

Shubh Nivesh



CMP: ₹154

Target ₹ 185 (20%)

Target Period: 12 months

BUY

July 21, 2025

Aurika Scale up to drive consistent growth ...

About the stock: Lemon Tree Hotels (LTHL) is India's largest hotel chain in the mid-priced hotel sector and the third largest overall, based on controlling interest in owned and leased rooms. LTHL currently operates 10,269 rooms in 111 hotels in India and abroad, under its various brands viz. Aurika Hotels & Resorts, Lemon Tree Premier, Lemon Tree Hotels, Red Fox Hotels and Keys etc. When the current pipeline becomes operational, LTHL will operate 17,116 rooms in 212 hotels in India and abroad.

Investment Rationale:

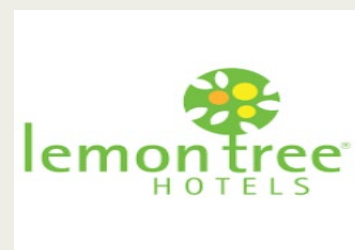
- **Revenues to grow at CAGR of 16% over FY25-27E:** LTHL's revenues are expected to grow at CAGR of 16% over FY25-27E to Rs1,725crore with strong scale-up Aurika, Mumbai (expected to grow at CAGR of 20% over FY25-27E) and management fees income growing at CAGR 45% over the same period. Aurika, Mumbai revenues stood at Rs185crore with occupancy rate standing at 63% and average room rental (ARR) of Rs9,894 per night. Management expects occupancy of Aurika, Mumbai to reach 75% in FY26 and reach close to 80% in FY27E. The company will be doubling the rooms under management contract to 9,000 rooms by FY27E. This will help Management fees income to grow at CAGR of 45%yoy to Rs317crore in FY27E (~18% of consolidated revenues).
- **Management targets EBIDTA margins close to 55% by FY28:** LTHL consolidated EBIDTA margins improved by 50bps yoy to 49.3% in FY25. Management expects renovation cost to reduce substantially by FY27 with 70% of room inventory has already been renovated. Rest of the room inventory is expected to be renovated by end of FY26. Post renovation, the incremental revenues generated through higher room rentals and increase in contribution from Aurika, Mumbai will help overall EBIDTA margins to improve to 55% by FY28. Aurika's EBITDA margins for FY25 stood at ~61% vs LTHL's consolidated margin of 49.3%. The increase in contribution from margin accretive Aurika to LTHL's portfolio will aid the consolidated margins to consistently improve ahead.
- **Robust pipeline and focus on asset light model:** Lemon Tree Hotel's total inventory (incl. pipeline) stands at 17118 rooms as of FY25. The management had guided for a room inventory of 20000 by FY30 which it is set to achieve in FY26, 4 years ahead of guidance. As of FY25, the total number of operational rooms stands at 10,269 rooms out of which 5,759 rooms were owned and 4510 rooms were under management/franchise contracts. The company expects the management/franchise contracts to form 70%+ of the total portfolio in the next 5 years which stands at 44% as of FY25 signalling increased focus on asset-light business model.

Rating and Target Price: Strong industry tailwinds, robust room expansion plans (especially in new markets) and premiumisation in the portfolio will help LTHL's revenues and PAT to grow at CAGR of 16% and 33% over FY25-27E. **We recommend Buy with a price target of Rs185 its 24x FY27E EV/EBIDTA.**

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenues	875.0	1071.1	1286.1	21.2	1501.9	1724.6	15.8
EBIDTA	447.6	523.2	634.1	19.0	750.9	872.3	17.3
EBIDTA Margins(%)	51.2	48.8	49.3		50.0	50.6	
Adjusted PAT	139.7	181.0	243.4	32.0	316.1	428.0	32.6
EPS (Rs.)	1.8	2.3	3.1		4.0	5.4	
PE (x)	87.7	67.7	50.3		38.8	28.6	
EV to EBIDTA (x)	32.2	27.8	22.6		18.6	15.6	
Price to book (x)	14.4	12.7	10.5		8.3	6.4	
RoE (%)	16.6	19.9	22.9		23.9	25.2	
RoCE (%)	10.0	11.1	12.6		15.3	17.8	

Source: Company, ICICI Direct Research



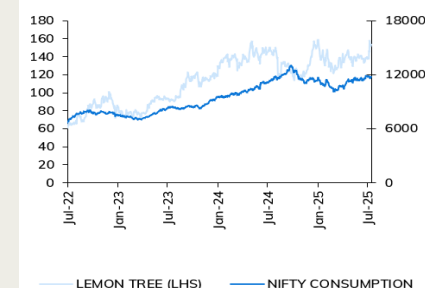
Particulars

Particular	Amount
Market Capitalisation (₹ crore)	12,274
Debt (FY25) - ₹ crore	2,176
Cash (FY25) - ₹ crore	125
EV (Rs crore)	14,324
52 week H/L (₹)	162 / 112
Equity capital (₹ crore)	791.8
Face value (₹)	10

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoters	22.8	22.8	22.8	22.5
FII	27.6	21.8	20.0	20.9
DII	15.2	18.9	20.8	19.7
Others	34.4	36.6	36.4	36.9

Price Chart



Key risks

- Room demand getting impacted by global slowdown or any black swan event or geopolitical uncertainties.
- Delay in reduction in debt.

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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