



Buying Businesses

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“We are focused on expanding our footprint across India. In the upcoming year, we plan to open over 20 hotels, adding around 2,000 rooms. Our strategy is to manage 70% of our total inventory in the next three to four years”

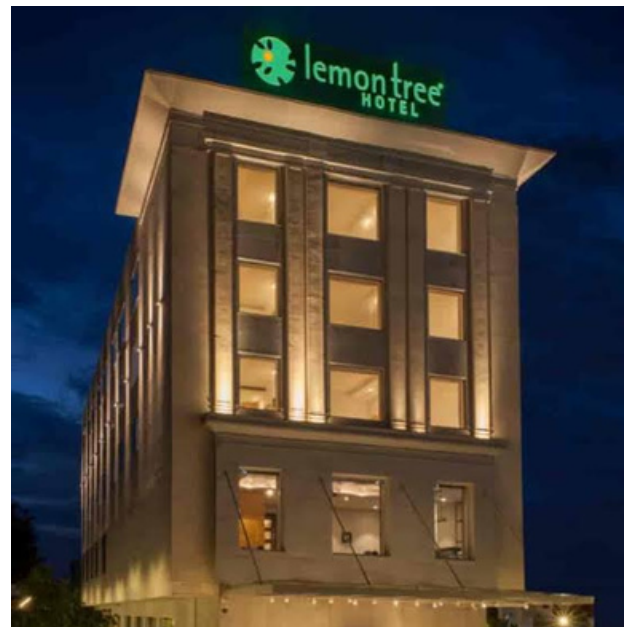
-Patanjali G Keswani(Chairman)

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**Exclusive
Equity
Research
Inside**

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Established Vision and Founding (2002):

Lemon Tree Hotels Ltd. was founded by Patanjali G. Keswani with a clear vision to serve the growing midmarket and economy travel segment in India, addressing a gap in affordable, quality accommodations.

India's Leading MidScale Hotel Chain:

With over 8,400 rooms across 91 hotels in 57 cities, Lemon Tree has emerged as the largest player in India's midpriced hotel segment, providing consistent value to travelers seeking comfort without premium costs.



Affordable Excellence in Hospitality:

Focused on delivering clean, affordable, and highquality accommodations, Lemon Tree has earned a reputation for reliability among both business and leisure travelers, making it a trusted brand in the industry.

Sustainability at the Core:

The company integrates sustainability into its operations, using energyefficient technologies, water conservation methods, and effective waste management systems, ensuring environmentally responsible practices at all its properties.

Championing Inclusive Employment:

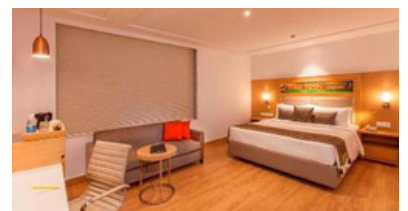
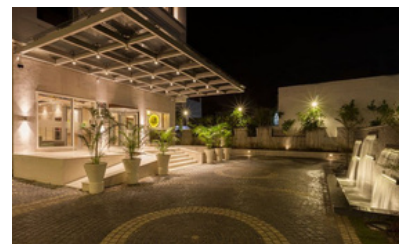
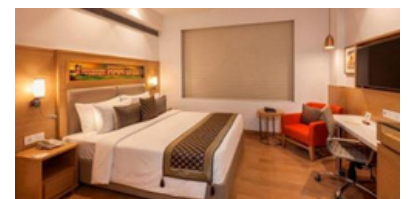
Approximately 20% of Lemon Tree's workforce consists of individuals from disadvantaged groups, including people with disabilities, positioning the company as a leader in promoting diversity and inclusion within the hospitality sector.

Building a Strong and Trusted Brand:

Through its consistent focus on value for money, customer satisfaction, and social responsibility, Lemon Tree has built a strong brand identity, characterized by a loyal customer base and broad market recognition.

Strategic Growth and Expansion Plans:

Lemon Tree continues to expand, both within India and internationally, with a focus on serving a diverse range of travelers while maintaining its strong positioning in the midmarket segment.



Founder & Chairman



Education:

- **Patanjali G. Keswani**, Chairman and Managing Director of **Lemon Tree Hotels Ltd.**, holds a **Bachelor of Technology** degree in **Electrical Engineering** from the **Indian Institute of Technology (IIT), Delhi**.
- He pursued a **Postgraduate Diploma in Business Management** from the **Indian Institute of Management (IIM), Kolkata**.
- His education provided a strong foundation in both **technical** and **managerial disciplines**, blending **engineering precision** with **business acumen**.

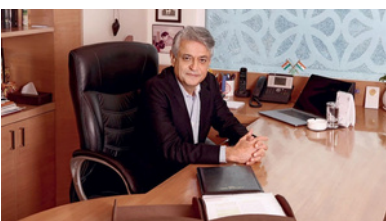
Professional Expertise:

- Keswani spent over 15 years working with the Tata Group, including serving as Senior Vice President of Corporate Affairs and Projects at Tata Consultancy Services (TCS).
- His corporate experience honed his skills in corporate governance, project management, and scaling businesses in competitive markets.
- Keswani is a strong advocate for sustainability and inclusivity, leading Lemon Tree Hotels to be recognized for its eco-friendly initiatives and inclusive hiring practices, particularly for marginalized communities and individuals with disabilities.
- His leadership emphasizes balancing profitability with social responsibility, making him a standout figure in both business and corporate social responsibility (CSR).



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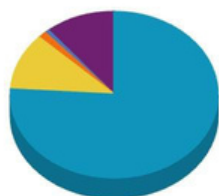
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Reputation:

- Keswani's deep understanding of finance and operations, combined with his leadership in socially responsible business practices, has earned him a strong reputation across the hospitality industry and the broader Indian corporate sector.

Product Wise Break-Up

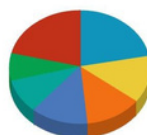


Room Rent	76.01%
Food & Beverage	11.09%
Alcohol	1.3%
Banquet Income	0.69%

Product-wise Break-Up

- Economy Hotels (Red Fox):
- This brand focuses on budget-conscious travelers, offering essential services at affordable prices. It mainly caters to business travelers and young professionals who need no-frills accommodation.
- Midscale Hotels (Lemon Tree Hotels):
- The core brand of the group, these hotels target mid-market customers, offering a balance of comfort, quality service, and affordability. This segment constitutes the largest portion of their inventory.

Location Wise Break-Up



Mumbai	22.0%
Hyderabad	13.46%
Delhi	12.99%
Bengaluru	12.77%
Gurugram	9.69%
Pune	7.86%
Others	21.32%

Location-wise Break Up

- Metros: Delhi, Mumbai, Bengaluru, Chennai, and Kolkata.
- Tourist Locations: Goa, Udaipur, and Jaipur.
- Tier-2 and Tier-3 Cities: Places like Coimbatore, Aurangabad, and Patna, which are emerging markets for corporate and domestic travel.

Customer Segment



OTA	37.0%
Corporate	35.0%
Airline	11.0%
Travel Trade	6.0%
LT.com	5.0%
Others	6.0%

Customer Segments

- Business Travelers:
- The core segment, largely concentrated in cities like Bengaluru and Gurugram, which are business hubs.
- Leisure Travelers:
- Catered to through properties in tourist destinations like Goa and Udaipur.
- Corporate Clients:
- Focused on long stays and conferences, with extensive MICE facilities for meetings and events.

Brand-wise Break Up

- Lemon Tree Hotels:
- The flagship brand, primarily midscale, offering comfort at affordable prices.
- Red Fox Hotels:
- Budget accommodation targeting business and economy travelers.
- Aurika Hotels & Resorts:
- Catering to upscale customers, this brand delivers luxury experiences in select properties.

Brand Wise Break-Up



Lemon Tree Premier	37.57%
Lemon Tree Hotels	27.14%
Aurika Hotels & Resorts	15.25%
Red Fox by Lemon Tree Hotels	11.67%
Keys by Lemon Tree Hotels	8.37%



Strengths:

1. Dominant Market Position:

Lemon Tree Hotels Ltd. is the largest player in the mid-priced hotel sector in India, controlling over 8,550 rooms across 91 hotels in 57 cities. This dominant position gives it significant leverage in capturing a growing share of India's hospitality market, especially as business and domestic tourism rebounds.

2. Resilient Revenue Growth:

The company has demonstrated impressive recovery, with FY24 revenue of over ₹1000 crore, marking a robust 4x growth since COVID-19. Its recovery trajectory underscores its ability to rebound from adverse conditions, making it a resilient player in the sector.

3. Strong Operating Margins:

The company maintains a healthy EBITDA margin of ~48% (FY24), showcasing excellent cost management and high operational efficiency despite a high-fixed cost industry. Such margins compare favourably against peers, making Lemon Tree one of the most operationally efficient hotel chains in India.

4. Strategic Alliances & Ownership:

Lemon Tree's partnership with APG, one of the world's largest pension fund managers, which owns 15% in its subsidiary Fleur Hotels, provides a solid financial backing for future expansions. This strategic relationship adds credibility and financial stability to the group's growth plans.

Weaknesses:

1. High Debt Load:

The company's net debt of ~₹1,900 crore (FY24) is a notable concern for investors, especially in a rising interest rate environment. This debt accounts for a debt-to-equity ratio of ~2 times, which is relatively high compared to industry peers. Lemon Tree's debt obligations could strain its cash flows, especially during periods of low occupancy.

2. Corporate Travel Dependency:

Approximately 65% of its revenue comes from metro cities and business travellers. Any prolonged disruption or structural changes in business travel habits, such as the shift to remote work and virtual meetings, could impact this revenue stream significantly.

3. Volatility in Occupancy Rates:

Although the occupancy rate has recovered to 80% in FY24, fluctuations in economic conditions, especially in corporate travel, make the company vulnerable to demand shocks. A drop in occupancy would directly impact revenues due to the high fixed-cost nature of the hospitality business.

Opportunities:

1. Expanding Domestic Market:

India's domestic tourism is expected to grow at a CAGR of 13.1% from 2022 to 2032, providing significant growth potential for Lemon Tree. The company is capitalizing on this with plans to expand its inventory to 10,800 rooms by 2025, making it well-positioned to capture increasing travel demand.

2. Focus on Tier-2 and Tier-3 Cities:

Over 40% of its pipeline projects are in Tier-2 and Tier-3 cities, where Lemon Tree can benefit from lower real estate costs and increasing urbanization. These cities are seeing increased demand from both business and leisure travellers, presenting new growth opportunities outside the saturated metro markets.

3. Potential to Unlock Value in Premium Segments:

With its midscale offerings firmly established, Lemon Tree is poised to expand its premium brand, Aurika Hotels & Resorts, which caters to upscale clientele. Expanding the premium segment could significantly enhance average room rates (ARR) and margins over time.

4. Asset-Light Model Expansion:

Lemon Tree is increasingly shifting towards an asset-light model through management contracts instead of owning properties. This strategy reduces capital expenditure (CAPEX) while enabling rapid expansion and improving returns on capital. This shift is expected to drive higher ROE and ROCE over the next few years.

Threats:

1. Rising Interest Rates:

With ~₹1,900 crore in debt, rising interest rates pose a significant risk. Higher finance costs could weigh on profitability. Currently, the company's annual finance cost is approximately ₹200 crore, and any upward adjustment in rates will further squeeze margins.

2. Competitive Pressure:

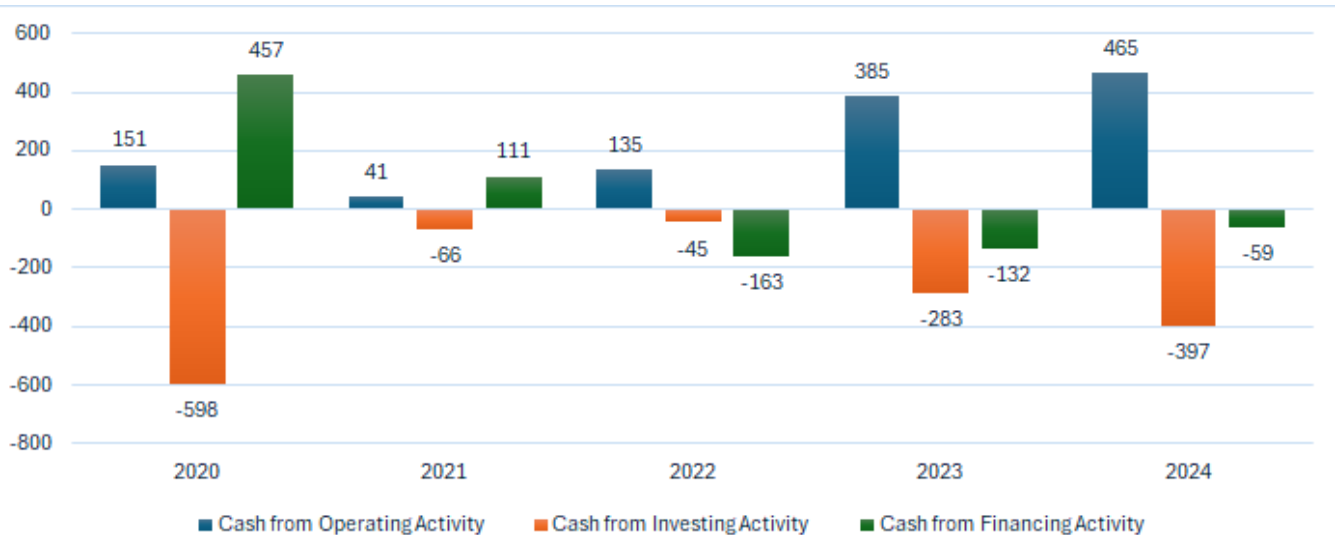
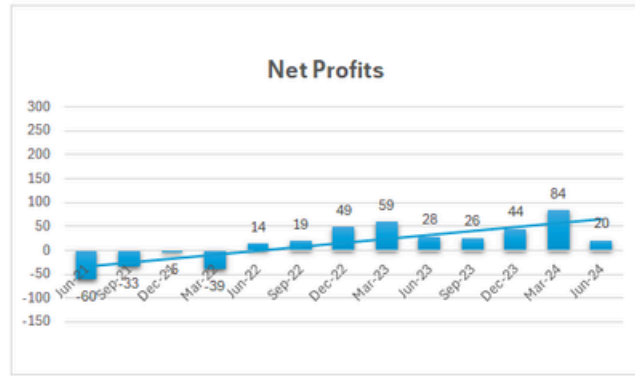
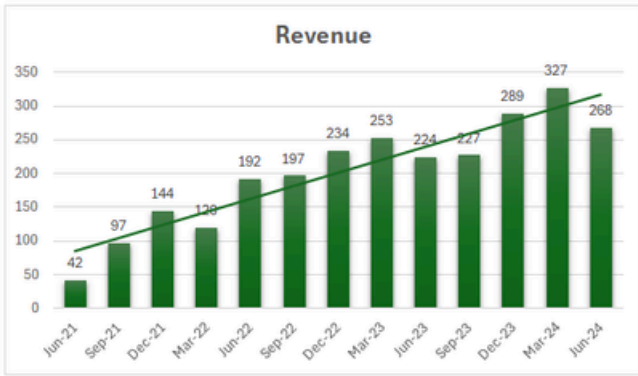
Lemon Tree faces strong competition from domestic chains like ITC Hotels, Taj, and international players such as Marriott and Accor. Moreover, the rising popularity of online platforms like Airbnb could further intensify competition in the budget and mid-market segments.

3. Pandemic-Like Disruptions:

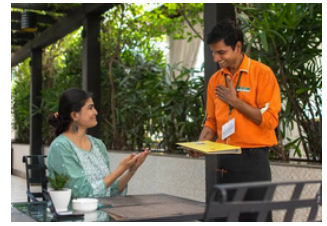
The hospitality industry is sensitive to global events like pandemics, which can cause severe demand-side shocks. For instance, Lemon Tree's revenue plunged 65% in FY21 due to COVID-19 lockdowns, highlighting its vulnerability to unexpected disruptions.

4. Inflationary Pressures:

Rising costs of utilities, labour, and food & beverages could negatively impact Lemon Tree's operating margins. This is especially concerning for a company operating in the mid-priced segment, where price elasticity is relatively high.



Employment of People with Disabilities (PwD): Lemon Tree's CSR efforts are deeply aligned with promoting inclusivity in its workforce. They employ people with disabilities across various roles, contributing to approximately 20% of their total workforce. This initiative has been highly impactful in providing job opportunities to individuals who are often marginalized in the workforce. The company has developed a framework for inclusive employment, offering training, mentorship, and role modifications to suit the needs of disabled employees



1. COVID-19 Support Initiatives: During the pandemic, Lemon Tree played a crucial role by supporting healthcare efforts. They offered free accommodation to frontline workers in some of their hotels, helping alleviate pressure on hospitals and reducing the risk of infection for healthcare workers. This measure significantly benefited healthcare professionals in cities where Lemon Tree operates.

Environmental Conservation Efforts: Lemon Tree has been proactive in improving environmental sustainability through several initiatives;

Energy Conservation: The installation of LED lighting, use of energy-efficient HVAC systems, and solar power initiatives across their properties help in reducing their carbon footprint.

Water Conservation: They have implemented water recycling systems, including greywater reuse, which has led to significant reductions in water consumption, particularly important in water-scarce regions.



Waste Management:

The company has taken steps to reduce single-use plastics in their hotels. In many properties, they have switched to reusable materials and have a waste segregation system in place, which promotes recycling and reduces waste sent to landfills

Community Engagement:

Lemon Tree supports community-based projects by partnering with NGOs to provide vocational training and skill development programs. These efforts help underprivileged youth, individuals from economically disadvantaged backgrounds, and people with disabilities to secure employment and improve their livelihood.



Inclusive Hospitality Initiative:

They have extended their employment programs beyond just PwDs by including individuals from underrepresented and marginalized communities. Lemon Tree has received positive feedback from both customers and staff for fostering an inclusive and diverse workplace, which improves team morale and customer experience





	For 2023-24	Lemon Tree Hotels	Indian Hotels	EIH	Chalet Hotels
Returns	Return on Equity (RoE) %	16.3%	14.3%	17.6%	16.4%
	Return on Capital Employed (RoCE) %	11.4%	15.1%	23.6%	10.1%
	Return on Assets (RoA) %	4.69%	9.30%	14.5%	5.17%
Efficiency	PBIDT Margin %				
	PAT Margin %				
	Dividend Payout %	0%	20%	12%	0%
Growth	Net Sales Growth %	20%	22%	14%	34.25%
	PBIDT Growth %	17%	25%	18%	Not available
	PAT Growth %	42%	38%	20%	87.1%
	EPS Growth %	Not available	35%	15%	Not available
Solvency	Debt to Equity (times)	2.42	0.29	0.05	1.62
	Debt to Assets %	0.63	0.45	0.31	0.8
	Interest Coverage (times)	2.02	8.96	52.2	2.69
	Current Ratio (times)	0.55	1.17	1.78	0.48
	Quick Ratio (times)	0.51	1.11	1.67	0.18
Valuation	Price to Earnings (P/E) (times)	67.4	76.1	39.2	76.2
	Price to Book (P/B) (times)	10.1	10.3	6.33	9.69
	Price to Cash Flows (P/C) (times)	21	50.5	35	27.6
	EV to EBIT (times)	29.1	51.8	26.2	44.5
	EV to EBITDA (times)	22.4	41.7	23	34.3
	M-Cap to Sales (times)	8.79	14.3	9.82	13.0
Intrinsic	Market Cap	9766 cr	97840 cr	24936 cr	19058 cr
	Enterprise Value	12048 cr	99090 cr	24495 cr	21931 cr
	Intrinsic Value	27.4	122	152	204
		Under	Under	Under	Over

Aggressive Expansion Plans:

Lemon Tree aims to continue its aggressive expansion within India and internationally. The company plans to increase its room inventory to 10,000+ by 2025, expanding to new cities while strengthening its presence in existing markets. The company is also exploring opportunities in the Southeast Asian market, focusing on mid-market hospitality.

Asset-Light Model:

The company has begun shifting towards an asset-light strategy, with a focus on managing hotels rather than owning them. By entering management contracts with third-party owners, Lemon Tree aims to reduce its capital expenditure while continuing to scale rapidly, which will also help improve profitability in the long term.

Focus on the Upscale Segment:

While traditionally focused on mid-market and economy hotels, Lemon Tree has launched its upscale brand, "Aurika Hotels & Resorts," with properties that cater to premium customers. Expanding this brand will allow the company to capture a larger share of the high-margin luxury hotel segment.

Sustainability and Green Practices:

Lemon Tree is intensifying its focus on sustainability, with plans to further reduce its carbon footprint through energy-efficient technologies and renewable energy integration. The company is investing in more green-certified buildings and adopting water conservation practices such as rainwater harvesting and wastewater treatment to enhance eco-friendly operations.

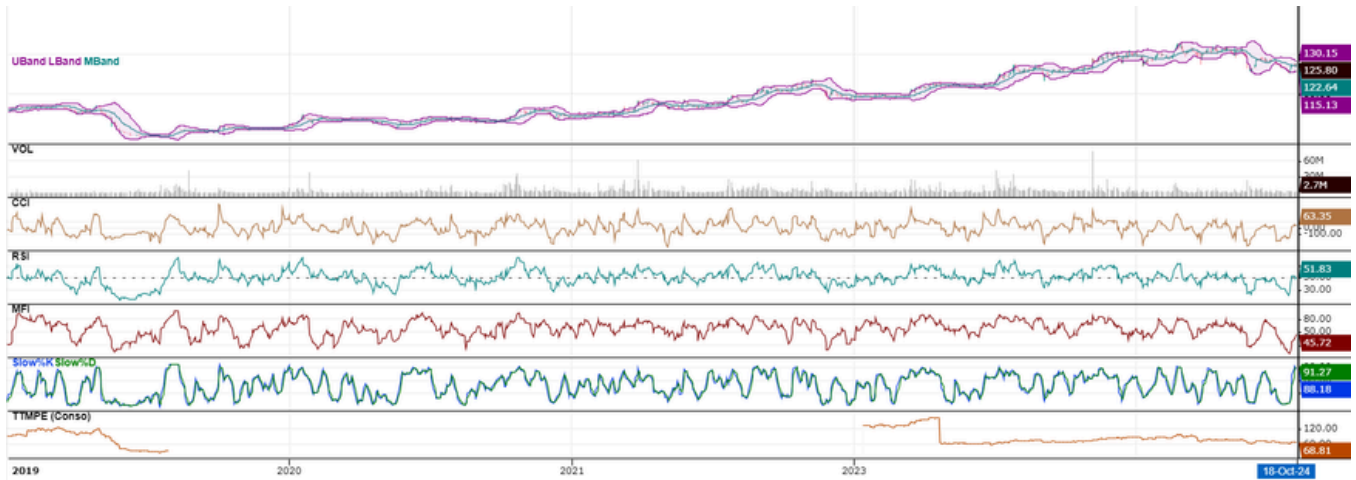
Inclusive Employment Model Expansion:

Building on its current success, Lemon Tree plans to expand its inclusive employment model by increasing the proportion of employees with disabilities to 30% by 2025. This move is aimed at fostering greater diversity and inclusivity across its workforce, further boosting its CSR credentials.

Strategic Partnerships:

The company is actively exploring strategic alliances with international hotel chains and investment firms to bolster its financial strength and accelerate global expansion. These partnerships could provide both financial backing and operational expertise as Lemon Tree seeks to venture into new geographical markets.





■ Bullish Oscillator Averages 3
■ Bearish Oscillator Averages 4

123.27
CURRENT PRICE



■ Bullish Moving Averages 0
■ Bearish Moving Averages 8

RSI(14)	46.6	MACD(12, 26, 9)	-0.9
Stochastic Oscillator	81.0	Stochastic RSI	84.0
CCI 20	16.7	William	-27.3
Awesome Oscillator	-0.9	Ultimate Oscillator	59.2
Momentum Oscillator	5.3		

SMA **EMA**

5 Day EMA	124.5	26 Day EMA	124.7
10 Day EMA	123.9	50 Day EMA	127.8
12 Day EMA	123.8	100 Day EMA	131.7
20 Day EMA	124.1	200 Day EMA	130.6

1 Month	0.56	3 Month	0.9
1 Year	0.94	3 Year	0.27

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CA. Akhil Trivedi is a visionary equity research analyst and investor, with over a decade of expertise in global capital markets. Grounded in fundamental research, Akhil evaluates businesses like an owner, focusing on management strength, competitive advantage, and scalability. His disciplined, data-driven approach cuts through market noise, identifying resilient companies with long-term growth potential



known for simplifying complex insights on LinkedIn, Akhil is quickly emerging as a leading voice in Indian markets. His conviction-driven investing philosophy is shaping a new generation of wealth management, making him a name to watch in the financial world.

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