



February 11, 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 February 06, 2025 w.r.t the audio recording of the conference call on Unaudited Financial Results for the quarter and nine months ended December 31, 2024 held on Thursday, February 06, 2025 at 4:00 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**

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## **Lemon Tree Hotels Limited**

### **Q3 & 9M FY25 Earnings Conference Call Transcript**

#### **February 06, 2025**

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

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to you, sir.

**Anoop Poojari** Thank you. Good evening, everyone. And thank you for joining us on Lemon Tree Hotels Q3 and 9M FY25 Earnings Conference Call. We have with us Mr. Patanjali Keswani, Chairman and Managing Director and Mr. Kapil Sharma, Chief Financial Officer of the Company. We will begin the call with 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 that was shared with you earlier.

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

**Patanjali Keswani** Thank you. Good afternoon, everyone and thank you for joining us on this call. I will be covering the business highlights and financial performance for Q3 & 9M FY25, after which we will open the forum for your questions and suggestions.

Due to high seasonality in the hotel industry, please consider YoY performance rather than QoQ. Lemon Tree recorded its highest ever third quarter revenue this year at Rs. 355.8 crore. Our revenue grew 22% compared to Q3 last year while net EBITDA grew 30% YoY to Rs. 184.8 crore translating into a net EBITDA margin of 51.9% which increased by 316 bps YoY. Q3 FY25 recorded a gross ARR of Rs. 6,763 which increased 7% YoY. The occupancy for the quarter stood at 74.2%, an increase of 826 bps YoY. This is translated into a RevPAR of Rs. 5,018 which increased 21% YoY.

Fees from third party-owned hotels for management and franchise contracts stood Rs. 18.4 crore in Q3 FY25, an increase of 24% YoY. Fees from Fleur hotels stood at Rs. 25.3 crore in Q3 FY25, an increase of 45% YoY. Total management fees for Lemon Tree stood at Rs. 43.7 crore in Q3, an increase of 35% YoY. The Company's

profit after tax stood at Rs. 79.9 crore in Q3, an increase of 82% YoY. Cash profit for the Company stood at Rs. 114.9 crore, an increase of 49% YoY.

On the business development front, this quarter, Lemon Tree received a letter of award from the Directorate of Tourism, Government of Meghalaya for the redevelopment, operation and maintenance of the existing Orchid Hotel in Shillong under the design, build, finance, operate and transfer mode on a PPP basis. This will be redeveloped as Aurika, Shillong and will be operational within the next 2.5 years to 3 years. It will feature 120 rooms with all the additional facilities our Aurika's offer. This hotel is situated in the prime location of Polo Market opposite the Chief Minister's bungalow and is the first PPP undertaken by us. Interestingly, this project qualifies for significant capital subsidy and incentives, including full GST reimbursement and interest subvention by 5% under the Meghalaya Industrial and Investment Promotion Policy 24 and various other policies.

On the asset light side, we signed 13 new management and franchise contracts, adding 766 new rooms to our pipeline and operationalized 1 hotel adding 38 rooms to the portfolio. As of December 31st, 2024, the total inventory of the group, for those of you who like cricket as I do, it was a double century. The total inventory stood at 200 hotels and 16,385 rooms, broken into 112 operational hotels with 10,317 rooms and a pipeline of 88 more hotels with 6,068 rooms.

Going forward, we are confident in the Company's ability to sustain this growth in the coming quarters by focusing on certain growth levers, which is obviously accelerated growth in our management and franchise portfolio. The timely completion of renovation activities in the owned portfolio to further improve gross ARR and occupancy. Please note that the increased investment in renovation expenses will continue into FY26 and a little bit into FY27, until the entire portfolio of our owned hotels of about 6,000 rooms has been fully renovated and refurbished. Post this, renovation expenses will close at 1.5%-1.7% of revenue on an ongoing basis. With demand growth expected to outpace supply and an expected significant increase in discretionary spending on branded mid-market hotels in India, we think this increased investment in renovation will allow us to position Lemon Tree as the largest and preferred brand in the mid-market segment.

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

**Moderator**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Karan Khanna from Ambit Capital. Please go ahead.

**Karan Khanna**

My first question part is on Aurika, Mumbai. Congratulations on the ramp up in terms of occupancy. You recently mentioned that you expect this property to stabilize by FY26. What kind of RevPAR can we expect for FY26 and what according to you should be a sustainable growth rate for this property? And as a follow up for the Aurika brand, you recently decided to shut down operations at Aurika, Coorg. Can you talk a bit more about it, should we expect more Aurika branded hotels to be added to your own pipeline given it's still a small part of your overall portfolio?

**Patanjali Keswani**

Thank you Karan, that's many questions. So, let me start with the first one. Aurika, Mumbai has not really stabilized in Q3. I think the occupancy was in the early 70s and the ARR was a little over Rs. 9000. Well in Q4 it is doing much better. In fact, I think our occupancy is north of 85% and average rate is north of Rs. 9500. But for me that is still not stabilization because as I had mentioned, I think maybe a couple of concalls before, we would like this hotel to be at around Rs. 11,500 to Rs. 12,000 ARR, at about 85% occupancy. In order to do it, first we have to build demand such

that we can then churn the demand and keep the higher price demand with us in this hotel. To answer your question, although we are doing 85% in Q4, and we are doing Rs. 9,500 ARR, to me that is not stabilized. Stabilized to me would probably be H2 next year when on a sustained basis we will be north of 85% at Rs. 11,000 plus ARR. So, that is the first one. As far as Aurika as a brand goes, we have as you know, signed Shillong, we have amicably parted ways with the Coorg Hotel due to some reasons I am really not at liberty to disclose but Aurika is very much in our strategy. We are very close to signing on long lease, an outstanding Aurika in Varanasi which as you know is a Rs. 50,000 a night market. So, it is a little odd for a mid-market hotel Company talking about an Aurika brand which will be north of 5x of the current Aurika hotels. We are also looking at a few more Aurika hotels for management contracts which we as and when they firm up, we will obviously inform the markets and you folks. But Aurika in short is a part of our capturing lifetime value of our customers strategy.

**Karan Khanna**

Thanks for the update. Just a follow up on Aurika, Mumbai and in particular we are seeing a lot more hotels opening in the entire Mumbai airport micro markets. With the new Navi Mumbai airport and new supply coming in that market, do you see that as a risk to let's say growth beyond the Rs. 12,500 price point that you are seeing or you are still quite confident that this market will continue growing to double digit RevPAR or possibly a high single digit ARR growth?

**Patanjali Keswani**

Karan, I am ashamed to tell you that on and off, Lemon Tree Premier Mumbai does a higher ARR than Aurika. This is because of the very large base of fixed business. Aurika has which is what I had referred to earlier to build a base of demand, so that we could reprice it once it is stable. My view is the same as I had 10 years-12 years ago when India was at a far different place and lot of people told me that why are you buying and investing in a hotel in Delhi, Aerocity when airport had in various other places like Greater Noida will open, 6000 rooms will come up in Delhi Aerocity, the whole of Delhi has only 8000 rooms, isn't it highly risky? And I said based on my experience about airport hotels in the major metros of any large economy worldwide, they have never ever not absorbed supply. Delhi is the highest performing market, Delhi, Aerocity. Although something like 3% of India's branded supply came up here in 1-2 years. It is absolutely not to be worried about. There may be a temporary blip of 3 months / 6 months / 12 months, but I don't think it will significantly affect the RevPAR of the micro market. What will happen is certain hotels that are not the customer's preferred choices, but customers go to it because of demand being more than supply. That type of demand will disappear and there will be more availability in the branded hotels. I don't know if I am making sense to you but I don't see based on my experience in airport markets, I don't see that really affecting Mumbai, especially Mumbai I should say.

**Karan Khanna**

Sure, this is helpful. My second question given your ambitious goal of expanding portfolio to about 20,000 rooms by 2027 do you foresee any operational or other challenges that you may encounter in executing your growth pipeline?

**Patanjali Keswani**

No. I had said we would be 20,000 rooms in our CY28 Vision, but we are already at over 16,000 and I am pretty confident we will hit 20,000 in the next 12 months to 15 months, signed and operational. Where I see possible slippages is that we have in this pipeline of signed converting to operational, there have been slippages when owners are not being able to fund/finish their hotels on time. So, that is the only concern I have. But as far as our growth goes, we have actually, we are very gung-ho on the kind of demand we are seeing from asset owners in our space. There is something like 3-4 inquiries every single day. So, 20,000 is actually a bit of an understatement. I think we will do far better than that.

<b>Karan Khanna</b>	And the last question, if you can highlight the benefits of renovation that you saw this quarter in terms of better pricing or occupancy, especially for Key's portfolio, where perhaps the delta for pricing should be a little higher.
<b>Patanjali Keswani</b>	I will give you an example. If you look at Pune, the portfolio, look at the occupancy rate and price. Pune went up by 20%. The reason, a significant part of the reason is that we have a 101 room Keys in Pune. That was the first hotel we fully renovated. See, in other hotels, there is still a lot of work still going on because we are renovating non-stop, it is 936 rooms. But this hotel, which has got fully renovated, the ARR is 24% over what it was pre-renovation. And now, because the rooms are back, it is doing 90% occupancy – between 80%-90%. I am talking also now, about Q4. I had said earlier that we will definitely target a Rs. 60 crore EBITDA from keys, which means really Rs. 6.5 lakhs a Key. Currently, if you look at our EBITDA for the Keys portfolio, it is Rs. 1 lakh, a quarter or I think Rs. 3.5 lakhs a year. We will double that.
<b>Moderator</b>	The next question comes from the line of Jinesh Joshi from PL Capital. Please go ahead.
<b>Jinesh Joshi</b>	Sir, with respect to the new partnership at Shillong, can you highlight how will the accounting happen as the hotel might be in an SPV with some kind of a JV structure? Also, if you can share what can be our prospective share in that JV and will the benefit be limited to the capital subsidy and the GST reimbursement that we have highlighted in the PPT or if the state government also expected to contribute towards the CAPEX outflow. I know we have not shared the indicative CAPEX number, but can you share similar hotels in that region, what kind of CAPEX per Key do they command?
<b>Patanjali Keswani</b>	Well in Shillong, there are 2 hotels. There is a Taj and there is a Courtyard by Marriott. It is doing I think about Rs. 10,000 and one is doing Rs. 12,000. We think we will do Rs. 12,000 – Rs. 13,000 because it has the best location. The land is being given to us for 1% of the revenue share and Rs. 2 crore a year. We don't think we will invest more than Rs. 120 crores for 120 rooms because we get a 5% interest subvention, so instead of borrowing money at 8%-8.5%, we will effectively get debt at 3%-3.5%. Our estimate is this hotel will make about Rs. 15 crore EBITDA a year to begin with. It is a joint venture between Lemon Tree and another Company. We will be the majority owners; they will be the minority. The total equity requirement will be Rs. 35 crores. We will take a debt of about Rs. 70 - 80 crores. We will get Rs. 15 crore back as capital subsidy on the day this hotel opens. Really our equity investment will be probably Rs. 20 crores. We get 100% GST back. One for 7 years, I think that's central, and state is I think for 10 years. So, that means that if I add that to the EBITDA margin, the EBITDA margin will be about 65% and we think we will have our equity payback, for both partners within 1.5 year. So, really it is a fantastic opportunity and it is really maybe Rs. 10 crore or more for Lemon Tree every year for the next 45 years.
<b>Jinesh Joshi</b>	Fairly elaborative sir, thank you for that. Just one observation from my side, if I look at our standalone performance, I think that revenues were up by just about 2% while the PAT was down by about 16% YOY. Apparently, it seems like the standalone business wherein we have, if I am not mistaken, about 1,800 rooms faced some kind of challenges in this quarter. So, if you can just talk a bit about that?
<b>Patanjali Keswani</b>	No, there is no challenge. You see, Lemon Tree has an agreement to charge a fair amount of money from Fleur for what is called Development Fees. And we got a very large sum when we developed Aurika, Mumbai. If I remove that, actually we did better, significantly better this year than last year. You can say it was part of the project management fees that Lemon Tree charged and it is our agreement with

	Fleur that every time we put up assets there, we take about 10%-12% of the investment as our fees.
<b>Jinesh Joshi</b>	One last bookkeeping question from my side. Can you share what is the operating cash flow generated so far in 9 months after interest and what is your debt repayment target for the next couple of years given no major CAPEX is lined up?
<b>Patanjali Keswani</b>	Our cash profit for the nine months is Rs. 240 crores and we paid back Rs. 150 odd crores of debt which is reflecting in our gross debt fall and we had another Rs. 40 odd crores of cash.
<b>Jinesh Joshi</b>	For the next 2 years, I mean just in case if you have any number in mind in terms of repayment?
<b>Patanjali Keswani</b>	See, what I had said is that we will be debt free in three years. Now the point I am trying to make is that we will be probably debt free earlier the minute we list Fleur. That is very much on the plan, we are unable to right now brief the market in detail about it, but I can say with certainty it will happen in the next 1.5-2 years max. If that happens - automatically we go debt free. In the absence of that when we look at the cash flow generation, let me give you an example. The most profitable quarter is Q4 from every perspective. So, we think our EBITDA will increase significantly next year to this year, very significantly and our debt-to-EBITDA will be under 1.7x by the end of next year. And if that continues, then obviously interest savings plus further improvement in performance. Somewhere in the next 2-3 years, we will be debt free on that basis too. If you look at FY24, we did nearly Rs. 300 crores of cash profit, but we got Rs. 176 crores in the first 9 months. Are you getting me? Last year Rs. 176 crore was cash profit in the first 9 months and nearly Rs. 300 crores for the full year. So, basically 40% of the cash profit came in Q4 and it would be no different this year.
<b>Moderator:</b>	Next question comes from the line of Abhay Khaitan from Axis Capital. Please go ahead.
<b>Abhay Khaitan</b>	My question is on the ARR growth of other brands, particularly Lemon Tree, which has seen 5% growth in the third quarter. And particularly for hotels outside metro cities, we have seen only 1% growth. Is this evidence to check that metro cities or business cities are doing significantly better than the Tier two cities or tourism cities? And do you see this trend changing in the coming quarters? And a follow up on that would similarly for premium hotels v/s mid-market hotels, would you see premium hotels continue to outgrow mid-market hotels in terms of ARR growth and then will it switch?
<b>Patanjali Keswani</b>	If you look at the last three markets that went through J-Stick or Hockey-Stick growths in demand at similar levels of household income, the most obvious example being China in 2006 to 2012, the first couple of years luxury took off. Then with the shift in median income and the number of households that earned more than \$34,000-\$35,000 per capita, per household, started consuming branded mid-market supply. It's linked partly to age, partly to aspiration, partly to urbanization and so on. Now if I look at India, it's very simple to me. I don't like to draw comparisons with China, but 50% of India plus minus depends on agriculture, which is only 1/7 <sup>th</sup> of our GDP. So, really to me, India has two parts. One is the 50% agricultural and the 50% population, which is non-agricultural of which 70% lives in urban areas in the 160-170 cities of 0.5 million plus population. So, this is where consumption resides in India in my opinion. Hotel consumption, well the truth be told, forms about 2% of Indian households, about 6 million households consume branded hotel room. If the GDP of India grows by 6%-7% in real terms for the next 6-7 years, what will happen is the number of households who consumes luxury items would grow from 1 million-1.5 million to 6 million - 7 million and the number of mid-market households who will



consume branded hotel room will grow from 3.5 million - 4 million to 30 million. Put together it is still a small number, it is roughly 10% of Indian households, which is about 320 million.

Looking at these other markets, the first 2 years the growth is in luxury because of the base effect, because it's such a small base. The next 4-5 years growth is in upscale and midscale. So, we are waiting for our turn. In fact, somebody asked in an interview once that how do you tell this? I said the first indication is sale of SUVs, intent to travel and connectivity by 4 lane highways. It's very visible in India, very visible that the number of aircraft on order are 2.5x of current supply, airports 138 are becoming 240. Runways are growing by double. It's all evident, it is all out there. So, we are getting on that; which is why we are so aggressively after Tier 2 and Tier 3 cities. Now coming to ARR growth, it is reverse pyramidal. The highest growth is in the deepest markets, but this is precisely because of the reasons I just told you. So, will Allahabad change price as significantly whether it is a 5-star or a 2-star as in Pune and will Pune change as significantly as Mumbai? Absolutely not. But they all catch up over time and the reflection is very simple. If the input cost - the cost to build a hotel room including land is lower in Pune than obviously and because that is partly because the earnings also per room is lower in Pune. Otherwise, all capital would flow there. This is an automatic thing, so to speak, self-regulating.

**Abhay Khaitan**

Thank you for this elaborate answer. So, just as a quick follow up on this as well, is that the reason why in the current pipeline that we can see, we see mostly either Lemon Tree Hotels or Keys Hotels, but we hardly see any Aurika or Lemon Tree Premier for that matter? Do we expect this trend, or do we see some sort of pipeline coming in? You mentioned Aurika, Shillong today, but apart from that, anything in Lemon Tree Premier that we can expect in the coming quarters?

**Patanjali Keswani**

No, there is a fair amount of Lemon Tree Premier's even in the portfolio. But let me put it this way, the way Lemon Tree strategy goes is Network. What I am most interested in is future demand. If I say there are 160-170 cities in India with 0.5 million plus population and technically, I can put 1 hotel up in each of these cities strategically, the demand I capture out of these cities into other cities where we have Lemon Tree Hotels or other branded hotels of ours gives us what I call is a competitive moat which is the network effect which is very difficult to overcome. I am just interested in creating a moat, building our brand and having a network presence in every single city where there is a consumer for branded mid-market hotels in India in the next 5 years. That is our strategy.

We are looking at multiple data sets. One is which 4-lane highways connect from which city to which city. There are 1,53,000 kilometers of highways in India. 50,000 are 4-lanes and just FYI this doubled in the last 5 years. Hats off to Mr. Gadkari. He said we will further double it in the next 4 years. Where are these highways coming, where are the next airports coming, which airports are going to have twice the number or runways, where is the next set of commercial activity happening in India? It's visible through international property consultants talking about rented buildings, commercial buildings. Where are the announcements of projects? We are looking at all kinds of datasets. We've created proprietary algorithms. And we are saying we want to go to these 20 cities next strategically and opportunistically to any of these 170 cities. That's the way we are looking at it. It's all asset light but the minute Fleur lists, the question will then arise because Fleur will be an independent Company and we think it will have a really solid listing because we think it's EBITDA will be \$100 million when it lists. Here's the thought, where will Fleur deploy its capital, especially if it is debt free? So, we will have certain principles, the hurdle rate of expectation, we will have principles of what is the ideal optimum debt structure, should the debt for new hotels be more than 2x of the EBITDA of old hotels, so it is a water fall process and beyond that how will we allocate capital, where will we distribute this cash flow that we generate. So, these are many moving parts but I am very confident

that in the next 2 years the stock market in India will start seeing how this whole, all these balls in the air start playing together.

**Moderator** The next question comes from the line of Raghav Malik from Jefferies. Please go ahead.

**Raghav Malik** I just want to understand, like, get a bit more color maybe on city-wise. If I see, like, our performance for Bangalore specifically, there's been a significant jump but of course that's on a slightly lower base of occupancy. Is that like more a reflection of how the market is doing and could you provide some color just comparing it to other markets like how they are shaping up at this point of time?

**Patanjali Keswani** Well it's not how markets are doing, Raghav, it's how micro markets are doing and what is the supply we have in each of these micro markets. To give you an example, let's assume we are operating in Delhi. If I say Delhi, it includes Aerocity and it includes East Delhi. East Delhi is a poor market. Five-star hotels average price in an East Delhi location is 1/3<sup>rd</sup> of what it is in central Delhi or 50% of what it is say airport hotels. We have some hotels in different micro markets in each of these cities. Bangalore, for example, out of these 874 rooms, 370 rooms or 380 rooms are Keys hotels. Half of them, at any time, 30%-40% of those rooms are shut. I am reflecting the full inventory and occupancy on full inventory, but the reality is they are all undergoing significant renovation. What you are seeing in Bangalore is actually performance on an aggregate basis and not specific hotel wise. Now the minute Keys Whitefield is fully renovated which is 222 rooms, this number and this ARR will change also quite significantly because right now the ARR is only I think Rs. 5,000. But Keys Whitefield ARR is Rs. 3,000 bucks. The minute it's renovated and parts of it we have renovated that is Rs. 5,500 alone. So, you will have to wait for the renovation to get done. I would guide you specifically towards Bangalore, Pune which is where the Keys Hotels are, and the rest of India because that is where there is some degree of Keys Hotels, I don't know how to describe it but wait until those hotels start producing fully, it is still going to reflect, it may appear an underperformance, but it is not so.

**Raghav Malik** And sir, just a follow up on that this ARR, the kind of growth we see in occupancies is much stronger. Is that like a conscious sort of effort or is it based on the phenomenon you mentioned of once? Your view on capitalizing on RevPAR tailwinds?

**Patanjali Keswani** See, now that we intend to list Fleur, we are looking very specifically at return per square foot and our investment per square foot. And the way to maximize return per square foot is to maximize revenue per square foot which is RevPAR which is what you will see on the 3 columns on the extreme left. We are agnostic about occupancy and ARR. What is the best combo of RevPAR that we can achieve? And that is actually neither the maximum occupancy nor the maximum ARR, it is some intermediate combination that maximizes. The other thing we are very cognizant of is, we want to look at the Gross Operating Profit per square foot. Obviously if the rate of growth of revenue is through utilization of rooms, then what flows through to the bottom line is contribution because you have to account for variable cost. But if you increase the rate, then what flows through to the bottom-line depending on which channel is used, can be a higher or lower number. For example, if your occupancy goes up due to OTA's, then you are paying some form of commission in the mid-teens. If your occupancy goes up because of another source which is 5% lower in price but does not pay any commission, that gives you a higher profit margin. It's a combination of so many variables based on so many different sources of demand which you are trying to get to flow in your funnel. That I would say broadly we look at only one thing which is how do we maximize RevPAR in order to maximize our GoPPAR or Gross Operating Profit per available room.



**Raghav Malik** If I can squeeze in one last quick question, just on pan India, kind of RevPAR, any color or guidance that you could give us, is the strong double-digit trend kind of continuing?

**Patanjali Keswani** Yes. But I want you to keep one thing in mind that Aurika, Mumbai became a more or less fully performing hotel in Q3 last year. So, there is still some base effect in Q3. In Q4 last year, Aurika, if I remember right, did occupancies in the mid-60s. You will really see same store performance in Q4 and I think I am very satisfied with how we are doing there.

**Raghav Malik** Okay, sir. Got it. You mentioned that Aurika, Mumbai stabilized in the early 70s already, so that's a great sign of course.

**Patanjali Keswani** No, it is now in the 80s, but I am saying still you will see same store performance to a large extent in Q4.

**Moderator** The next question comes from the line of Vikram from Vikram Securities. Please go ahead.

**Vikram** Hello, good afternoon. Congratulations on a great set of numbers, sir. Forgive me for asking you this, but I struggle to understand the exact structure of Fleur, if you could just simplify it for me, what it looks like right now and what it will look like post listing in terms of your holding structure and what part of your EBITDA and what part of your assets go into Fleur by the time it lists?

**Patanjali Keswani** In some form or the other, in the most tax-friendly form, we would like all assets that we own to be in Fleur, number one. Number two, Fleur will then become a pure asset company. Fleur, during and post listing will raise some form of capital and it will deploy that capital for objectives as defined by the Board of Fleur. We will continue to be very significant shareholders of Fleur. There are a few conversations within our Company as to: A) How should Fleur be listed? Should it be through a scheme of arrangement? Should it be through a direct listing? B) what should the shareholding of Lemon Tree be in Fleur? C) How do we ensure for the satisfaction of all shareholders that there is a chinese firewall between how Fleur runs and how Lemon Tree operates. Lemon Tree ideally should be an operating Company and it runs hotels in the Fleur portfolio, but how do we ensure Fleur is independent and if and when require, can also go for other operators. So, that is broadly where we are. I am summarizing it but obviously our discussions are very advanced, and I reckon that in the next 3-4 months you will have a very clearly defined picture as to what is happening with Fleur. What is Lemon Tree shareholding likely to be in Fleur and when is Fleur going to list.

**Vikram** Okay, will shareholders enjoy, will they have something in Fleur before, I don't understand how to ask you this, but what I am going to say is.

**Patanjali Keswani** You are saying will it be like ITC hotels? It could be, yes, it could be like ITC hotels, it could be like Reliance Jio, it could be like a simple listing. Let's keep the suspense on for a while.

**Vikram** That's what I was worried about, we do not have a holding Company discount, that's all.

**Patanjali Keswani** But we would want the shareholders of Lemon Tree to get a massive upside. And I mean, I am using this word very clearly, massive upside when we list Fleur.

**Vikram** You just brought a big smile to us. Thank you. And secondly, sir, is about your directional on ARPU's. I know you give us some guidance. What is your trajectory given the pipeline you see in the industry-wide? And how do you see that in the next 12-15 months, 18 months?

**Patanjali Keswani** Let me again come back to it, you are asking actually about revenue per room growth?

**Vikram** Correct, yes.

**Patanjali Keswani** I have always said we would like to grow at, depending on which combination of we follow, whether it's a focus on occupancy or average rate in which market? We would like to have mid-teens growth at the least. Our cost structure went through multiple jerks if I may say that, in the last 2 years. One is, I think our wage bill went up somewhat significantly. Number two is our investment in renovation went up significantly, which I blame myself for not explaining to you folks. That it is a 3-year one-off - a catch-up on the 3 years we missed out due to COVID. Our expenses went up. Now going forward, what is the trend line for our expenses? Well, if I use the last year as a basis for the next year, I will use this year for next year, it will be a far less increase in expenses than it was this year v/s last year. And then the following year it will be even less because our renovation will more or less be over. Therefore, my view is that if this mid-teen RevPAR growth continues - plus minus 15% and our expense increases much less than that. Then you will have very clear visibility on operating leverage. Ultimately, we want to maximize the EBITDA per room and EBITDA per square feet and obviously we would like to target north of 20%.

**Vikram** Yes, just adding to that question, I think you are going a bit hard on yourself. You did explain to us very thoroughly about how your renovation plan was for Lemon Tree, was it done what do you call it? But has that been done? And have you finished with your renovation of that portfolio? And if not, how much is left of it? Because I remember you saying that you would have finished it by the second quarter of this year, or third quarter?

**Patanjali Keswani** No, I said a significant portion will have been completed by H1 of this coming year, that is by September-October of CY 2025 with a little bit leftover for the following year and that we are sticking to and after that we will go back to routine renovation which is why when you spend money like this there is double counting because you are seeing depreciation as an expense of Rs. 160 crores. But actually, depreciation is replacement reserve. I am already spending that money under a different heading which is called renovation. Depreciation for us is pure cash profit and that is how we look at it going forward too.

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

**Sumant Kumar** Can you talk about the Aurika, Mumbai ARR strategy from here, how we are going to grow next year? When we see the Mumbai Hotel ARR, the Lemon Tree Premier and Aurika almost at the same level. From here, how much increase we can see with the product mix, customer mix changes and how much is the pricing power?

**Patanjali Keswani** Let's split this, Sumant, into two parts. Take out Crew, then look at retail and look at corporate. Crew typically is less than a \$100 a room. It's you know maybe Rs. 7,500 - Rs. 8,000. If you look at corporate depending on the corporate it varies from say Rs. 9,000 – Rs.11,000. If you look at retail, retail varies from depending on time of the year and day of the week from anywhere from Rs. 9,000 – Rs. 16,000. The reason why Lemon Tree Premier, Mumbai has an ARR equal to Aurika, Mumbai is because it Lemon Tree Premier, Mumbai has more of higher value business

relatively, and lower of lower value business. That is precisely where we will take Aurika, Mumbai too also. Now if I look at Lemon Tree Premier, Delhi as the other airport city, we had a similar situation here. We had a large amount of Crew, we stabilized it post-COVID, then we churned it and today the ARR of Lemon Tree Premier, Delhi in many days is greater than Lemon Tree Premier, Mumbai and Aurika, Mumbai. So, this is an ongoing process. Once you build demand and sustain demand, then you constantly churn the portfolio to constantly remove lower price business and replace it with higher price business. And that is what we will do. And obviously if we get more of retail at Rs. 15,000 – Rs. 16,000, more of corporate at Rs. 10,000 – Rs. 11,000, then the ARR target that we have set for ourselves, Rs. 11,500 – Rs. 12,000 is very low.

**Sumant Kumar** For the Keys Hotel, the renovation and refurbishment is going to be over, right? Almost.

**Patanjali Keswani** Keys is on-going. Unlike other hotels where we typically renovate in H1 and operate those hotels in H2, the Keys portfolio is ongoing because we needed to renovate entire 936 rooms. So, the key components of the hotels if you want to reprice, Keys Pimpri, Pune done. Keys Whitefield, out of 220 rooms, I think about 120 rooms are renovated and we hopefully will renovate the next 100 in the next 7 months. Wherever we see pricing power and demand, we are trying to accelerate, that renovation first and then in the other cases later. Right now, we have fully renovated Keys Pimpri, half renovated Keys Whitefield, 70% renovated Keys Ludhiana and Keys Vishakhapatnam and we have to start with Keys Trivandrum and Cochin. This will continue, trickle into FY27 also, but will not have a big impact either way on either renovation expenses or on incremental revenue blocks.

**Moderator** The next question comes from the line of Kunal Lakhan from CLSA. Please go ahead.

**Kunal Lakhan** Hi, good evening. My first question was on the, of the 6,000 keys that we plan to renovate, how many are already done in first half and how much will be done in 2026? And if there'll be a spillover in 2027 also, if you can just lay out that plan?

**Patanjali Keswani** See, of the 6,000 rooms, 670 rooms of Aurika require no renovation nor the 140 in Udaipur. So, that's 800. Then the 300 rooms of Lemon Tree Premier Mumbai, 200 in Pune and 140 in Calcutta, that is 640, require no renovation. If you take this out there are 4,500 rooms that need renovation of which 900 are Keys and 3,600 are the rest of the portfolio. Now if I look at it from the revenue generating upside perspective of these 4,500, the most important hotels that we want to renovate to reprice is Lemon Tree Premier Delhi, Lemon Tree Premier Hyderabad, Lemon Tree Premier Bangalore, Lemon Tree Gachibowli and Lemon Tree Electronic City. We have renovated 70% of these hotels including public areas. We are renovating also on where we think we can extract juice earlier rather than later. Am I making sense to you Kunal? Now of these 4,500 rooms, this year I think we have renovated roughly 1,300 rooms. Last year we renovated about I think about 1,000. So, of these 2,300 rooms we have already renovated some are still going on, by the end of this financial year it will be probably 2,600-2,700. The high-value hotels will all be renovated by next year. A few 100 rooms will be left with a low value, I should say, refurbishment, which will basically be keys in Cochin, Keys in Trivandrum and so on and so forth, which will continue into FY27. Does it make sense what I said?

**Kunal Lakhan** Yes, sir. Thanks so much for laying out that plan. My second question is a related question, there'll be an uptake on the ARR's post this renovation, and which will have a direct flow through to the margins. Where do you expect your margins to be post this renovation on an annualized basis?

**Patanjali Keswani** 60%.

**Kunal Lakhan** 60%?

**Patanjali Keswani** Yes. Why not? Why are we doing it?

**Kunal Lakhan** Sustainable basis, yes. Okay. Understood, sir. Thank you so much.

**Moderator** The next question comes from the line of Prashant Kshirsagar from Unived Corporate Research Private Limited. Please go ahead.

**P. Kshirsagar:** Congratulations on an excellent set of numbers. I just wanted to ask you a bookkeeping question. What is the gross debt on standalone and consolidated basis and the net debt on the same?

**Kapil Sharma** So, consol is Rs. 1,760 crores as of 31st December.

**P. Kshirsagar:** That's gross?

**Kapil Sharma** Yes, gross. I am talking about gross only. And standalone is Rs. 300 crores.

**P. Kshirsagar:** And net debt, if you can give us a figure?

**Kapil Sharma** Rs. 70 crores less in the consolidated.

**P. Kshirsagar:** My second question is on Aurika, Mumbai. You said that you expect in H2 the real stabilization, H2 of FY26, real stabilization of Aurika, Mumbai. But there was a question asked on the Navi Mumbai airport. Now, would Aurika, Mumbai come in the mid-market segment or comparing with the Navi Mumbai airport and what rates do you expect to be in Navi Mumbai airport region?

**Patanjali Keswani** We have nothing with Navi Mumbai airport. Aurika, Mumbai is at the International Airport in Andheri.

**P. Kshirsagar:** That I know. But when Navi Mumbai airport comes through, would there be a competition in the sense of on the rates of Aurika, Mumbai?

**Patanjali Keswani** Listen Prashant, when the Navi Mumbai comes, some airlines will have some flights from there. Okay, so there will be demand near that airport for airline related business. And over an extended period of time, normally when an airport comes up there is development around it but that is many years over. The impact of Navi Mumbai on the Aerocity side which is where our hotel is and multiple other hotels are will be there temporarily as a blip. But it will get absorbed because it's very simple. If the Indian economy grows at x%, there is a disproportionate growth in the main metros and even more disproportionate growth near the airport. I am not a fortune teller but I can tell you with my experience of what happened in Delhi, what I saw happening in Delhi was and even in Bangalore was, any disruption in demand due to an alternate generation of supply or location and so on gets absorbed very fast. So, it's not something I am particularly concerned about. Number two, Aurika, Mumbai is not in the mid-market. It is in the upscale segment. It is somewhere between 5-star hotels and say 3.5 Star hotels.

**P. Kshirsagar:** But your mid-market like Lemon Tree Premier or something big that is affected by this thing. I am asking you from the perspective that the rates of your hotels will not be as high.

- Patanjali Keswani** No, let me explain when I say rates in Delhi are over Rs. 10,000. Today rates in Hyderabad are now starting to creep up to Rs. 9,000. Rates in Bangalore have not crept up at the same level. Rates in Mumbai are also very high. What happens when Navi Mumbai comes is there is a shift in flights. How it plays out in rates is only if there is a significant shift in demand to Navi Mumbai which normally will take a few years because Navi Mumbai already has some supply. And in that period what happens is that shift of supply is more than compensated by shift, by creation of new demand. That is the broad point I am making. And this is therefore a temporary disruption and it's not significant.
- P. Kshirsagar:** Okay. I understand. And second question about Aurika, Mumbai, how much of the percentage of the traveler from foreign countries and from India, from domestic?
- Patanjali Keswani** Foreign demand would be maybe 15%-20%.
- P. Kshirsagar:** And would it be the same in Udaipur also or is it slightly different?
- Patanjali Keswani** See, Prashant, we are very focused on capturing the Indian demand because that's where we see real growth. Foreign demand, let me tell you, is only 11 million guys coming to India as foreign tourist arrivals and total international tourist arrivals, if I add Indians, the diaspora is 18 million. That's it. But in that same period, 26 million Indians flew out of India. And I have no doubt this year it will be a larger number. There are more Indians who are consuming than foreigners in India and going out of India. And we are very focused. We want to be the preferred brand for Indian consumers. Full stop. Not in the luxury but in every other space. And I think we are. But we are on that assumption, we are going forward to basically try and control that mid-market space in India.
- P. Kshirsagar:** Another question was about the margins front which you said that may increase after a few days. But would you say that the input cost would also be, will rise sharper than the revenue increases?
- Patanjali Keswani** Okay, so let's look at our margin for Lemon Tree say in Q4. If I add back extraordinary renovation etc. then basically in this year, we should be north of 50%. Right? So, we are north of 50% already. Now what is below the line after hotel level EBITDA, when you look at this hotel level EBITDA, to get to EBITDA the only expenses below the line for EBITDA is corporate expenses. Nothing else. Our corporate expenses will get more than adjusted with the rate of increase of our management fee income. So, what am I saying, I am saying that if I expect that our rate of growth or RevPAR will be in the mid-teens, the rate of growth of our cost structure will be in the mid-single digits. That is one level of flow through. And this is no rocket science. If you do the flow through it is very visible if you look at our last 8 quarters. What I am saying is if revenue grows 15 bucks per room, expenses grow 5 bucks per room, and everything stabilizes after one year more of renovation 10 bucks will flow. So, therefore your revenue would be 115 and your cost will be 55 because that's gone up 5 and that's gone up 15. Then your management fee income we expect will double in the next 2 years. And management fee income will take care of your corporate expenses completely plus with something. If you just add these numbers, I think we will be 60%.
- P. Kshirsagar:** But would you foresee a very sharp increase in the wage cost, employee cost for that matter? Because as the demand picks up, there will be a shortage of talent?
- Patanjali Keswani** No, not at all. In our case, we have a very clear strategy. We don't compete for talent with the hotel industry. Let me start by telling you that. Only about 15% of our talent is talent which would be fungible across 5-star hotels and us. Number 2, we have a very different way of looking at our wage bill. If you look at our wage bill, it has gone

down by 1% as a percentage of revenue if you go to slide 15. As the revenue grows, the rate of growth of wage bill reduces. I mean it is well below the rate of growth of revenue. Lastly, it is only in the legacy hotel companies that wage bills grow because you are paying for, basically you are paying more and more for the same role. So, a semi-skilled role the guy is getting overpaid because of time spent rather than because of retraining. Our principle is we are growing so fast in the managed portfolio that anytime there is a good guy in our system, we transfer him on promotion to a newly opened hotel typically at a lower cost than a similar role would be filled at and we replace that guy at a much lower rate. Am I making sense to you? I am paying a guy 30,000 bucks. He gets transferred to another hotel which is not owned by us at 40,000 instead of hiring a new guy at Rs. 50,000. So, that hotel saves Rs. 10,000. The guy we transfer who is paid at Rs. 30,000 the entry level salary there is Rs. 20,000. So, we replace him with 20. We save 10 and the managed hotel portfolio also saves 10. And by the way this has been a successful strategy for us for 15 years since this Company more or less started running hotels and our average wage bill inflation in 15 years is about 1.2%. You can also see those numbers.

**P. Kshirsagar:** The last question is - as you grow faster, that's the right way, but as you grow faster, would you be able to maintain the service quality across the, especially in the Tier 2, Tier 3 cities?

**Patanjali Keswani** You know you are talking about one of the most important things we just have to deliver, Prashant. We are not interested in reckless growth. When I am quoting some CEO's of very large travel agents, online travel agents who tell us that whenever you open a hotel, immediately 20% of your business comes or the entire demand of that hotel comes because of your brand. Now that is the most monetizable and valuable part of our Company. We are very clear we will not accept, just to show growth we are not going to accept poor hotels or badly run hotels. While as long as we manage hotels, we are very careful about the net promoter score, we track it very frequently. But when we grow through franchise route this will be the single most important thing, we keep an eye on. Please rest assured it will be a number one priority of the management to ensure that growth does not come at the cost of the brand.

**P. Kshirsagar:** Last question on the brand, in the new structure which you are emphasizing, where would the brand be placed in Lemon Tree, original Lemon Tree Hotel or?

**Patanjali Keswani** All brands are in Lemon Tree. All tech and all brands and all distribution platforms will be in Lemon Tree because over time that becomes the single most important monetization opportunity.

**Moderator** Thank you. Ladies and gentlemen, that concludes the question-and-answer session. I now hand the conference over to the management for their closing remarks.

**Patanjali Keswani** Thank you everybody once again for your interest and support and questions. 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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