

News monitored for: Lemon Tree Hotels

Lemon Tree Hotels soars 30% on debut

BS REPORTER

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Shares of mid-sized Lemon Tree Hotels zoomed nearly 32 per cent on debut on Monday. The stock ended at ₹72.3, up ₹16.3, or 29.11 per cent, over its issue price of ₹56. Intra-day, the stock touched a high of ₹73.9 and a low of ₹57.25 on the National Stock Exchange.

The impressive performance was despite a lukewarm response to the hospitality chain's ₹10-billion initial public offering (IPO). The offer subscribed 1.2 times, with non-institutional investor segments witnessing just 10 per cent demand for the shares on offer. The institutional investor segment, however, was subscribed four times.

According to market players, follow-up demand from institutional investors amid strong traction in consumer-focused stocks led to the surge in the stock price.

Lemon Tree is the country's largest hotel chain in the mid-priced hotel segment and the third-largest on an overall basis. As on January 31, 2018, Lemon Tree operated 4,697 rooms in 45 hotels (including managed hotels) across 28 cities.

Between FY13 and FY17, Lemon Tree's revenue grew at a compounded annual growth rate (CAGR) of nearly 18 per



STELLAR SHOW

Price on BSE in ₹



Compiled by BS Research Bureau

cent and operating profit at 33 per cent. For FY17, the company reported net sales of ₹4,120 million. It had suffered a net loss of ₹72 million.

"At the IPO price of ₹56, the EV/Ebitda (enterprise value/earnings before interest, tax, depreciation and amortisation) multiple works out be 44.5 times Ebitda of FY17 and 38.6 times of its FY18 annualised Ebitda, which appears on the higher side even when compared to large listed players like Indian Hotels (available at 33 times FY18 EV/Ebitda, others are available at 20-25 times)," Angel Broking had said in an IPO note on Lemon Tree.