



## 3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive      = Neutral      - Negative			

## What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

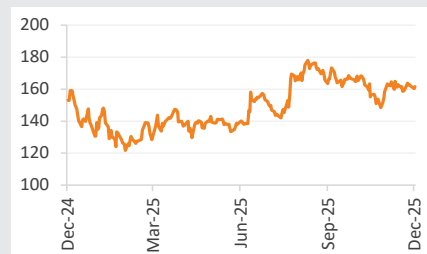
## Company details

Market cap:	Rs. 12,803 cr
52-week high/low:	Rs. 181/111
NSE volume: (No of shares)	34.4 lakh
BSE code:	541233
NSE code:	LEMONTREE
Free float: (No of shares)	61.6 cr

## Shareholding (%)

Promoters	22.3
FII	37.8
DII	19.7
Others	20.2

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Price performance

(%)	1m	3m	6m	12m
Absolute	-1.0	-2.8	15.8	5.7
Relative to Sensex	0.1	-7.4	14.7	-2.5

Source: Mirae Asset Sharekhan Research, Bloomberg

## Lemon Tree Hotels Ltd

## Growth prospects stay strong

Consumer Discretionary	Sharekhan code: LEMONTREE		
Reco/View: Positive ↔	CMP: Rs. 162	Upside potential: 29%	↔

## Summary

- A strong wedding season, healthy traction in MICE segment and contribution from new openings will help hotels post strong Q3FY26 numbers with y-o-y RevPar growth of 12-15%.
- LTHL signed 17 hotels with 1,855 rooms and opened 9 hotels with 646 rooms in Q3FY26 and aims to add ~10,500 rooms across ~130 hotels in the coming years, taking total inventory to ~22,100 rooms across ~260 hotels.
- LTHL eyes stable FY26 EBITDA margin; stabilisation of renovation and technology expenses to drive margins in long run.
- We stay Positive on the stock and expect an upside of 29%. Stock trades at 17x/14x/13x its FY26E/27E/28E EV/EBITDA, respectively.

**Aggressive room additions, favourable industry tailwinds and an asset-light model continue to aid LTHL's strong growth. Revenues and EBITDA grew by 13% and 10% y-o-y, respectively, in H1FY26. For Q3, management has guided for mid-teens revenue growth driven by a busy wedding season, surge in MICE activities, higher share from Aurika, Mumbai and incremental contribution from new hotels. We expect RevPar to grow in double digits (~12-15% y-o-y) in Q3, primarily driven by ARR growth. Long-term industry tailwinds, renovation of owned portfolio and addition of ~10,500 rooms to the existing inventory of ~11,600 rooms will help LTHL's revenues and PAT to post 13% and 29% CAGR, respectively, over FY25-28E.**

- Industry RevPars to grow in double digits:** Indian hotel firms are likely to deliver strong performance in 3QFY26 driven by healthy traction in the MICE segment (meetings, incentives, conferences, and exhibitions) activities, a strong wedding season, higher corporate mobility, good momentum to domestic travel and demand-supply gap driving up ARR. Further, incremental contribution from new openings will also aid revenue growth. We expect key hotel companies to report RevPAR growth of ~12-15% y-o-y in Q3, primarily driven by ARR growth. In the medium-long term, factors such as improved economic activities, recovery in FTAs and rising trends of spiritual tourism/wildlife tourism, will continue to drive growth for the industry.
- Strong room pipeline:** LTHL ended H1FY26 with a total of 10,956 operational rooms in 121 hotels and a pipeline of 9,118 rooms in 121 hotels. Further, in Q3FY26, LTHL signed 17 hotels with 1,855 rooms and opened 9 hotels with 646 rooms. Currently, the company has a strong pipeline of ~10,500 rooms across ~130 hotels in the coming years. A large part of room inventory would be coming through management contracts without stressing the balance sheet.
- EBITDA margins to rise in long run:** Management sees FY26 EBITDA margin to be the same as FY25 (stable y-o-y) as revenue growth is expected to offset higher spends. In H1FY26, margins fell 90 bps y-o-y, however, it is expected to be higher in seasonally good H2. Higher spends on renovation, technology and a one-time ex gratia for employees linked to COVID-era salary cuts accounted for ~8% of revenue in Q2FY26. LTHL expects these expenses to reduce from ~8% in Q2 to ~5% in FY27 and ~2% from FY28 onwards, implying EBITDA margin expansion. Further, better operating leverage and incremental contribution from Aurika, will support margins in the coming years.

## Our Call

**View - Stay Positive; expect 29% upside:** LTHL continues to focus on accelerated growth in the management and franchise portfolio and timely completion of renovation activities in the owned portfolio to drive growth in the medium-long term. This coupled with an aggressive asset-light model-based expansion plan, puts LTHL on a strong footing to achieve solid revenue and PAT growth of 16% and 32%, respectively, over FY24-FY27E. Stock trades at attractive valuations of 17x/14x/13x its FY26E/FY27E/FY28E EV/EBITDA, respectively. We retain our Positive view on LTHL and expect an upside of 29% from current levels.

## Key Risks

Any drop in room demand, high inflationary environment or significant increase in room supply in the coming years would be a key risk to our earnings estimates.

## Valuation (Consolidated)

	Rs cr				
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	1,071	1,286	1,479	1,682	1,851
EBITDA margin (%)	48.8	49.3	51.2	52.4	52.4
Adjusted PAT	181	243	328	441	522
% Y-o-Y growth	29.6	34.5	34.6	34.7	18.3
Adjusted EPS (Rs.)	2.3	3.1	4.1	5.6	6.6
P/E (x)	70.6	52.5	39.0	28.9	24.5
P/B (x)	13.2	11.0	8.6	6.6	5.2
EV/EBITDA (x)	24.7	20.3	16.9	14.3	12.6
RoNW (%)	19.9	22.9	24.7	25.8	23.8
RoCE (%)	11.1	12.7	15.4	17.9	18.6

Source: Company; Mirae Asset Sharekhan estimates

## Room additions continue

In Q3FY26, LTHL continued its focus on expanding its room inventory by signing multiple new hotels and opening two hotels. As of Q2FY26-end, the company had an operational inventory of 10,956 rooms across 121 hotels. During Q3FY26, the company added 646 rooms in nine hotels, taking the current operational inventory to ~11,600 rooms in 130 hotels. Moreover, the company signed 17 new hotels in Q3, adding over 1,855 rooms to its pipeline inventory, taking the total pipeline inventory to ~10,500 rooms across ~130 hotels. Based on the current pipeline, the company's total inventory will be ~21,100 rooms in ~260 hotels in the coming years. As the company is focusing on adopting an asset-light model, room addition through managed contracts/franchisees is higher as compared to owned rooms to be added. LTHL targets to reach a network of over 300 hotels with more than 20,000 rooms by CY28, with a mix of 70:30 between managed and owned hotels.

### Room inventory

Date	Particulars	Rooms	Hotels	Remarks
<b>A</b>	<b>Operational as on 30th September, 2025</b>	<b>10,956</b>	<b>121</b>	
	<b>Openings during Oct-Dec 2025</b>			
01-Oct	Lemon Tree Premier, Navi Mumbai, Maharashtra	67	1	
02-Oct	Lemon Tree Premier, Tirupati, Andhra Pradesh	54	1	Total inventory 111 rooms - Phase 1: 54; Phase 2: 57
09-Oct	Keys Lite by Lemon Tree Hotels, Jaipur, Rajasthan	50	1	
15-Oct	Lemon Tree Hotel, Ranchi, Jharkhand	45	1	
29-Oct	Lemon Tree Hotel, Morbi, Gujarat	69	1	
01-Nov	Lemon Tree Hotel, Motihari, Bihar	32	1	Total inventory 50 rooms - Phase 1: 32; Phase 2: 18
03-Nov	Lemon Tree Hotel, Mall of Dehradun, Uttarakhand	98	1	
07-Nov	Lemon Tree Premier, Thiruvananthapuram, Kerala	80	1	
12-Dec	Lemon Tree Suites, Gurugram, Haryana	151	1	Total inventory 246 rooms - Phase 1: 151; Phase 2: 95
<b>B</b>	<b>Total new openings during the quarter</b>	<b>646</b>	<b>9</b>	
<b>C</b>	<b>Total operational inventory (A + B)</b>	<b>11,602</b>	<b>130</b>	
<b>D</b>	<b>Phase 2 openings lined up</b>	<b>170</b>	<b>0</b>	
<b>E</b>	<b>Pipeline as on 30th September, 2025</b>	<b>9,118</b>	<b>121</b>	
	<b>New signings during Oct-Dec 2025</b>			
01-Oct	Keys Select by Lemon Tree Hotels, Haridwar, Uttarakhand	52	1	
14-Oct	Lemon Tree Hotel, Gandhidham, Gujarat	54	1	
16-Oct	Lemon Tree Resort, Saj by the Mountain, Mahabaleshwar, Maharashtra	78	1	
30-Oct	Lemon Tree Premier, Ayodhya, Uttar Pradesh	300	1	
30-Oct	Lemon Tree Premier, Guwahati, Assam	350	1	
31-Oct	Keys Lite by Lemon Tree Hotels, Kurali, Punjab	38	1	
04-Nov	Lemon Tree Hotel, Bhavnagar, Gujarat	70	1	
14-Nov	Keys Select by Lemon Tree Hotels, Mahoba, Uttar Pradesh	52	1	
21-Nov	Keys Select by Lemon Tree Hotels, Bhopal, Madhya Pradesh	50	1	
27-Nov	Lemon Tree Hotel, Surat Airport, Gujarat	110	1	
27-Nov	Keys Prima by Lemon Tree Hotels, Haridwar, Punjab	60	1	
03-Dec	Lemon Tree Hotel, Pacific Mall, Jaipur, Rajasthan	124	1	
10-Dec	Lemon Tree Resort, Bapatla, Andhra Pradesh	90	1	
10-Dec	Lemon Tree Hotel, Bhilai, Chhattisgarh	72	1	
12-Dec	Keys Lite by Lemon Tree Hotels, Kartarpur, Punjab	47	1	
15-Dec	Lemon Tree Hotel, Bandipur, Nepal	80	1	
29-Dec	Lemon Tree Suites, Tirupati, Andhra Pradesh	228	1	
<b>F</b>	<b>Total new signings during the quarter</b>	<b>1,855</b>	<b>17</b>	
<b>G</b>	<b>Total pipeline inventory (D + E + F - B)</b>	<b>10,497</b>	<b>129</b>	
	<b>Total inventory - Operational + Pipeline (C + G)</b>	<b>22,099</b>	<b>259</b>	

Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

### ■ Sector Outlook – Hotel industry to benefit from the demand-supply gap

Higher demand from domestic leisure travellers, recovery in foreign tourist arrivals (FTAs) and a revival in corporate travels will keep room demand high for hotel companies (also help in achieving higher room rentals) in the short to medium term. Recent industry data shows that demand is expected to continue to grow by ~12%. However, the supply is expected to grow by ~9% over the next 4-5 years. This augurs well for the industry because hotel performance in India is highly sensitive to supply and demand dynamics. Margins of hotels are likely to expand, aided by better operating leverage coupled with various cost-saving initiatives undertaken by companies.

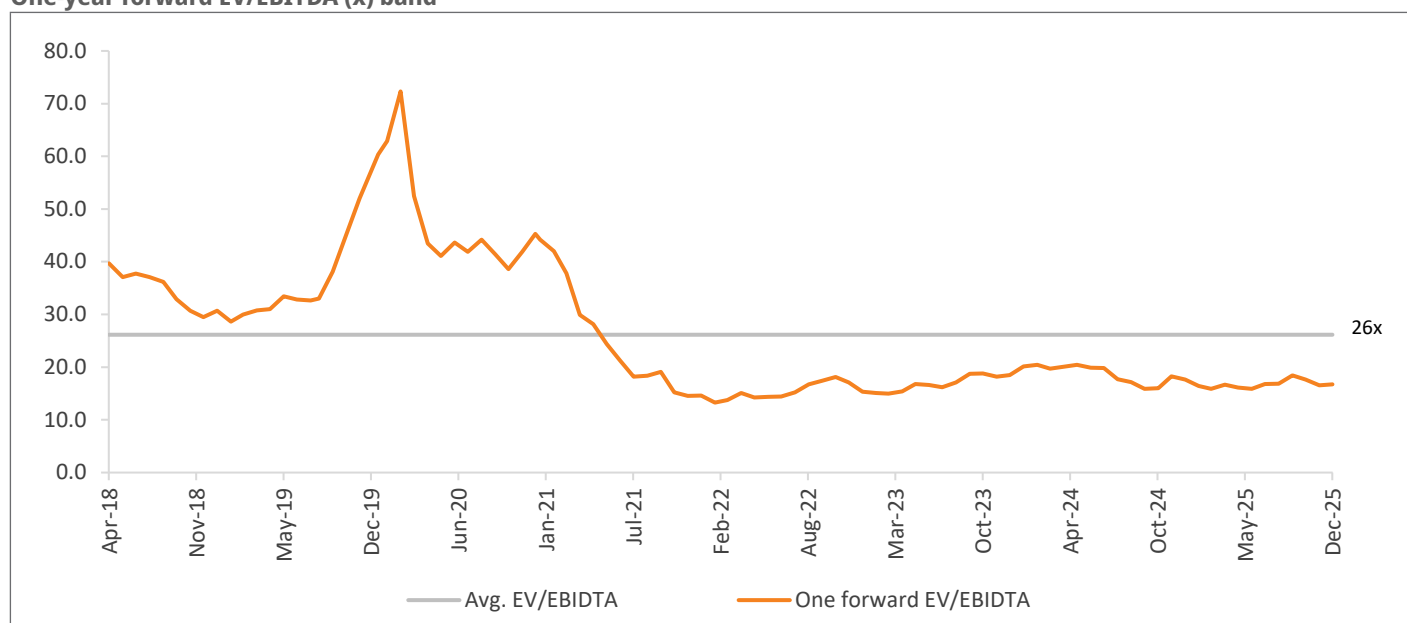
### ■ Company Outlook – Strong earnings visibility over the next three years

With room demand expected to exceed supply, occupancy rates and ARR are likely to improve consistently in the coming years. LTHL aims to reach a network of over 300 hotels with >20,000 rooms by CY28, with a mix of 70:30 between managed and owned hotels. At Q2FY26-end, the company's gross debt stood at Rs. 1,610 crore owing to borrowing against Aurika, Mumbai Skycity. The company targets to become debt-free in 2-3 years.

### ■ Valuation – Stay Positive; expect 29% upside

LTHL continues to focus on accelerated growth in the management and franchise portfolio and timely completion of renovation activities in the owned portfolio to drive growth in the medium-long term. This coupled with an aggressive asset-light model-based expansion plan, puts LTHL on a strong footing to achieve solid revenue and PAT growth of 16% and 32%, respectively, over FY24-FY27E. Stock trades at attractive valuations of 17x/14x/13x its FY26E/FY27E/FY28E EV/EBITDA, respectively. We retain our Positive view on LTHL and expect an upside of 29% from current levels.

#### One-year forward EV/EBITDA (x) band



Source: Company; Mirae Asset Sharekhan Research

#### Peer Comparison

Companies	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Chalet Hotels	52.6	31.4	28.8	24.2	14.6	13.4	11.0	16.5	15.8
Indian Hotels	57.9	48.2	40.0	31.8	26.7	22.8	16.7	17.4	19.1
Samhi Hotels	34.6	19.9	12.5	9.5	8.2	6.8	9.2	10.5	12.4
Lemon Tree Hotels	52.5	39.0	28.9	20.3	16.9	14.3	12.7	15.4	17.9

Source: Company; Mirae Asset Sharekhan Research

## About company

LTHL is India's largest hotel chain in the mid-priced hotel sector and the third largest overall, based on controlling interest in owned and leased rooms. At Q2FY26-end, LTHL operated 10,956 rooms in 121 hotels in India and abroad, under its various brands viz. Aurika Hotels & Resorts, Lemon Tree Premier, Lemon Tree Hotels, Red Fox Hotels, Keys Prima, Keys Select, and Keys Lite. The company has also planned aggressive room additions over the next few years. When the current pipeline becomes operational, LTHL will operate ~22,100 rooms in ~260 hotels in India and abroad.

## Investment theme

The Indian hotel industry's upcycle is expected to last for the next 4-5 years with room demand expected to stay ahead of room supply, which is a key difference compared to the previous upcycle. LTHL, with expanding room inventory, will be the key beneficiary of the upcycle and will see sustained improvement in the occupancies and ARR in the coming years. LTHL is one of the strongest brands in the mid-market segment. With a robust expansion plan focusing on the asset-light model, LTHL is on a strong footing to achieve strong revenue and PAT growth of 13% and 29%, respectively, over FY25-FY28E. Consistent improvement in profitability will drive cash flows, which will help strengthen the company's balance sheet and return profile in the coming years.

## Key Risks

- Any drop in room demand due to the emergence of any black swan event/sustained high inflationary environment or a significant increase in room supply in the coming years would be a key risk to our earnings estimates.
- Any delay in the launch of new hotels/rooms will impact profitability.

## Additional Data

### Key management personnel

Name	Designation
Patanjali Govind Keswani	Chairman and Managing Director
Kapil Sharma	Chief Financial Officer
Pawan Kumar Kumawat	Company Secretary and Compliance Officer

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Stichting pensioenfond ABP	14.99
2	Franklin Resources Inc.	7.11
3	SBI Funds Management Ltd.	6.63
4	Vanguard Group Inc.	3.03
5	Nomura Holdings Inc.	2.72
6	Nomura India Investment Fund Mother Fund	2.35
7	L&T Mutual Fund Trustee Ltd.	1.77
8	Nippon Life India Asset Management Ltd.	1.72
9	Blackrock Inc.	1.16
10	Vanguard Total International Stock Index Fund	1.04

Source: Bloomberg (old data)

Mirae Asset Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

## Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

**DISCLAIMER**

This information/document has been prepared by Sharekhan Ltd. and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to change without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/documents focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("Mirae Asset Sharekhan and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Mirae Asset Sharekhan and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of Mirae Asset Sharekhan. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan do not have any material conflict of interest or have not served as officers, directors or employees or engaged in market-making activity of the company. The analyst and Mirae Asset Sharekhan have not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd, or its associates, or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from a third party in the past twelve months in connection with the research report.

Either Mirae Asset Sharekhan or its affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Sharekhan Ltd and its affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asiamoney Brokers Poll 2023. For more details, visit [bit.ly/AsiamoneyPoll](https://bit.ly/AsiamoneyPoll)

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on [www.sharekhan.com](https://www.sharekhan.com)

---

Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE - 748, NSE - 10733, MCX - 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: [complianceofficer@sharekhan.com](mailto:complianceofficer@sharekhan.com)

For any complaints/ grievances, email us at [igc@sharekhan.com](mailto:igc@sharekhan.com), or you may even call the Customer Service desk on 022-41523200/ 022-61151111.