeline, we expect the management fee income of Rs2,151mn/Rs2,449mn/Rs2,717mn in FY26E/FY27E/FY28E respectively. As the flow through in fee income business is strong, we expect a healthy EBITDA margin of ~80% over the next 3 years.

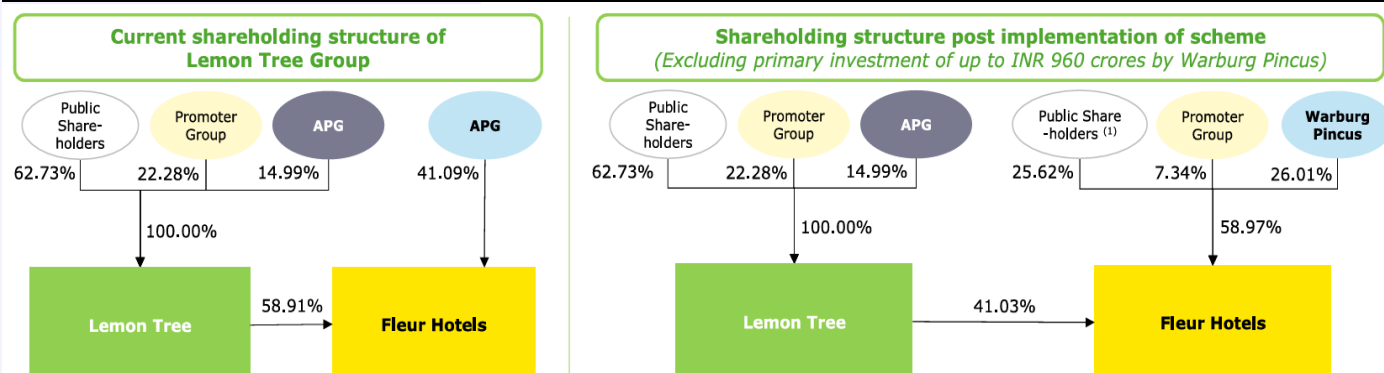
Fleur to evolve into an asset ownership platform: Post the re-organization, Fleur will have 39 hotels with 5,556 operational rooms and 2 under-construction hotels with 256 rooms under its portfolio. In addition, Fleur will also have exclusivity on all future development/ownership/leasing of hotel assets and thus will emerge as an asset ownership platform of Lemon Tree. We expect Fleur to report revenues of Rs12.1bn/13.0bn/Rs14.1bn with EBITDA margin of 42.7%/46.4%/47.9% in FY26E/FY27E/FY28E respectively.

Key highlights from the call: **1)** Leased assets comprising 202 rooms were not transferred to Fleur due to uncertainty around lease renewals, transfer restrictions, and relatively short remaining lease tenures of ~ 6–8 years. These assets include a 100/102-room Lemon Tree hotel in Indore/Aurangabad respectively. **2)** The Rs9.6bn capital infusion by Warburg Pincus will be executed at a valuation that is at a premium to the current value. **3)** The board decided to retain Lemon Tree's ~41% indirect stake in Fleur (out of an effective ~74% shareholder ownership post reorganization), to ensure Lemon Tree continues to demonstrate clear "skin in the game" as Fleur's long-term operator. **4)** After the reorganization, Lemon Tree Hotels is expected to be debt-free. **5)** One-off and near-term costs impacting margins include labour code implementation costs of ~Rs160–200mn, GST input credit loss, ex-gratia payments of around Rs200mn, technology investments, and one-time Delhi airport property tax of Rs80–100mn. **6)** Lemon Tree's management fees charged to Fleur will remain fully transparent and in line with industry norms.

Valuation: We value Lemon Tree (fee income entity) at 30x Sep-27E EBITDA as the business will be asset-light, debt free, capital efficient and margin lucrative (flow-through to EBITDA is 70%+) to arrive at an EV of Rs61.9bn. We value Fleur (asset-heavy business) at 24x Sep-27E EBITDA (no change in target multiple) to arrive at an EV of Rs153.7bn.

After the re-organization, Lemon Tree will own 41.0% stake in Fleur while shareholders of Lemon Tree will own 25.6% stake in Fleur. We have valued Lemon Tree's 41.0% stake in Fleur at a holding company discount of 20% to arrive at EV of Rs50.4bn. On the other hand, we have valued Lemon Tree's shareholders' stake in Fleur proportionate to their holding (25.6%) to arrive at an EV of Rs39.3bn. Accordingly, we arrive at SoTP based TP of Rs185. Upgrade to "BUY".

Exhibit 1: Pre and Post shareholding of Lemon tree and Fleur



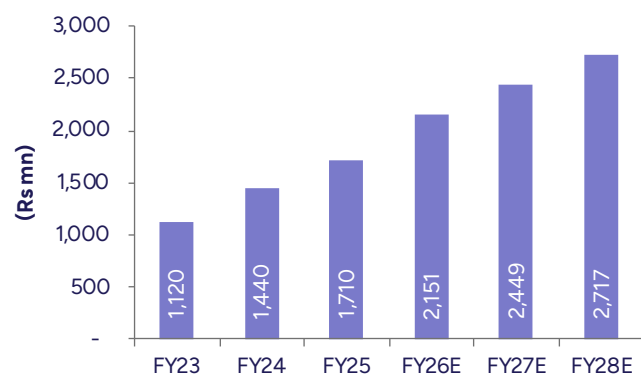
Source: Company, PL

Exhibit 2: Operational hotels and rooms to be merged into Fleur

Hotels	No of operating rooms	No of operating hotels
Lemon tree Hotels	82	2
Red Fox by Lemon Tree Hotels	398	3
Lemon Tree Premier	330	3
Lemon Tree Hotels	753	7
Total	1,563	15

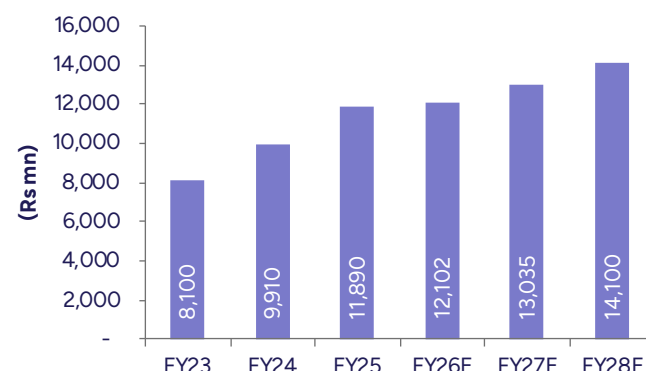
Source: Company, PL **Note:** 256 under construction rooms will also move into Fleur

Exhibit 3: LEMONTRE management fee income will be at ~Rs2.7bn for FY28E



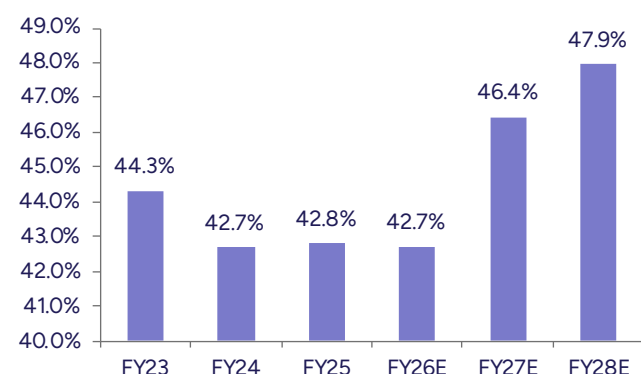
Source: Company, PL

Exhibit 4: Fleur's revenue to be at ~Rs14.1bn in FY28E



Source: Company, PL

Exhibit 5: Fleur's EBITDA margin will be at 47.9% in FY28E



Source: Company, PL

Exhibit 6: Valuation table

SoTP valuation (Rs mn)	Sep-27E
Lemon Tree standalone EV	61,992
EV of LemonTree's stake in Fleur	50,439
EV of Lemon Tree's shareholders' stake in Fleur	39,367
Total EV	1,51,797
Less: Debt	6,684
Add: Cash	1,345
Equity value	1,46,458
Outstanding shares	792
SoTP (Rs)	185

Source: Company, PL

Note Exhibit 3, 4 & 5: Proforma figures from FY23-FY25 assuming the scheme was into effect

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	12,861	14,253	15,484	16,817
YoY gr. (%)	20.1	10.8	8.6	8.6
Cost of Goods Sold	762	790	832	903
Gross Profit	12,099	13,463	14,652	15,914
Margin (%)	94.1	94.5	94.6	94.6
Employee Cost	2,185	2,328	2,444	2,606
Other Expenses	3,573	4,246	4,194	4,374
EBITDA	6,341	6,889	8,014	8,934
YoY gr. (%)	21.2	8.6	16.3	11.5
Margin (%)	49.3	48.3	51.8	53.1
Depreciation and Amortization	1,393	1,441	1,539	1,655
EBIT	4,948	5,449	6,475	7,279
Margin (%)	38.5	38.2	41.8	43.3
Net Interest	2,007	1,599	1,148	940
Other Income	23	71	155	252
Profit Before Tax	2,965	3,921	5,482	6,591
Margin (%)	23.1	27.5	35.4	39.2
Total Tax	531	980	1,371	1,648
Effective tax rate (%)	17.9	25.0	25.0	25.0
Profit after tax	2,434	2,941	4,112	4,944
Minority interest	466	670	1,015	1,241
Share Profit from Associate	(3)	-	-	-
Adjusted PAT	1,966	2,271	3,097	3,703
YoY gr. (%)	32.4	15.5	36.4	19.6
Margin (%)	15.3	15.9	20.0	22.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,966	2,271	3,097	3,703
YoY gr. (%)	32.4	15.5	36.4	19.6
Margin (%)	15.3	15.9	20.0	22.0
Other Comprehensive Income	0	-	-	-
Total Comprehensive Income	1,966	2,271	3,097	3,703
Equity Shares O/s (m)	792	792	792	792
EPS (Rs)	2.5	2.9	3.9	4.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	44,612	45,752	48,402	52,052
Tangibles	43,951	45,021	47,601	51,181
Intangibles	662	732	802	872
Acc: Dep / Amortization	10,001	11,442	12,980	14,635
Tangibles	9,656	10,967	12,367	13,873
Intangibles	345	475	613	762
Net fixed assets	34,611	34,311	35,422	37,417
Tangibles	34,295	34,054	35,233	37,308
Intangibles	317	257	189	110
Capital Work In Progress	586	482	382	382
Goodwill	951	951	951	951
Non-Current Investments	1,021	1,143	1,237	1,338
Net Deferred tax assets	138	157	170	185
Other Non-Current Assets	505	542	619	673
Current Assets				
Investments	386	386	386	386
Inventories	138	153	167	181
Trade receivables	786	898	976	1,060
Cash & Bank Balance	807	2,540	1,868	2,495
Other Current Assets	807	613	650	706
Total Assets	40,818	42,303	42,967	45,925
Equity				
Equity Share Capital	7,918	7,918	7,918	7,918
Other Equity	3,717	5,988	8,775	12,107
Total Network	11,635	13,906	16,693	20,026
Non-Current Liabilities				
Long Term borrowings	14,934	12,934	9,934	8,434
Provisions	34	43	46	50
Other non current liabilities	3	3	3	3
Current Liabilities				
ST Debt / Current of LT Debt	2,052	1,602	1,102	602
Trade payables	616	664	721	783
Other current liabilities	773	761	824	893
Total Equity & Liabilities	40,818	42,303	42,967	45,925

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	2,962	3,921	5,482	6,591
Add. Depreciation	1,393	1,441	1,539	1,655
Add. Interest	2,041	1,599	1,148	940
Less Financial Other Income	23	71	155	252
Add. Other	(63)	-	-	-
Op. profit before WC changes	6,333	6,961	8,169	9,186
Net Changes-WC	(416)	131	(80)	(71)
Direct tax	(502)	(980)	(1,371)	(1,648)
Net cash from Op. activities	5,416	5,441	5,704	6,226
Capital expenditures	(932)	(796)	(2,300)	(3,400)
Interest / Dividend Income	14	-	-	-
Others	(467)	(440)	(362)	(371)
Net Cash from Invt. activities	(1,274)	(1,298)	(2,668)	(3,778)
Issue of share cap. / premium	0	-	-	-
Debt changes	(1,927)	(2,450)	(3,500)	(2,000)
Dividend paid	-	-	(310)	(370)
Interest paid	(1,593)	(1,599)	(1,148)	(940)
Others	(403)	1,748	1,238	1,475
Net cash from Fin. activities	(3,923)	(2,301)	(3,719)	(1,835)
Net change in cash	218	1,843	(684)	613
Free Cash Flow	4,458	4,645	3,404	2,826

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	2.5	2.9	3.9	4.7
CEPS	4.2	4.7	5.9	6.8
BVPS	14.7	17.6	21.1	25.3
FCF	5.6	5.9	4.3	3.6
DPS	-	-	0.4	0.5
Return Ratio(%)				
RoCE	17.3	19.1	23.1	25.6
ROIC	15.5	16.3	18.7	19.5
RoE	18.5	17.8	20.2	20.2
Balance Sheet				
Net Debt : Equity (x)	1.4	0.8	0.5	0.3
Net Working Capital (Days)	9	10	10	10
Valuation(x)				
PER	60.2	52.1	38.2	32.0
P/B	10.2	8.5	7.1	5.9
P/CEPS	35.2	31.9	25.5	22.1
EV/EBITDA	21.2	18.9	15.9	13.9
EV/Sales	10.4	9.1	8.2	7.4
Dividend Yield (%)	-	-	0.3	0.3

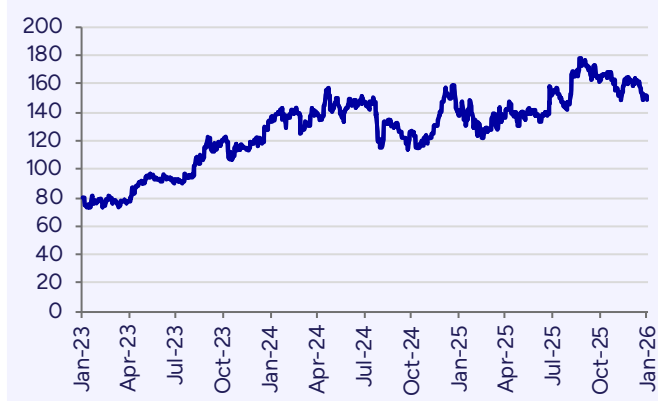
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26E
Net Revenue	3,785	3,158	3,063	3,925
YoY gr. (%)	15.6	17.8	7.7	10.5
Raw Material Expenses	432	417	426	428
Gross Profit	3,353	2,741	2,637	3,497
Margin (%)	88.6	86.8	86.1	89.1
EBITDA	2,041	1,405	1,307	1,890
YoY gr. (%)	19.0	22.1	-	2.6
Margin (%)	53.9	44.5	42.7	48.2
Depreciation / Depletion	349	342	343	377
EBIT	1,692	1,063	964	1,513
Margin (%)	44.7	33.7	31.5	38.6
Net Interest	472	447	423	396
Other Income	9	16	17	16
Profit before Tax	1,229	633	558	1,132
Margin (%)	32.5	20.0	18.2	28.9
Total Tax	141	148	139	283
Effective tax rate (%)	11.5	23.3	24.9	25.0
Profit after Tax	1,088	485	419	849
Minority interest	235	98	73	260
Share Profit from Associates	(6)	(4)	-	-
Adjusted PAT	846	383	346	589
YoY gr. (%)	26.4	93.5	16.7	(5.7)
Margin (%)	22.4	12.1	11.3	15.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	846	383	346	589
YoY gr. (%)	26.4	93.5	16.7	(5.7)
Margin (%)	22.4	12.1	11.3	15.0
Other Comprehensive Income	1	-	1	-
Total Comprehensive Income	847	384	347	589
Avg. Shares O/s (m)	792	792	792	792
EPS (Rs)	1.1	0.5	0.4	0.7

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-26	Hold	174	151
2	14-Nov-25	Hold	174	155
3	07-Oct-25	Hold	177	167
4	12-Aug-25	BUY	170	142
5	09-Jul-25	BUY	175	147
6	02-Jun-25	BUY	174	139
7	09-Apr-25	BUY	173	139
8	06-Feb-25	BUY	175	145

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Apeejay Surrendra Park Hotels	BUY	240	131
2	Chalet Hotels	BUY	1,183	874
3	Delhivery	Accumulate	489	422
4	DOMS Industries	BUY	3,085	2,606
5	Imagicaaworld Entertainment	BUY	73	49
6	Indian Railway Catering and Tourism Corporation	BUY	840	656
7	InterGlobe Aviation	Hold	5,233	4,907
8	Lemon Tree Hotels	Hold	174	151
9	Mahindra Logistics	BUY	386	317
10	Navneet Education	Reduce	119	156
11	Nazara Technologies	Hold	253	279
12	PVR Inox	BUY	1,261	1,043
13	S Chand and Company	BUY	291	185
14	Safari Industries (India)	BUY	2,570	2,119
15	Samhi Hotels	BUY	305	201
16	TCI Express	BUY	705	569
17	V.I.P. Industries	Hold	380	387
18	Zee Entertainment Enterprises	BUY	158	92

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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