kotak Securities

Dated: 12 Jan 2026

Lemon Tree Hotels (LEMONTRE) - REDUCE

Company Update

Current Market Price (CMP)	Fair Value
Rs.150	**Rs.150**

Rationale:

- Separation of asset ownership from the brand; accordingly, proposed reorganization will create two complementary platforms.
- Hotel assets currently owned by Lemon Tree (15 hotels/1,563 keys) will be transferred to Fleur, will be separately listed.
- Lemon Tree will transition to a fully “asset-light model” focused on growing its hotel management, franchising and digital business; retaining 41.03% in to be listed Fleur.
- Lemon Tree, along with its shareholders, will have ownership worth Rs11,100 cr (74%) in addition to the entire management business
- Warburg Pincus would acquire APG’s entire 41% stake in Fleur (proposed to be listed) while committing Rs960 cr of incremental primary investment in the future.
- Maintain REDUCE with a revised FV of Rs150 as we roll forward to December 2027E.

Positives:

- Management fees to increase with the commissioning of pipeline hotels.
- Occupancy levels to remain elevated over FY26-28E.

Negatives:

- Valuations at 21x EV/EBITDA (2027E, attributable) have come off, but still offer little upside in the context of lower owned key additions compared to peers.

(EV: Enterprise Value; EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization)

Holding Period: 12 months

Rating Scale (Private Client Group)

Definitions of ratings

BUY – We expect the stock to deliver more than 15% returns over the next 12 months

ADD – We expect the stock to deliver 5% - 15% returns over the next 12 months

REDUCE – We expect the stock to deliver -5% - +5% returns over the next 12 months

SELL – We expect the stock to deliver < -5% returns over the next 12 months

NR – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.

SUBSCRIBE – We advise investor to subscribe to the IPO.

RS – **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA – **Not Available or Not Applicable.** The information is not available for display or is not applicable

NM – **Not Meaningful.** The information is not meaningful and is therefore excluded.

NOTE – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

Fundamental Research Team (Private Client Group)

Shrikant Chouhan
Head of Research
shrikant.chouhan@kotak.com
+91 22 6218 5408

Arun Agarwal
Auto & Auto Ancillary, Building Material, Cement, Consumer Durable
arun.agarwal@kotak.com
+91 22 6218 6443

Amit Agarwal, CFA
Transportation, Paints, FMCG
agarwal.amit@kotak.com
+91 22 6218 6439

Rini Mehta
Research Analyst
rini.mehta@kotak.com
+91 22 6218 6433

Sumit Pokharna
Oil and Gas, Information Tech
sumit.pokharna@kotak.com
+91 22 6218 6438

K. Kathirvelu
Support Executive
k.kathirvelu@kotak.com
+91 22 6218 6427

Pankaj Kumar
Construction, Capital Goods & Midcaps
pankajr.kumar@kotak.com
+91 22 6218 5498

Amarjeet Maurya
Internet Software & Services
amarjeet.maurya@kotak.com
+91 22 6218 6427

Veer Trivedi
BFSI
veer.trivedi@kotak.com
+91 22 6218 6432

Technical Research Team (Private Client Group)

Shrikant Chouhan
shrikant.chouhan@kotak.com
+91 22 6218 5408

Amol Athawale
amol.athawale@kotak.com
+91 20 6620 3350 +91 22 62185458

Sayed Haider
sayed.haider@kotak.com

Derivatives Research Team (Private Client Group)

Sahaj Agrawal
sahaj.agrawal@kotak.com
+91 79 66041701

Prasenjit Biswas, CMT, CFTe
prasenjit.biswas@kotak.com
+91 33 6638 8331

Karan Kulkarni
karan.kulkarni@kotak.com
+91 20 66203350

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