



November 19, 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 November 13, 2025 w.r.t. the audio recording of the conference call on Unaudited Financial Results for the quarter and half year ended September 30, 2025 held on Thursday, November 13, 2025 at 04:00 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



Lemon Tree Hotels Limited

Q2 FY26 Earnings Conference Call Transcript

November 13, 2025

Moderator: Ladies and gentlemen, good day, and welcome to 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, Mr. Poojari.

Anoop Poojari: Thank you. Good afternoon, everyone, and thank you for joining us on Lemon Tree Hotels Q2 FY26 Earnings Conference Call.

We have with us Mr. Patanjali Keswani, Executive Chairman, Mr. Kapil Sharma, Executive Director and CFO, and Mr. Neelendra Singh, Managing Director and CEO of the company. We would like to 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 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 financial performance for Q2, post which we will open the forum for your questions and suggestions.

During the first half of the year, the industry faced multiple headwinds, including geopolitical tensions, floods, airplane accident, tariff wars and GST revisions, which resulted in some muted demand. Despite these headwinds, in Q2, Lemon Tree reached and recorded its highest ever Q2 revenue at Rs. 308 crore, which grew 8% compared to Q2 last year.

Net EBITDA grew 1% to Rs. 132.4 crore, translating to a net EBITDA margin of 43%, which decreased by 306 bps YoY, primarily due to increased investments in renovation, technology and a onetime ex-gratia payment to employees due to salary cuts during COVID. While these expenses/investments accounted for 8% of revenue in this quarter, we expect all these 3 expense heads to reduce to 5% of revenue in the next year, before stabilizing at 2% of revenue by FY28 onwards. So we expect this will lead to a corresponding expansion in EBITDA margin.

We have completed significant renovations in H1 this year with major upgrades being completed in the Delhi, Bangalore and Hyderabad markets and the Keys portfolio. Post these upgradations, for example, the Red Fox Aerocity Hotel has been rebranded as Lemon Tree Hotel Aerocity, which will now allow us to reprice the hotel from this quarter onwards and capture significantly higher revenue.

Similar upgrades have occurred in our 2 hotels in HITEC City, Hyderabad and in Whitefield and Electronic City in Bangalore as well as, as I said, the Keys portfolio. As an example, we have seen a significantly improved performance in the first fully renovated Keys hotel in Pune, which has now shown an increase of roughly 47% in RevPAR YoY.

Q2 FY26 recorded a gross ARR of Rs. 6,247, which increased 6% YoY. The occupancy for the quarter stood at 69.8%, an increase of 139 bps YoY. This translated into a RevPAR of Rs. 4,358, which increased 8% YoY. The company's profit after tax stood at Rs. 41.9 crore in Q2 FY26, an increase of 20% YoY. Cash profit for the company stood at Rs. 76.3 crore in this quarter, an increase of 9.2% YoY.

The debt for the company stood at Rs. 1,610 crore as of 30th September, a fall of Rs. 212 crore vis-a-vis the Rs. 1,822 crore on 30th September last year. Lemon Tree has also improved its credit rating to A+ from A, which has significantly reduced our cost of borrowings over the year to 7.72% in Q2 this year as compared to 8.68% in Q2 last year.

On the asset-light side, in Q2, we signed 15 new management and franchise contracts, adding 1,138 new rooms to our pipeline and operationalized 5 hotels, adding 272 rooms to the operational portfolio. Lemon Tree also won the Letter of Award through an auction for 2.25 acres of land in Nehru Place, New Delhi. The proposed hotel on this site will be a 500 to 550-room Aurika hotel and the initial approvals and design of the hotel are currently underway. This will give Lemon Tree a long-term strategic advantage with a very large, high revenue-generating hotel in a prime location with minimal anticipated supply growth in the foreseeable future.

As of September 30, 2025, the total inventory for the group stands at 242 hotels and 20,074 rooms with 10,956 rooms and 121 hotels being operational and the rest in pipeline. Keeping with the muted demand environment, in H1, specifically in Q2, fees from management and franchise contracts from third-party owned hotels stood at Rs. 14.3 crore in Q2 this year, an increase of 7% YoY.

Fees from Fleur Hotels stood at Rs. 19.9 crore in Q2, an increase of 8% YoY. Total management fees for Lemon Tree stood at Rs. 34.3 crore in Q2 FY26. Although there have been a few delays in the scheduled openings of managed and franchise hotels, we are very confident of accelerated growth in our management fees going forward.

While Q2 posed headwinds, our outlook for H2 remains extremely positive with our continued investments in renovation and technology, showing material increase in occupancy and ARR across the portfolio in Q3 and onwards.

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. We will now begin the question-and-answer session. The first question comes from the line of Karan Khanna with Ambit Capital. Please go ahead.

Karan Khanna: Yes, hi and thanks for the opportunity. My first question is on Aurika, Nehru Place. If you can help us understand because it appears that the total lease payments are at about Rs. 10,000 crore over a 55-year tenure. What kind of margins are you expecting in this project in the next 5-7 years? And more importantly, what kind of IRRs have you penciled in while finalizing this project? And as a follow-up, are there any other nonnegotiable parameters that you maintain when considering a greenfield development on your own balance sheet?

Patanjali Keswani: Firstly, this is on the balance sheet of Fleur and as you know, we are looking at listing it. The IRR that we expect is north of 15% but let me explain how this works. This is a headline number you are reading. Our lease rent is going to be Rs. 27 crore, and it will escalate at 5% a year over a 55-year period. So if you look now we are talking inflation. Basically, this will escalate at a rate of inflation. And on a cycle basis with the repricing of this asset and its specific location.

You see if they had sold this plot, our best guess is it would have gone for Rs. 600 crore. So really, we are paying something like a 6% rate on the value of the land and that value of the land will be captured in the ARR. Let me give you an example. Lemon Tree Premier, Delhi nowadays is now doing north of Rs. 10,000. We have

done an IRR, assuming this hotel is ready 4 years later based on Rs. 12,500 ARR which is therefore, an IRR on a very conservative basis.

Our best guess is that this hotel, once it is stable, like many of our existing hotels like Lemon Tree Premier, Delhi, for example, currently does about Rs. 24 lakhs to Rs. 23 lakhs EBITDA per room. If you take this at a 550-room hotel and the current EBITDA of Lemon Tree Premier, Delhi, and this is a Aurika, not a Lemon Tree Premier, then we are talking of Rs. 150 crore, of which we will give roughly 1/6 to DDA. I would not worry about my headline number. That was to make it sound sexy. For us, it is a very, very good project.

Karan Khanna: Sure. This is helpful. Just as a follow-up on this, if you look at your pipeline of projects, so you have about 2-3 hotels that are currently on the pipeline on your own balance sheet. But essentially, if you look at most of the pipeline, this is largely in the Aurika brand. So is it a conscious strategy to position upcoming own rooms under the luxury segment while expanding via the asset-light route for the mid-scale segment?

As a follow-up, given your balance sheet now supports you to perhaps take on more greenfield opportunities. So what is the thought process for that now going forward, given that while you have announced one project, which is Aurika, Nehru Place, how should we look at future expansion in terms of greenfields going forward?

Patanjali Keswani: Okay. Let's go back for a minute. We are brand agnostic as to when we deploy capital. What we are interested in is what is the market segment we want to target and where is it that there is sufficient demand. Obviously, higher price, the better, where we can compete in the market and look at a ROCE, which meets our hurdle rates.

Based on what we felt about Shimla, about Shillong and obviously about Nehru Place, we said we would put up Aurikas. But for example, if we looked at another location, which we are, they may be Lemon Trees or Lemon Tree Premiers. So there is no conscious decision to grow the upscale portfolio. It is simply based on the type of demand and how we can get a return and our bid is based on that. Even if we lose the project, we are quite okay because ultimately, it is all IRR.

Karan Khanna: My second question, if I look at the numbers for this quarter, it seems that Bengaluru grew just 6%, while Gurgaon declined by almost 10%. When I look at this v/s peers, it seems that this is a bit lower compared to the performance of some of your peers in these markets. So was there any specific reason why the portfolio here relatively underperformed this quarter?

Patanjali Keswani: Yes, 2 reasons and that is linked actually to the P&L. So let me just give you a number. In the last 3 years, about 2.5 years, really in the last 2 years, we have renovated 3,000 rooms. Out of a portfolio that needs renovation, excluding new hotels for 4,600 rooms, we have spent a little under Rs. 300 crore in this renovation. A large part of this is OPEX, which is affecting the bottom line. But the way we look at it is, this is very limited short-term pain for significant long-term gain.

I had referred in my opening remarks briefly to Keys, the first fully renovated Keys hotel, Pune is showing 47% improvement in RevPAR. And you will start seeing it from Q3 because lots of rooms were shut in H1 and far fewer rooms will be shut in H2 where we see more demand. Our renovation is also based on demand/supply patterns.

In Gurgaon, we had closed a large number of rooms and if I look at sold-out dates on the smaller inventory, we were sold out on many days, and we could not sell more rooms. It was very simple. So this is part of the reason. Plus during renovation, there was a lot of noise. And when there was a lot of noise of banging, breaking and drilling and so on and so forth, your pricing also must reflect that. So there was a double impact really for us. And now that renovation is over. So I suggest when you look at Q3, you will get a complete picture of what the renovation is starting to yield. And I can assure you it will be a startling revelation.

Karan Khanna: Sure. And then my last question on Aurika, Mumbai, if you can provide some color in terms of how the ADR and the occupancies trended during third quarter? And more importantly, what is the expectation for second half for Aurika, Mumbai and the rest of the portfolio, October, November, what is been the RevPAR overall for the sector and perhaps for your portfolio as well?

Patanjali Keswani: I cannot comment on the sector, and I hesitate to give guidance. Let me tell you that I would be expecting mid-teens RevPAR growth this quarter, primarily because one of the reasons was, October was very muted for the hotel industry because you had Dussehra, you had Diwali and Chhath Puja this year in the entire month of October, which is a big deflator of business demand and in fact, retail demand other than pure leisure.

Dussehra, Diwali and Chhath Puja last year were in October and November. So in October, interestingly, we were 4% in occupancy lower than last year. ARR was up, but the occupancy was lower. But in the first 15 days of November, not only have we overtaken that, but on an overall basis, we are in the mid-teens in RevPAR, in revenue growth. If we continue on this trajectory, then mid-teens is the minimum expectation for revenue growth for Q3.

Karan Khanna: Sure. And on Aurika, Mumbai, if you can give some color on this, yes.

Patanjali Keswani: Aurika, Mumbai did well last year, if I remember right. On an improved base effect, it will still be north of 15%.

Moderator: Thank you. Next question comes from the line of Sameet Sinha with Macquarie. Please go ahead.

Sameet Sinha: Thank you very much. So, in terms of renovation spend, if I am doing the math correctly, it seems like you are 66% above last year, same time first half last year. Can you tell us how many rooms are done? What are you thinking about second half and how much will be left over for FY27? Second question was around the GST rate cuts. Obviously, you get a double benefit, right, lower room rates as well as higher disposable income for people to spend. Can you talk about that? Have you seen any sort of discernible change in the last few days since September 21? And if there is any way to kind of isolate that specific change?

Patanjali Keswani: Very good point. Thank you for asking Sameet. As far as renovation goes, renovation is ongoing. The call we have to take is, we have to renovate this entire portfolio by next year. We have renovated about 3,000 out of 4,600 rooms. Some more will be renovated in H2. Many, many more will be renovated in H1 next year, because it is a question of demand/supply. So this is a call we take based on what we see happening in each micro market. And then there is always this trade-off. For example, many, many days in H1 this year, the 80 rooms that were shut, 80 to 100 rooms that were shut of the Delhi hotel, we definitely needed. But that trade-off was that we would take the hit now and reprice the new hotels when they came back to market. So it is, as I said, short-term loss, long-term gain.

To summarize, this is ongoing. Right now, it is 3,000 rooms. We have 1,600 more rooms to renovate. Now the other interesting thing is the high-value renovations are Rs. 10 lakhs - Rs. 12 lakhs a room. Then there is medium value renovation at Rs. 6 lakhs - Rs. 7 lakhs - Rs. 8 lakhs a room and there is low-value renovation at Rs. 3 lakhs a room.

So when I say I renovated 3,000 rooms, some have been at Rs. 12 lakhs but we have tried to renovate the high-value hotels first, which is why we have spent about Rs. 300 crore, the majority of which is OPEX over the last 2-2.5 years. Is that correct, Kapil?

Kapil Sharma: Yes.

Patanjali Keswani: Just in renovating. And that is why I think from an investor/analyst perspective, you have seen this decline in our EBITDA margin. But this is a one-off decline because, as I mentioned, this entire investment which we are making, what we think is one-off over 3 years is really in technology. This year, of course, we also have ex-gratia, which will be another Rs. 20 crore, which is affecting our EBITDA. But if you look at renovation OPEX, TFS OPEX, ex-gratia and so on, it put together is about 8% of revenue in this quarter v/s 5% last year, which explains the 3% fall in our EBITDA margins in Q2 this year v/s last year. So this is a balancing act, Sameet. What I can tell you is rather than give you month-by-month numbers, what I can tell you is that by the end of next year, calendar year, most of the portfolio, if not all, will have been fully renovated. So Sameet, that is the first point.

Coming to GST effect. GST affected about, when we looked at the previous year, about 50% of our portfolio was under Rs. 7,500 in room rate and 50% of our revenue. For us, the impact then assessed was 3% - 3.5% of revenue because that was the loss of input credit and your expenses would go up that much.

Now I think I mentioned in the last investor call that we were hoping that we would get to a 7% - 8% improvement in revenue to account for this 3.5% increase in cost in order to maintain our EBITDA margins. That is very evident now. But obviously, we do not like the increased expenses. We think looking at the way our rates are growing, this 3.5% impact on EBITDA will probably come down to 2.5% when we finish this quarter. And going forward, as our rates keep going up and more and more rooms are priced over Rs. 7,500, then we will have the double whammy benefit of higher ARR, higher GST income input credit, and that should nullify it in our best guess by next year. Does that answer you or confused you sufficiently?

Sameet Sinha: No, that was good. Just one final kind of follow-on to that is. For this year, looking at your aggressive renovation schedule and obviously take the hit now for gains later, do you expect EBITDA margins to be up year-over-year, flat, down? Any commentary there?

Patanjali Keswani: I think in FY26, our EBITDA margin will be the same as FY25, which means effectively that the increase in spend, we will make up with a double increase in revenue. So if our spend goes up by 'X', our revenue will go up by '2X' on that basis, and we will maintain our EBITDA margins. But going forward, our forward thinking is that we would be very disappointed if by FY28, our net EBITDA without extraordinary expenses is less than 59%.

Moderator: Thank you. Next question comes from the line of Abhay Khaitan, Axis Capital. Please go ahead.

Abhay Khaitan:

Hi, thanks for the opportunity. My first question is on Aurika, Mumbai. Firstly, on the 71% occupancy that has been reported in the quarter, just wanted to understand how much of it has come from the negotiated one that is the crews or operators and how much of it is transient? And are we seeing this trend change over the quarters?

And the second part to that, the same question would be that so far, we have also seen ARR's declining YoY. And now that the occupancy has more or less stabilized in the last 3-4 quarters, we are seeing 70% plus occupancy. When can we see the ARR growth pick up from here? And what is the sort of stabilized ARR that we are looking at for the property?

Patanjali Keswani:

I think I had said this in earlier calls also, where we had first plan was to fill the hotel and then do the shifting of low-value business and as we could gradually replace it with high-value business. This is the largest hotel in India. It has an enormous inventory. Obviously, our focus was not on ARR, rather the total revenue we could generate from this hotel.

When we talk that we have achieved 75%, say, in Q4 last year, that was within a year or so of operationalizing this hotel. In my opinion, our team in Mumbai, our revenue team did a phenomenal job. But it had a very large amount of crew and not enough corporate and negotiated and not enough retail business.

When I look at retail today for Aurika, Mumbai, the corporate now has stabilized at about 130 - 140 rooms. I am talking Q2. The airline business is at 150 v/s 95 last year. The travel trade business has about doubled from 20 to 40. So really, the negotiated business has gone up from 256 to 320 rooms. The retail business has gone from 80 rooms to 180 rooms. Typically, it takes a little more time. We do not advertise Aurika in the papers or in TVs and so on. But I am reasonably happy with the pickup in retail, and I expect that this non-negotiated part of the business will continue to grow over the next 1 year.

Once that happens, let me put it this way, the gross ARR of the negotiated business is only at sub-Rs. 8,000, but the retail business is north of Rs. 10,000. But because of this mix, the overall ARR was showing at Rs. 8,500. But my expectation is like from Q3 onwards, it will cross Rs. 9,500; then in Q4, it will probably be north of Rs. 10,000, in the next summer, we will then move to Rs. 9,000, Rs. 9,500, and in winter, we will hit our target, which will be Rs. 11,000 to Rs. 12,000. Actually, I expect we will hit Rs. 12,000.

- Abhay Khaitan:** Understood. That is very helpful. My second question is that if you have any updates on the Fleur demerger, any update that you can provide on what is the process and what is the timeline that we are working with right now on this?
- Patanjali Keswani:** It is in process. There are a subcommittee of the Board and the full Board, which is in discussions, both boards, Lemon Tree and Fleur. And I think we will have a bunch of interesting things to tell the market, I think, in the next 3 months. Would that be right, Kapil?
- Kapil Sharma:** Yes.
- Patanjali Keswani:** It is not only the demerger of Fleur, but some other even more exciting stuff, but we will talk about it when the time is right.
- Moderator:** Thank you. Next question comes from the line of Prateek Kumar with Jefferies. Please go ahead.
- Prateek Kumar:** I have a couple of questions. You talked about like renovation of rooms, 3,000 rooms followed by 1,600 more. Just wanted to understand the schedule of this renovation. Is it the first time we are renovating post COVID or it has been like a constant renovation where you are trying to upgrade the pricing for your portfolio over like in the past 5 years?
- Patanjali Keswani:** See, we took a call that we think that there are going to be structural shifts in consumption in India based on the current level of GDP per household and the expected move of different cohorts of customers who will treat mid-market branded hotels as nondiscretionary rather than discretionary.
- Now looking from that perspective, we took the call that, as I said, we would take some short-term pain. And this was not only strategic, it was also in my opinion, essential because we stopped renovation pre-COVID. We planned obviously a routine renovation. But for those 3 years during and post-COVID, we had to repair our balance sheet because obviously, we were skeletal at the end of that.
- So really, renovation started in summer of 2023. And that too, we did not have so much cash flow. So we did a few hundred rooms. Then in 2024, we accelerated. In 2025, for example, this year, I think we are going to spend about Rs. 130 crore, Rs. 140 crore, including capex in the renovation of our hotels. So as I have repeatedly said, these are one-offs because once we finish this complete reimagination of our rooms, and these are lovely new rooms, which you will see we are capturing in pricing, by the way, in the fully renovated hotels we have, then our renovation spend will drop to 1.5% of revenue.

But while we are going through this pain, we are going to see it as probably 6% of revenue. And therefore, our EBITDA margins are going to take a hit of 4% - 4.5%. And I urge you to look at how it will be once the renovation is over because it will have a double whammy. You will have new rooms, very little future investment for the next 3 years. In fact, that 1.5% is an average. I expect that in FY28, '29, '30, we will probably spend 0.5% of our revenue in renovations or upkeep. And with it, our pricing will also go through the roof. So as an example, besides the Keys hotel that we have renovated, we have now renovated 2/3rd of the Keys, Whitefield. If I remember right, the ARR has gone up 30% or 40%, sorry. And I am talking obviously this quarter because last quarter was very muted, pricing hikes were also muted. If you look at Lemon Tree Premier, Delhi, it is going through the roof. If you look at Lemon Tree Premier, Hyderabad, I was amazed see that our ARR is north of Rs. 12,000 when it used to be Rs. 6,000 3 years ago. So this is going to be visible to you from Q3 - Q4 as more and more renovated high-value hotels come for sale.

Our plan is very simple. I want to just mention to everybody, we will spend another Rs. 130 crore - Rs. 140 crore next year, in total, so that we finish this entire portfolio once and for all. And the fruits of that of the current renovation, the fruits will be visible in this H2 and the fruits of the complete portfolio will be visible from H2 next year. But even this year, it is very encouraging what we are seeing.

Prateek Kumar: I have a related question. You mentioned about, I think, tech upgrades also, what specific digital initiatives are being implemented and how will that impact the guest experience and cost efficiency?

Patanjali Keswani: So that is a work in progress. We have not yet focused on the cost towers that we want to implement, which is an automated way of managing costs because we feel our control over costs and our management of cost is a key moat for us, and it is actually a moat which is difficult to climb to overcome for any other hotel company as far as I know in India.

The focus was initially in creating, using AI, deep learning, our own revenue management system. This has been self-learning for the last 1.5 years and I think it is at MVP 2 stage. I think it will be fully operational maybe by next winter. Because the data we had during COVID was obviously irrelevant, so we need to build history and data and demand in order to be more and more accurate in automated pricing, dynamic pricing literally every 2 hours. As far as the second part goes, it was the cleanup of our data lake. We had, I think, 10 million customer profiles, keeping in mind privacy laws, so on and so forth, we were wanting to reimagine and reinvent our loyalty program and our website. That, too, is work in progress. Elements of it

will be visible now from this quarter. We have about 2.1 million members, but there is a fair amount of duplication. We are trying to use basically technology to drive our loyalty/website.

Third element is on sales. We use Salesforce. We have integrated it into our system. We have put a middleware in place where we think we will be significantly able to improve the efficacy of sales. Now why am I talking about efficacy of sales? It is also linked to, as a strategy and as an industry, we have very high attrition. So we were looking at automating as much as we can on the front-facing relatively low engagement jobs of front office, housekeeping, so on and so forth, even engineering now. Our intent is very simple. How do we use technology to improve guest service and experience? How do we use it to improve revenue? How do we use it to outreach to more and more customers using third-party data sources? And how do we price it better so that we can maximize our yield? And of course, how do we improve our repeat guests, which is already, I think, north of 40%. How do we keep increasing each of these? Because put together, they lead to a completely virtuous cycle. And I am pretty confident that by next year, we will have achieved at least 70% - 80% of what we hope to achieve over the long term.

Prateek Kumar:

Sure. If I may ask one more question. Recently, IHCL's recent acquisition of Clarks Hotels significantly expand its presence in the luxury and mid-scale segment under the Ginger brand. Given Lemon Tree's leadership in this space historically, how do you view this consolidation impacting your growth strategy or otherwise?

Patanjali Keswani:

I do not see any change actually because it was a branded portfolio earlier, it is still a branded portfolio. Ginger really is positioned v/s Keys, the 2 lower Keys brands and maybe Red Fox. And we were competing with Clarks and now we will compete with Ginger. So I just see it is good that more and more consolidation will happen. And ultimately, the consolidation of the very fragmented hospitality landscape in India will lead to, I think, better standards, better outreach and will help this structural shift towards branded hotels. I see it more as collaboration, no competition. And just a minute, Prateek, I think as somebody just advised me, I should also mention a very large part of our technology investment is geared towards managing scale. So while we have not accelerated, I was talking to my new colleague, Neel, who I hope will be talking to you going forward. We want to focus extensively on the asset-light part of our business because of this very fragmented landscape. And while we have 240 hotels in our portfolio now, including the pipeline, we want to use technology to not only drive the business development, but to also drive customer outreach to these new locations we are getting into so that we really juice the network effect of our

system. So that is an unstated outcome we want to get from the technology investments we are making.

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

Sumant Kumar: My question is for technology investment, what we have done. Is it our in-house team or we are having a third-party vendor where they are working on it?

Patanjali Keswani: We started with BCG, Boston Consulting Group laying out a strategic road map, which was scanning best practices worldwide in technology and in our industry. When that assignment got over, we, in the process, also recruited a couple of BCG consultants. We have our own leader of the team, and it is in a 100% subsidiary of Lemon Tree called Totally Foxed Solutions. It is a tech company. It is currently doing all its piloting with our owned hotels, and now we are going to move into the managed portfolio. So the team is, I think, about 20 people, Kapil?

Kapil Sharma: 30 now.

Patanjali Keswani: Now, there are 30 people in this team, which is why you are seeing this investment in technology. And we are working with various vendors. We also have some implementation support technology staff like from Ernst & Young right now. We have also various other platforms that we are using or using and putting a middleware in place. But our intention is ultimately to be self-sufficient other than in those modules in our technology stack where the architecture accepts commodity products like, for example, property management systems, and we simply put a middleware in order to get that data in the right place and then do the right set of analysis and so on and so forth.

Sumant Kumar: Okay. These 30 member teams, we have created their main work, whatever module we are getting from the supplier software or maybe they are integrating that module to our system, right? I am maintaining that.

Patanjali Keswani: Correct. By using APIs, middleware and then creating our own AI/ML, our LLMs on top. So as I said, because our data is limited post COVID, this is a work in progress. We really started this about a year and 2 years ago. And we think some results, early results are visible, but many of them are at MVP 2 stage. And we think they will be fully, well, let us put it this way, debugged and piloted out and checked at scale and then rolled out in the next 12 to, I would expect 18 months?

Kapil Sharma: Yes, 18 months.

Patanjali Keswani: Yes.

Sumant Kumar: Okay. Now coming to Aurika, Mumbai, how is the MICE activity or the business segment there? And what are we trying to increase more MICE in our hotel?

Patanjali Keswani: MICE v/s last year doubled from 19 rooms to 41 rooms in Q2. But Q2 is a very bad example because it was really the worst quarter. In Q3 and Q4, we will be able to give you more color. But suffice to say that the change in mix, somebody asked me earlier about Aurika too, Sumant. If you look at last year, in Q2, we did 337 rooms per day, which is about 50% occupancy. And this year, we did about 504 rooms a day, which is 75% occupancy. So this increase of about 170 rooms per day from last year to this year in Q2 in a very muted demand environment came not due to a growth in corporate because corporate did not grow. It was due to a little bit of growth in airline and a massive growth in retail. So really, this 170-room growth, if I summarize, 100 rooms came from non-negotiated and 60 rooms came from airline. And therefore, airline was a deflator because the rate of airline is Rs. 8,000 whereas negotiated was an inflator. So it is a mix. It varies. What do we pick up at what price, what is MICE at and so on.

For example, the doubling of the MICE business dropped our rate by about Rs. 1,500 because in Q2, there was not that significant MICE. Last year, we did Rs. 9,000 for 19 rooms. This year, we did Rs. 7,500 for 41 rooms. But what I am trying to say is I am pretty pleased with the way it is progressing based on my experience of opening big box hotels. And by next year, I think whatever we said as our target about Rs. 12,000 ARR and so on, you will start seeing that definitely play out.

Moderator: Thank you. Next question comes from the line of Vikram Shah from Vikram Securities. Please go ahead.

Vikram Shah: Good evening. Congratulations on a good set of numbers again. I have one question to start is, again, I did not get the opening statement. So what was the main reason for the muted quarter industry-wide? And do you still expect to do 100% of your internal expectation at the beginning of the financial year?

Patanjali Keswani: Yes. To answer, yes. Now why was Q2 muted. So perspective. Last year, Q1 was muted because of elections and pent-up demand moved to Q2. So last year, Q1 base was low, Q2 base was high. Traditionally, most hotel companies report Q2 is the worst quarter, traditionally. But last year, for example, Q2 was much better for us than Q1, precisely because of this reason I just enumerated. Now Q1 this year, because of the low base of last year, was a 17% - 18% growth in our revenue. Q2, on the other hand, because of high base last year was muted and further affected

partly by base effect and partly by these massive rains, which really affected us in multiple locations. There was this airline crash, which affected airline traffic and also demand for us for about 2 weeks. There was this war or this war effect. So there were multiple little, little, little reasons affecting large swaths of India or, in fact, all India. So it was muted. And I think when I look at the results, which have been given by the larger players like Taj or ITC and so on, if I take out consolidation and I take out other income, they are all in 7% - 8% zone. So we grew, they grew roughly the same.

Now obviously, some may have grown better. They were concentrated in markets which were less affected, which are the smaller players, but I do not want to comment on that. What affected our EBITDA margins is very simple, and I keep repeating it, which is we are making massive investments in technology and in renovation. But when we finished the renovation, we will have invested Rs. 450 crore across the portfolio. And this is a catch-up and a reimagination. And when we finish our technology, our technology spend will typically stabilize at about 0.7% of revenue, but much increased revenue. There was another impact this year, which was the repayment or I should say, the ex-gratia we gave to those staff members who took a big hit during COVID on their payroll, on their salaries and roughly Rs. 20 crore will be paid back to them in this year. So that Rs. 20 crore will have an impact on our EBITDA for this year, but that is an absolute one-off.

The increase in renovation expense will continue to next year. And if I look at the total expense on these one-offs and this increase in renovation, it accounted for 8% of our revenue vis-a-vis 5% last year, where we also did a lot of renovation. So there was a 3% hit on our EBITDA. So last year, we did 46%. This year, we did 43%. It is very simple math.

Vikram Shah:

May I quote you, sir, on an interview you gave on YouTube recently with the Inside Scoop and where we spoke about Rs. 1,000 crore EBITDA target next year, I suspect. And then there is a road map towards gaining a lot of market share and hitting a Rs. 1 lakh crore valuation at some point. Is this possible after the delisting or the relisting of Fleur v/s Lemon Tree, where Lemon Tree continues to capture a lot of the franchisees and managed hotels and Fleur continues to capture market share in larger cities?

Patanjali Keswani:

Yes, we do want to target Rs. 1,000 crore, but I want to be very specific. This is for both Lemon Tree and Fleur put together. So I was talking of us as a group. What is the vision? It is very simple. At some point in time, any company has to take a view on the future. When Lemon Tree started, it was totally asset heavy. Roughly 10 years

ago, we started focusing on the asset-light side when we felt we should start looking at monetizing our brand and expanding our network. We are a young company. We are really from the first hotel to today, that first 50 rooms to the 11,000 rooms we have. It has happened in the last 20 years.

Now that our brand is monetizable and very widely recognized, our view is very simple. In the mid-market space, we do think we are dominant. And ultimately, there will be 1, 2 or 3 players in this space. And it is traditionally worldwide, the single largest space in the hospitality sector and the one where you have maximum scale. I joke with a couple of my friends in the hotel industry that all the large hotel companies started in the mid-market and they acquired 5-star brands. In India, for whatever reason, we have been more 5-star driven and less mid-market driven. But like in China between 2006, where we are today in household income and so on and 2013, this grew 6x - 7x. And I expect the same thing will happen in India, and we have to take a view on it with appropriate risk adjustment. So what is our view? Our view is we list Fleur as a pure asset corp. It will have its own set of investors. It will raise capital. It will build hotels. We will support it. Obviously, it may have other brands, but we hope with our performance that we will be the preferred provider of management and brand services. Lemon Tree will continue growing with third-party hotels and will now start focusing on franchise.

Now one very important element of the Indian market is that individuals who own small hotels do not want us to manage their hotels because it is like a family business or some nephew or niece or daughter runs it. We want to provide them technology/distribution support and that is the traditional model globally when the market has expanded from where we think it is today to where we think it will go in 2033. So that is our view. It is very simple. We are trying to make it sexy. We are trying to say we will help you with ESG. We will show you how to use renewable energy. We will lower your cost. We will demonstrate to you that every buck you pay us in fees, we will improve your revenue/EBITDA by 4x. We want to be an attractive provider of these services and basically monetize our brand and management capability and use Fleur to grow in those markets where we think they will generate the hurdle rates of IRR we look at because that is a massive opportunity for Fleur too.

Vikram Shah:

Noted, sir. Of this Rs. 1,000 crore expectation, my last question is which normalized after a year, will you expect what percentage to be Fleur and what percentage to be Lemon Tree?

Patanjali Keswani: Friend, I cannot give you so much guidance, Vikram. One day when you are in Delhi come over for a coffee, and without it being UPSI, I will show you how we are looking at it as a vision.

Vikram Shah: I definitely will. Who should I get in touch with to get in touch with you?

Patanjali Keswani: Me, patu.keswani@lemonreehotels.com.

Vikram Shah: I will write to you, sir. Thank you so much.

Moderator: Thank you. Next question comes from the line of Vaibhav Muley with YES Securities. Please go ahead.

Vaibhav Muley: Thanks for the opportunity and congratulations on a good set of numbers. Sir, my first question was regarding our management portfolio. We have continuously seen strong traction in terms of signings, but openings have been lagging. And I understand the actual timelines are beyond our control, and it is more dependent on the developers. But for our growth to sustain going forward, openings of management contracts is going to be critical. So just wanted to understand when do you see this pace of openings to pick up going forward for managed portfolio?

Patanjali Keswani: So typically, at least with my experience and conversations with other players in the managed/franchise space, openings are always behind the curve because if you are a growing company, you will be always adding more pipeline, but the pipeline that you open is 3 years ago. So just think of it very simply, if I signed 800 hotels or 1,000 hotel rooms in 2023, I will open them in 2026. In 2024, I will sign 1,500 rooms, I will open it in 2027. In 2026, I will sign 4,000 rooms, I will open it in 2029 or 2028. So really, there is a time lag. This is a positive sign that we are signing more than we are opening because what we are opening is what we signed 3 years ago. So as long as the signings are more than the openings, it means that there is positive net addition. Am I making sense to you?

Vaibhav Muley: Yes, sir. But if you can just provide broad guidance in terms of possible number of Keys that could be added over the next 3 years? I mean the operational Keys on the managed part.

Patanjali Keswani: So we are now going at the rate of 4,000 rooms. Yes. So I think we should do 5,000 next year, maybe 7,000 the following year. We would also look at some acquisitions, which is unstated, but I kind of implied it. We think that we should be closer to 35,000 to 40,000 rooms as a pipeline that is double the pipeline in the next 2.5 years, including operational.

Vaibhav Muley: Okay. And second question on Aurika, Mumbai. So last year, for Q3 and Q4, Aurika performance had notably improved, right, sequentially. For Q3 and Q4, occupancy as well as ARR are relatively higher. Do you think the higher base for Aurika, which was actually a benefit for first half where Aurika did lower occupancy last year, that will be a challenge in terms of posting a double-digit growth?

Patanjali Keswani: No, not really. So look, it is also, I think, one very important part of our business is not only cyclical due to demand supply over a 7-year cycle, but also seasonality. See, like if you talk to a hotelier in America, he knows exactly when Christmas is, when Good Friday is, when Thanksgiving is and so on because it is a fixed date. In India, the important festivals are not a fixed date. They vary. As I mentioned in passing earlier, last year, in October, there was really Dussehra and the beginning of Diwali and Chhath Puja was in November, whereas this year, all the 3 were in October. In October, we were flat vis-a-vis last year. But in November, we are very far ahead of last year. When I look at Aurika, first 45 days, in spite of doing well last year, we are roughly 30% ahead of last year, okay, in Q3. And therefore, it will take our average up. So when I say mid-teens, well, 15% of that growth of mid-teens, say, 2% is due to the Aurika impact and I am starting to wonder guys, when I listen to all of you that are you going to grill me the same way with Aurika, Delhi. That is what I am worried about. But anyway, Aurika is now performing the way we want it to. The journey we envisaged for it. And I think you will also be quite happy with the outcomes for Q3 and Q4.

Vaibhav Muley: Great, sir. Just lastly, on the Lemon Tree Premier and Lemon Tree Hotels, the performance has been divergent across both the brands in Q2. While Lemon Tree Premier did see positive RevPAR growth with slight occupancy improvement, Lemon Tree Hotels actually posted a negative RevPAR with quite a bit of decline in occupancy. Any particular reason for this divergence?

Patanjali Keswani: Part of the reason, as I had explained earlier, a significant part is the renovation that we did because the renovation, it is not that we are renovating 20% of Lemon Tree Premier and 20% of Lemon Tree Hotels, it varies. And if you look at it, Red Fox, for example, 1/3rd of the Red Fox in Delhi was shut. That is why it was 0% growth and in fact, the occupancy was negative. Similarly, lots of Lemon Tree Hotels like in Ahmedabad, in Indore, in Aurangabad, in Chennai, which was a high demand market. We had to shut large portions of it. So this is a catch-up. So I would urge you not to look at a quarter result. Please look at the full year result. It will tell you exactly what is happening because we are also being quite conservative and careful in the way we are renovating. Ideally, I would have liked to shut down the entire portfolio

and renovate it in 6 months, but then there would have been 0 revenue for those 6 months.

Moderator: Thank you. Next question comes from the line of Kaustubh Pawaskar with ICICI Securities. Please go ahead.

Kaustubh Pawaskar: Sir. I have a couple of questions. First, a clarification. You mentioned that renovation cost overall will be around Rs. 450 crore and I guess in your earlier comment, you mentioned that out of that, we have spent around Rs. 200 crore. So for next 2 years, should we assume renovation cost to be around Rs. 250 crore?

Patanjali Keswani: No. Take the weighted average of renovation cost at Rs. 10 lakhs a Key. So we have renovated 3,000 rooms and spent Rs. 300 crore, of which the majority, I do not have the exact breakdown, is OPEX. We still have to renovate another 1,600 rooms. So you assume another Rs. 160 crore at the same rate will go into renovating these, of which the majority will be opex. And this will be reflected next year, and then it will more or less disappear after that.

Kaustubh Pawaskar: Sure. Sir, my second question is on the demand side, especially in the mid-scale or mid-premium range of hotels where we are looking large supply, which is coming up in most of the markets. So you just comment on the demand front in this particular segment because supply is going to be there. But also in terms of demand, how do you see demand shaping up in this particular space?

Patanjali Keswani: The best proxy for demand, Kaustubh, is the rate of growth, which is the consolidated industry that is a proxy for hotel demand is airlines, unlike the hotel industry, where a lot of this assessment, frankly, is anecdotal or it is just an assessment. I do not think it has much in data because data is all over the place.

The airline industry has ordered 2x more aircraft or 2.5x more aircraft and number of seats that currently exists, and I presume these will come over in the next 5 years. Even if we assume some old aircraft will be retired, what you do see is that a consolidated forward-thinking, highly technology-driven industry like the airline sector is saying we will more than double our seats in the next 5 years.

Number two, the number of airports in India are going to grow from 140 to 260, improved connectivity. I am not talking Vande Bharat trains and roads and highways and SUVs. What does this tell you that demand is going to grow at 15%-16%-18% a year. And that is the hypothesis on the basis on which we are also doing whatever we are doing. And I do not see supply growing at that rate. It is absolutely not correct.

I mean the few reports I have read talk about 5%-6%-7%- 8% CAGR, it is not something to really worry about. It will work in our favor.

Kaustubh Pawaskar: And connected question to this, do you see this demand-supply gap to reduce depending on the markets like Tier 1, the gap will be a little bit less in Tier 3 towns where penetration of the overall sector is improving. So just your thoughts on that, because a lot of reports suggest that supply, it might be coming up very high in the Tier 3 towns, but the demand will be lower because that market is yet to penetrate. But on the other hand, in Tier 1 towns, the supply is less, but demand will continue to be there. So thoughts on that.

Patanjali Keswani: It is all economics. Unlike 10 years ago, when supply of hotels was partly irrational and partly driven by conversion of black to white. A lot of hotels were built on that basis. They had no basis on economic return. But fortunately, today, after demonetization, government keeping a track, I think a lot of hotels are built through institutional capital or listed players or equivalents. And they are built on the basis of economic rationale. Naturally, if it costs Rs. 1.7 crore - Rs. 1.8 crore a room to build a 4-star hotel in Delhi, the only person who will build it will be somebody who is confident about an appropriate IRR. But the future markets, you are very right, will be as they diffuse, as demand diffuses into Tier 2, Tier 3, Tier 4, where the cost of land is low, there will be more and more hotels coming up there. On the base effect, there will be a much higher growth of supply because of also lower base in the Tier 2, Tier 3, Tier 4 markets. And the metros and Tier 1 will see more measured supply growth because the base is already very large, and the cost is also very high.

Moderator: Thank you. Next question comes from the line of Pratik Ojha with Systematix. Please go ahead.

Pratik Oza: Just one question from my side. Which micro market are you most excited about and where do you see a lot of potential? And additionally, why was Gurgaon soft this quarter in terms of occupancy and in RevPAR?

Patanjali Keswani: See, one reason for Gurgaon was a lot of rooms were shut for renovation. It was a catch-up. One reason was demand in Gurgaon in one of our large micro markets, which is Sector 60 was muted because the previous year, we had 2 large groups, which did not materialize this year. They were tech companies, and we did not get it because this year, the hiring stopped basically. Again, as I say, this is a quarterly phenomenon and so on. This is not a long-term trend. And I urge everybody based on seasonality to look at a full half year at the least or at least and preferably a full year performance to get a better gauge of the market and performance.

Now when I look at which market I think is very sexy, frankly, this is a bit of an IP. We have identified 6 or 7 markets where we think airline traffic is going to go through the roof. Branded supply is very low. Unbranded supply is highly priced, which means that customers do not have choice. And customer feedback is not too great for those hotels. So this is an ideal opportunity for us because we call it offer quality assurance, safety, hygiene and a certain standard of product and service. So obviously, we would like to go to those markets, but I do not want to talk about it. It will be part of our strategic growth map.

I am very excited about our Nehru Place, our Shillong Hotel. And I am also looking very closely at Dubai because to me, Dubai, with 6 million Indians going there every year is a phenomenal market for any hotel company in India with an Indian hotel brand. And it is about time Indian hotel companies went international wherever Indian customers are going.

Moderator: Thank you. Next question comes from the line of Dipak Saha with Nirmal Bang Institutional Equities. Please go ahead.

Dipak Saha: Yes. My question is that with Navi Mumbai Airport coming closer to its operation, your broad thought process on the impact on the overall portfolio for Mumbai market.

Patanjali Keswani: Well, I think it is a great thing because near the airport, the market is already doing very well. Aurika at 75% is probably because of its large inventory, the lowest performer in occupancy. There will be initially some shift in demand from Mumbai's current market, airport to Navi Mumbai. And we ourselves are looking at putting up supply there, either asset heavy or asset-light. Actually, I think we have signed some asset-light. We are operating one hotel. About 100-room hotel we are already operating in Navi Mumbai, but we want something very close to the airport. And we are discussing with one other owner another 150 rooms. So that is Navi Mumbai, but we would like to put up 400 or 500 rooms there.

Similarly, actually at Jewar Airport, but our perspective is very simple. We do not want to buy land or invest capital unless we see sufficient demand there. We are excited about competing for demand. We are not in the business of anticipating future demand because that can affect your hurdle rates. So any big airport in any major metro, new one is something of great interest to us. Even Bangalore, for example, we are looking at how do we get some more presence next to the airport. And I have no doubt that in the next 2-3 years, we will have a similar perspective for Hyderabad and Calcutta. Hyderabad, Calcutta, we are looking quite actively. So this is ongoing. We think this is all linked to the overall theme that I spoke about earlier, and we would be interested in growing in these markets.

Dipak Saha: Sir, one last question. I mean, Indigo has already announced 18 flights operating on a daily basis from that particular airport. Now given we have a meaningful chunk of business coming from crew business, anything you want to share from that point of view? Or do you think it is going to be offset by incremental demand that we are seeing in the current portfolio?

Patanjali Keswani: I actually do not have a clear idea how this will play out. My broader thesis or I think I should say a broader investment thesis is where it is opportunistic and there are hotels available to manage, obviously, where there is no capital deployed other than some effort by us, we are ready to go anywhere and build our network.

When we talk about the Fleur perspective of deploying capital, then we want certainty of demand. And then the only risk we look at is, will we get our fair share or more than our fair share of the RevPAR in that market. So that is a very simple way we look at it. It is no complicated way. It is simple. Is there demand? Can we capture our share of that demand? Can we give a return if we invest capital there? Will we meet our hurdle rates, and then we go for it.

Moderator: Thank you. Next question comes from the line of Ashok Shah with Eklavya Invesco Family Office. Please go ahead.

Ashok Shah: Thanks for taking my question. Sir, we have already renovated 3,000 rooms and also a few more 1,500 approximate room will be renovated by next year. Can you give some rough idea how much maintenance capex will be required next year onwards to maintain these 4,500 rooms?

Patanjali Keswani: So there are 3 types of expenses in room or hotel maintenance. One is repairs and maintenance, if something gets spoiled, etcetera. Typically, that is 1.5% of revenue. That is every year irrespective, 1.5% - 2%, and that is captured in our regular OPEX. So it is not incremental, it is just regular.

Then there is stores and supplies and housekeeping supplies, which is a certain needs replacement, a carpet needs replacement, or some furniture needs polishing. So that too is factored in, in our routine expenditure. The third element is refurbishment and renovation. That is when rooms get old. In my broad experience, typically, after a room has been used for 250 to 300 days for 4-5 years, it needs a freshening up or a refurb. Our normal expense there is 1.5% to 1.7% of revenue. Because of this catch-up because we did nothing during COVID for 3 years, then we did nothing for the next 1 year. So we were really catching up for 4-5 years. And our strategy is normally we renovate 1/6th of our portfolio every year, assuming every 6 years, we refresh the entire portfolio. But this time, it was a huge catch-up, which is

why I said we will spend Rs. 450 crore instead of normally spending Rs. 25 crore - Rs. 30 crore a year. Really over 2 years, we are spending nearly Rs. 300 crore this year and next year instead of spending Rs. 25 crore - Rs. 30 crore a year, Rs. 50 crore - Rs. 60 crore. The incremental spend is Rs. 250 crore, of which the majority is opex, which is why you are seeing deflated EBITDA margins.

Now how does this play out? I would urge you to look at our performance in the Hyderabad market, which is now 70% renovated. Look at our performance in Delhi. Look at our performance in Keys Whitefield and Keys Pune. And you will understand exactly what I mean. Our principle is that any investment we make like this, we want a payback in 2 years. We spent Rs. 300 crore, what I am saying is we want Rs. 150 crore increase in EBITDA per year going forward.

Ashok Shah: So roughly, if I calculate, it would be Rs. 100 crore per year would be a maintenance required for 4,500 rooms?

Patanjali Keswani: No. 1.5%, take our revenue, Rs. 1,500 crore, see, I am just taking a number.

Ashok Shah: Rs. 225 crore approximate maintenance will be required.

Patanjali Keswani: No. Rs. 25 crore, Ashok.

Ashok Shah: Only Rs. 25 crore. Okay.

Patanjali Keswani: Yes. That is why I am crying that we spent Rs. 300 crore instead of Rs. 50 crore. The Rs. 250 crore is what you are punishing me for by saying the EBITDA margin has shrunk.

Ashok Shah: Okay. And after 5 years, no renovation will be required?

Patanjali Keswani: No. Now it will not be required because this is a catch-up. Now we will do maintenance renovation or what is called refurbishment. So please assume for after we finish next year, going forward for at least the next 5-6 years, it will be Rs. 20 crore - Rs. 25 crore a year.

Ashok Shah: Sir, we have spent so much, but our depreciation has reduced in a half year basis. Can you explain?

Patanjali Keswani: Because the majority of this spend is OPEX. It is affecting our EBITDA margin. It is not coming in your gross block.

Moderator: Thank you. Next question comes from the line of Shivam Singh, an individual investor. Please go ahead.

Shivam Singh: Sir, regarding the declaration we made with the RJ Corp Hotel in Ayodhya and Guwahati, do we have further details about it about when it might open? And would it be an Aurika Hotel? Or will it be a Lemon Tree Premier?

Patanjali Keswani: As you know, Ravi Jaipuria was a very early investor in Lemon Tree, and he counts it among his best investments in spite of doing so well in Varun. Ravi, for a long time has been talking to me about investing significant capital in hotels as his personal capital, not company capital. He is a believer in the same thesis that I have, which is that there will be a structural growth in consumption of mid-market hotels.

So about a year ago, he told me that he would like to build a whole bunch of Lemon Tree/Lemon Tree Premiers in India in markets which we recommend, which would be designed, built, managed and branded by us, and he would be the asset owner. Right now, he has committed in the first 2 hotels. There is a 300-room hotel in Ayodhya. There may be a small diagnostic center of Medanta on one floor there. But this 300-room hotel will be built by us. We will be charging Rs. 15 crore to build this hotel, to design and build it. And he will spend about Rs. 300 crore. And this 300-room hotel will be branded as Lemon Tree Premier, and we think it should be ready in the next 3 years.

As you know that there is a very big development happening in Guwahati, where they have acquired land from the government for roughly 5 acres to build a 600-room Medanta hospital, 100-bed, if I am right, childcare hospital and a 300-room Lemon Tree Premier and a 50 service department Lemon Tree Premier, which will connect with both the hospitals and will provide not only rooms for tourists and for business because it is a great location, but also for the patients. Once they finish their basic treatment, they will move there for after patient care and for the families of patients who can stay there in the service apartments. This is being built for us. We are charging Ravi another Rs. 15 crore to design and build this. And then we will charge fees, a normal fees, which is typically 9% of revenue for both these hotels. And Ravi will invest another Rs. 300 crore in this hotel and service apartment, actually Rs. 350 crore.

He has also asked us to look for more opportunities for him. He is going to be a 50% shareholder in the Aurika, Shillong. And beyond that, he has said that if we ever find an interesting opportunity and if we want to do it, obviously, we will do it. Otherwise, he would be happy to do it.

Shivam Singh: But there were some auctions in Andaman Islands. Did we bid for that?

- Patanjali Keswani:** No, we did not bid for it. See, there are many things we think will happen, Shivam, in the next 3 to 4 years. What I have is an assurance from Ravi as an ultra-high net worth individual that he would like to grow a portfolio of Lemon Tree branded and managed hotels. And it is a good thing because every project that comes to us, we do not necessarily want to invest our own capital.
- Shivam Singh:** Okay, sir. And sir, regarding the platforms we are listed on, sir, a lot of platforms are charging more than twice of what we are charging on our own website. Is there a pricing model which we are getting wrong? Or is it something else regarding that?
- Patanjali Keswani:** No. So look, we want to offer the most attractive price on our direct channels. The reason being on these other channels, there is a commission. It could vary from 13%-14%-15%-16%. So if the guest books directly on our channel, it is 15%-16% cheaper than if they book, say, through MakeMyTrip or Booking.com and so on. So our perspective is very simple. We want to use loyalty in our website to drive direct non-negotiated traffic and ultimately, we monetize it because in our new managed hotels, we also charge 12% of the revenue, incremental revenue booked through our website and 4% through our loyalty program as additional fees to owners of hotels. Basically, we are saying we are like an in-house online travel agent and we think it will be a large revenue earner for us as we start building this network out. And that is part of our tech spend, as I had mentioned, I think, a little earlier. Right now, we earn only a few lakhs, maybe a couple of crore, but it will shoot up to Rs. 20 crore - Rs. 30 crore in the next 2-3 years.
- Shivam Singh:** Okay, sir. And sir, are we lagging on the Shillong and Shimla hotel openings because the construction does not seem to be in pace with our timeline?
- Patanjali Keswani:** No, Shillong, we are very much in our timeline. We will open it in 2027, mid. Shimla, we deliberately delayed for 2 reasons. We did not have much capital, frankly. It was a capital allocation decision since it resides in Lemon Tree and not in Fleur. We started it before COVID. During COVID, everything stopped, as you can imagine and post-COVID, we were busy repairing the balance sheet first year after that. Second year after that, we were deploying capital in the operating hotels for renovation. Now you will find that we have enough cash surplus that we will start accelerating Shimla. And I think we will open half the hotel by next year. We will do a soft opening next year. So basically, Shillong will open in 2027 and Shimla, half of it will open next year.
- Shivam Singh:** Okay, sir. And sir, there is one small suggestion that I have. Sir, can we add the number of rooms under renovation in our investor presentation by any chance?

Patanjali Keswani: Good idea. We will do it.

Shivam Singh: Yes, sir, that is the factor in calculating the quarterly analysis that we do.

Patanjali Keswani: Thank you for the suggestion. We will implement it. What I want is how many already renovated every year? How much did we spend? How much have we finished in H1? What are we doing in H2 and what are we planning in next year? So we have a clear idea.

Moderator: Thank you. Next question comes from the line of Kushal Shah, an individual investor. Please go ahead.

Kushal Shah: Hi, thanks for the opportunity. I was looking at the city-wise RevPAR growth, which you have provided. Looking at the major cities like Delhi, Gurgaon, Bangalore, I was seeing the growth on a CAGR basis from pre-COVID to now from 2Q FY20 to 2Q FY26, it is in low to mid-single digits, which is broadly in line with the increase in replacement cost or the construction cost. I just want to understand when will this demand-supply mismatch manifest into disproportionate RevPAR growth? What can we expect over the next 3 to 4 years?

Patanjali Keswani: First is that you are taking 6 years when you should take 4 years because 2 years, there was no RevPAR. And then building demand back up. So my first recommendation is look at CAGR, at least some other investors I have spoken to who eliminate COVID as a black swan event. Now to your other point, it is very valid what you are saying that replacement cost went up in spite of COVID because that was due to the time factor of inflation. And even today, by the way, in many markets, it does not make sense to put up a hotel at Rs. 1.7 crore a room. And there is a certain element of risk. So really, the way to look at hotel return is your cash and non-cash return. So it is like nominal GDP. Nominal GDP is inflationary impact and the real rate of growth. Similarly, here, it is your rate of growth of EBITDA plus the replacement cost of the asset, and that is your real return. And I would recommend that you look at it from that perspective, and it is an interesting return. Of course, in the second case, the assumption is when you look at capital asset depreciation that you are able to reprice to get a certain return on it or you sell the asset and you capture the capital upside.

Kushal Shah: A follow-up. Can we get a range ballpark what type of RevPAR growth can we expect for the industry, not necessarily for Lemon Tree for the next 3 - 4 years in major cities, I am talking of the metros and the Hyderabad and all of those just because of the demand-supply mismatch. Because the last cycle, which we know was like 20

years old and that time the industry was more informal. So I just want to get a range how it can be.

Patanjali Keswani: See, on an absolute basis, if I look at the average rates we charge today for the hotels that existed with us because our company was very new in the last cycle, it is 20% lower in rupee than it was in 2007 and 2008. To give you an example, we had 2, 3 hotels in Gurgaon. And if I remember right, our rates were Rs. 9,000 and Rs. 10,000. And today, it is Rs. 7,000 - Rs. 8,000. So it is still a catch-up amazingly that after 17 years and inflation, the rate is still not caught up to the pre-global financial crisis rate. My view is that if the thesis we are betting on plays out, then occupancy of the hotel sector, not a hotel, individual hotel or even a micro market, once it crosses 70% - 72%, you see significant repricing. So when that happens, I cannot project, but my best guess case is in the next couple of years, you will see significant repricing. I cannot say whether it will be next year or the following year. It will obviously depend on market conditions. Number two, if the structural tailwinds, which I am betting on, occur, then pricing will go through the roof.

Kushal Shah: Okay, that answers my question. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Patanjali Keswani: Thank you 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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