

June 3, 2024

Q4FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	155		153	
Sales (Rs. m)	13,337	14,874	13,170	14,653
% Chng.	1.3	1.5		
EBITDA (Rs. m)	6,868	7,888	6,760	7,753
% Chng.	1.6	1.7		
EPS (Rs.)	3.0	3.9	2.9	3.8
% Chng.	2.8	3.6		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	8,750	10,711	13,337	14,874
EBITDA (Rs. m)	4,476	5,232	6,868	7,888
Margin (%)	51.2	48.8	51.5	53.0
PAT (Rs. m)	1,146	1,485	2,351	3,080
EPS (Rs.)	1.4	1.9	3.0	3.9
Gr. (%)	(230.9)	29.6	58.4	31.0
DPS (Rs.)	-	-	0.1	0.4
Yield (%)	-	-	0.1	0.3
RoE (%)	13.6	16.3	21.8	23.2
RoCE (%)	13.7	15.1	19.6	23.4
EV/Sales (x)	14.7	12.1	9.3	8.1
EV/EBITDA (x)	28.7	24.7	18.1	15.2
PE (x)	97.0	74.9	47.3	36.1
P/BV (x)	13.0	11.5	9.3	7.6

Key Data LEMO.BO | LEMONTRE IN

52-W High / Low	Rs.158 / Rs.90	
Sensex / Nifty	76,469 / 23,264	
Market Cap	Rs.111bn/ \$ 1,338m	
Shares Outstanding	792m	
3M Avg. Daily Value	Rs.616.93m	

Shareholding Pattern (%)

Promoter's	22.88
Foreign	27.09
Domestic Institution	15.35
Public & Others	34.68
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(9.4)	24.2	51.5
Relative	(12.5)	9.6	23.9

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Lemon Tree Hotels (LEMONTRE IN)

Rating: BUY | CMP: Rs140 | TP: Rs155

Decent operating performance

Quick Pointers:

- EBITDA margin at 52.4%, despite the ongoing renovation exercise
- Debt reduction journey to begin from FY25E

Lemon Tree's (LTHL) operational performance was better than estimates with EBITDA margin of 52.4% (PLe 49.7%), despite higher renovation expense and deflationary impact of Aurika, Mumbai, which opened in Oct-23, but is not yet stable. Nonetheless, Aurika's 4QFY24 KPIs are encouraging with occupancy of ~66% and ARR of Rs9,000, and we expect revenues of Rs2.4bn/Rs2.8bn and EBITDA margin of 55%/60% in FY25E/FY26E, respectively. Backed by the opening of Aurika, Mumbai, and expansion in managed room portfolio, we expect revenue/EBITDA CAGR of 18%/23% over FY24-FY26E. We broadly maintain our estimates and retain 'BUY' on the stock with a revised TP of Rs155 (earlier Rs153) valuing it at an EV/EBITDA multiple of 23x (no change in target multiple).

Revenue increased 29.5%: Revenue increased 29.5% YoY to Rs3,273mn (PLe Rs3,207mn). ARR increased 13.4% YoY to Rs6,605, RevPar grew 10.9% YoY to Rs4,754, while occupancy stood at 72%. Revenue from management contracts increased 34% YoY to Rs144mn.

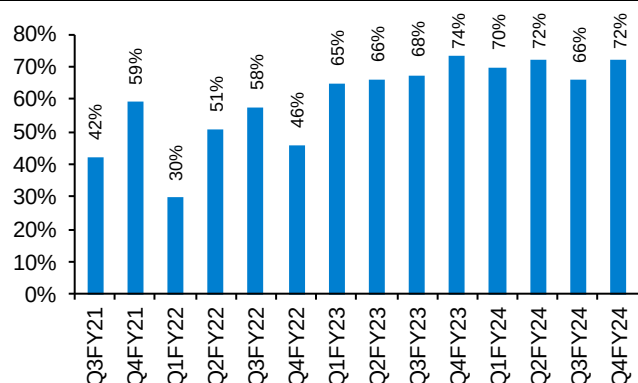
EBITDA increased 22.6%: EBITDA increased 22.6% YoY to Rs1,715mn (PLe Rs1,595mn) with a margin of 52.4% (PLe 49.7%) as compared to 55.4% in 4QFY23. Higher renovation expenses, expansion of business development team and inflationary impact on payroll expenses led to contraction in margins. PAT after MI increased 52.3% YoY to Rs670mn (PLe Rs539mn) with a margin of 20.5% (PLe 16.8%) as against 17.4% in 4QFY23. Tax write-back of Rs137mn aided the bottom-line.

Con-call highlights: **1)** Aurika, Mumbai, reported ~66% occupancy with an ARR of ~Rs9,000 in 4QFY24. **2)** Post renovation, the aim is to generate an EBITDA of ~Rs600mn per year from the Keys portfolio. **3)** Same-store ARR growth (excluding Aurika, Mumbai) was 8% in 4QFY24. **4)** Debt reduction will commence from FY25E, and LTHL will be debt free in 4 years. **5)** ~75% of the total debt of LTHL resides in Fleur. **6)** The drop in occupancy at Bengaluru is directly linked to the substantial decrease in hiring by tech companies. **7)** ARR for the renovated Keys portfolio is likely to re-align with Red Fox over a period of time. **8)** Renovation expense stood at 2.0% of sales in 4QFY24 (0.6% in 4QFY23). **9)** Renovation expense is pegged at Rs1,000mn for each year (~2/3rd will be opex and ~1/3rd will be capex) in FY25E and FY26E. **10)** 100/30-40/80-90 rooms in Whitefield, Bengaluru /Electronic City, Bengaluru/Hyderabad, respectively, were closed for renovation. **11)** Debt increased by Rs1,433mn in FY24 owing to pending obligations relating to Aurika, Mumbai.

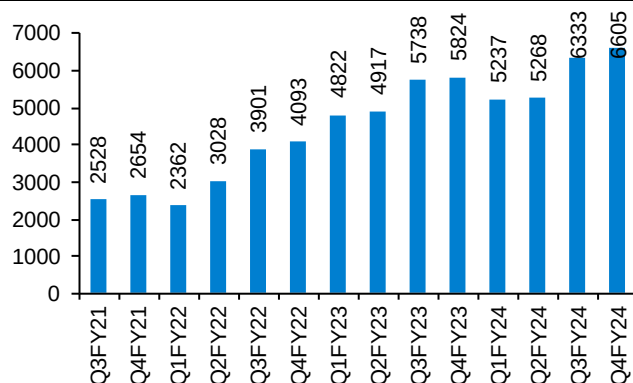
Exhibit 1: 4QFY24 Result Overview – Consolidated (Rs mn)

Y/e March	4QFY24	4QFY23	YoY gr.	3QFY24	QoQ gr.	FY24	FY23	YoY gr.
Net sales	3,273	2,527	29.5%	2,887	13.4%	10,711	8,750	22.4%
Cost of F&B consumed	205	129	59.3%	166	23.4%	628	499	25.8%
<i>As a % of sales</i>	<i>6.3%</i>	<i>5.1%</i>		<i>5.8%</i>		<i>5.9%</i>	<i>5.7%</i>	
Employee Cost	499	410	21.7%	490	1.8%	1,878	1,497	25.4%
<i>As a % of sales</i>	<i>15.2%</i>	<i>16.2%</i>		<i>17.0%</i>		<i>17.5%</i>	<i>17.1%</i>	
Power Oil and Fuel	197	160	23.5%	199	-1.1%	780	687	13.6%
<i>As a % of sales</i>	<i>6.0%</i>	<i>6.3%</i>		<i>6.9%</i>		<i>7.3%</i>	<i>7.9%</i>	
Other Expenses	657	430	53.0%	634	3.7%	2,193	1,591	37.9%
<i>As a % of sales</i>	<i>20.1%</i>	<i>17.0%</i>		<i>22.0%</i>		<i>20.5%</i>	<i>18.2%</i>	
EBITDA	1,715	1,399	22.6%	1,397	22.7%	5,232	4,476	16.9%
<i>EBITDA margin</i>	<i>52.4%</i>	<i>55.4%</i>		<i>48.4%</i>		<i>48.8%</i>	<i>51.2%</i>	
Depreciation	334	235	42.0%	333	0.2%	1,121	966	16.1%
EBIT	1,381	1,164	18.7%	1,064	29.8%	4,111	3,510	17.1%
<i>EBIT margin</i>	<i>42.2%</i>	<i>46.0%</i>		<i>36.9%</i>		<i>38.4%</i>	<i>40.1%</i>	
Interest cost	528	452	16.8%	534	-1.2%	2,016	1,772	13.8%
Other income	39	20	88.6%	22	77.4%	56	36	57.7%
PBT	892	732	21.8%	552	61.6%	2,151	1,774	21.3%
Exceptional items/Share of JVs	-2	1	NM	3	NM	7	9	-19.4%
PBT (ater exceptional items/ Share of JVs)	890	734	21.4%	555	60.3%	2,158	1,782	21.1%
Tax expenses	50	143	-64.9%	118	-57.2%	341	377	-9.5%
<i>Tax rate</i>	<i>5.7%</i>	<i>19.6%</i>		<i>21.2%</i>		<i>15.8%</i>	<i>21.2%</i>	
PAT	840	590	42.3%	438	91.8%	1,817	1,405	29.3%
<i>PAT margin</i>	<i>25.7%</i>	<i>23.4%</i>		<i>15.2%</i>		<i>17.0%</i>	<i>16.1%</i>	
Noncontrolling interest	170	150	13.1%	84	102.8%	332	260	27.9%
Other comprehensive income (OCI)	(5)	(1)	NM	1	NM	(4)	2	NM
PAT inclusive of OCI	835	589	41.8%	438	90.4%	1,813	1,407	28.9%
EPS (Rs)	0.9	0.6	53.0%	0.5	88.9%	1.9	1.5	29.7%

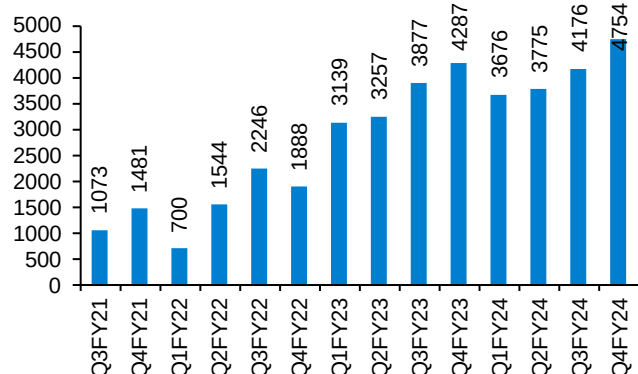
Source: Company, PL

Exhibit 2: Occupancy levels at 72% for 4QFY24


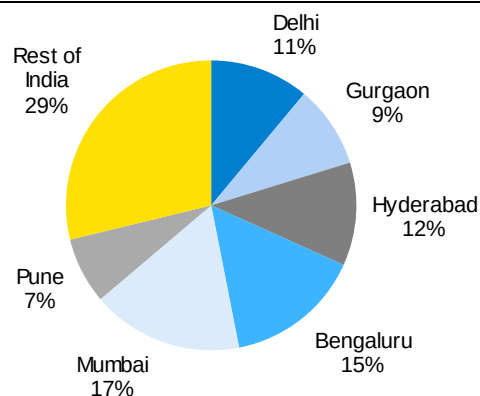
Source: Company, PL

Exhibit 3: ARR stood at Rs6,605 in 4QFY24 (In Rs)


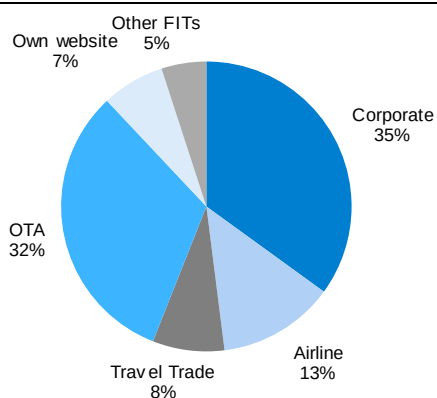
Source: Company, PL

Exhibit 4: RevPAR for 4QFY24 was at Rs4,754 (In Rs)


Source: Company, PL

Exhibit 5: Bengaluru forms 15% of LTHL's room portfolio


Source: Company, PL

Exhibit 6: Market segment breakdown for 4QFY24


Source: Company, PL

Exhibit 7: Operational & pipeline portfolio breakup as of 4QFY24

Particulars	Operational rooms	Pipeline rooms
Aurika Hotels & Resorts	863	242
Lemon Tree Premier	2,514	479
Lemon Tree Hotels	3,755	2,686
Red Fox by Lemon Tree Hotels	1,290	50
Keys Prima by Lemon Tree Hotels	42	55
Keys Select by Lemon Tree Hotels	1,271	296
Keys Lite by Lemon Tree Hotels	128	348
Total	9,863	4,156

Source: Company, PL

Exhibit 8: SOTP Valuation

(Rs mn)	FY26E
LT standalone EV	60,936
Fleur's stake adjusted EV	71,089
Total EV	1,32,025
Less: Debt	13,141
Add: Cash	4,106
Equity value	1,22,990
No of shares	792
SOTP per share (Rs)	155

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	8,750	10,711	13,337	14,874
YoY gr. (%)	117.5	22.4	24.5	11.5
Cost of Goods Sold	499	628	740	816
Gross Profit	8,251	10,083	12,597	14,058
Margin (%)	94.3	94.1	94.5	94.5
Employee Cost	1,497	1,878	2,079	2,209
Other Expenses	2,278	2,973	3,651	3,961
EBITDA	4,476	5,232	6,868	7,888
YoY gr. (%)	277.2	16.9	31.3	14.9
Margin (%)	51.2	48.8	51.5	53.0
Depreciation and Amortization	966	1,121	1,338	1,364
EBIT	3,510	4,111	5,530	6,525
Margin (%)	40.1	38.4	41.5	43.9
Net Interest	1,772	2,016	1,657	1,354
Other Income	36	56	80	104
Profit Before Tax	1,774	2,151	3,952	5,275
Margin (%)	20.3	20.1	29.6	35.5
Total Tax	377	341	988	1,319
Effective tax rate (%)	21.3	15.9	25.0	25.0
Profit after tax	1,397	1,810	2,964	3,956
Minority interest	260	332	613	876
Share Profit from Associate	9	7	-	-
Adjusted PAT	1,146	1,485	2,351	3,080
YoY gr. (%)	(231.0)	29.6	58.4	31.0
Margin (%)	13.1	13.9	17.6	20.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,146	1,485	2,351	3,080
YoY gr. (%)	(231.0)	29.6	58.4	31.0
Margin (%)	13.1	13.9	17.6	20.7
Other Comprehensive Income	2	(4)	-	-
Total Comprehensive Income	1,147	1,481	2,351	3,080
Equity Shares O/s (m)	792	792	792	792
EPS (Rs)	1.4	1.9	3.0	3.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	36,128	44,088	44,628	45,468
Tangibles	35,822	43,350	43,820	44,590
Intangibles	306	738	808	878
Acc: Dep / Amortization	7,506	8,627	9,965	11,329
Tangibles	7,263	8,283	9,501	10,742
Intangibles	243	344	464	587
Net fixed assets	28,622	35,461	34,663	34,139
Tangibles	28,559	35,067	34,319	33,848
Intangibles	64	394	344	291
Capital Work In Progress	4,822	254	6	6
Goodwill	951	951	951	951
Non-Current Investments	859	936	1,133	1,257
Net Deferred tax assets	329	306	453	461
Other Non-Current Assets	344	317	467	565
Current Assets				
Investments	10	81	81	81
Inventories	105	138	172	192
Trade receivables	560	715	840	937
Cash & Bank Balance	275	537	2,816	4,166
Other Current Assets	375	550	547	610
Total Assets	37,323	40,330	42,249	43,499
Equity				
Equity Share Capital	7,916	7,918	7,918	7,918
Other Equity	621	1,750	3,984	6,756
Total Network	8,537	9,669	11,903	14,675
Non-Current Liabilities				
Long Term borrowings	15,174	16,767	14,267	11,767
Provisions	25	32	40	45
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,283	2,125	1,825	1,375
Trade payables	668	859	1,462	1,671
Other current liabilities	750	608	1,023	1,123
Total Equity & Liabilities	37,323	40,330	42,249	43,499

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	1,782	2,158	3,952	5,275
Add. Depreciation	966	1,121	1,338	1,364
Add. Interest	1,773	2,025	1,657	1,354
Less Financial Other Income	36	56	80	104
Add. Other	(63)	(77)	-	-
Op. profit before WC changes	4,459	5,228	6,948	7,992
Net Changes-WC	(403)	(218)	681	49
Direct tax	(207)	(360)	(988)	(1,319)
Net cash from Op. activities	3,849	4,650	6,029	5,846
Capital expenditures	(1,618)	(3,305)	(52)	(600)
Interest / Dividend Income	57	71	-	-
Others	(42)	(242)	(549)	(387)
Net Cash from Invt. activities	(2,832)	(3,965)	(636)	(995)
Issue of share cap. / premium	17	5	-	-
Debt changes	471	1,418	(2,800)	(2,950)
Dividend paid	-	-	(118)	(308)
Interest paid	(1,432)	(1,616)	(1,657)	(1,354)
Others	(379)	(392)	1,608	1,105
Net cash from Fin. activities	(1,323)	(585)	(2,967)	(3,507)
Net change in cash	(306)	100	2,426	1,344
Free Cash Flow	2,228	1,338	5,977	5,246

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	1.4	1.9	3.0	3.9
CEPS	2.7	3.3	4.7	5.6
BVPS	10.8	12.2	15.0	18.5
FCF	2.8	1.7	7.5	6.6
DPS	-	-	0.1	0.4
Return Ratio(%)				
RoCE	13.7	15.1	19.6	23.4
ROIC	12.0	13.0	16.3	18.1
RoE	13.6	16.3	21.8	23.2
Balance Sheet				
Net Debt : Equity (x)	2.0	1.9	1.1	0.6
Net Working Capital (Days)	0	0	(12)	(13)
Valuation(x)				
PER	97.0	74.9	47.3	36.1
P/B	13.0	11.5	9.3	7.6
P/CEPS	52.7	42.7	30.1	25.0
EV/EBITDA	28.7	24.7	18.1	15.2
EV/Sales	14.7	12.1	9.3	8.1
Dividend Yield (%)	-	-	0.1	0.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

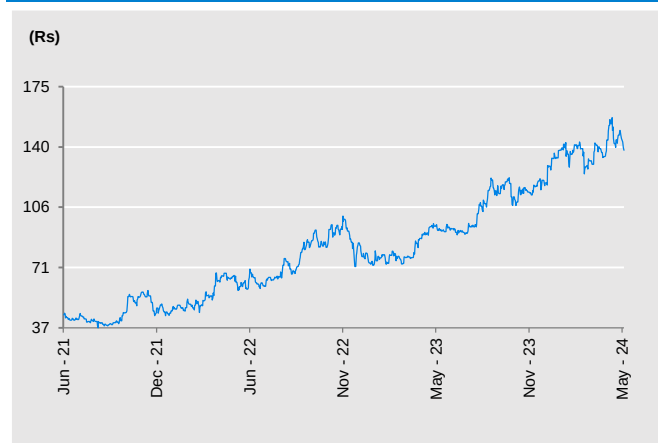
Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Revenue	2,223	2,272	2,887	3,330
YoY gr. (%)	15.7	15.5	23.6	31.8
Raw Material Expenses	317	323	366	402
Gross Profit	1,905	1,949	2,521	2,927
Margin (%)	85.7	85.8	87.3	87.9
EBITDA	1,045	1,019	1,397	1,771
YoY gr. (%)	19.3	8.8	10.5	26.6
Margin (%)	47.0	44.8	48.4	53.2
Depreciation / Depletion	228	226	333	334
EBIT	817	793	1,064	1,437
Margin (%)	36.8	34.9	36.9	43.2
Net Interest	481	473	534	528
Other Income	24	29	22	(18)
Profit before Tax	359	348	552	892
Margin (%)	16.2	15.3	19.1	26.8
Total Tax	87	86	118	137
Effective tax rate (%)	24.2	24.8	21.3	15.4
Profit after Tax	272	262	434	754
Minority interest	41	37	84	170
Share Profit from Associates	3	2	3	-
Adjusted PAT	235	226	354	584
YoY gr. (%)	69.4	35.1	(11.4)	32.9
Margin (%)	10.6	10.0	12.3	17.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	235	226	354	584
YoY gr. (%)	69.4	35.1	(11.4)	32.9
Margin (%)	10.6	10.0	12.3	17.5
Other Comprehensive Income	-	-	1	-
Total Comprehensive Income	235	227	355	584
Avg. Shares O/s (m)	792	792	792	-
EPS (Rs)	0.3	0.3	0.5	-

Source: Company Data, PL Research



Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Apr-24	BUY	153	141
2	08-Feb-24	BUY	155	138
3	05-Jan-24	BUY	141	130
4	11-Nov-23	BUY	140	113
5	09-Oct-23	BUY	140	119
6	07-Sep-23	BUY	140	109

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	830	789
2	Imagicaaworld Entertainment	BUY	111	78
3	Indian Railway Catering and Tourism Corporation	Reduce	811	1,025
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	Accumulate	4,667	4,257
6	Lemon Tree Hotels	BUY	153	141
7	Navneet Education	Accumulate	167	155
8	Nazara Technologies	BUY	806	698
9	PVR Inox	Accumulate	1,431	1,285
10	S Chand and Company	BUY	307	238
11	Safari Industries (India)	BUY	2,225	2,019
12	V.I.P. Industries	Hold	557	528
13	Zee Entertainment Enterprises	Hold	160	141

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

ANALYST CERTIFICATION

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