

Lemon Tree Hotels (LEMONTRE) - REDUCE

Company Update

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



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

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.

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