

February 6, 2025

Q3FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	175		179	
Sales (Rs. m)	14,484	15,764	14,590	15,856
% Chng.	(0.7)	(0.6)		
EBITDA (Rs. m)	7,540	8,304	7,611	8,334
% Chng.	(0.9)	(0.4)		
EPS (Rs.)	3.5	4.3	3.6	4.4
% Chng.	(4.3)	(1.8)		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	10,711	12,735	14,484	15,764
EBITDA (Rs. m)	5,232	6,303	7,540	8,304
Margin (%)	48.8	49.5	52.1	52.7
PAT (Rs. m)	1,485	1,802	2,751	3,416
EPS (Rs.)	1.9	2.3	3.5	4.3
Gr. (%)	29.6	21.4	52.7	24.1
DPS (Rs.)	-	-	0.3	0.4
Yield (%)	-	-	0.2	0.3
RoE (%)	16.3	17.0	21.6	22.1
RoCE (%)	15.1	17.0	21.2	24.0
EV/Sales (x)	12.4	10.2	8.7	7.7
EV/EBITDA (x)	25.5	20.7	16.8	14.6
PE (x)	77.4	63.8	41.8	33.7
P/BV (x)	11.9	10.0	8.2	6.8

Key Data LEMO.BO | LEMONTRE IN

52-W High / Low	Rs.162 / Rs.112
Sensex / Nifty	78,133 / 23,628
Market Cap	Rs.115bn / \$ 1,314m
Shares Outstanding	792m
3M Avg. Daily Value	Rs.701.21m

Shareholding Pattern (%)

Promoter's	22.77
Foreign	20.01
Domestic Institution	20.80
Public & Others	36.42
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(3.3)	5.0	1.6
Relative	(3.5)	5.7	(6.1)

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Aurika changes gear!

Quick Pointers:

- Cash profit increased 49% YoY to Rs1,149mn
- Aurika, MIAL reported an occupancy in early 70's with an ARR of Rs9,000 odd

Lemon Tree Hotel Ltd's (LTHL) operational performance was broadly in-line our estimate with EBITDA of Rs1,842mn (PLe Rs1,870mn) led by 21% growth in RevPAR to Rs5,018. Aurika, MIAL's performance improved significantly during the quarter with occupancy hovering in early 70's and an ARR of Rs9,000 odd. Initial trends in 4QFY25E are even better and management expects the hotel to stabilize by 2HFY26E indicating there is further headroom for improvement in KPIs. Led by stabilization of Aurika, MIAL and improvement in RevPAR amid the ongoing renovation exercise which is expected to be complete by end of FY26E, we estimate revenue/EBITDA CAGR of 11%/15% over FY25E-FY27E. In addition, as no major capex is lined up in near term, we expect debt reduction to gather pace from FY26E onwards translating into an PAT CAGR of 38% over the next 2 years. Retain BUY on the stock with a TP of Rs175 (24x FY27E EBITDA; no change in target multiple).

RevPAR zooms 20.8% YoY: Revenue increased 22.4% YoY to Rs3,552mn (PLe Rs3,518mn). ARR increased 7.3% YoY to Rs6,763. RevPar grew 20.8% YoY to Rs5,018, while occupancy stood at 74.2%.

EBITDA margin rises to 51.9%: EBITDA increased 30.4% YoY to Rs1,842mn (PLe Rs1,870mn) with a margin of 51.9% (PLe 53.2%). PAT after MI increased 76.5% YoY to Rs625mn (PLe Rs626mn) with a margin of 17.6% (PLe 17.8%).

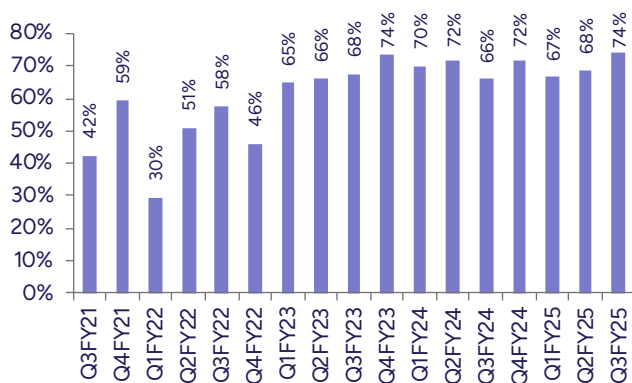
Con-call highlights: 1) So far in 4QFY25E, Aurika MIAL's occupancy is hovering above 85% and ARR is trending north of Rs9,500. **2)** LTHL plans to open a new hotel in Shillong with 120 rooms. The hotel will be operational in next 3 years and will be branded as "Aurika". It is a PPP project with Government of Meghalaya and LTHL will be a majority owner in the project. Capex for the hotel is pegged at Rs1,200mn and the project qualifies for a capital subsidy (Rs150mn), GST reimbursements and interest subvention of 5%. ARR for the hotel can be in the range of Rs12-13K. **3)** Standalone sales grew 2% YoY, while PAT fell 16% YoY as base quarter had a development fee (~10-12% of investment) charged by Lemon Tree to Fleur for developing Aurika, MIAL. **4)** The intention is to list Fleur in next 2 years. **5)** Rs1,500mn of debt has been repaid till date, and the aim is to be debt free in next 3 years. **6)** Target is to achieve an EBITDA of ~Rs600mn from the Keys portfolio post renovation. **7)** Roughly 4,500 rooms within LTHL's portfolio required renovation. From this total count, roughly 2,600-2,700 rooms will be renovated by FY25E while renovation of remaining rooms is expected to be complete by FY26E. **8)** Gross debt on standalone/consolidated basis stood at Rs3,000mn/Rs17,600mn respectively. **9)** Foreign guest composition at Aurika, MIAL is in the range of ~15-20%.

Exhibit 1: 3QFY25 Result Overview – Consolidated (Rs mn)

Y/e March	3QFY25	3QFY24	YoY gr.	2QFY25	QoQ gr.	3QFY25E	% Var.	9MFY25	9MFY24	YoY gr.
Net sales	3,552	2,902	22.4%	2,844	24.9%	3,518	0.9%	9,076	7,438	22.0%
Cost of F&B consumed	196	166	18.0%	172	14.4%	197	-0.3%	532	423	26.0%
<i>As a % of sales</i>	<i>5.5%</i>	<i>5.7%</i>		<i>6.0%</i>		<i>5.6%</i>		<i>5.9%</i>	<i>5.7%</i>	
Employee Cost	564	490	15.2%	543	3.9%	545	3.5%	1,614	1,379	17.1%
<i>As a % of sales</i>	<i>15.9%</i>	<i>16.9%</i>		<i>19.1%</i>		<i>15.5%</i>		<i>17.8%</i>	<i>18.5%</i>	
Power Oil and Fuel	215	199	7.7%	228	-5.6%	237	-9.6%	676	583	15.9%
<i>As a % of sales</i>	<i>6.0%</i>	<i>6.9%</i>		<i>8.0%</i>		<i>6.8%</i>		<i>7.4%</i>	<i>7.8%</i>	
Other Expenses	734	634	15.9%	594	23.6%	668	9.9%	1,953	1,536	27.2%
<i>As a % of sales</i>	<i>20.7%</i>	<i>21.8%</i>		<i>20.9%</i>		<i>19.0%</i>		<i>21.5%</i>	<i>20.6%</i>	
EBITDA	1,842	1,412	30.4%	1,307	40.9%	1,870	-1.5%	4,300	3,518	22.2%
<i>EBITDA margin</i>	<i>51.9%</i>	<i>48.7%</i>		<i>46.0%</i>		<i>53.2%</i>		<i>47.4%</i>	<i>47.3%</i>	
Depreciation	351	333	5.2%	348	0.9%	350	0.3%	1,044	787	32.6%
EBIT	1,491	1,079	38.2%	960	55.4%	1,520	-1.9%	3,256	2,730	19.2%
<i>EBIT margin</i>	<i>42.0%</i>	<i>37.2%</i>		<i>33.7%</i>		<i>43.2%</i>		<i>35.9%</i>	<i>36.7%</i>	
Interest cost	503	534	-5.7%	513	-1.9%	422	19.2%	1,534	1,489	3.1%
Other income	6	7	-8.8%	5	31.5%	2	153.4%	15	18	-18.4%
PBT	994	552	80.1%	451	120.4%	1,101	-9.7%	1,736	1,259	37.8%
Exceptional items/Share of JVs	1	3	-74.7%	2	-43.2%	1	-13.2%	4	9	-57.9%
PBT (ater exceptional items/ Share of JVs)	995	555	79.1%	453	119.8%	1,102	-9.7%	1,740	1,268	37.2%
Tax expenses	197	118	67.3%	102	92.2%	275	-28.6%	390	291	34.0%
<i>Tax rate</i>	<i>19.8%</i>	<i>21.2%</i>		<i>22.6%</i>		<i>25.0%</i>		<i>22.4%</i>	<i>22.9%</i>	
PAT	798	438	82.3%	350	127.9%	826	-3.4%	1,350	977	38.2%
<i>PAT margin</i>	<i>22.5%</i>	<i>15.1%</i>		<i>12.3%</i>		<i>23.5%</i>		<i>14.9%</i>	<i>13.1%</i>	
Noncontrolling interest	174	84	106.8%	54	221.5%	200	-13.2%	231	162	42.4%
Other comprehensive income (OCI)	(0)	1	NM	(0)	NM	-	NM	(1)	1	NM
PAT inclusive of OCI	798	438	82.0%	350	128.0%	826	-3.4%	1,349	978	37.9%
EPS (Rs)	0.8	0.5	75.6%	0.4	113.5%	0.8	-0.1%	1.4	1.0	36.9%

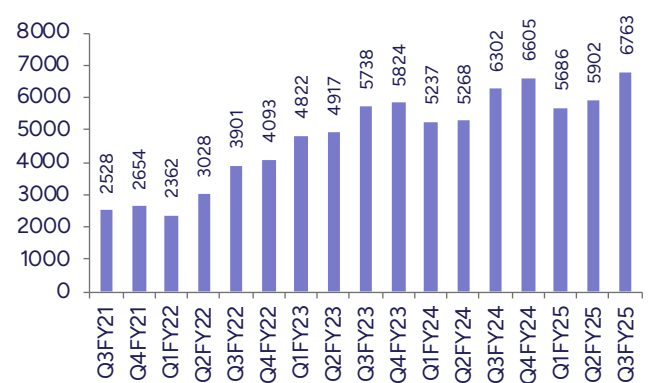
Source: Company, PL

Exhibit 2: Occupancy levels at 74% for 3QFY25



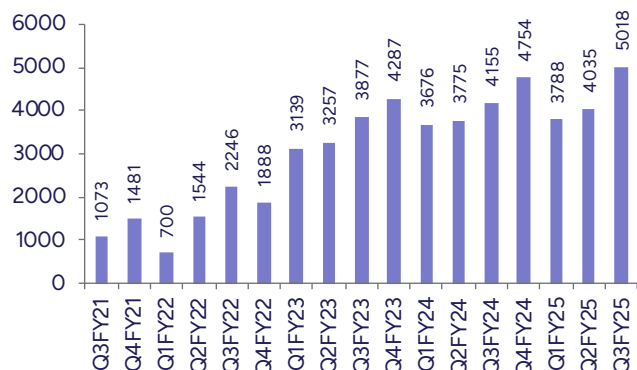
Source: Company, PL

Exhibit 3: ARR stood at Rs6,763 in 3QFY25 (Rs)



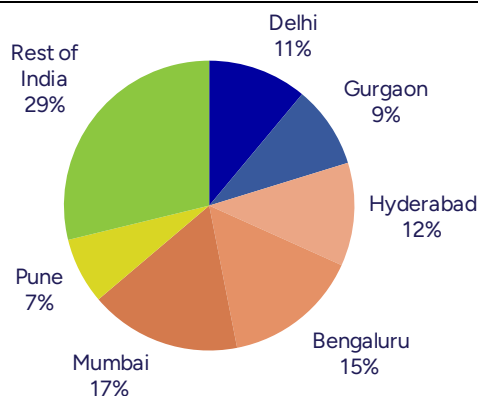
Source: Company, PL

Exhibit 4: RevPAR for 3QFY25 was at Rs5,018 (Rs)



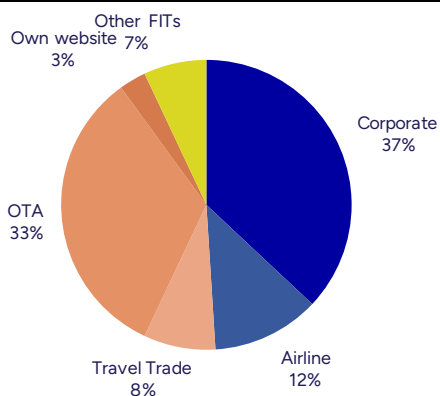
Source: Company, PL

Exhibit 5: Mumbai forms 17% of LTHL's room portfolio



Source: Company, PL

Exhibit 6: Market segment breakdown for 3QFY25



Source: Company, PL

Exhibit 7: Operational & pipeline portfolios breakup as of 3QFY25

Particulars	Operational rooms	Pipeline rooms
Aurika Hotels & Resorts	863	688
Lemon Tree Premier	2,724	362
Lemon Tree Hotels	3,970	3,753
Red Fox by Lemon Tree Hotels	1,290	50
Keys Prima by Lemon Tree Hotels	42	160
Keys Select by Lemon Tree Hotels	1,271	635
Keys Lite by Lemon Tree Hotels	157	420
Total	10,317	6,068

Source: Company, PL

Exhibit 8: SOTP Valuation

(Rs mn)	FY27E
LT standalone EV	67,454
Fleur's stake adjusted EV	77,791
Total EV	145,245
Less: Debt	11,091
Add: Cash	4,346
Equity value	138,500
No of shares	792
SOTP per share (Rs)	175

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	10,711	12,735	14,484	15,764
YoY gr. (%)	22.4	18.9	13.7	8.8
Cost of Goods Sold	628	721	794	853
Gross Profit	10,083	12,015	13,690	14,910
Margin (%)	94.1	94.3	94.5	94.6
Employee Cost	1,878	2,155	2,290	2,404
Other Expenses	2,973	3,557	3,860	4,202
EBITDA	5,232	6,303	7,540	8,304
YoY gr. (%)	16.9	20.5	19.6	10.1
Margin (%)	48.8	49.5	52.1	52.7
Depreciation and Amortization	1,121	1,408	1,443	1,499
EBIT	4,111	4,895	6,097	6,805
Margin (%)	38.4	38.4	42.1	43.2
Net Interest	2,016	1,930	1,503	1,120
Other Income	56	51	217	252
Profit Before Tax	2,151	3,017	4,812	5,937
Margin (%)	20.1	23.7	33.2	37.7
Total Tax	341	754	1,203	1,484
Effective tax rate (%)	15.9	25.0	25.0	25.0
Profit after tax	1,810	2,262	3,609	4,453
Minority interest	332	460	858	1,037
Share Profit from Associate	7	-	-	-
Adjusted PAT	1,485	1,802	2,751	3,416
YoY gr. (%)	29.6	21.4	52.7	24.1
Margin (%)	13.9	14.1	19.0	21.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,485	1,802	2,751	3,416
YoY gr. (%)	29.6	21.4	52.7	24.1
Margin (%)	13.9	14.1	19.0	21.7
Other Comprehensive Income	(4)	-	-	-
Total Comprehensive Income	1,481	1,802	2,751	3,416
Equity Shares O/s (m)	792	792	792	792
EPS (Rs)	1.9	2.3	3.5	4.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	44,184	45,424	46,564	47,614
Tangibles	43,528	44,698	45,768	46,748
Intangibles	656	726	796	866
Acc: Dep / Amortization	8,723	10,130	11,573	13,073
Tangibles	8,461	9,742	11,055	12,419
Intangibles	262	388	518	653
Net fixed assets	35,461	35,294	34,991	34,541
Tangibles	35,067	34,956	34,713	34,329
Intangibles	394	338	278	213
Capital Work In Progress	254	356	156	6
Goodwill	951	951	951	951
Non-Current Investments	936	1,084	1,226	1,329
Net Deferred tax assets	306	433	449	457
Other Non-Current Assets	317	446	550	631
Current Assets				
Investments	81	81	81	81
Inventories	138	165	187	204
Trade receivables	715	803	913	993
Cash & Bank Balance	537	2,111	3,062	4,409
Other Current Assets	550	573	623	662
Total Assets	40,330	42,410	43,318	44,406
Equity				
Equity Share Capital	7,918	7,918	7,918	7,918
Other Equity	1,750	3,552	6,029	9,103
Total Networkth	9,669	11,471	13,947	17,021
Non-Current Liabilities				
Long Term borrowings	16,767	15,267	12,767	9,767
Provisions	32	38	43	47
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,125	2,275	1,825	1,325
Trade payables	859	1,047	1,230	1,382
Other current liabilities	608	737	834	906
Total Equity & Liabilities	40,330	42,410	43,318	44,406

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	2,158	3,017	4,812	5,937
Add. Depreciation	1,121	1,408	1,443	1,499
Add. Interest	2,025	1,930	1,503	1,120
Less Financial Other Income	56	51	217	252
Add. Other	(77)	-	-	-
Op. profit before WC changes	5,228	6,354	7,758	8,557
Net Changes-WC	(218)	31	7	20
Direct tax	(360)	(754)	(1,203)	(1,484)
Net cash from Op. activities	4,650	5,170	5,704	6,055
Capital expenditures	(3,305)	(1,102)	(700)	(650)
Interest / Dividend Income	71	-	-	-
Others	(242)	(491)	(408)	(373)
Net Cash from Invt. activities	(3,965)	(1,625)	(1,117)	(1,029)
Issue of share cap. / premium	5	-	-	-
Debt changes	1,418	(1,350)	(2,950)	(3,500)
Dividend paid	-	-	(275)	(342)
Interest paid	(1,616)	(1,930)	(1,503)	(1,120)
Others	(392)	1,446	1,098	1,278
Net cash from Fin. activities	(585)	(1,834)	(3,630)	(3,684)
Net change in cash	100	1,711	957	1,342
Free Cash Flow	1,338	4,068	5,004	5,405

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	1.9	2.3	3.5	4.3
CEPS	3.3	4.1	5.3	6.2
BVPS	12.2	14.5	17.6	21.5
FCF	1.7	5.1	6.3	6.8
DPS	-	-	0.3	0.4
Return Ratio(%)				
RoCE	15.1	17.0	21.2	24.0
ROIC	13.0	14.9	17.4	18.7
RoE	16.3	17.0	21.6	22.1
Balance Sheet				
Net Debt : Equity (x)	1.9	1.3	0.8	0.4
Net Working Capital (Days)	0	(2)	(3)	(4)
Valuation(x)				
PER	77.4	63.8	41.8	33.7
P/B	11.9	10.0	8.2	6.8
P/CEPS	44.1	35.8	27.4	23.4
EV/EBITDA	25.5	20.7	16.8	14.6
EV/Sales	12.4	10.2	8.7	7.7
Dividend Yield (%)	-	-	0.2	0.3

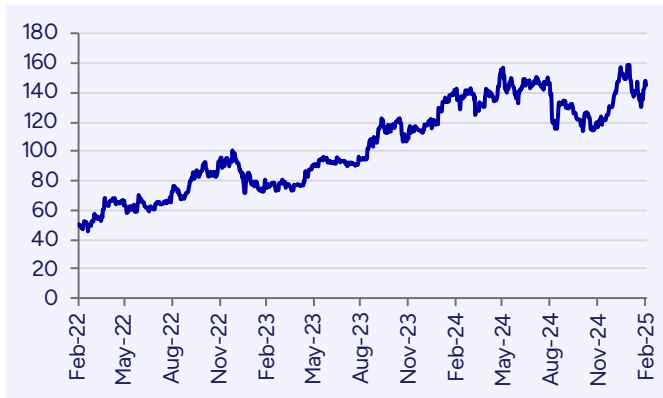
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	3,273	2,680	2,844	3,552
YoY gr. (%)	29.5	20.6	24.0	22.4
Raw Material Expenses	402	398	399	411
Gross Profit	2,871	2,282	2,445	3,141
Margin (%)	87.7	85.1	86.0	88.4
EBITDA	1,715	1,151	1,307	1,842
YoY gr. (%)	22.6	10.1	25.6	30.4
Margin (%)	52.4	42.9	46.0	51.9
Depreciation / Depletion	334	346	348	351
EBIT	1,381	805	960	1,491
Margin (%)	42.2	30.0	33.7	42.0
Net Interest	528	518	513	503
Other Income	39	4	5	6
Profit before Tax	892	291	451	994
Margin (%)	27.2	10.9	15.9	28.0
Total Tax	50	91	102	197
Effective tax rate (%)	5.6	31.2	22.7	19.8
Profit after Tax	842	200	349	798
Minority interest	170	3	54	174
Share Profit from Associates	(2)	1	2	1
Adjusted PAT	670	198	296	625
YoY gr. (%)	52.3	(15.6)	30.9	76.5
Margin (%)	20.5	7.4	10.4	17.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	670	198	296	625
YoY gr. (%)	52.3	(15.6)	30.9	76.5
Margin (%)	20.5	7.4	10.4	17.6
Other Comprehensive Income	(5)	-	-	-
Total Comprehensive Income	665	198	296	625
Avg. Shares O/s (m)	792	792	792	792
EPS (Rs)	0.9	0.3	0.4	0.8

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	BUY	179	147
2	18-Nov-24	BUY	158	122
3	09-Oct-24	BUY	159	121
4	08-Aug-24	BUY	159	126
5	08-Jul-24	BUY	162	148
6	03-Jun-24	BUY	155	140
7	12-Apr-24	BUY	153	141
8	08-Feb-24	BUY	155	138

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	1,064	767
2	Delhivery	Hold	361	335
3	DOMS Industries	BUY	3,370	2,637
4	Imagicaaworld Entertainment	BUY	108	71
5	Indian Railway Catering and Tourism Corporation	Hold	835	770
6	InterGlobe Aviation	BUY	5,246	4,162
7	Lemon Tree Hotels	BUY	179	147
8	Mahindra Logistics	Hold	399	354
9	Navneet Education	Hold	139	140
10	Nazara Technologies	BUY	1,201	985
11	PVR Inox	Hold	1,319	1,178
12	S Chand and Company	BUY	322	205
13	Safari Industries (India)	BUY	2,783	2,383
14	TCI Express	BUY	1,027	814
15	V.I.P. Industries	BUY	463	374
16	Zee Entertainment Enterprises	Hold	137	121

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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