

News monitored for: Lemon Tree Hotels

## Lemon Tree to hit the IPO market, allowing some stakeholders to exit



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Lemon Tree Ltd. (LTL) is India's largest hotel chain in the mid-priced hotel sector, and the third largest overall, on the basis of controlling interest in owned and leased rooms, as of June 30, 2017, according to the Horwath Report.

LTL operates in the mid-priced hotel sector, consisting of the upper-midscale, midscale and economy hotel segments. The company seeks to cater to Indian middle class guests and deliver differentiated yet superior service offerings, with a value-for-money proposition. As of January 31, 2018, it had a portfolio of 19 owned hotels, three-owned hotels located on leased or licensed land, five leased hotels and 18 managed hotels.

To provide exit to selling stakeholders and for listing benefits, LTL is coming out with a maiden IPO of 18, 54, 79,400 equity shares of Rs 10 each via book building route with a price band of Rs 54 – Rs 56 to mobilise Rs 1,001.59 crore – Rs 1,038.68 crore. (based on lower and upper price bands). Entire

issue is by way of Offer for Sale and thus no fund is going to the company. Issue opens for subscription on March 26, 2018 and will close on March 28, 2018. Minimum application is to be made for 265 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. BRLMs to this issue are Kotak Mahindra Capital Co. Ltd., CLSA India Pvt. Ltd., J P Morgan India Pvt. Ltd. and Yes Securities (India) Ltd. Karvy Computershare Pvt. Ltd. is the registrar to the issue.

On performance front, LTL has (on a consolidated basis) posted turnover/net profits of Rs 222.96 crore / Rs – (39.31) crore (FY14), Rs 291.58 crore / Rs - (63.23) crore (FY15), Rs 370.07 crore / Rs – (29.80) crore (FY16) and Rs 418.14 crore / Rs – (7.17) crore (FY17). For first nine months of the current fiscal, it has earned net profit of Rs 2.85 crore on a turnover of Rs 352.88 crore. Thus it is in the process of turning the corner. Losses for FY14 to FY17 have been on account of higher depreciations on the investments made in hotel properties to reach the desired scale of operations.