Lemon Tree Hotels Ltd
Techno Funda
Stock Outlook

Indbank
Merchant Banking Services Ltd
(A Subsidiary of Indian Bank)

STOCK DETAILS	
NSE Scrip code	LEMONTREE
BSE Scrip code	541233
Market cap (in Cr)	9,810
52-week High/Low (in Rs)	181 / 111
Current Price	116
Price Target (in Rs)	140-145

BUSINESS DESCRIPTION

Lemon Tree is one of India's largest hotel chains in the mid-priced segment. Its core business activities include developing, operating and promoting hospitality properties and associated services. Lemon Tree hotels operate across multiple hotel market segments — from economy to upscale.

INDUSTRY SCENARIO:

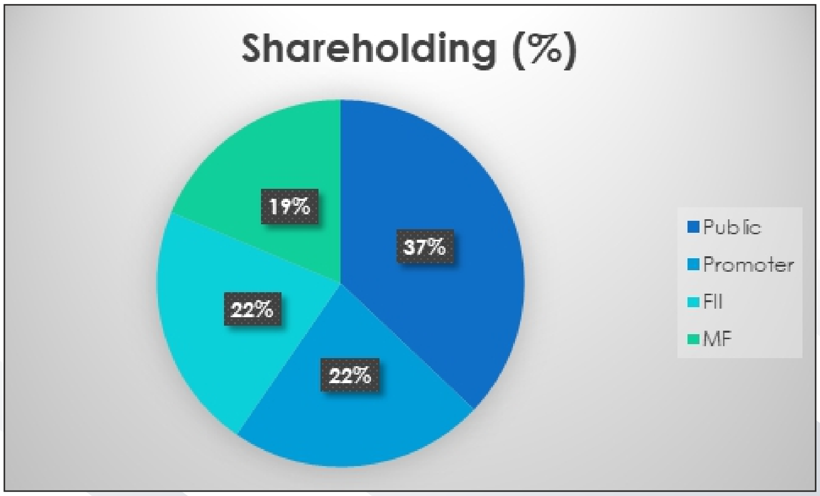
The overall Indian hospitality market is projected to grow at a CAGR of nearly 15% over next 3-5 years

The contributing factors include:

- Improving demand for leisure & business
- Government investments in improving connectivity through highways, airports and railways thereby feeding hotel demand

The hotel landscape is undergoing a dynamic shift towards management and franchise models aimed at faster growth with lower capital needs, improving return on equity and lowering leverage. Direct digital bookings and loyalty programs are growing quickly, improving profitability for brands that can drive direct demand.

SHAREHOLDING PATTERN:



FINANCIAL HIGHLIGHTS

Consolidated income statement (annual)

Rs. (Cr)	FY24	FY25	YoY
Revenue	1071	1286	20.1%
Expenses	548	652	19.0%
Operating Profit	523	634	21.1%
Other Income	13	13	
Depreciation	112	139	
Interest	208	211	
Profit before tax	216	296	37.2%
Tax	34	53	
Net profit	148	197	32.4%
EPS	2	2	

- Despite higher depreciation and interest, profit before tax jumped sharply. That means operating performance is genuinely strengthening.
- EPS remained flat despite robust net profit growth due to increase in weighted average equity shares due to stock-based compensation and dilution

CONSOLIDATED INCOME STATEMENT (Q3FY26)

Rs. (Cr)	Q3FY25	Q2FY26	Q3FY26	yoy change
Sales	355	306	406.05	14.3%
Expenses	170.98	175.56	201.36	17.8%
Operating Profit	184	131	204.69	11.1%
Other Income	1	2	-29.61	
Depreciation	35	34	34.79	
Interest	50	42	41.44	
Profit before tax	99.51	55.83	98.85	-0.7%
Tax	20	14	17.02	
Net profit	62.49	34.6	62.67	0.3%
OPM	52%	43%	50%	

ARR (Average room rate) strength, minor occupancy dip; RevPAR growth lag explained by market mix and renovations

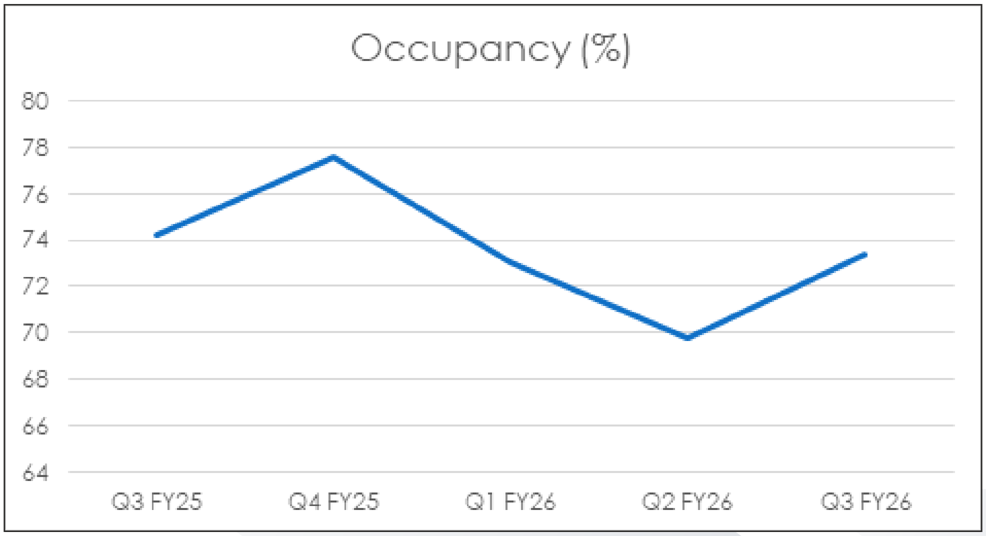
- Gross ARR ₹7,487 (+11% YoY).
- Occupancy 73.4% (down 82 bps YoY).
- RevPAR (Revenue per available room) ₹5,494 (+9% YoY)

Net EBITDA Margin of 50.6% which decreased by 133bps Y-o-Y. The decline was primarily due to increased investments in renovation, technology and the GST impact

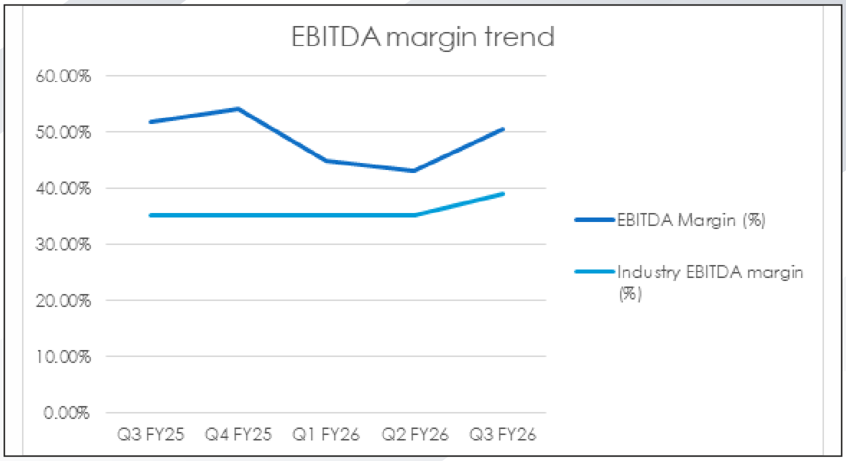
- Highest ever revenue: ₹407.8 Cr (+14.3% YoY)
- Net EBITDA: ₹206.4 Cr (+11% YoY)
- EBITDA Margin: 50.6% (down133 bps YoY due to renovation, tech investments & GST impact)
- PAT: 62.67 Cr (+0.3% YoY)

Best-ever Q3 performance, but margins compressed slightly due to:

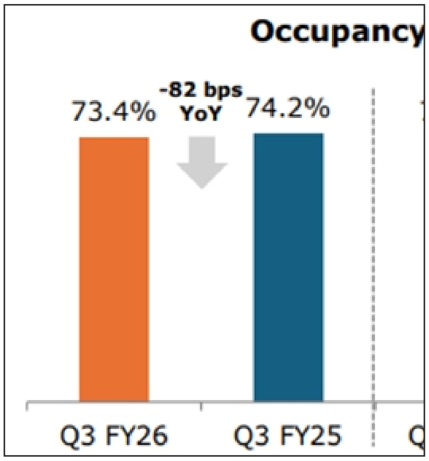
- GST impact
- Renovation spends
- Tech investments
- One-time exceptional items (₹31.3 Cr)

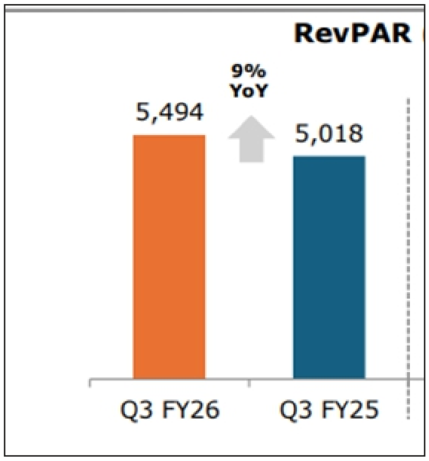


Occupancy has hovered in the 70–78% range, reflecting stable domestic travel demand and improved pricing power in recent quarters

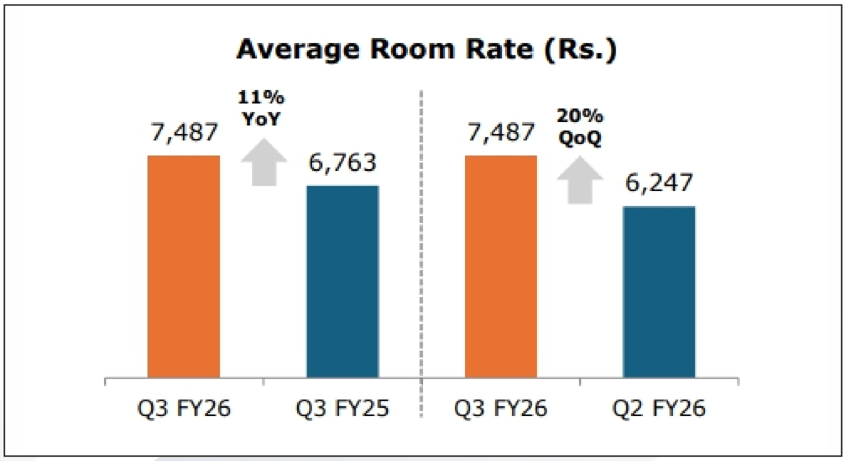


EBITDA margin well above industry average





RevPAR increased despite drop in occupancy



- Pricing power strong (ARR up 11%)
- Slight occupancy dip but still very healthy at 73%

KEY STRENGTHS

- Strong position in mid-market and value segments.
- Wider penetration in non-tier-I cities. Demand appears broad-based across India.
- Witnessing strong ARR-led growth indicating healthy pricing power
- Lemon Tree has been contributing to RevPAR increases that are competitive with broader branded hotel industry trends
- The company's EBITDA margin sits well above typical industry averages, reflecting strong operational leverage and brand positioning
- Overall high-quality growth with improving operating leverage

WEAKNESS/CHALLENGES

- Seasonality and reliance on corporate or event demand
- Lower brand recognition in luxury/premium segments.
- Smaller scale means less pricing power.

INVESTMENT RATIONALE:

- Uptick in business expected in Q4FY26 and Q1 of FY27 driven by the T20 World Cup followed by IPL season
- Also, all these 3 main expense costs to reduce to 3.6% of revenue and GST impact will normalize by FY28 and onwards, leading to corresponding expansion in EBITDA margins.

TECHNICAL ANALYSIS

RSI showing divergence from oversold condition on daily charts. Price is at an inflexion point of multiple support channels and 200 day moving average on weekly charts; stock looks ready to ride the next wave of its long-term uptrend. This corrective phase offers a good accumulation opportunity for a medium to long term target of 140-145. It is advisable to allocate 30-35% of capital on accumulation near 115-120 and 65-70% on a break above 130 for a good risk adjusted returns.

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