



June 05, 2025

**National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East)
Mumbai – 400 051**

**BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400 001**

Name of Scrip: LEMONTREE

BSE Scrip Code: 541233

Subject: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Ref: Outcome of Conference Call with Analysts/Institutional Investors

Dear Sir,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in continuation to the disclosure made on May 30, 2025 w.r.t the audio recording of the Investor Conference Call on Audited financial results for the quarter and year ended March 31, 2025 held on Friday, May 30, 2025 at 2:00 PM IST, please find enclosed herewith the transcript of the conference call with Investors/Analysts.

This is for your information and record.

**Thanking you
For Lemon Tree Hotels Limited**

**Pawan Kumar Kumawat
Company Secretary
& Compliance Officer
M. No: A25377**

Encl: a/a

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Lemon Tree Hotels Limited Q4 FY25 Earnings Conference Call Transcript May 30, 2025

Moderator: Ladies and gentlemen, good day, and welcome to Lemon Tree Hotels Limited Earnings Conference Call.

I would now like to hand the call over to Mr. Anoop Poojari of CDR India. Thank you and over to you.

Anoop Poojari: Thank you. Good afternoon, everyone and thank you for joining us on Lemon Tree Hotels Q4 and FY25 earnings conference call. We have with us, Mr. Patanjali Keswani, Chairman and Managing Director, Mr. Kapil Sharma, Chief Financial Officer, Mr. Sanjay Rai, Chief Revenue Officer, Mr. Mayank Sharma, CFO, Fleur Hotels, Mr. Prashant Malhotra, Chief Operating Officer and Mr. Niket Sood, Vice President, Commercial Strategy of the company.

We would like to begin the call by opening remarks from the Management following which we will have the forum open for an interactive question and answer session. Before we start, I would like to point out that some statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier.

I would now request Mr. Keswani to make his opening remarks.

Patanjali Keswani: Thank you, Anoop. Good afternoon, everyone and thank you for joining us on this call. I will be covering the business highlights and the financial performance for Q4 and for the full year FY25, post which we will open the forum for your questions and suggestions.

In Q4 this year Lemon Tree recorded its highest ever 4th Quarter revenue at Rs. 379.4 crore. Our revenue grew 15% compared to Q4 last year while net EBITDA grew 17% YoY to 205 crore, translating into a net EBITDA margin of 54% which increased 109 bps YoY. Q4 FY25 recorded a Gross Average Room Rate of Rs. 7,042 which increased by 7% YoY. The occupancy for the quarter stood at 77.6%, which increased 557 bps YoY. This is translated into a RevPAR of Rs. 5,462 which increased 15% YoY. The total revenue for the year stood at Rs. 1,288 crore which was an increase of 20% over FY24 and the EBITDA stood at Rs. 637 crore for the full year, which also increased by 20% over FY24.

Fees from management and franchise contracts for third-party owned hotels stood at Rs. 16 crore in Q4, an increase of 11% YoY. Fees from Fleur Hotels stood at Rs. 28.3 crore in Q4 FY25, an increase of 19% YoY. Total management fees for Lemon Tree stood at Rs. 44.4 crore in Q4, an increase of 16% over YoY and 149 crore for the full year, an increase of 22% over FY24.

The company's profit after tax stood at Rs. 108.1 crore in Q4 FY25 an increase of 29% YoY. Cash profit for the company stood at Rs. 143 crore in Q4 FY25, an increase of 22% YoY. Total cash profit generated by the company during FY25 was Rs. 382.4 crore, an increase of 30% over FY24. The debt to the company decreased by about Rs. 190 crore during the year from Rs. 1,889 crore in FY24 to Rs. 1,699 crore this year. Debt to EBITDA ratio in FY25 for the company stood at 2.67x, which is a 25% reduction over 3.57x in FY24.

On the asset light side in Q4 we signed 15 new management and franchise contracts adding 833 new rooms to our pipeline and operationalized 2 hotels adding 121 rooms to our operational portfolio.

As of 31st March, this year, the total inventory for the group stands at 212 hotels and 17,116 rooms divided into 10,269 rooms and 111 hotels being operational and the rest in pipeline.

Going forward, we are confident in the Company's ability to meet the objectives set forth in our 5-year plan ending CY28.

- As of the 31st March 2025, the current total inventory for Lemon Tree stands at 85% of the 5 year target. In fact, we are also confident that we will add at least 3,000 rooms to our pipeline this financial year, taking the total inventory this year above the 20,000 numbers, i.e., 3 years in advance of CY28
- EBITDA margin for FY25 stood at 49.4% which is ~60 bps less than the stable EBITDA margin of 50% highlighted in the 5-year plan. Renovation expenses stood at 2.7% of revenue in FY25, an increase of 30 bps over FY24. This increased investment and renovation expenses will continue into this year and a much lesser amount in FY27, so that the entire portfolio of owned hotels has been fully renovated and refreshed. Post which renovation expenses will close at 1.2%-1.3% of revenue on an ongoing basis which will help stabilize EBITDA margin over 50%
- We recently also relaunched our loyalty program, Infinity 2.0 along with technology upgrades to our website. With this we should start seeing an uptick in the retail demand share which stood at 45% in FY25 to achieve the target of 66% by CY28

With this I will come to the end of my opening remarks and would ask the moderator to open the forum for any questions you may have.

Moderator: Thank you. Ladies and gentlemen, we will start with the question-and-answer session. The first question is from the line of Sameet Sinha from Macquarie.

Sameet Sinha: Thank you. First question about Aurika Mumbai. Can you talk about the developments there? Seems like the ARR, at least the retail ARR or retail pricing continues to stay below about Rs. 7,000 as you have seen in our spot check. So where do we stand there? What gives you confidence that you will be able to bring it back up to Rs. 11,000 – Rs. 12,000 range and do we need to wait for seasonally strong period of the year? And if you can talk about within the same context, what's the gating factor and a couple of other examples of maybe other brands that have succeeded in that kind of price range. Thank you and then I will come back for a follow up.

Patanjali Keswani: Okay. Sameer, let's start with retail pricing. Retail pricing varies from bottom to top by 250%. What do you see today, is Rs. 6,000 and in winter on a Tuesday it will be Rs. 20,000. When we talk ARR, we do not talk ARR of a date, we talk about ARR for the year. And typically, retail ARR in high season which is H2 is 1.2x, maybe even 1.3x of H1 because in H1 you are driving occupancy, in H2 you are driving rate. If

you do a retail spot check 6 months from now you will have a very different number and then the possible question will be why is your ARR so low and your retail rate so high? So, what is the business? Our business is roughly 55%, what is called negotiated business and 45% which is non negotiated or what we would broadly call retail, which is fundamentally business direct to customer or through an intermediary. And the negotiated business is normally with an intermediary like a corporate and so on. How did we do? Well, Aurika, as you know, is the largest inventory hotel in India. So, for the first year, year and a half, our focus has been to fill the hotel. Typically, once you fill the hotel and there is enough demand generated and awareness of the hotel, both in retail and in negotiated, then you start repricing once you have the base of demand. Aurika was on that path, if I look at Aurika in Q4 it did over 80% occupancy versus 65% odd in the similar period last year. So, we effectively increased the occupancy. Actually, as an exact number, we increased it by 18.2% of inventory and for the full year therefore Aurika last year did 63% v/s 53% in its first year of operation. Now we are at a point when we will start looking at price rise. You cannot really increase your price if you are doing subpar occupancy. So, I hope that's answered the first question.

We are pretty confident that Aurika's ARR will hit. I mean if you look this winter it will nearly certainly be over Rs. 11,000 - Rs. 12,000 and then that becomes the run rate. What is it going Forward? Well, in Q4 alone Aurika gave a return of I think an EBITDA of about Rs. 42 crore at about 67% EBITDA margin. And considering that we invested finally about Rs. 880 crore in that hotel, I think it got nearly 5% return in 1 quarter, 1.5 years after opening, I think is a very satisfactory outcome.

Sameet Sinha:

Got it, thank you. Second, if you can talk about the retail share that you have spoken about, what gets you from 45% to 65%, what all do you need to do along the way apart from the program that you just spoke about, additional steps from here on to get it there and what sort of efficiencies, how does it reflect in your income statement if that were to happen?

Patanjali Keswani:

See, retail is a function of underlying demand of what you would fundamentally call individual travelers. When you have, when we look at a business, here's how at least Lemon Tree looks at business. We look at fundamentally trends to decide strategy and after that what we are very focused on is basically the execution and the cost. We really are very focused on frugality. So, the trend line is quite clear. India is at a kind of an inflection point, I think the number of customers who will start using mid-market hotels, which typically starts at Rs. 36 lakhs per household, which was on the total base of 330 odd million households in India, was a very small number, is poised for a big increase. Now this big increase is based on a very small base. So, when that starts happening, as has happened in every other country in the world, that is moving from lower income towards middle income, the discretionary consumption of items becomes non-discretionary. And hotels is in the, I would say the 70 percentile. Which means after a bunch of other discretionary items like athletic wear, footwear, all these become non-discretionary. Then hotels and travel come in.

Retail naturally will pick up for all hotels in India in the next 5-6 years. So that's a given. Now we need to capture our fair share of it and that is why when I gave these opening comments of mine, I specifically spoke about the loyalty program, the relaunch of it and the juicing of it. So let me give you an interesting number. The largest hotel chain in the world is Marriott. It has 210 million, last I saw, 210 million loyalty members and 2.1 million rooms. So, here is a rule of thumb. For every room they have 100 loyalty members. On an average, loyalty members I would say should give them a few room nights a year. So here is the second proxy or second statistic. I think two-thirds of Marriott's demand comes from its loyalty program and mostly through its own website. They have no cost of sales through their own website. Let's take Lemon Tree. Lemon Tree has about 1.5 million members and it has 11,000 rooms. We think in another 3 years we will be operating 20,000 rooms or maybe 4

years. We have 2 million members by say in the next few months we will have also 100 members per room. But we do not juice them the way we should. Firstly, our loyalty membership generates only 25%-30% of the business, not 65% as in Marriott and I think this is even more important for us as they come through more through OTAs than through our own website. The advantage of this loyalty program Infinity 2 will be that we will be able to capture more through the cheaper direct channels, using loyalty and our upgraded websites. Let's combine it, we think there are going to be tailwinds, this is the inflection point. We think we are going to significantly improve our own offerings and the rewards we offer to members and as a combination I am reasonably sure that we will achieve this two-thirds target of our customers as retail in the next 3 odd years.

Moderator: Thank you. The next question comes from the line of Archana Gude from IDBI Capital. Please go ahead.

Archana Gude: Hi sir. Thank you for the opportunity. Very well-explained that loyalty program thing. Maybe one small follow up on that. Now considering the healthy RevPAR growth to continue and this increase in management fees and renovation cost behind us by FY28, is it fair to assume that the full year EBITDA margin would be at least 200-300 bps higher than our current EBITDA margin for let's say FY28. What would be your internal target?

Patanjali Keswani: Net of all expenses net EBITDA well, I don't think it will be 200 bps. Our internal expectation is at least 55%.

Archana Gude: So that becomes then from 50% you are saying 55% by FY28?

Patanjali Keswani: What I promised is 50% based on Mr. Narayan Murthy principles which is under promised, over deliver. But since you are asking, I think it will be closer to 55%.

Archana Gude: Sure sir, that. That's a pretty optimistic guidance.

Patanjali Keswani: Archana, our revenue grows, now you have to keep in mind last 2 years a very interesting number. And I want to explain it actually generally as an industry number. Here is Lemon Tree that does 50%. Various chains do from 30%-50% also. How does this 50% get realized? So let me explain. If we do like last quarter, we did 54%, 23% was fixed, 23% was variable. Well one of the benefits of COVID was variabilization of plenty of fixed costs or at least making them semi-fixed or semi-variable. Now for the last 2 years, when we say our revenue grew 20% it means 100 went to 120 and expenses grew 20% which means 50 went to 60. That means when revenue grew 20 bucks our expenses grew 10. Whereas what I broadly said was that the variable component which should have been half of that, it should have only grown by 5. Am I making sense to you?

Archana Gude: Yes sir.

Patanjali Keswani: Why did it grow by an additional 5? It was renovation, tech investments which we are OPEXing and all this will become stable and not increase. It will effectively become, once we make these investments which we are showing as OPEX, but some of them are investments which can be actually other than financially treated as a CAPEX, they will all disappear. The flow through that you will, think of it this way, we have spent I think about Rs. 100 crore couple last year in renovation. We normally spend Rs. 25 crore – Rs. 30 crore. We spent Rs. 100 crore last year. This year we will spend Rs. 130 crore. What we are trying to do in order to not give shocks to people like you is, we are trying to make sure the rate of growth of these extraordinary investments are such that they are equal to the rate of growth of revenue. So, EBITDA margins are maintained. This year we will invest Rs. 130 crore

in renovation. At the end of which we will drop from 2.2 %, in fact this year it will be 3% of the revenue. But then suddenly we will drop to 1.2%, so that 2% will come back as EBITDA margin. Similarly, tech investments are 1.4% of revenue will become 0.2%. Then of course there will be the natural non-growth of our fixed cost because we were doing a catch-up post for the last 2 years where payroll went up significantly. But now going forward these 3 main contributors to an increase in fixed and variable costs will all start trending to what I would call Norm which means EBITDA margin automatically will be up by over 3%. I don't need a very high revenue hike. I mean if we grow at 15%-20% a year, which we will automatically trend to 54%-55%.

Archana Gude: Sure sir. We have given to be debt free next 4 years. So, should we consider this run rate of Rs. 400 crore repayment every year and maybe some guidance on Aurika, Shillong?

Patanjali Keswani: No, it doesn't work like that. Firstly, Aurika, Shillong is not a very large investment. The government has been very kind. In the auction they have given us a subvention on the interest rate of 5%. When we look at Debt to Equity of say 1:1, here we can get away with loan to value of 75% and that too the interest costs will be at 3.5% and there is a GST refund for 10 years. Effectively what it means, our income will be higher because of GST refund and our interest will be 50% lower. And we don't think we require much equity in this project as it happens, number one, because even the lease rent is very low. If I look at our repayment of debt this year we generated, I mean this year I think we generated Rs. 380 crore of cash. We invested in CAPEX and this and that maybe I think about Rs. 100 – Rs. 120 crore and then we repaid Rs. 200 crore and there is a bit of cash on our books, about Rs. 60 crore is cash on our books. Next year this will increase by another Rs. 120 – Rs. 150 crore. We will start then investing that money, repaying debt at a higher rate. And the following year when CAPEX of renovation also drops by Rs. 100 crore. The repayment is not Rs. 400 crore a year, it will be Rs. 300 crore this year, Rs. 400 crore next year.

Archana Gude: Gradually that will increase, right.

Patanjali Keswani: Yes.

Moderator: Thank you. The next question comes from the line of Samarth Agrawal from Ambit Capital. Please go ahead.

Samarth Agrawal: Sir, just following up on your point on renovation. What would be the current renovation status in terms of number of rooms completed and how many rooms we expect to renovate in FY26 and FY27?

Patanjali Keswani: Okay, so the renovation is in on 2 basis and it is at 2 extremes. We are renovating high value, high demand hotels like our Premier's wherever we can reprice them significantly, that is one extreme end of renovation. The other is we are renovating all Keys hotels because they were in a very shabby state. Every year if we spend Rs. 100 – Rs. 130 crore, you can assume we are renovating anything from 1,000 to 1,500 rooms. We are also renovating public areas. Our entire owned portfolio is 6,000 rooms of which about 1,000 do not need renovation. They just need minor refurbishment. Another 1,500 need low level interventions because they are not in markets where we can reprice significantly but we need to maintain brand standards and the balance will be renovated between Rs. 5-10 lakhs a room. So, at present I think we have renovated about 70% of the portfolio and the higher value renovation, we will do another 30% this year and knock it off. That will be done. Some of the renovation, which is the smaller refurb and so on and so forth, will continue into the next year, but will be in terms of investment, significantly smaller. So, the view was very simple. As a risk mitigation strategy, even when we take new debt, we try and

fund it through old EBITDA. So, we do not take debt on an asset, assuming the asset will cover the debt. We know we want stable EBITDA to mitigate risk. Similarly, renovation investments are made that anything we invest should be in high value generating EBITDA and cash which can then go into the, the area, other hotels which may not be generating that level of return. So, it's a front-end investment, so to speak.

Samarth Agrawal: Understood. Thank you so much for that. Just a question on the recent geopolitical developments that we are seeing, what would be our indication to northern India would have been affected and what would be the impact? Have you seen any impact in terms of any cancellations or any bookings getting deferred to a couple of months after from now?

Patanjali Keswani: Yes, there was a significant impact in May due to Covid, also, the news came that of course the media reported 1,000 cases. From 20 cases, suddenly it went up 50x. So, it's quite scary hearing that and of course the war. Fortunately, we are not while we have multiple hotels in the North and in Srinagar, these are managed hotels. So, capital at risk or EBITDA at risk was very low for us. If I look at it, I think we did about 20% revenue growth in March. We grew about 20% in March, 21% in April and then in May it crashed to 14%. We will end this quarter maybe in the mid to high teens, so that is the effect. It was not a good effect. But our profit margins in this quarter will surprise, in Q1.

Samarth Agrawal: Understood and just looking at the managed homes that we are adding, so if I just go through the last 4 or 5 presentations, I think last year we were expecting to add around 1,700 Keys under the managed model. And if I just sum up the total number of openings over the last four quarters, it was around 680-700 Keys. But the total number of managed rooms increased just north of 400 I think from 4,100 to 4,500 plus. So firstly, just could you help to reconcile this difference and what is preventing us from sticking to our expansion plans in terms of the managed rooms?

Patanjali Keswani: I wish I had the owners of these hotels on this call. See, it's not in my hands. What we do is we give you a best guess estimate. Let me tell you how I try to mitigate it because I used to be asked these questions ever since we listed and we started focusing on asset light. Who owns the hotels we are talking about, which we are going to manage, what is our intent and who owns this? Asset light growth is not to get some EBITDA. Everybody in India is announcing asset light. First is rate of growth of asset light does not equal to the rate of growth of EBITDA. In fact, I am a little worried that these heavy announcements imply very fast growth. But the growth in EBITDA will be 10% of the announcements. One must understand that because most of the EBITDA remains with the owner. Only the managed income comes to us. Let me give you an example. If we hit 20,000 rooms and we open all of them in the next 3 years and 6,000 are owned, the other 14,000 will give me EBITDA equal to only 2,000-2,500 owned rooms. Even at 70% managed portfolio, my own EBITDA will be 3x of the managed EBITDA. That's the first point which I know you did not ask, but I want to just set expectations here.

Number 2, when we sign these contracts, you will notice the average size of the hotel is 60. These are not institutional owners, these are individuals, very high net worth individuals in different cities. Since they build the hotels, we do not build the hotels for them. They tell us a date that we will open it by this date. Earlier pre-Covid I was reporting it that if they said we will open it in March of this year, we used to say March, we will open these many rooms. We realized quickly that this was not working because they were not adhering to their timelines and it was affecting our credibility. We started reporting openings by quarter, that didn't work. Then we made it half yearly, that didn't work. Now we report full-year and we are hoping that when they say they will deliver their hotel then, they actually do. But there have been multiple delays and each person who builds a hotel has his or her own cash flows which they

allocate to the project. Sometimes they put it in their main business. So, to ask me this question. Well, what I can say is whatever we have signed, assuming there is a 5%-10% drop off, because ultimately those hotels may or may actually not get built or get sold. Rest all will open. When they open is our best guess. So, am I making sense to you, Samarth? It is, we are just conveying what the owner tells us on an aggregate basis. We do not actually, maybe we should not even announce when these hotels are opening. I know it makes it difficult to assess management fee growth, but that is the hard reality.

Samarth Agrawal: Understood. Thank you so much. Just a last I think clarification. Were there some managed hotels that closed down during the quarter or the year, anything the number of rooms?

Patanjali Keswani: Yes. If you look at worldwide franchise, on an average, everybody talks net additions, In India so far, we have not been talking net additions. We just announced what comes, we deduct what goes. Maybe, we should going forward tell you what is net. But the net we do is at the aggregate, not specifically defining what we added and what we removed. This happens for multiple reasons and the most common reason is a disagreement on quality. So let me leave it at that.

Moderator: Thank you. The next question comes from the line of Sumant Kumar from Motilal Oswal Financial Services Limited. Please go ahead.

Sumant Kumar: Hi sir. This is regarding our Keys hotels. So, in this quarter also we have seen the margin is under pressure. I guess the increase in your renovation cost. You are also talking about Q1 FY26, we are going to have a better profitability. Can we expect FY26 onwards we can see an improvement in Keys hotel performance?

Patanjali Keswani: Firstly, hi Sumant. Number two about Keys, Keys is a work in progress. I would urge you not to look at Keys. While the EBITDA margin grew from 38%-40%. If you remember about a year ago or maybe more, you asked me a similar question on Keys. And I said our current intent is to take it to about 40% EBITDA margins, which we did in Q4. But the reality is in Keys, every single room and every public area needs renovation. It has not been touched when we acquired it, it had not been touched for 10 years. It was in criminally bad shape. What I said to you is that when it's fully renovated and it will continue throughout this year also, what we are targeting is roughly north of Rs. 60 crore net EBITDA from this portfolio. And I would therefore like to just give this guidance that is in FY27 it will be north of Rs. 60 crore. But in between what we spend, what we shut down, we shut down 50-100 rooms in one hotel sometimes because if there are cribs and so on, we just shut that hotel or shut half that hotel and renovate it.

Sumant Kumar: Okay. And when we talk about the Q1 profitability is going to be better and we are talking of mid-teens kind of RevPAR growth. The profitability improvement YOY, can we assume the ARR growth in Aurika is going to drive?

Patanjali Keswani: No, Aurika's ARR will not grow because in summer again as I said as a policy all hotels across India focus on occupancies because summer is much lower demand than winter.

Sumant Kumar: I am talking about YoY basis not on QoQ, ARR.

Patanjali Keswani: Yes, but Aurika I do not recollect offhand what it did in Q1 but the occupancy will be much better in Q2. What I said is Aurika is stabilizing. So, one would like to see a summer occupancy north of 70%-75% and a winter occupancy north of 85% to average to 80% and we are well on track there. And once that's stable then yes you will see some level of repricing. But remember most repricing Sumant is a function

of retail - day to day dynamic repricing and that really does not work in summer. I don't know unless it is very specific leisure destinations where demand in summer is very high and you can reprice in summer. But for large business or multipurpose hotels like in the metros like Aurika and so on, ARR hikes I would not bank on. I would bank on occupancy hike driving EBITDA and then in winter, high occupancies and high ARRs which would drive a much higher flow through.

Moderator: Thank you. We take the next question from the line of Vaibhav Muley from Yes Securities. Please go ahead.

Vaibhav Muley: Hi sir. Congratulations on a fabulous set of numbers. My first question was on your expansion pipeline. Majority of our pipeline is now into Lemon Tree Hotels and Keys portfolio. While Lemon Tree Premier seems to have limited edition especially post FY26. Any particular reason for a lower addition in an upscale or upper mid-scale segment? And can we expect more additions going forward in Lemon Tree Premier and Aurika?

Patanjali Keswani: So let me talk strategy for you Vaibhav for a minute. See we are focused on getting to about 200 cities in India. Our view is that if we get into all the cities in India which have 0.5 million population or more today or in the next 3 years, some are growing in population and those cities also have decent degrees of connectivity through highways, through Vande Bharat, through current or future airports and are in states where the state GDP is rising faster than the national notional average of 10%. Then these are markets we prioritize to get into earlier and then ultimately into all these 200 cities. Now unfortunately in most of these Tier II, maybe even Tier III cities, the product is such that it does not have 5-star hotels. It does not even have 4-star hotels. They basically have decent 3-star hotels. And in some cases, so I would say they have hotels which are like 2.5 to 3.5 star our and the size of the inventory is also small, these are not 200-room hotels because the demand in that city is not so large yet. So, most of our growth and if you see our pipeline, if you look at it, they are in Tier II, Tier III cities. This is deliberate. It is strategic. We want to increase network. We want every Indian in every urban area to basically be aware of Lemon Tree literally physically and we think that will ultimately drive growth. So, we have generally found whenever we put up a hotel in a new market, the demand from that market goes up by an exponential amount. So today if I get two rooms from City X across our network, then if I put up a hotel in City X, this is just illustrative and anecdotal. It will become 50 rooms a day and it feeds the entire network. So, to answer your question, if you see the hotels we have signed in this pipeline last year, Q4, it's in places like Niman in Madhya Pradesh, Garoth in Madhya Pradesh, Moga in Punjab, Chittorgarh, Pali in Maharashtra. Look at where they are and those can't support elementary premier, let alone an Aurika and they are small inventory. So, this is a network strategy. And I think when this gets done, we will see an upsurge in demand and in our loyalty membership which will be pan India. So, the way we look at it is very simple. Top 1% of India is 23% of GDP. Bottom 45% is 15% of GDP and the middle 50% odd is 60% of GDP. We are focused on that middle.

Vaibhav Muley: Understood. And regarding your Red Fox properties, so there I am seeing limited expansion in the Red Fox as well. Is it because the brand positioning of Red Fox is similar to that of Keys Prima or Key Select? So, you are preferring maybe higher edition in Key Select over Red Fox?

Patanjali Keswani: Yes. Actually, that's a very correct question. See when we set up Lemon Tree there was Lemon Tree, then Lemon Tree Premier One Up, Red Fox One Down and Aurika came up because we wanted to expand share of wallet of customers who were migrating up. We acquired Keys and suddenly Keys had an overlap or was supposed to be positioned as an overlap with Lemon Tree. But the reality is the product was much inferior. And therefore, when we acquired Keys, we said we would have to actually review our entire portfolio of brands. If you ask me to do some crystal gazing,

Keys Prima, Keys Select and Keys Lite will become the vehicles for franchise for small hotels supported by tech and distribution from Lemon Tree. Lemon Tree and Lemon Tree Premier and Aurika will be the managed part of the brands which will grow in future. Yes, we will have to look at all the Red Foxes once we finish this renovation and ask ourselves whether we should leave them as they are or reposition them as a Lemon Tree or an equivalent in the Keys portfolio.

Vaibhav Muley: Understood sir. Just last bit on the Fleur Hotels, any update on the potential listing and asset recycling of standalone entity to own rooms to Fleur books?

Patanjali Keswani: See this is all under informal discussions. I think what we will do is, by the next board meeting we will try and come up with a very definite plan - what we are going to do with the listing of Fleur and how Fleur will be the vehicle that does asset development assets. Let's put it this way, where to go, what to develop, how to finance it and they will own all the assets. So, there will be a development cum asset owning company with a large pipeline which we have already identified. And Lemon Tree will become more asset light and will be a brand/technology/management platform.

Moderator: Thank you. We take the next question from the line of Jinesh Joshi from PL Capital. Please go ahead.

Jinesh Joshi: Thanks for the opportunity, sir. I just have one bookkeeping question on debt reduction which was at about Rs. 190 crore in this year. However, if I look at our standalone debt, the reduction is about Rs. 70 odd crore whereas our standalone PAT number is relatively flat on a YOY basis. Just wanted to understand how the apportionment of repayment happens between the standalone and the consolidate entity, given the fact that Aurika resides in Fleur and considerable cash flow generation will happen at the consol level. So just wanted some clarity on this.

Patanjali Keswani: Let me summarize this. Most of our old hotels are in Lemon Tree, the newer hotels are in Fleur. There is Rs. 300 – Rs. 350 crore of debt in Lemon Tree. I am giving you very illustratively, it's around that number. We would be repaying Rs. 70 – Rs. 80 crore of that. We take 15-year debt, first 3 years is a moratorium, next 4 years is like 15% repayment of principal, next 4 years is like 35% and the last 4 years that is year 11 onwards is the last 50%. Are you with me so far? So, it is ballooned out. And the reason we do this is one is we want a long tenure because these are capital heavy projects. And number two is the asset inflation of a hotel after 11 years is significant enough to drive a much higher repayment by generating much higher free cash, assuming you are repricing at the rate of asset of inflationary growth. Lemon Tree has a much higher repayment compare to capital deployed in Fleur. Are you getting me?

Jinesh Joshi: Yes.

Patanjali Keswani: Think of it this way. Lemon Tree, if we did nothing between Lemon Tree and Fleur, Lemon Tree would get debt free much before Fleur would, number one. Number two is that, I think Vaibhav asked this question of the listing of Fleur. Once Fleur lists basically, we will have zero to very limited Gross Debt. In fact, one of the questions the board will ask is what is an ideal Debt to EBITDA ratio to carry forward to optimize return on equity. And that could be 2:1. We are already at 2.57. So, I think this is an inflection point for our company, both from tailwinds which is structural change from asset deployment, asset upgrade, technology upgrade so on and so forth. So, the way the balance sheet looks will start looking somewhere substantially different and better year by year in the next 2 years.

Jinesh Joshi: Sir, just to clarify this a bit better. I just wanted to know whether the cash flow generated from old hotels in Lemon Tree is that only used to repay the debt at the

standalone level or whatever we generate at the consol level is fungible and can be used to make payment at the standalone level?

Patanjali Keswani: Absolutely not fungible. At Fleur, the shareholders of Lemon Tree only owns 60%, 40% is with the Dutch pension fund. So, there is no question of moving money from Lemon Tree to Fleur.

Jinesh Joshi: Understood. And sir, secondly on the Hyderabad market I think the RevPAR growth in this quarter is at about 9% but some of your peers in this market have done well. So, any specific reason you would want to call out for a slightly lower RevPAR growth number? And also, if you can just clarify why the tax rate was a bit low this time around.

Patanjali Keswani: Firstly, who is our peer according to you? We have no peers; they are all 5 star hotels. So, I think you are talking of different segments. It's like comparing the growth of economy pricing and business class pricing in a sector. First thing, please don't do that. Number two is, you can use 5 star hotels performance as a general proxy. Now the reality is that 20% of our inventory or 18% of our inventory in Hyderabad was shut for innovation. It is precisely what you are saying. It's a very high demand market and we shut the inventory so we were constrained in terms of supply. That is number one. Number two, if you look at on a total growth basis, we really shut a lot of inventory in Banjara Hills, which is our hotel in the city center, to renovate. As a result, the gross ARR in Q4 FY25 dropped by about 10% or 8% and revenue also dropped by 20% in that market because occupancy was down and rate was down because there was noise and renovation and so on. Similarly, Lemon Tree Premier Hyderabad about 5% of the inventory was shut. When you look at it from that perspective, you are not comparing apples to apples. And overall, I am actually not very dissatisfied with the growth in Hyderabad because while the occupancy hardly changed because of inventory shutdown. I am quite pleased that as an average market our ARR there was Rs. 7,700 which is 10% over our national average.

Jinesh Joshi: Understood. And the tax rate part if you can clarify and lastly if I can chip in just one because we are targeting to take our retail share to about 65%. A rough ballpark number if you can share what is the pricing differential between the negotiated business in the non-negotiated business, even a rough indication would help.

Patanjali Keswani: So, in good times the non-negotiated business pricing, I am just giving you rule of thumb, is much higher than negotiated. In bad times negotiated and non-negotiated becomes the same and in summer the non-negotiated which is the retail pricing becomes much lower. It is entirely, just think of it very simply Jinesh, as the following. A high demand period, non-negotiated or retail pricing is like airline pricing. It can be very high and in low demand it can be very low. Contracted business or negotiated business is the same around the year. So, one actually offsets the other. Am I making sense to you?

Jinesh Joshi: Yes.

Patanjali Keswani: And the ARR we report is a combination of the two.

Jinesh Joshi: Understood, sir. Only on the tax rate part if you can clarify then I am done. Thank you.

Kapil Sharma: On the tax rate actually, you are right that this time the rate is coming lower and that is primarily due to the deferred tax adjustment.

- Patanjali Keswani:** I think it's an annual excess in Q4. Even last year, Jinesh, in Q4 the tax for the quarter was lower than the year average.
- Moderator:** Thank you. The next question comes from the line of Prashant Kothari from Stock Market Read. Please go ahead.
- Prashant Kothari:** Good afternoon, everyone. Just wanted to ask about the IPO for Fleur Hotels. We are retaining a majority. We are intending to retain a majority even after post listings for Fleur. So right now, what are the plans to deploy the unlocked capital that we will be having from the listing?
- Patanjali Keswani:** I am not sure we will have a majority or not firstly, that is a function of board and discussions. We may deconsolidate to show a very high management fee income growth in that portfolio. Let me talk about it, see there are three points, there is a midpoint and two extremes of return in the hotel industry. If I do pure franchise, any income I earn is 99% flow through, if I do management contract, income flow through is 80%-85%. And here the deployment of capital is practically zero. So, this is one extreme that is say one sigma, franchise is two sigma and there is zero risk other than reputational risk if you don't perform. At the other extreme is asset ownership where the EBITDA is very chunky. Risk is 100%, capital deployed is 100%. Risk is 100%. In a JV like ours with APG we own 60% of the company but our effective economic share is 65%. Plus, we take 15% of the revenue, between 10%-15% of the revenue as management fee. So effectively our economic interest is 65% to 70%. Am I making sense to you?
- Prashant Kothari:** Yes.
- Patanjali Keswani:** Suppose hypothetically we owned only 30% of Fleur. Then our economic interest would be we would get 30% of the EBITDA. So, suppose the EBITDA was Rs. 100 and we took Rs. 20 of it as fees. Then our economic interest would be 30% of the balance Rs. 80 which is Rs. 24 plus Rs. 20, which is our fees. So, our economic interest is Rs. 44, but the investment is Rs. 30. So, the lower the ownership and skin in the game and it should ideally be at least 25% in my opinion. But this is as I said, subject to discussion. The much higher return on capital in equity we give to the shareholders of Lemon Tree. The other funny thing is that the multiple on management fee income is a higher multiple than on asset if you look at the Indian market, it is literally double. So, if I take an asset of which gives me Rs. 100 crore EBITDA in Fleur and let me assume the multiple is, I am just taking it illustratively is 18. The valuation is Rs. 1,800 crore of enterprise. But suppose out of that 100, 20 is management fee that is multiplied at 2x and the balance is multiplied at 18. So, this is a global standard on average. Of course it varies from country to country. But broadly these are the rules. For the shareholders of Lemon Tree, we want to give very high growth in profit, we want the market to value it, we want high growth, we don't want asset heaviness, we just want skin in the game. The other advantage of that is that if we create Fleur as a growth vehicle, then every asset it adds, we will have a good shot to get it to manage. From every perspective, segregation of risk segregation of return, it makes sense for us to list Fleur.
- Prashant Kothari:** That I understood. But whatever money we will be getting from the IPO, what Lemon Tree will be getting from the IPO, is there any plan for that, how that will be utilized?
- Patanjali Keswani:** How would we utilize? It doesn't make sense for us to get money. It makes sense for us to go debt free. And if you ask me and this is not discussed to the board, I would expect Lemon Tree to become very asset light, very high in profit and a dividend distributing company within the next 1-2 year. It would need no capital. The only capital it would need would be perhaps in marketing spend and in technology investments and in distribution to very rapidly expand the network. And Fleur would

need capital for growth, for strategic growth and for growing that portfolio which would be by the way from a governance perspective we are very clear, it will be completely firewalled from Lemon Tree.

Prashant Kothari: Okay, second question, Infinity 2.0 and tech upgrades that were expected to boost the retail demand share from around 45% to 66% by CY28. So, what measurable changes have you seen in the customer acquisition or repeat bookings or direct channel since the relaunch?

Patanjali Keswani: We had shut down our website or half shut it down for upgrades. So, in fact it dropped to be very specific. The loyalty program was also launched very recently. It went through multiple iterations. We wanted it to be best in class. These are work in progress. I think the way to look at it is what happens by the end of this financial year for me to give you a definitive answer of how this is changing. But the intent is very simple Prashant. It is that we make it easy, two clicks preferably. It's super high in reward. It also offers multiple choices and the best possible rates to any customer in India.

Prashant Kothari: Understood. Just one more question. Beyond room revenue, are there any strategic priorities for expanding on the non-room's revenue side like banquets, F&B, co-working spaces, or branding experiences?

Patanjali Keswani: See if you look at global companies, I think one interesting thing again speaking as a proud Indian is that there are finally companies in this country which can operate on a global scale. And as India's economy grows and relative share of the economy increases in the global economy because we are growing at 3x of the global economy, we are going to see some wonderful changes in this country, both in terms of domestic consumption, private capital expenses and in terms of our impact on the soft impact and economic impact in the rest of the world. Where should Lemon Tree be. So let me take you through the growth of normal large hotel companies. They all start with one brand like we did in one city, like we did. If the brand does well, they start expanding that brand across a geography which is normally their home country. The brand does better and their customers start traveling to other countries. They expand the brand to that country in order to follow the customer and offer them a brand they are familiar with and like. Over time these brands go up and down. So, from say a 3-star brand which Marriott launched at, they went into 4-star and 5-star and 2-star. So, they start offering multiple price points to multiple customers who have now become familiar with their brand. First expansion is one brand, then all brands in their home country, then markets where their customers go and ultimately, they become global players. It's an X-Y axis pricing which is brands and geographies. Over time they start following customers into what I would loosely call adjacencies, timeshare, holiday, resorts. They go into casinos, they go into cruise liners, they go into service departments and so on. Lemon Tree, I have no doubt in due time will follow a similar strategy. I think we need to juice our brand where it is still under penetrated and we want it to be dominant in its space. So that is our focus. It is a singular focus. Adjacencies and monetizing it will come alongside.

Prashant Kothari: Okay, so for now I can say we are focusing on the hotel part only, not on the adjacent side.

Patanjali Keswani: Yes.

Prashant Kothari: Okay, last question about the international foray. The Dubai property marked your first international foray, there is little limited communication there. Are there any concrete plans for further international expansion?

Patanjali Keswani: Not strategic but opportunistic and fundamentally asset light. So, wherever Indians go. So, I will give you, I think I gave this example a year ago, I think 18 million foreign arrivals come to India of which I think 7-8 million are Indians only and the other 10-11 are foreigners. But 26 million Indians go out and we expect that by FY30 it will become 100 million. So, we have a good loyalty program. We have captured a large share of these customers. They are familiar with our brands. We have a positive outcome to offer to owners of hotels outside India where these Indians go. And I am absolutely sure that we will be in all these places in the next 3-5 years.

Moderator: Thank you. We take the next question from the line of Rohan John from Quantum AMC. Please go ahead.

Rohan John: Thanks for the opportunity. Just a couple of questions. Firstly on the Aurika Mumbai Hotel, how much of the business is currently coming from the crew segment?

Patanjali Keswani: The current business is I think about 25%-27%.

Rohan John: So the follow up question on this is with the T1 renovation which is going to be happening so do you expect any impact on your occupancies in the next 2-3 years maybe on your Aurika Mumbai portfolio and even the Lemon Tree Premier Airport Hotel given this renovation is going to take about 2-3 years?

Patanjali Keswani: No, firstly Aurika is not undergoing renovation. It's a brand-new hotel.

Rohan John: No, I am not Talking about the T1, the Terminal 1.

Patanjali Keswani: Oh, sorry. Well, it's not visible because Aurika Mumbai is doing better than our portfolio in Q1. If I remember right, the portfolio is doing north of 70%, Aurika is closer to 80%. So no, there is no impact. In fact, the outcome is positive. Generally, renovations, we are a little, by and large the tradeoff is we try and renovate at a time where demand is low. But given the fact that during renovation rooms are shut for up to 3 months, we try and time it with where we think the displacement or the opportunity cost is low. So, if we shut 25% of say inventory, we expect the impact would be only on those days where demand is more than 75% or the balance inventory. So, we do Displacement analysis. It's tech driven. And I think by and large if you ask me for a flat number, it would not be a material number of loss of revenue. Maybe Rs. 10-15 crore, maybe Rs. 20 crore, but not much.

Rohan John: Yes sir. Sorry, I think I wasn't clear with my question. So, the thing is that the T1, the Terminal 1 Airport is going through renovation starting November. So, I was asking whether that will have any impact on your Aurika Mumbai or the Lemon Tree Premier?

Patanjali Keswani: I have no idea. But I can tell you when they shut, I think it happened in Delhi and demand didn't go down.

Moderator: Thank you. We take the next question from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: My first question is on your region wise mix of operating inventory today and how does it look when it goes to 20,000 rooms?

Patanjali Keswani: As far as asset heaviness goes where we have 5,760 Keys. We are opening a 90 Keys Aurika in Shimla and 160 Keys Aurika in Shillong, which are two nice markets and these are resort markets. So, our asset base is currently still about 6,000. Where are we going elsewhere? It's a mix of opportunistic and strategic. Opportunistic is

within these 200 cities, wherever we get opportunities, we just sign it and we add it to our network. As far as strategic goes, we have identified about 15 cities where we think we should be present because currently and going forward because of connectivity, they are close to an airport. Either the airport is in the city or within 2 hours drive, highways are coming up or have come up. When we can identify using multiple data sets, cities where there is large population, there is consumption, there is high demand of outbound travel, that is people traveling from that city to the rest of India. We want a strategic presence there which means we would look then at acquiring a hotel to manage or even lease because if we do that, then the benefit to the network is a very high one. Think of it this way, that if we have a hotel in, I am using this example loosely in Ranchi and we discover that there are about 1,000 people from Ranchi who visit the rest of India every year and right now we are getting only 5 of them, but with presence it will become 100. Then we would strategically go into that city as quickly as possible. So, when you look at this growth, I would say 90% or 95% of these 101 rooms we had, it's 113 rooms. Well, as of today there are another 12-13 hotels we signed. But if you look at our pipeline, which is a little larger than our operational hotels now in terms of number of hotels, I would say about 7 or 8 are in cities which we hunted out and the rest are all over the place all the 200 cities we want to be in.

Prateek Kumar: Regarding recent announcements by some of the global companies which you would have seen, how do you see this having an impact on industry supply maybe a few years down the line?

Patanjali Keswani: I think it's a good thing personally. I am not talking only from a Lemon Tree perspective. When a market gets more organized, pricing becomes rational, customers get used to better quality and then the high performers are the ones who are delivering that. Unfortunately, in India 90% of the hotel rooms are not branded. In Europe it's 30%, in America it's 70% branded. This is a part of the natural evolution. I think what is unusual in India is such a large part of 15 odd lakh rooms is small hotels of 30-40 rooms which are really subscale. It does not make sense to manage it. So, to just give you a number, if we charge 15% of the revenue of a hotel as fees, in our minds 10% is for the brand and 5% is for management. If two thirds of the fees are for franchise and these are very small hotels, why target that remaining one-third? Where the effective cost of delivering management is more than the revenue we earn from it. So going forward, all these international companies who are trying to announce or trying to get in or have announced growth in India, they are all equally foxed as to how to reach out to these small hotels. But it will happen. I have no doubt somebody will crack it. I think we are also fairly strongly positioned to crack it using technology and our Keys brands. And those who do will be the big winners of the future because they will basically consolidate supply, which is unconsolidated, very fragmented, and very poor in quality. And if they can manage to solve for that, it's a massive opportunity.

Moderator: As there are no further questions, I will now hand the conference over to the management for their closing comments.

Patanjali Keswani: Thank you. Thank you all once again for your interest and support. We will continue to stay engaged. Please be in touch with our investor relations team for any further details or discussions and we look forward to interacting with you soon.

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