

# Lemon Tree Hotels | ADD

## Approves restructuring aimed at Fleur's listing

LTH's board has approved the de-merger of Lemon Tree Hotels into two focused platforms: LTH as a pure-play asset-light hotel management company, and Fleur Hotels as a dedicated hotel ownership and development vehicle. Simultaneously, Warburg Pincus has acquired APG's 41% stake in Fleur Hotels and has committed to invest up to INR 9.6bn of primary equity to accelerate growth. The core objective is value unlocking: Lemon Tree becomes a high-RoCE, debt-free, asset-light platform with visible fee income while Fleur emerges as a hotel ownership vehicle with meaningful scale, capital flexibility, separate governance and a clear mandate to pursue development and acquisitions. The de-merger shall be consummated once approvals are secured, and thereafter Fleur Hotels will be listed as a separate entity. Management expects the entire process to listing to be completed in 12–15 months. Fleur delivered FY25 EBITDA of INR 4bn and LTH's owned assets could have contributed INR 1bn, taking pro-forma PropCo EBITDA to c. INR 5bn with 13–15% growth visibility. The fee-based OpCo is poised for 20%+ growth in the near term backed by a strong pipeline. Assigning 17x/30x to FY27E EBITDA to PropCo/OpCo respectively, implies a combined valuation of INR 147bn, c.23% upside from value unlocking. We await granular details on the transaction and maintain ADD with a TP of INR 175.

- Fleur's demerger approved; Warburg picks up APG's stake:** LTH's board has approved the de-merger of Lemon Tree Hotels into two focused platforms: LTH as a pure-play asset-light hotel management company, and Fleur Hotels as a dedicated hotel ownership and development vehicle. Under the scheme, 15 hotels (1,563 operational rooms), two under-construction hotels, and the entire hotel development capability will be transferred to Fleur Hotels, while Lemon Tree will retain brand, management, loyalty, and distribution businesses. Warburg Pincus has acquired APG's 41% stake in Fleur and committed to invest up to INR 9.6bn of primary capital to support future growth.
- Details of transaction:** The scheme of arrangement involves: (1) Merger of LTH with its subsidiaries Carnation and Hamstede, which will result in consolidation of operations ahead of de-merger; (2a) Merger of four WoS of LTH into Fleur I exchange of equity shares, leading to LTH holding direct stake of 41% in Fleur; and (2b) transfer of the operating and under-development assets along with exclusivity on future development plans of the group to Fleur, which will issue shares directly to the shareholders of LTH. Post restructuring, Lemon Tree shareholders will directly and indirectly own ~74% of Fleur Hotels. The transaction simplifies the group structure, enables independent capital raising and creates two distinctly entities - a high-RoCE fee business and a capital-backed hotel ownership platform.
- Value unlocking to result in c.23% upside:** In FY25, Fleur generated EBITDA of INR 4bn (post fees) and, adjusting LTH's consol EBITDA for fee income from Fleur and 3<sup>rd</sup> parties, we believe the owned assets currently under LTH could have achieved EBITDA of c. INR 1bn. Thus, the proforma EBITDA of the PropCo as of FY25 stands at c. INR 5bn, which could grow at 13–15% p.a. in the near term. Likewise, the fee business is forecasted to grow at 20%+ p.a. given the strong 3<sup>rd</sup> party pipeline. Assigning 17x and 30x EBITDA multiple for PropCo (Fleur) and Opco (LTH) and adjusting net debt, we believe the combined entity can be valued at INR 147bn – implying 23% upside potential. The deal appears favourable to LTH shareholders as they will receive ~33% of the new PropCo, while contributing ~21% of its proforma EBITDA.



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### Recommendation and Price Target

Current Reco.	ADD
Previous Reco.	ADD
Current Price Target (12M)	175
Upside/(Downside)	16.8%
Previous Price Target	175
Change	0.0%

### Key Data – LEMONTRE IN

Current Market Price	INR150
Market cap (bn)	INR118.7/US\$1.3
Free Float	63%
Shares in issue (mn)	791.6
Diluted share (mn)	791.6
3-mon avg daily val (mn)	INR407.2/US\$4.5
52-week range	181/111
Sensex/Nifty	83,576/25,683
INR/US\$	90.2

### Price Performance

%	1M	6M	12M
Absolute	-7.1	-2.3	6.8
Relative*	-5.2	-3.6	-1.2

\* To the BSE Sensex

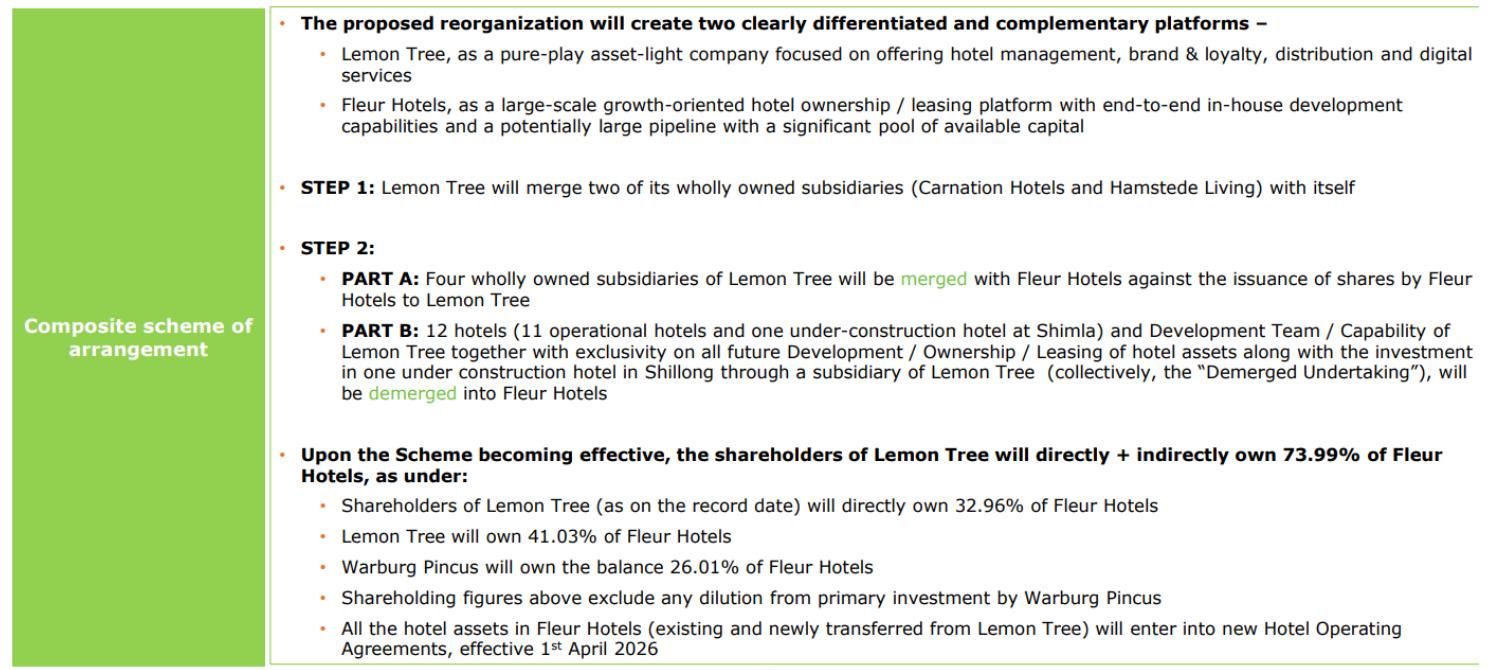
Financial Summary					
Y/E March	FY24A	FY25A	FY26E	FY27E	(INR mn)
Net Sales	10,711	12,861	14,851	16,739	17,835
Sales Growth (%)	22.4	20.1	15.5	12.7	6.5
EBITDA	5,232	6,341	7,131	8,279	8,843
EBITDA Margin (%)	48.8	49.3	48.0	49.5	49.6
Adjusted Net Profit	1,485	1,966	2,472	3,139	3,447
Diluted EPS (INR)	1.9	2.5	3.1	4.0	4.4
Diluted EPS Growth (%)	29.6	32.4	25.8	27.0	9.8
ROIC (%)	10.6	11.9	12.9	15.5	16.8
ROE (%)	16.3	18.5	19.2	20.0	18.2
P/E (x)	79.4	60.0	47.7	37.6	34.2
P/B (x)	12.2	10.1	8.4	6.8	5.7
EV/EBITDA (x)	27.2	22.2	19.1	16.0	14.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 09/Jan/2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

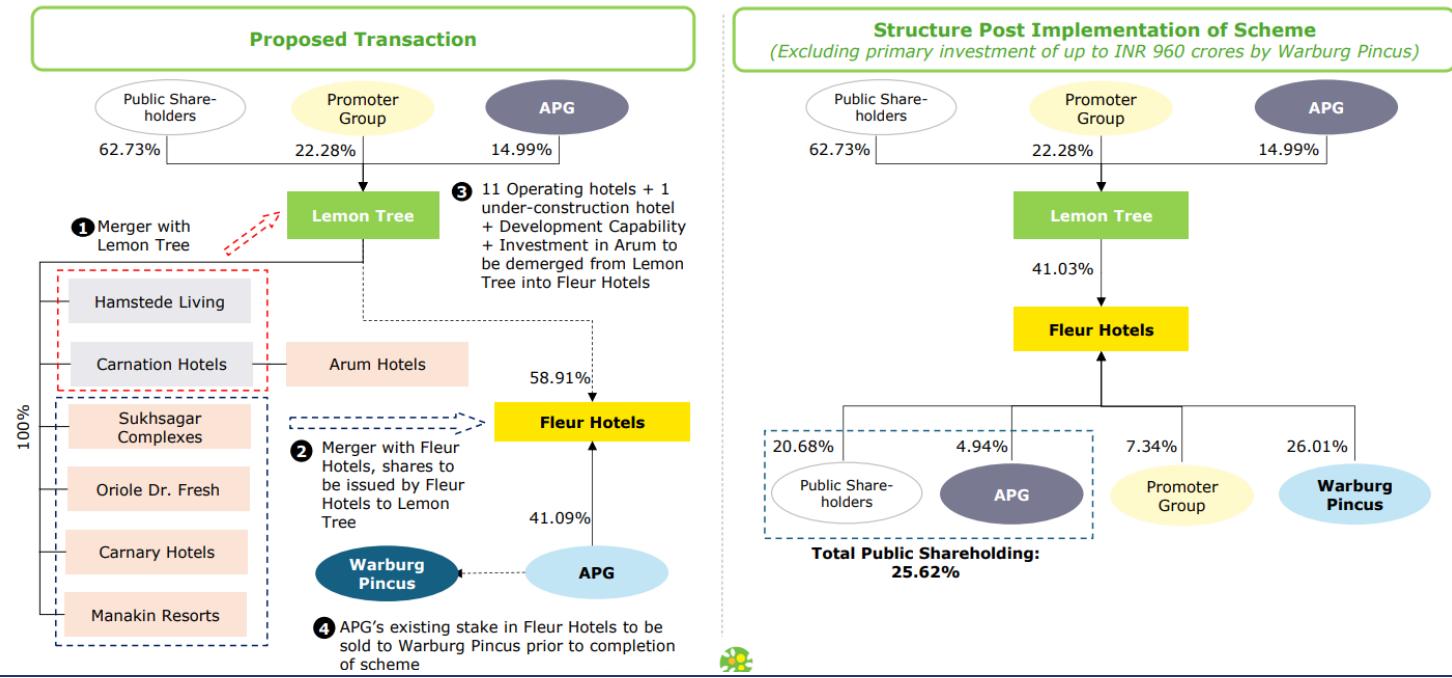
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## Exhibit 1. Transaction summary



Source: Company, JM Financial

## Exhibit 2. Ownership structure post the transaction



Source: Company, JM Financial

**Exhibit 3. Swap ratio details for LTH and subs**

Swap ratio	For every # of shares	will get # of shares in Fleur
<b>LTH Subsidiaries</b>		
Oriole Dr. Fresh	49,872	10,000
Sukhsagar Complexes	53,118	10,000
Mnakin Resorts	101,077	10,000
Canary Hotels	2,987,754	10,000
<b>For Lemon Tree shareholders</b>		
Lemon Tree	311	20

Source: Company, JM Financial

**Exhibit 4. Expect c.25% upside from value unlocking**

(INR mn)	FY25	FY26E	FY27E	FY28E	FY29E
<b>PropCo Estimates</b>					
Fleur Hotels	4,010	4,758	5,234	5,473	5,747
Lemon Tree ListCo	1,090	1,221	1,282	1,333	1,386
<b>Total EBITDA</b>	<b>5,100</b>	<b>5,979</b>	<b>6,516</b>	<b>6,807</b>	<b>7,134</b>
EBITDA margin	43%	44%	45%	45%	45%
<b>Implied Revenue</b>	<b>11,916</b>	<b>13,589</b>	<b>14,480</b>	<b>15,126</b>	<b>15,852</b>
<b>OpCo Estimates</b>					
Fees from Fleur	880	1,012	1,113	1,191	1,251
3rd party fees	600	780	1,014	1,217	1,460
Fees from LT ListCo	100	146	154	160	166
<b>Total Revenues</b>	<b>1,580</b>	<b>1,938</b>	<b>2,281</b>	<b>2,568</b>	<b>2,877</b>
EBITDA margin	80%	80%	80%	80%	80%
<b>Opco EBITDA</b>	<b>1,264</b>	<b>1,551</b>	<b>1,825</b>	<b>2,054</b>	<b>2,302</b>
<b>Valuation of PropCo</b>					
FY27E EBITDA	6,516				
Valuation Multiple	18				
<b>Enterprise Value</b>	<b>117,285</b>				
<b>Valuation of OpCo</b>					
FY27E EBITDA	1,825				
Valuation Multiple	25				
<b>Enterprise Value</b>	<b>45,620</b>				
Total Combined EV (PropCo + OpCo)	162,906				
Net debt	15,496				
Implied Combined Mcap	149,616				
Current Mcap	118,700				
Upside from value unlocking	23%				

Source: Company, JM Financial

## Exhibit 5. LTH dominates economy and mid-scale segment

Segment	Lemon Tree Brands	Industry inventory as of June-24	Lemon Tree Rooms (As on 31 <sup>st</sup> Dec 25)	Lemon Tree rooms as % of industry
<b>Luxury and Upper Upscale</b>	<b>aurika<sup>®</sup></b> HOTELS & RESORTS	~67,000		
<b>Upscale</b>		~41,000	808	1.2%
<b>Upper Midscale</b>	lemontree <sup>®</sup> PREMIER keys <sup>®</sup> PRIMA BY LEMON TREE HOTELS	~33,000	3,213	9.7%
<b>Midscale and Economy</b>	lemontree <sup>®</sup> keys <sup>®</sup> MEDIUM BY LEMON TREE HOTELS redfox <sup>®</sup> keys <sup>®</sup> LITE BY LEMON TREE HOTELS	~51,000	7,749	15.2%
<b>Total Branded Inventory of India</b>		<b>~1,92,000</b>	<b>11,770</b>	<b>6.1%</b>



**Value-for-money hotel brands to cater from economy to upscale requirements**



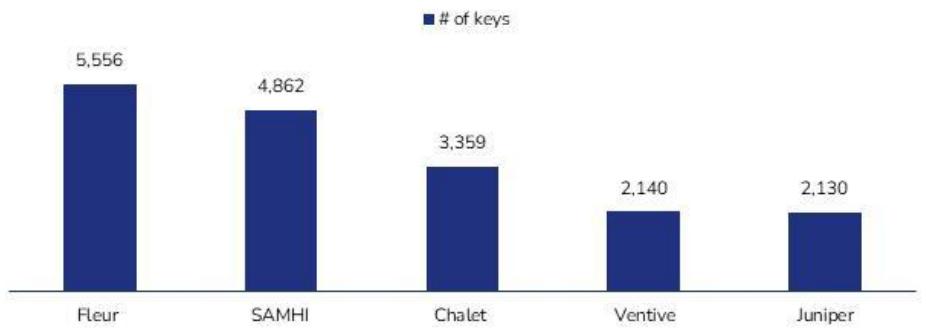
**Pan-India network of 259 hotels**



**Expanding wallet share  
Of India's growing middle-class captured by Lemon Tree**

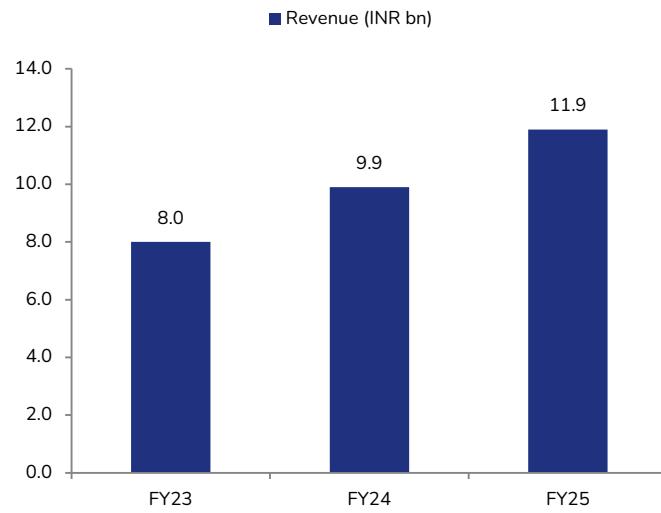
Source: Company, JM Financial

## Exhibit 6. Fleur has the largest portfolio among asset owners



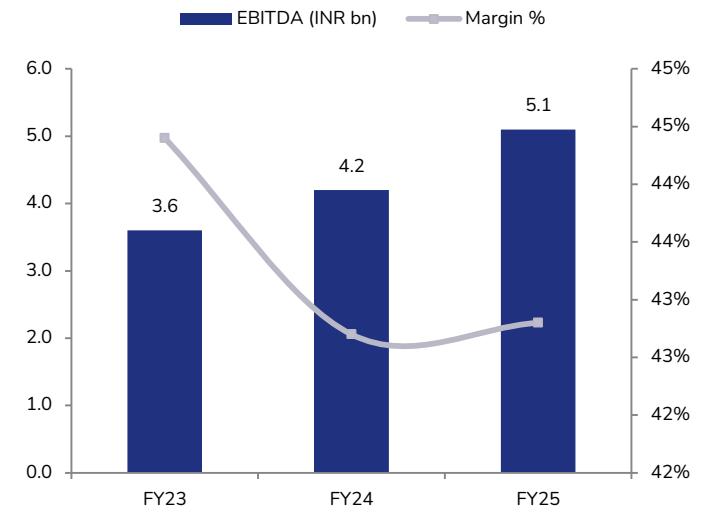
Source: Company, JM Financial

## Exhibit 7. Fleur recorded revenue CAGR of 21% over FY23-25...



Source: Company, JM Financial

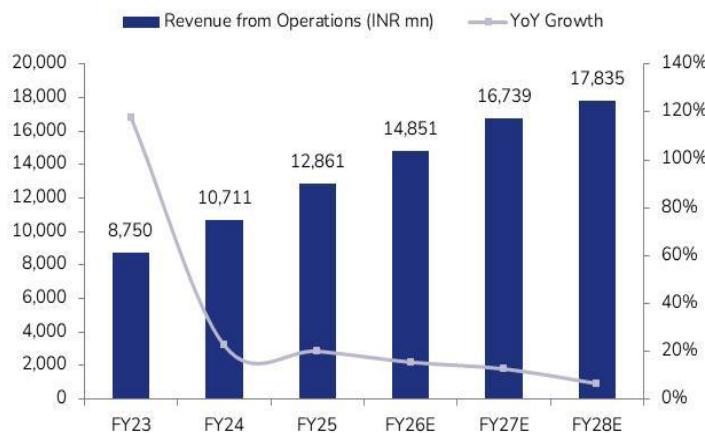
## Exhibit 8. ...EBITDA grew by 19% CAGR during same period



Source: Company, JM Financial

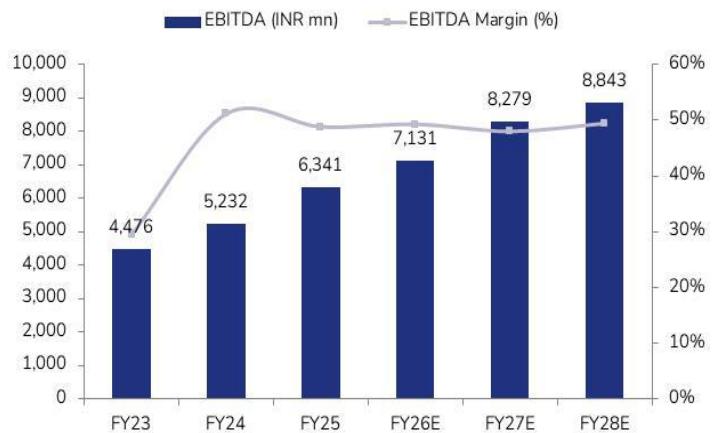
## Financials and Estimates

Exhibit 9. Revenue to grow at 12% CAGR over FY25-28E



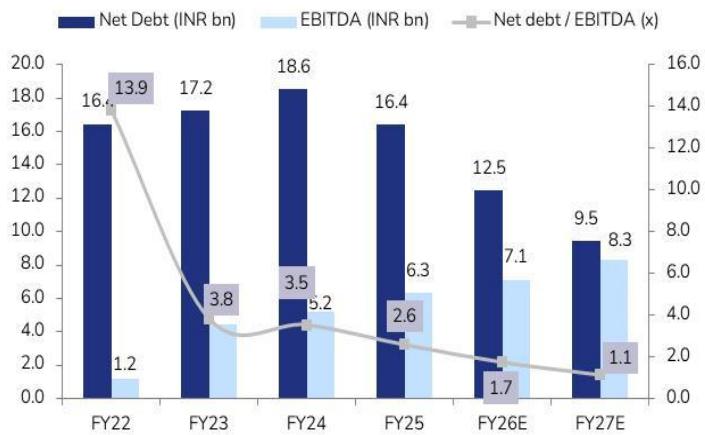
Source: Company, JM Financial

Exhibit 10. Management aims to maintain high EBITDA margin



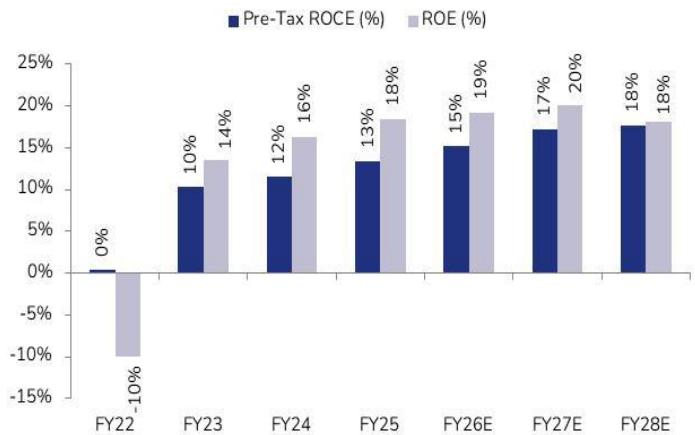
Source: Company, JM Financial

Exhibit 11. Expect debt to decline from current levels



Source: Company, JM Financial

Exhibit 12. Return ratios to improve gradually over FY25-28E



Source: Company, JM Financial

Exhibit 13. Mar'26 TP of INR 175

Particulars	Mar-26	Per Share
Consolidated EBITDA (Mar'27E) - FY+1	8,279	
Adjustment for Fleur APG 41% stake	2,484	
Lemon Tree share of EBITDA	5,795	
Valuation Multiple (x)	24.5x	
<b>Enterprise Value</b>	<b>141,979</b>	
Less: Net Debt (Mar'26E) adjusted for LT stake	6,238	
Less: Minority Interest	-	
<b>Equity Value</b>	<b>135,741</b>	171.5
<b>Target Price (INR)</b>	<b>135,741</b>	175.0
CMP (INR)	118,606	150
Upside (%)	17%	
No. of shares outstanding	792	

Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement (INR mn)						Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	10,711	12,861	14,851	16,739	17,835	Shareholders' Fund	9,669	11,635	14,107	17,247	20,693
Sales Growth	22.4%	20.1%	15.5%	12.7%	6.5%	Share Capital	7,918	7,918	10,391	13,530	16,977
Other Operating Income	0	0	0	0	0	Reserves & Surplus	1,750	3,717	3,717	3,717	3,717
<b>Total Revenue</b>	<b>10,711</b>	<b>12,861</b>	<b>14,851</b>	<b>16,739</b>	<b>17,835</b>	Preference Share Capital	0	0	0	0	0
Cost of Goods Sold/Op. Exp	628	762	774	945	993	Minority Interest	5,795	6,261	5,702	5,032	4,294
Personnel Cost	1,878	2,185	2,403	2,596	2,777	Total Loans	18,891	16,986	14,569	13,154	13,243
Other Expenses	2,973	3,573	4,543	4,920	5,222	Def. Tax Liab. / Assets (-)	-358	-209	-209	-209	-209
<b>EBITDA</b>	<b>5,232</b>	<b>6,341</b>	<b>7,131</b>	<b>8,279</b>	<b>8,843</b>	<b>Total - Equity &amp; Liab.</b>	<b>33,997</b>	<b>34,673</b>	<b>34,169</b>	<b>35,223</b>	<b>38,020</b>
<i>EBITDA Margin</i>	48.8%	49.3%	48.0%	49.5%	49.6%	Net Fixed Assets	36,666	36,148	35,506	35,159	34,711
<i>EBITDA Growth</i>	16.9%	21.2%	12.5%	16.1%	6.8%	Gross Fixed Assets	37,730	38,286	38,286	40,286	41,286
Depn. & Amort.	1,121	1,393	1,411	1,674	1,783	Intangible Assets	4,858	4,601	4,371	4,197	4,032
EBIT	4,111	4,948	5,720	6,605	7,059	Less: Depn. & Amort.	6,170	7,193	8,604	10,278	12,061
Other Income	125	129	110	114	119	Capital WIP	248	454	1,454	954	1,454
Finance Cost	2,085	2,112	1,776	1,624	1,583	Investments	52	60	45	45	45
PBT before Excep. & Forex	2,151	2,965	4,054	5,095	5,596	Current Assets	3,254	4,400	5,915	7,754	11,352
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	Inventories	138	138	149	167	178
PBT	2,151	2,965	4,054	5,095	5,596	Sundry Debtors	715	786	1,040	1,172	1,248
Taxes	341	531	1,020	1,282	1,408	Cash & Bank Balances	336	554	2,092	3,696	7,117
Extraordinary Inc./Loss(-)	0	0	0	0	0	Loans & Advances	81	386	10	10	10
Assoc. Profit/Min. Int.(-)	339	463	556	668	735	Other Current Assets	1,983	2,536	2,625	2,710	2,797
Reported Net Profit	1,485	1,966	2,472	3,139	3,447	Current Liab. & Prov.	5,975	5,935	7,298	7,736	8,087
<b>Adjusted Net Profit</b>	<b>1,485</b>	<b>1,966</b>	<b>2,472</b>	<b>3,139</b>	<b>3,447</b>	Current Liabilities	4,651	5,128	6,465	6,875	7,199
Net Margin	13.9%	15.3%	16.6%	18.8%	19.3%	Provisions & Others	1,324	807	833	860	888
Diluted Share Cap. (mn)	791.6	791.6	791.6	791.6	791.6	Net Current Assets	-2,721	-1,535	-1,383	19	3,265
<b>Diluted EPS (INR)</b>	<b>1.9</b>	<b>2.5</b>	<b>3.1</b>	<b>4.0</b>	<b>4.4</b>	<b>Total - Assets</b>	<b>33,997</b>	<b>34,673</b>	<b>34,168</b>	<b>35,222</b>	<b>38,020</b>
Diluted EPS Growth	29.6%	32.4%	25.8%	27.0%	9.8%						
Total Dividend + Tax	0	0	0	0	0						
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0						

Source: Company, JM Financial

Cash Flow Statement (INR mn)						Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	2,158	2,962	4,054	5,095	5,596	Net Margin	13.9%	15.3%	16.6%	18.8%	19.3%
Depn. & Amort.	1,121	1,393	1,411	1,674	1,783	Asset Turnover (x)	0.3	0.3	0.4	0.4	0.4
Net Interest Exp. / Inc. (-)	2,025	2,041	1,776	1,624	1,583	Leverage Factor (x)	4.1	3.7	3.1	2.5	2.2
Inc (-) / Dec in WCap.	-218	-416	832	18	-16	RoE	16.3%	18.5%	19.2%	20.0%	18.2%
Others	-77	-63	-562	-673	-741						
Taxes Paid	-360	-502	-1,020	-1,282	-1,408						
<b>Operating Cash Flow</b>	<b>4,650</b>	<b>5,416</b>	<b>6,491</b>	<b>6,455</b>	<b>6,797</b>						
Capex	-3,305	-932	-1,000	-1,500	-1,500						
<b>Free Cash Flow</b>	<b>1,345</b>	<b>4,484</b>	<b>5,491</b>	<b>4,955</b>	<b>5,297</b>						
Inc (-) / Dec in Investments	-70	-419	391	0	0						
Others	-590	77	231	173	165						
<b>Investing Cash Flow</b>	<b>-3,965</b>	<b>-1,274</b>	<b>-378</b>	<b>-1,327</b>	<b>-1,335</b>						
Inc / Dec (-) in Capital	5	0	-559	-671	-738						
Dividend + Tax thereon	0	0	0	0	0						
Inc / Dec (-) in Loans	1,026	-2,330	-2,241	-1,230	280						
Others	-1,616	-1,593	-1,776	-1,624	-1,583						
<b>Financing Cash Flow</b>	<b>-585</b>	<b>-3,923</b>	<b>-4,575</b>	<b>-3,525</b>	<b>-2,040</b>						
Inc / Dec (-) in Cash	<b>100</b>	<b>218</b>	<b>1,538</b>	<b>1,604</b>	<b>3,422</b>						
Opening Cash Balance	237	336	554	2,092	3,696						
Closing Cash Balance	336	554	2,092	3,696	7,117						

Source: Company, JM Financial

## History of Recommendation and Target Price

## Recommendation History

Date	Recommendation	Target Price	% Chg.
16-Aug-23	Buy	115	
13-Nov-23	Buy	125	8.7
10-Feb-24	Buy	155	24.0
3-Jun-24	Buy	160	3.2
9-Aug-24	Buy	155	-3.1
19-Nov-24	Buy	155	0.0
6-Feb-25	Buy	170	9.7
2-Jun-25	Buy	175	2.9
12-Aug-25	Buy	175	0.0
8-Oct-25	Add	180	2.9
14-Nov-25	Add	175	-2.8



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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