KEYNOTE

Lemon Tree Hotels Limited

3rd June 2026

Strong retail demand insulates corporate uncertainty

In Q4 FY26, Lemon Tree Hotels (LTH) reported its highest-ever revenue of ~Rs. 4.16 Bn, up by ~10% on a YoY basis. This top-line growth was driven by a 9% increase in RevPAR and 13% growth in management fees. EBITDA grew ~5% on a YoY basis at Rs. 2.15 Bn, with EBITDA margins declining 223 Bps to 51.7%. The margin contraction was primarily driven by continued investments in renovation and technology, along with the impact of GST changes.

Rapidly expanding managed contracts pipeline

LTH continued to scale its asset-light portfolio in FY26, signing 55 new management and franchise contracts and adding 4,912 rooms to the pipeline. The Company also operationalised 20 hotels, adding 1,523 rooms during the year. Following these additions, total inventory stood at 22,581 rooms across 268 hotels, including both operational and pipeline rooms. Management clarified that most managed and franchise contracts are signed at the under-construction stage, implying a typical ~3-year lag between signing and opening. For FY27, the Company expects to open ~2,000 rooms, broadly similar to the FY26 run-rate.

Renovation nearing completion to unlock margin and ARR growth

LTH has completed ~85% of the planned renovation of ~4,000 rooms across its owned and leased portfolio, with the balance largely led by Keys Whitefield and select rooms at the rebranded Lemon Tree Hotel Delhi. Renovation spend stood at ~4.2% of revenue in FY26, but is expected to reduce to ~1.9% in FY27 and further normalise to ~1.0-1.3% by FY28, as the heavy renovation cycle concludes. The benefit is already visible in the Keys portfolio, which delivered ~20% RevPAR growth in FY26 despite room shutdowns during renovation. Management expects the renovated Keys portfolio to stabilise at mid-70s occupancy and generate ~Rs. 600 Mn EBITDA over time.

Aurika Mumbai got impacted by Mumbai micro-market

The operational Aurika portfolio, comprising Aurika Mumbai and Aurika Udaipur, reported ~81% occupancy in Q4 FY26, declining ~200 bps on a YoY basis. The decline was mainly due to the loss of a specific airline crew client at Aurika Mumbai, along with the addition of ~2,000 competing rooms in the nearby micro-market. However, the Company was able to replace most of the lost occupancy through non-airline and higher-ARR customers, supporting ~5% RevPAR growth on a YoY basis in Q4 FY26. For FY26, Aurika occupancy improved from ~62% to ~74%, while Aurika Udaipur delivered ~15% RevPAR growth in Q4 FY26, though its impact on blended Aurika performance remained limited due to its smaller room base.

BUY

CMP Rs. 111

TARGET Rs. 124 (+12%)

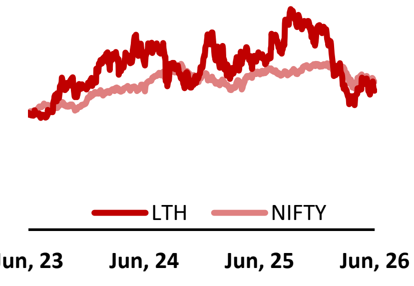
Company Data

Bloomberg Code	LEMONTRE IN
MCAP (Rs. Mn)	87,844
O/S Shares (Mn)	792
52w High/Low	181/100
Face Value (in Rs.)	10
Liquidity (3M) (Rs. Mn)	645

Shareholding Pattern %

	Mar-25	Dec-25	Sep-25
Promoters	22.32	22.28	22.28
FIIs	21.59	21.5	21.45
DIIs	15.67	19.45	19.71
Non-Institutional	40.43	36.76	36.56

LTH vs NIFTY



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Bn)	FY25	FY26	FY27E
Revenue	12.9	14.4	15.7
EBITDA	6.3	6.9	7.6
Net Profit	2.0	2.3	3.1
Total Assets	40.6	42.7	42.3
ROCE (%)	16%	18%	16%
ROE (%)	12%	12%	14%

Source: Company, Keynote Capitals Ltd Estimates

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View & Valuation

The Company is likely to face near-term pressure in H1 FY27 due to the West Asia conflict, muted corporate demand and an occupancy-led strategy. In the current uncertain environment, management is prioritising occupancy over aggressive ARR hikes, which could keep ARR growth muted in the near term. That said, ongoing renovations across the owned portfolio should support improvement in ARR and occupancy over time, aiding EBITDA margin expansion as renovation intensity normalises.

With the Fleur Hotels demerger now announced, the overall restructuring appears broadly value-neutral. Post listing, we expect Fleur Hotels to trade at ~15-18x EV/EBITDA, in line with peer multiples for asset-owning hotel platforms. Lemon Tree Hotels, as the brand owner and a more asset-light hotel management Company, should command a higher multiple of ~25-30x EV/EBITDA as the scheme fully plays out over the next 12-15 months.

We remain constructive on Lemon Tree Hotels' long-term growth trajectory, supported by asset-light expansion, renovation-led ARR improvement and eventual margin recovery. Factoring in near-term headwinds, we have revised our estimates and maintain our BUY recommendation and value the Company at 15x EV/EBITDA, arriving at a target price of Rs. 124.

Q4 FY26 Result Update

Result Highlights (Rs. Mn)

Particulars	Q4 FY26	Q4 FY25	Change % (Y-o-Y)	Q3 FY26	Change % (Q-o-Q)	FY26	FY25	Change % (Y-o-Y)
Revenue	4,164	3,785	*10%*	4,061	*3%*	14,445	12,861	*12%*
Employee Cost	633	570	*11%*	594	*7%*	2,393	2,185	*10%*
F&B Cost	219	230	*-5%*	230	*-5%*	848	762	*11%*
Power & Fuel Cost	202	202	*0%*	205	*-1%*	851	878	*-3%*
Other Expenses	957	742	*29%*	985	*-3%*	3,442	2,695	*27.7%*
EBITDA	2,152	2,041	*5%*	2,047	*5%*	6,912	6,341	*9%*
EBITDA %	***51.7%***	***53.9%***	***-223 Bps***	***50.4%***	***128 Bps***	***47.8%***	***49.3%***	***-146 Bps***
Depreciation	355	349	*2%*	348	*2%*	1,388	1,393	*0%*
EBIT	1,798	1,692	*6%*	1,699	*6%*	5,524	4,948	*12%*
EBIT %	***43.2%***	***44.7%***	***-154 Bps***	***41.8%***	***133 Bps***	***38.2%***	***38.5%***	***-24 Bps***
Finance Cost	421	506	*-17%*	444	*-5%*	1,795	2,112	*-15%*
Other Income	64	42	*52%*	47	*37%*	205	129	*59%*
Exceptional Items	-19	0	-	-313	-	-333	0	-
PBT	1,422	1,229	*16%*	988	*44%*	3,601	2,965	*21%*
Tax	251	141	*78%*	170	*48%*	708	531	*33%*
Profit from Associates/JV	-6	-6	-	0	-	-9	-3	-
PAT	1,165	1,081	*8%*	818	*42%*	2,883	2,432	*19%*
Minority Interest	-250	-235	-	-192	-	-612	-466	-
Net Profit	**915**	**846**	***8%***	**627**	***46%***	**2,271**	**1,966**	***16%***
EPS	**1.2**	**0.8**	**-**	**1.1**	**-**	**2.9**	**2.5**	**-**

Source: Company, Keynote Capitals Ltd.

Operating Metrics

Particulars	Q4 FY26	Q4 FY25	Change % (Y-o-Y)	Q3 FY26	Change % (Q-o-Q)	FY26	FY25	Change % (Y-o-Y)
Total Operational Rooms	11,811	10,269	*15%*	11,772	*0%*			
Owned Rooms %	56%	58%	*-231 Bps*	56%	*26 Bps*			
Managed/ Franchised %	44%	42%	*231 Bps*	44%	*-26 Bps*			
Total Rooms in Pipeline	10,773	6,847	*57%*	10,170	*6%*			
Total Rooms	**22,584**	**17,116**	***32%***	**21,942**	***3%***			
ARR (Rs.)	7,457	7,042	*6%*	7,487	*0%*	6,875	6,381	*8%*
Occupancy %	79%	78%	*90 Bps*	73%	*510 Bps*	74%	72%	*180 Bps*
RevPAR (Rs.)	5,855	5,462	*7%*	5,494	*7%*	5,058	4,576	*11%*
Management Fees (Rs. Mn)	499	443	*13%*	482	*4%*	1,697	1,489	*14%*

Source: Company, Keynote Capitals Ltd.

Q4 FY26 Conference Call Takeaways

Financial highlights

- In Q4 FY26, the Company reported revenue of Rs. 4.16 Bn, growing ~10% on a YoY basis, supported by a ~9% YoY increase in RevPAR and ~13% growth in management fees.

- Management fee income stood at ~Rs. 499 Mn in Q4 FY26, growing ~13% on a YoY basis. For FY26, management fee income stood at Rs. 1.70 Bn, growing ~14% on a YoY basis. This was driven by ~23% growth in third-party management fees to Rs. 739 Mn, supported by same-store growth and new room additions, while fee income from Fleur grew ~8% to Rs. 958 Mn on a same-store basis.

- Fee growth from Fleur was relatively subdued as incentive fees are linked to hotel-level EBITDA slabs. Fleur's profitability was impacted by GST changes and accelerated renovation spends across the portfolio.

- EBITDA margin stood at ~51.7% in Q4 FY26, declining 223 bps on a YoY basis. For FY26, EBITDA margin stood at 47.8%, declining 146 bps on a YoY basis, mainly due to higher renovation spends, technology investments and GST-related impact.

- Management expects the combined impact of renovation, technology and GST-related expenses to reduce from ~5.8% of revenue in FY26 to 4.8% in FY27 to ~3.7% by FY28, which should support margin expansion from FY28 onwards.

- GST impact stood at ~1% of revenue in FY26, as the change had only a half-year impact. Management expects this to increase to ~2% in FY27 and then reduce to ~1.7% in FY28, supported by ARR growth and a higher mix of rooms priced above Rs. 7,500.

- The Company has reduced its debt from ~Rs. 17 Bn in FY25 to ~Rs. 15 Bn in FY26.

Operational & Portfolio highlights

- Q4 FY26 had a mixed demand trajectory. January 2026 was impacted by aviation disruptions, February 2026 saw a strong recovery, while March 2026 was affected by geopolitical tensions and lower corporate travel. In response, management prioritized occupancy over ARR growth to protect volumes amid near-term demand uncertainty.

- Occupancy stood at 78.5% in Q4 FY26, improving 90 bps on a YoY basis. However, gross ARR growth remained relatively muted at ~6% on a YoY basis, with gross ARR at Rs. 7,457, as the Company avoided aggressive price hikes and focused on maintaining occupancy.

- The near-term environment has remained uneven in Q1 FY27 as well. April 2026 saw spillover uncertainty and sluggish corporate demand, while May 2026 witnessed a better-than-expected rebound. June 2026 is expected to track at relatively flat ARR, as the Company continues with an occupancy-led strategy amid ongoing geopolitical uncertainty.

In Q3 FY26, management had indicated ARR growth potential of ~15% for FY27, assuming sustained demand. However, given the impact of West Asia-related disruption and the Company's current occupancy-led strategy, ARR growth is likely to remain more muted in the near term.

- For FY26, occupancy stood at ~73.5%, improving 180 bps on a YoY basis. This was supported by resilient B2C demand, favourable mid-market industry tailwinds and outperformance in select portfolios such as Aurika, where occupancy improved from ~62% in FY25 to ~74% in FY26.

- Management indicated that most management and franchise contracts are signed for hotels that are still under construction. As a result, openings typically lag signings by ~3 years, with some variation depending on project execution and owner-side funding timelines.

This implies that the 4,912 rooms signed in FY26 should be viewed as a medium-term pipeline addition rather than near-term operational inventory.

- For FY27, management expects to open ~2,000 rooms, broadly similar to the FY26 opening run-rate.

- Management indicated that newly opened managed hotels typically take 12-18 months to stabilise, during which fee income remains subdued. Once stabilised, fee income can improve meaningfully, as the same room base starts contributing at full potential.

- Following these additions, total inventory, including operational and pipeline rooms, stood at 22,581 rooms across 268 hotels as of FY26.

Aurika MIAL and Udaipur - performance and outlook

- The operational Aurika portfolio, comprising Aurika Mumbai and Aurika Udaipur, reported occupancy of ~81% in Q4 FY26, declining ~200 bps on a YoY basis. For FY26, occupancy stood at ~74%, improving ~1,200 bps compared to ~62% in FY25, reflecting strong full-year recovery across the portfolio.

- The Q4 FY26 occupancy decline was mainly due to the loss of a specific airline crew client at Aurika Mumbai, which earlier contributed ~8% of hotel occupancy. Management indicated that the Company was able to replace most of this demand through non-airline and higher-ARR customers, limiting the net occupancy impact to ~200 bps and supporting ~4% RevPAR growth for Aurika Mumbai on a YoY basis during the quarter.

- Aurika Mumbai also faced near-term competitive pressure, with ~5 new hotels comprising ~2,000 rooms becoming operational in the micro-market. The new supply spans across categories, from luxury brands such as Fairmont to budget brands such as Ginger.

- Aurika Udaipur remained seasonally strong, supported by the wedding-led leisure market. The property delivered ~15% RevPAR growth on a YoY basis in Q4 FY26, lifting blended Aurika RevPAR growth to ~5%. However, the overall impact was limited, as Aurika Udaipur has 139 rooms compared to 669 rooms at Aurika Mumbai.

- The Company has also finalised designs for the ~572-room Aurika hotel at Nehru Place, Delhi, which is currently in the final approval stage before construction can commence. This will be a key addition to the Aurika portfolio once operational.

Renovations and Rebranding

- In FY26, the Company had identified ~4,000 rooms for renovation across its 5,700+ owned and leased room portfolio. During Q4 FY26, ~400-500 rooms were shut for renovation, and by the end of FY26, the Company had completed ~85% of the planned renovation program.

- The remaining ~15% primarily includes Keys Whitefield, which is expected to complete renovation over the next 4 months, and the rebranded Lemon Tree Hotel Delhi, where ~40 rooms are scheduled to be completed by H1 FY27.

- Renovation spend stood at ~4.2% of revenue in FY26. Management expects this to reduce to ~1.9% of revenue in FY27 as heavy renovations have largely been completed, and further decline towards the normal annual maintenance range of ~1.0-1.3% by FY28, with ~one-sixth of the portfolio under upgrade in a typical year.

The renovation programme in FY26 was not limited to room upgrades, but also includes catch-up repairs and replacement of key equipment such as air-conditioning systems, pumps and DG sets.

- Management indicated that renovation spend has both opex and capex components, broadly split in a 50:50 ratio. Hence, the elevated renovation cycle has impacted both EBITDA margins and cash flows, though this should normalise as heavy renovation work concludes.

- The Keys portfolio delivered ~20% RevPAR growth in FY26, despite several hundred rooms being shut for renovation during Q4 FY26. Keys Pimpri in Pune has been fully renovated, while Keys Whitefield in Bangalore is expected to complete renovation over the next 4 months.

- As the renovation cycle progresses and the portfolio stabilises, management remains confident of sustaining healthy RevPAR growth over the next 2 years. Once stabilised, management is targeting mid-70s occupancy, broadly similar to Red Fox, and total EBITDA of ~Rs. 600 Mn from the Keys portfolio.

Technology

- In FY26, the Company invested ~0.6% of revenue in technology, mainly towards back-end integrations and operating efficiency initiatives. These investments included upgrades to the revenue management system, market intelligence tools and sales force automation.

- Over the next 2 years, the Company plans to upgrade legacy systems, including the Property Management System (PMS), while also strengthening its direct digital infrastructure through the booking engine and loyalty platform. Technology spend is expected to increase to ~0.9% of revenue in FY27, before stabilising at ~0.6-0.7% of revenue by FY28.

- The Company's loyalty base currently stands at ~2.4 Mn members, with repeat loyalty customers contributing ~25% of annual room nights, excluding first-time sign-ups. As the Company upgrades its customer-facing technology stack, this should support higher direct bookings, reduce dependence on OTAs and improve margin quality over time.

Others

- The Company has finalised the composite scheme of arrangement for the demerger of Fleur Hotels. Post the scheme, Lemon Tree shareholders will effectively own ~74% of Fleur, including ~33% directly and ~41% indirectly through Lemon Tree. Management indicated that the process could take ~12-18 months, subject to regulatory and NCLT approvals.

- Post demerger, Fleur will remain brand-agnostic while evaluating new hotel opportunities. Management clarified that Lemon Tree will not have an automatic right to manage every Fleur asset. However, given the long operating relationship and existing management contracts, Lemon Tree will continue to be considered where the brand fit and economics are suitable.
- Management reiterated that the Indian hospitality industry remains favourably placed, with demand continuing to outpace supply, especially in the mid-market segment where Lemon Tree has a strong presence.
- Management highlighted that India has ~2.5 Mn unbranded hotel rooms, creating a large conversion opportunity for organised hotel chains. Given LTH's positioning in the mid-market and upper-midscale segments, this remains a key runway for asset-light managed and franchise-led growth.
- During periods of geopolitical uncertainty and higher airfares, corporate travel tends to slow first as travel budgets are centrally controlled. However, retail and leisure demand remained resilient, helping the Company protect occupancy despite weakness in corporate travel.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY24	FY25	FY26	FY27E	FY28E
Net Sales	**10,711**	**12,861**	**14,445**	**15,739**	**17,320**
Growth %		20%	12%	9%	10%
Raw Material Expenses	628	762	848	927	1,017
Employee Expenses	1,878	2,185	2,393	2,916	3,170
Other Expenses	2,973	3,573	4,293	4,340	4,710
EBITDA	**5,232**	**6,341**	**6,912**	**7,556**	**8,423**
Growth %		21%	9%	9%	11%
Margin%	49%	49%	48%	48%	49%
Depreciation	1,121	1,393	1,388	1,434	1,484
EBIT	**4,111**	**4,948**	**5,524**	**6,122**	**6,939**
Growth %		20%	12%	11%	13%
Margin%	38%	38%	38%	39%	40%
Interest Paid	2,085	2,112	1,795	1,564	1,118
Other Income & exceptional	125	129	-128	173	186
PBT	**2,151**	**2,965**	**3,601**	**4,731**	**6,007**
Tax	341	531	708	1,183	1,502
PAT	**1,810**	**2,434**	**2,893**	**3,548**	**4,506**
Others (Minorities, Associates)	-325	-468	-622	-490	-525
Net Profit	**1,485**	**1,966**	**2,271**	**3,058**	**3,981**
Growth %	30%	32%	16%	35%	30%
Shares (Mn)	792.2	792.2	792.2	792.2	792.2
EPS	**2**	**2**	**3**	**4**	**5**

Balance Sheet

Y/E Mar, Rs. Mn	FY24	FY25	FY26	FY27E	FY28E
Cash, Cash equivalents & Bank	537	807	978	377	571
Current Investments	81	386	663	663	663
Debtors	715	786	1,163	1,259	1,386
Inventory	138	138	138	167	183
Short Term Loans & Advances	398	419	9	9	9
Other Current Assets	184	398	1,344	1,344	1,344
Total Current Assets	2,053	2,934	4,295	3,819	4,155
Net Block & CWIP	36,660	36,016	36,714	36,854	37,102
Long Term Investments	52	60	71	61	51
Other Non-current Assets	1,206	1,598	1,568	1,568	1,568
Total Assets	**39,972**	**40,608**	**42,648**	**42,303**	**42,877**
Creditors	646	616	671	787	866
Provision	60	64	81	81	81
Short Term Borrowings	2,125	2,052	1,894	1,894	1,894
Other Current Liabilities	2,860	2,733	891	891	891
Total Current Liabilities	5,690	5,465	3,538	3,653	3,732
Long Term Debt	14,668	12,911	13,109	9,109	5,109
Deferred Tax Liabilities	-306	-138	101	101	101
Other Long Term Liabilities	4,456	4,475	5,109	5,109	5,109
Total Non Current Liabilities	18,818	17,248	18,319	14,319	10,319
Paid-up Capital	7,918	7,918	7,918	7,918	7,918
Reserves & Surplus	1,750	3,717	6,001	9,049	13,020
Shareholders' Equity	9,669	11,635	13,919	16,977	20,958
Non Controlling Interest	5,795	6,261	6,872	7,353	7,868
Total Equity & Liabilities	**39,972**	**40,608**	**42,648**	**42,303**	**42,877**

Cash Flow

Y/E Mar, Rs. Mn	FY24	FY25	FY26	FY27E	FY28E
Pre-tax profit	2,151	2,965	3,601	4,731	6,007
Adjustments	3,077	3,368	3,136	2,825	2,415
Change in Working Capital	-218	-416	-855	-9	-64
Total Tax Paid	-360	-502	-466	-1,183	-1,502
Cash flow from operating Activities	**4,650**	**5,416**	**5,416**	**6,364**	**6,857**
Net Capital Expenditure	-3,305	-932	-1,332	-1,574	-1,732
Change in investments	-242	-357	-386	0	0
Other investing activities	-418	14	28	173	186
Cash flow from investing activities	**-3,965**	**-1,274**	**-1,689**	**-1,401**	**-1,546**
Equity raised / (repaid)	5	0	0	0	0
Debt raised / (repaid)	1,418	-1,927	-1,999	-4,000	-4,000
Dividend (incl. tax)	0	0	0	0	0
Other financing activities	-2,008	-1,996	-1,702	-1,564	-1,118
Cash flow from financing activities	**-585**	**-3,923**	**-3,700**	**-5,564**	**-5,118**
Net Change in cash	100	218	27	-601	194

Valuation Ratios

	FY24	FY25	FY26	FY27E	FY28E
Per Share Data					
EPS	2	2	3	4	5
Growth %		32%	16%	35%	30%
Book Value Per Share	20	23	26	31	36
Return Ratios					
Return on Assets (%)	4%	5%	5%	7%	9%
Return on Equity (%)	10%	12%	12%	14%	15%
Return on Capital Employed (%)	14%	16%	18%	16%	18%
Turnover Ratios					
Asset Turnover (x)	0.3	0.3	0.3	0.4	0.4
Sales / Gross Block (x)	0.3	0.3	0.3	0.3	0.4
Working Capital / Sales (x)	-36%	-24%	-6%	3%	2%
Receivable Days	22	21	25	28	28
Inventory Days	71	66	60	60	63
Payable Days	22	18	16	17	17
Working Capital Days	70	70	68	71	73
Liquidity Ratios					
Current Ratio (x)	0.4	0.5	1.2	1.0	1.1
Interest Coverage Ratio (x)	2.0	2.4	3.2	4.0	6.4
Total Debt to Equity	1.1	0.8	0.7	0.5	0.2
Net Debt to Equity	1.1	0.8	0.7	0.4	0.2
Valuation					
PE (x)	73.4	51.8	35.0	32.6	25.1
Earnings Yield (%)	1%	2%	3%	3%	4%
Price to Sales (x)	10.2	7.9	5.5	5.6	5.1
Price to Book (x)	11.3	8.7	5.7	5.2	4.2
EV/EBITDA (x)	23.9	18.2	13.4	13.4	12.0
EV/Sales (x)	11.7	9.0	6.4	6.4	5.9

Source: Company, Keynote Capitals Ltd. estimates

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
26th February 2024	BUY	142	+12.6%
4th June 2024	BUY	133	+13.5%
12th August 2024	BUY	121	+20.6%
19th November 2024	BUY	121	+30.4%
7th February 2025	BUY	139	+17.3%
3rd June 2025	BUY	139	+18.9%
13th August 2025	BUY	145	+17.2%
19th November 2025	BUY	157	+42.0%
28th January 2026	BUY	126	+36.0%
17th February 2026	BUY	125	+36.3%
3rd June 2026	BUY	111	+11.9%

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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