Lemon Tree Hotels Ltd. (LEMTRE)

ICICI Direct

CMP: ₹160 | Target ₹ 185 (16%) | Target Period: 12 months | BUY

November 14, 2025

Result Update

ICICI Securities – Retail Equity Research

Revamped Rooms and Aurika to lead growth ahead

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 10,956 rooms in 121 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.

Q2FY26 performance: LTHL consolidated revenues witnessed 7.7% YoY growth to Rs.306.3cr. Growth was aided by 8% RevPAR growth. RevPAR growth was driven by 6% YoY growth in ARR and 140bps YoY improvement in occupancy. EBIDTA margins declined 330bps YoY to 42.7% due to investment in renovation, technology and one-time employee ex-gratia payment. Higher other income and lower interest cost aided 20% YoY growth in PAT to Rs.41.9cr in Q2FY26.

Investment Rationale:

- RevPAR growth to grow in mid-teens aided by room renovations: RevPAR growth in Q1 was 19% which moderated to 8% in Q2FY26 due to higher rainfall and room renovations. RevPar of 8% was in-line with industry RevPar growth of 8-10%. Oct,25 was muted, but Nov,25 started on strong note with higher books and considering favorable demand environment management expects RevPar growth to improve to mid-teens in H2FY26. Renovations and re-branding of selected rooms are expected to command higher ARR supporting the overall RevPar growth in H2. Further, Aurika, Mumbai is witnessing robust traction and is expected to achieve occupancy close to 80% and ARR of Rs.9500+ due to improving mix of customers. Overall revenues to grow in mid-to-high teens in H2FY26.
- Aurika brand to scale up; To aid premiumisation of portfolio: Aurika's scale-up is underway with 3 new properties – Shimla, Shillong and New Delhi aiming to strengthen the premiumisation in the portfolio. We expect Aurika, Mumbai to achieve revenues of Rs.270-280cr and EBITDA at Rs.170-175cr in FY28E. Further, Aurika, New Delhi is expected to be a key contributor with an expected ARR of Rs.12500 at maturity and estimated EBITDA of Rs150cr. The expanding footprint of Aurika is expected to materially aid the premiumisation and thereby supporting RevPAR growth and margin accretion over the medium to long term.
- Consistent improvement in margins expected ahead: Margins in H1FY26 stood at 43.6% declining by 100bps YoY. It was impacted by monsoon and ongoing renovation cycle. With renovations getting completed, the ARRs are expected to improve across properties, supporting a stronger RevPAR trajectory. Renovation and IT related expenses, currently around 8% of the revenues is expected to taper down to 5% in FY27 and 2% in FY28 thereby easing cost pressures. Further, the scale up of Aurika, Mumbai is expected to improve the revenue mix. These factors are expected to aid better operating leverage and improvement in margins in the coming years.

Rating and Target Price: Strong industry tailwinds, renovations of existing hotels and expansion of Aurika brand drive consistent earnings growth. With expected de-merger of Fleur in H2FY26, there could be further unlocking of value in LTHL. **We recommend Buy with a price target of Rs185 valuing it at 24x its FY27E EV/EBITDA (adjusting for 59% stake in Fleur Hotel)**

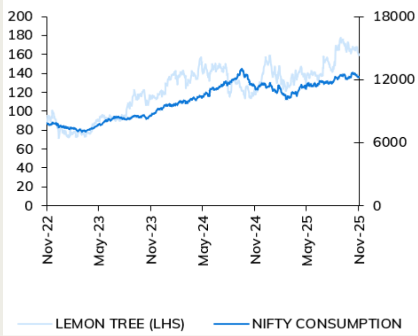
Particulars

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 (₹)	181 / 111
Equity capital (₹ crore)	791.8
Face value (₹)	10

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	22.8	22.5	22.3	22.3
FII	20.0	20.9	21.3	21.5
DII	20.8	19.7	20.0	19.7
Others	36.4	36.9	36.4	36.6

Price Chart



Key risks

(i) Room demand getting impacted by global slowdown or any black swan event.

(ii) Delay in reduction in debt.

Research Analyst

Kaustubh Pawaskar
kaustubh.pawaskar@icicisecurities.com

Abhishek Shankar
abhishek.shankar@icicisecurities.com

Key Financial Summary

Key Financials (₹ Crore)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Revenues	875.0	1071.1	1286.1	21.2	1465.8	1695.5	1917.6	14.2
EBIDTA	447.6	523.2	634.1	19.0	725.2	858.3	983.8	15.8
EBIDTA Margins(%)	51.2	48.8	49.3		49.5	50.6	51.3	
Adjusted PAT	139.7	181.0	243.4	32.0	305.7	425.5	537.8	30.2
EPS (Rs.)	1.8	2.3	3.1		3.9	5.4	6.8	
PE (x)	90.5	69.9	52.0		41.4	29.7	23.5	
EV to EBIDTA (x)	33.1	28.5	23.2		19.8	16.4	13.9	
Price to book (x)	14.8	13.1	10.9		8.6	6.7	5.2	
RoE (%)	16.6	19.9	22.9		23.2	25.3	24.8	
RoCE (%)	10.0	11.1	12.6		14.7	17.5	19.5	

Source: Company, ICICI Direct Research

QFY26 – Key Performance highlights

- Consolidated revenues recorded 7.7% YoY to Rs.306.3cr. Growth in revenues was aided by 8% YoY growth in RevPAR. RevPAR growth was driven by 6% YoY growth in ARR and 140bps YoY improvement in occupancy.
- EBITDA stood flat at Rs.130.7cr while margins declined by 330bps YoY to 42.7%. Decline in margins was due to higher investments on renovation and technology and also Rs.20cr payment of 1-time ex-gratia to employees.
- Aurika's revenue grew by 32% YoY to Rs.46.5cr with Occupancies improving to 71% in Q2FY26 vs. 50% in Q2FY25. ARR declined by 7% YoY Rs.8806/night due to unfavourable mix of higher negotiated business. EBITDA stood at Rs.27cr while EBIDTA margins improved to 58% in Q2FY26 vs. 53% in Q2FY25.
- Overall occupancy witnessed 140bps YoY improvement to 69.8% aided largely by Aurika, Mumbai. Among other hotels, Lemon Tree hotels occupancy in Q2FY26 stood at 67% vs 72% last year while Red Fox occupancy stood at 65% in Q2FY26 compared to 70% in Q2FY25. Keys by Lemon tree also witnessed 400bps YoY improvement in occupancy to 60% in Q2FY26. Lemon Tree premier recorded 100bps YoY improvement in occupancy to 80% in Q2FY26.
- LTLH's ARR stood at Rs.6247 growing by 6% YoY in Q2FY26. Lemon tree premier and Lemon Tree hotels grew in mid-single digits by 5% YoY to Rs.7142/night and Rs.5695/night respectively. Red Fox recorded growth of 8.2% YoY in ARR to Rs.4824 and Keys witnessed high single-digit growth of 9.6% to Rs.4031 in Q2FY26.
- Consolidated Management Fees grew by 8% YoY to Rs.34.3cr in Q2FY26. Management fees from Fleur Hotels grew by 8% YoY to Rs.19.9cr and fees from 3rd party owned hotels grew by 7% YoY to Rs.14.3cr in Q2FY26.
- The company continued to lower its debt levels. It repaid Rs.48cr during the quarter. The company witnessed 18% YoY decline in interest cost driven by lower rates which stood at 7.7% as of September 2025 vs 8.7% in September 2024. This coupled with higher other income led to Adjusted PAT growing to Rs.41.9cr in Q2FY26 from Rs.34.9cr in Q2FY25.

Expansion through management contracts

- LTHL is planning to add 4787 rooms over FY26-27 with 2975 rooms to be added in FY26 and 1812 rooms to added in FY27 through managed and franchisee contract.
- Large room addition of 2,748 rooms (57% of the total room addition) will happen under the Lemon Tree Hotels brand.
- In Q2FY26, LTHL signed management/franchised contracts for 15 hotels with 1138 rooms. The Total managed and franchised contract pipeline stood at 118 hotels with 8362 rooms expected to be operational between FY26 and FY30.

Exhibit 1: Expected opening of inventory in pipeline of managed & franchised contracts

Brands	FY26	FY27	FY28	FY29	FY30	To be announced (TBA)	Total Rooms (Hotels)
Aurika Hotels & Resorts	-	-	132 (1)	82 (1)	175 (1)	110 (1)	**499 (4)**
Lemon Tree Premier	462 (5)	50 (1)	-	92 (1)	-	-	**604 (7)**
Lemon Tree Hotels	1,594 (24)	1,154 (17)	323 (5)	156 (3)	80 (1)	550 (6)	**3,857 (56)**
Red Fox Hotels	50 (1)	46 (1)	-	-	-	-	**96 (2)**
Keys by Lemon Tree Hotels	869 (19)	562 (9)	104 (2)	-	-	-	**1,535 (30)**
Total Rooms (Hotels)	**2,975 (49)**	**1,812 (28)**	**559 (8)**	**330 (5)**	**255 (2)**	**660 (7)**	**6,591 (99)**

Source: Company, ICICI Direct Research

Q2FY26 Earnings call highlights

- Demand Environment remains strong in the near to medium term
    - H1FY26 demand remained muted due to multiple headwinds such as heavy monsoon, airline accident, geopolitical disruptions.
    - Festive season such as Diwali, Dasherra and Chhat Puja was in Oct,25 vs spread over between Oct-Nov,24. This has led to muted business performance in Oct,25. The first half of November has been promising and has offset the October decline.
    - The management has guided for a strong medium to long term outlook aided by various structural tailwinds.
        i. Airline industry doubling their capacity over the next 5 years.
        ii. Airports are expected to increase from 140 to 260.
        iii. Corporate travel continues to witness momentum and with deeper penetration into Tier 2 and 3 cities.
- Renovation of existing portfolio to improve room rental
    - The company has completed the renovation for 3000 rooms for Rs.300cr which was largely opex. The remaining 1600 rooms are expected to be completed in FY27 with an estimated spend of ~Rs.160cr.
    - The management expects all the renovation to be completed by end of calendar year 2026.
    - Renovated assets are showing sharp improvement. The fully renovated Keys Hotel, Pune has witnessed 47% YoY growth in RevPAR in Q2FY26.
    - Upgraded hotels in Delhi, Bengaluru, Hyderabad are expected to show improvement from Q3FY26. The major driver here is the company would be able to take hike in ARRs as these are newly renovated. Higher ARRs aided by stable or incremental occupancy can lead to strong RevPAR growth for the company.
    - Performance in Gurugram was subdued due to large room closures and noise disruptions leading to lower occupancy and ARRs. Weak IT-sector demand also impacted the performance.

- **Margin impact and Outlook**
    - Margins were impacted in Q2FY26 due to investments in renovations, tech investments and 1- time ex-gratia (Rs.20cr impact) to employees. These formed 8% of the revenues. The management expects post the renovation cycle, the expenses should taper down to 5% of the revenues in near term. In FY27, the management targets this cost to be at 2% by FY28. This will help in improvement of EBITDA margins in the coming years
    - The renovated rooms are expected to command higher pricing and better occupancies. This can lead to improvement in margins as it will provide better leverage.
    - The management expects the upcoming premium properties such as Aurika, Nehru Place, Shimla and Shillong coupled with further ramp up of ARR in Aurika, Mumbai to aid better mix and improvement in margins.
    - Overall, EBIDTA margins for FY26 are expected to flat YoY. This is due to sustenance of the renovation and other tech related investments. As these investments taper down, the management expects margins to improve further in FY27-28. It expects EBITDA margins north of 59% by FY28.
- **Revenue and Operating Metrics outlook**
    - The management expects Q3FY26 to be strong driven better ARRs from renovated and re-branded properties. Further, it has guided for a mid-teen RevPAR growth for Q3FY26.
    - Aurika, Mumbai is expected to be key revenue driver for the company. The ARR is expected to improve from Rs.8800 in Q2FY26 to Rs.9500/- in Q3FY26 and further is expected to scale to over Rs.10,000/- in Q4FY26. The management expects ARR to be north of Rs.12000 in the medium to long term.
    - RevPAR growth is expected to accelerate from FY27 onwards on consolidated basis due to completion of renovations, supply constraints across key metros. This is expected to aid pricing power for the company thereby helping to drive superior revenues.
- Aurika brand is expected to scale up in performance led by Mumbai and upcoming additions
    - Q2 occupancy improved YoY basis despite muted demand conditions. This was due to rising mix of retail and corporate demand.
    - The business mix continues to improve. Corporate rooms are now stabilising at 130-140 rooms. Airline business has increased to 150 rooms vs 95 rooms last year and Retail business has more than doubled from 80 to 180 rooms.
    - Negotiated business rates are sub-8500 while retail rates are north of Rs.10,000. Hence improvement in the retail business will be key for the company's further growth.
    - Q2 MICE rooms also doubled from 19 last year to 41 in Q2FY26. With strong momentum witnessed in a seasonally weak quarter, the management expects stronger momentum in Q3 and Q4FY26.
    - The Aurika, Nehru Place Delhi will be a 550-room hotel and will be under Fleur Hotels. The IRR is expected to be north of 15% with lease fees of Rs.24cr/year and annual escalation clause of 5%. The hotel is expected to deliver an EBITDA of Rs.150cr post maturity.
    - The management believes ARRs for the New Delhi property to be north of Rs.12500 on stabilisation comparable to other premium and luxury properties in Delhi.

- Aurika will remain selective and ROIC-driven and not a general premiumisation push. The deployment of Aurika will be selective and restricted to Delhi, Mumbai, airport hubs and other key metros.

- **GST impact on operations**
  - 50% of the revenue was generated through <Rs.7,500/- ARR. The GST change led to 3-3.5% increase in cost for the company due to loss of input credit.
  - The uplift of ARR is expected to set off the GST impact in Q3FY26 and Q4FY26 bring the impact down to 2%. The change in mix will further help in offsetting the cost ahead.

Revision in earnings estimates

We have reduced our earning estimates for FY26 by ~4% to factor in lower than expected EBIDTA margins, while we have broadly maintained it for FY27.

Exhibit 2: Changes in headline estimates

(₹ crore)	FY26E			FY27E		
	Old	New	% Chg	Old	New	% Chg
Net Revenues	1490.3	1465.8	-1.6	1715.0	1695.5	-1.1
EBIDTA	742.2	725.2	-2.3	865.8	858.3	-0.9
EBIDTA margin (%)	49.8	49.5		50.5	50.6	
PAT	317.0	305.7	-3.6	430.6	425.5	-1.2
EPS (Rs.)	4.0	3.9	-3.6	5.4	5.4	-1.2

Source: Company, ICICI Direct Research

Exhibit 3: Key Operating Assumptions

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Aurika Hotels -revenues (Rs. Cr)	97.2	184.9	230.7	256.7	282.1
Rooms	808.0	808.0	899.0	899.0	973.0
Occupancy ratio (%)	51	63	76	76	72
ARR (Rs)	10693	9894	10262	11119	12016
Lemon Tree Premier - revenues (Rs. Cr	320.2	346.3	375.0	406.4	436.0
Rooms	1603.0	1603.0	1603.0	11119.1	12016.4
Occupancy ratio (%)	79	81	81	82	82
ARR (Rs)	6929	7342	7911	8486	9103
Room revenues	827.6	973.3	1071.9	1177.9	1272.2
yoy% growth	20.0	17.6	10.1	9.9	8.0
Management fees	121.9	149.0	205.5	300.9	396.2
yoy% growth	18.3	22.3	37.9	46.4	31.7
F&B revenues	120.8	163.7	188.4	216.7	249.2
yoy% growth	46.6	35.5	15.1	15.0	15.0
Total revenues	1070.3	1286.1	1465.8	1695.5	1917.6
yoy% growth	22.3	20.2	14.0	15.7	13.1

Source: Company, ICICI Direct Research

Exhibit 4: Fair Valuation

Particulars	FY27E
Lemon Tree Consolidated EBIDTA	858
Adjusting EBIDTA - Fleur APG (41% stake)	198
Adjusted EBITDA (Rs. Cr)	660
EV/EBIDTA (x)	24
Enterprise value (Rs. Cr)	15,846
Adjusted Debt (Rs. Cr)	1,692
Cash & Cash equivalent	81
Equity Value (Rs. Cr.)	**14,234**
Equity shares (in Cr.)	**79**
Target price (Rs.)	**185**

Source: Company, ICICI Direct Research

Exhibit 5: Q2FY26 consolidated result overview (₹ crore)

Particulars	Q2FY26	Q2FY25	y-o-y %	Q1FY26	q-o-q %
Net revenue	306.3	284.4	7.7	315.8	-3.0
Cost of food and beverages consumed	20.0	17.2	16.8	19.8	1.3
Employee cost	58.5	54.3	7.8	58.0	0.9
Power & fuel	22.6	22.8	-0.9	21.9	3.0
Other expenditure	74.4	59.4	25.3	75.6	-1.5
Total expenditure	175.6	153.6	14.3	175.3	0.2
EBITDA	130.7	130.7	0.0	140.5	-7.0
Other income	1.7	0.5	262.9	1.6	5.0
Interest expenses	42.3	51.3	-17.6	44.7	-5.3
Depreciation	34.3	34.8	-1.3	34.2	0.3
Profit Before Tax	55.8	45.1	23.7	63.3	-11.8
Tax	13.9	10.2	35.9	14.8	-5.9
Adjusted PAT	41.9	34.9	20.2	48.5	-13.5
Reported PAT	41.9	35.0	19.7	48.1	-12.8
Adjusted EPS (Rs.)	0.5	0.4	20.2	0.6	-13.5
Margins	Q2FY26	Q2FY25	bps	Q1FY26	bps
GPM (%)	93.5	94.0	-51	93.7	-28
EBITDA Margin (%)	42.7	46.0	-330	44.5	-181
NPM (%)	13.7	12.3	142	15.4	-167
Tax rate (%)	24.9	22.7	222	23.3	156

Source: Company, ICICI Direct Research

Exhibit 6: Q1FY26 brand wise performance

Brands	No. of rooms	RevPAR (Rs.)			Occupancy (%)			Gross ARR (Rs.)		
	Q2FY26	Q2FY26	Q2FY25	Chg (%)	Q2FY26	Q2FY25	Chg (bps)	Q2FY26	Q2FY25	Chg (%)
Aurika Hotels & Resorts	808.0	6248	4726	32.2	71	50	2100.0	8806	9491	-7.2
Lemon Tree Premier	1603.0	5696	5366	6.1	80	79	100.0	7142	6802	5.0
Lemon Tree Hotels	1562.0	3840	3985	-3.6	67	73	-600.0	5695	5425	5.0
Red Fox	850.0	3130	3126	0.1	65	70	-500.0	4824	4458	8.2
Keys by Lemon Tree Hotels	936.0	2416	2071	16.7	60	56	400.0	4031	3677	9.6
Lemon Tree Consolidated	5759.0	4358	4035	8.0	70	68	140.0	6247	5902	5.8

Source: Company, ICICI Direct Research

Financial summary

Exhibit 7: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Total Operating Income	**1071.1**	**1286.1**	**1465.8**	**1695.5**	**1917.6**
Growth (%)	22.4	20.1	14.0	15.7	13.1
Cost of food and beverages consumed	62.8	76.2	80.6	93.3	105.5
Gross Profit	1008.3	1209.9	1385.2	1602.3	1812.1
Employee Expenses	187.8	218.5	251.3	288.9	332.3
Power & fuel	78.0	87.8	90.4	98.6	107.4
Other Expenditure	219.3	269.5	318.3	356.5	388.6
Total Operating Expenditure	547.9	652.0	740.6	837.3	933.8
EBITDA	**523.2**	**634.1**	**725.2**	**858.3**	**983.8**
Growth (%)	16.9	21.2	14.4	18.3	14.6
Interest	201.6	200.7	173.5	140.5	107.5
Depreciation	112.1	139.3	145.5	150.8	158.8
Other Income	5.6	2.3	5.2	5.7	6.3
PBT	**215.1**	**296.5**	**411.4**	**572.7**	**723.9**
Less Tax	34.1	53.1	105.7	147.2	186.0
Adjusted PAT (before exceptional item)	**181.0**	**243.4**	**305.7**	**425.5**	**537.8**
Growth (%)	29.6	34.5	25.6	39.2	26.4
Minority interest / profit from associates	0.7	-0.3	1.0	1.0	1.0
Exceptional item	0.0	0.0	0.0	0.0	0.0
Reported PAT	**181.7**	**243.1**	**306.7**	**426.5**	**538.8**
Growth (%)	29.3	33.8	26.1	39.1	26.3
EPS (Adjusted)	**2.3**	**3.1**	**3.9**	**5.4**	**6.8**

Source: Company, ICICI Direct Research

Exhibit 8: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit/(Loss) after taxation	175.4	241.1	300.5	419.8	531.5
Add: Depreciation & Amortization	112.1	139.3	145.5	150.8	158.8
Other income	5.6	2.3	5.2	5.7	6.3
Changes in the working capital	-29.5	-67.7	92.9	11.4	11.2
CF from Operating activities	**263.6**	**315.0**	**544.1**	**587.7**	**707.8**
(Purchase)/Sale of Fixed Assets	-339.2	-87.5	-210.0	-210.0	-210.0
Investments & Bank balances	-24.1	-36.4	-85.2	-45.0	-150.0
Others	-3.7	-11.7	0.0	0.0	0.0
CF from Investing activities	**-367.1**	**-135.6**	**-295.2**	**-255.0**	**-360.0**
(inc)/Dec in Loan	159.0	-159.6	-286.7	-286.3	-285.9
Change in equity & reserves	-67.8	-46.8	1.0	1.0	1.0
Dividend paid	0.0	0.0	0.0	0.0	0.0
Other	22.3	48.7	-1.0	-1.0	-1.0
CF from Financing activities	**113.4**	**-157.7**	**-286.7**	**-286.3**	**-285.9**
Net Cash Flow	10.0	21.8	-37.7	46.4	61.9
Cash and Cash Equivalent (opening)	**23.7**	**33.6**	**55.4**	**17.7**	**64.1**
Cash	**33.6**	**55.4**	**17.7**	**64.1**	**126.0**
Free Cash Flow	**-75.6**	**227.6**	**334.1**	**377.7**	**497.8**

Source: Company, ICICI Direct Research

Exhibit 9: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Equity Capital	791.8	791.8	791.8	791.8	791.8
Reserve and Surplus	175.0	371.7	678.4	1104.9	1643.7
Total Shareholders funds	966.9	1163.5	1470.2	1896.7	2435.6
Minority Interest	579.5	626.1	625.1	624.1	623.1
Total Debt	2335.8	2176.0	1889.3	1603.0	1317.1
Deferred Tax Liability	5.3	7.2	7.2	7.2	7.2
Long-Term Provisions	3.2	3.4	3.4	3.4	3.4
Total Liabilities	3890.8	3976.2	3995.2	4134.4	4386.3
Gross Block - Fixed Assets	3706.9	3794.6	3863.1	4073.1	4283.1
Accumulated Depreciation	590.9	730.2	875.7	1026.4	1185.2
Net Block	3116.0	3064.4	2987.5	3046.7	3097.9
Capital WIP	24.8	58.6	200.0	200.0	200.0
Leased Assets	390.7	365.1	365.1	365.1	365.1
Fixed Assets	3531.5	3488.0	3552.5	3611.8	3663.0
Goodwill & Other intangible assets	135.1	126.8	126.8	126.8	126.8
Investments	13.3	44.6	45.0	50.0	50.0
Other non-Current Assets	155.7	167.4	167.4	167.4	167.4
Inventory	13.8	13.8	20.1	23.2	26.3
Debtors	71.5	78.6	100.4	116.1	131.3
Other Current Assets	55.0	80.7	80.7	80.7	80.7
Loans & Advances	3.3	1.2	1.2	1.2	1.2
Cash	33.6	55.4	17.7	64.1	126.0
Bank balance	20.1	25.3	110.0	150.0	300.0
Total Current Assets	197.4	255.0	330.1	435.4	665.5
Creditors	85.9	61.6	180.7	209.0	236.4
Provisions	6.0	6.4	6.4	6.4	6.4
Other Current Liabilities	50.4	37.3	39.1	41.1	43.2
Total Current Liabilities	142.3	105.3	226.3	256.6	286.0
Net Current Assets	55.2	149.7	103.8	178.8	379.5
Application of Funds	3890.8	3976.5	3995.5	4134.7	4386.6

Source: Company, ICICI Direct Research

Exhibit 10: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Per share data (₹)					
Adjusted EPS	2.3	3.1	3.9	5.4	6.8
Cash EPS	3.7	4.8	5.7	7.3	8.8
BV per share	12.2	14.7	18.6	24.0	30.8
Cash per Share	0.8	1.6	2.2	3.3	6.0
Operating Ratios (%)					
Gross Profit Margins	94.1	94.1	94.5	94.5	94.5
Operating EBIDTA margins (%)	48.8	49.3	49.5	50.6	51.3
PAT Margins	16.9	18.9	20.9	25.1	28.0
Cash Conversion Cycle	-40	-13	-15	-15	-15
Return Ratios (%)					
RoE	19.9	22.9	23.2	25.3	24.8
RoCE	11.1	12.6	14.7	17.5	19.5
Valuation Ratios (x)					
P/E	69.9	52.0	41.4	29.7	23.5
EV / EBITDA	28.5	23.2	19.8	16.4	13.9
EV / Net Sales	13.9	11.4	9.8	8.3	7.1
Market Cap / Sales	11.8	9.9	8.6	7.5	6.6
Price to Book Value	13.1	10.9	8.6	6.7	5.2
Solvency Ratios (x)					
Debt / EBITDA	4.5	3.4	2.6	1.9	1.3
Debt / Equity	2.4	1.9	1.3	0.8	0.5

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Kaustubh Pawaskar, PGDBA (Finance), Abhishek Shankar, PGDM-RM, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report