

Lemon Tree: Restructuring gains

EYES CAGR OF 11% IN REVENUE, 13% IN EBITDA, 26% IN PAT OVER FY25-28

LEMON TREE HOTELS operates an asset-light hotel management model alongside hotel ownership and development, with a portfolio comprising owned, managed and franchised properties. On a standalone basis, the company owns 17 hotels with 1,765 rooms and has two properties under development. It manages or franchises 89 hotels with 6,011 rooms and has a pipeline of 127 additional hotels. Lemon Tree also holds a 58.91% stake in Fleur Hotels, which operates 24 hotels with 3,993 rooms.

Private equity firm Warburg Pincus will acquire APG's stake in Fleur Hotels ahead of Lemon Tree Hotels' proposed corporate reorganisation, alongside a primary equity infusion of up to ₹960 crore to fund future growth.

The transaction is aimed at creating two distinct and focused platforms, with Lemon Tree emerging as a pure-play, asset-light hotel management company, while Fleur Hotels will operate as a hotel ownership and leasing entity. The restructuring will be carried out through the transfer of hotel assets and development capabilities in exchange for equity.

Following the reorganisation, Lemon Tree Hotels' shareholding structure will remain unchanged, while the ownership of Fleur Hotels will be realigned.

Lemon Tree's asset-light hotel management business has expanded rapidly, bene-

FINANCIALS & VALUATIONS

Y/E Mar (₹ cr)	FY26E	FY27E	FY28E
Sales	1,440	1,630	1,750
Ebitda	700	840	910
PAT	262	337	398
Ebitda (%)	48.4	51.4	52.0
EPS (₹)	330	430	500
EPS Gr. (%)	33.3	28.7	18.0
BV/Sh. (₹)	18.0	22.3	27.3
RATIOS			
Net D/E	0.9	0.4	0.1
RoE (%)	20.2	21.1	20.3
RoCE (%)	13.6	17.7	20.3
VALUATIONS			
P/E (x)	45.2	35.2	29.8
EV/Ebitda (x)	19.7	16.0	14.3
FCF Yield (%)	5.1	6.1	5.6

fitting from high margins and low capital intensity, supported by steady growth in its owned hospitality assets. Together, these segments provide a balanced and resilient earnings profile, the brokerage said.

The brokerage firm expects Lemon Tree Hotels to post a compound annual growth rate (CAGR) of 11% in revenue, 13% in Ebitda and 26% in profit after tax over FY25-28. The brokerage has valued the stock using a sum-of-the-parts methodology and set a target price of ₹ 200, while reiterating a 'Buy' rating.

Lemon Tree Hotels' current shareholding is split among public shareholders, who hold 62.73%, promoters with a 22.28% stake, and Dutch pension investor APG, which owns the remaining 14.99%. On a standalone basis, the company operates 17 hotels with 1,765 rooms and has two wholly owned hotels with 256 rooms under development. Through its wholly owned subsidiary Carnation, Lemon Tree manages or franchises 89 operational hotels with 6,011 rooms, and has a pipeline of 127 hotels comprising 9,414 rooms, all owned by third-party owners.

Overall, Lemon Tree's corporate structure houses both its hotel ownership and development platform and its asset-light management business within a single entity. The company is now undertaking a corporate reorganisation to unlock value across both segments by creating a more flexible structure, setting up separate management teams and governance frameworks, and enabling independent value realisation for each business.

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