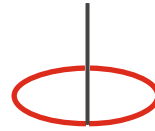


Initiating Coverage

2<sup>nd</sup> May 2023



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.



518, Maker Chambers V,  
221 Nariman Point, Mumbai 400 021.  
91-22- 2282 2992, 2287 6173  
[research@dalalbroachaindia.com](mailto:research@dalalbroachaindia.com),  
[equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)

Dhruv Shah  
+91 22-6714 1414  
[dhruv.shah@dalal-broacha.com](mailto:dhruv.shah@dalal-broacha.com)



## Time to check-in

**Investment Argument:**

We initiate coverage on Lemon Tree Hotels with a BUY rating with a target price of 121 (17x FY25E EV/EBITDA). Lemon Tree Hotels is the country's largest hotel chain catering to mid-market segment (market share ~12%). With majority of its inventory being catered towards corporates, LTH stands to gain from this revival within the industry. With a focus of shifting to an asset-light model, the hotel chain has been rapidly expanding its fleet of managed hotels in India. With lower capital requirements for managed hotels and cost optimization they have been able to generate industry leading EBITDA margins.

➤ **Strong additions of hotels expected to continue**

Starting with a hotel of just 49 rooms back in 2004, LTH operates across 7 brands with an inventory of ~8451 rooms with 88 Hotels. Going forward they have a strong pipeline of 34 Hotels & 2,789 rooms. (Refer Exhibit 18)

➤ **Shift Towards Asset-Light Model**

Under its new strategy of moving towards asset-light model, LTH has expanded the number of managed hotels which is ~100% flow through. From 1,841 managed rooms in FY19 the company now has more than 3300 managed rooms under its portfolio and has been signing new hotels under management contracts very aggressively. Currently LTH has a proportion of 60:40 in terms of Owned/Leased:Managed hotels which is expected to reach to 50:50.

➤ **Strong Portfolio for Managed Hotels:**

The company has an inventory of 48 hotels with 3,361 managed keys. Under its strategy of having an asset light model, they have been rapidly adding its portfolio of managed hotels with 34 hotels in its pipeline of which 32 are managed with an accumulated inventory of 2,051 keys.

➤ **Growth Driver: Aurika MIAL to open in Q3FY24 with 669 rooms:**

LTH is coming up with its largest property of **669 rooms** under the brand Aurika Hotels & Resorts near Mumbai International Airport which will be an owned hotel.

**Financial Summary**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net sales	2,517	4,022	8,668	10,131	13,793
EBITDA	613	1,187	4,377	4,790	6,956
<b>EBITDA margins</b>	24.3	29.5	50.5	47.3	50.4
PAT (adj)	-1,271	-874	1,230	1,354	2,949
EPS	-1.61	-1.11	1.56	1.71	3.73
P/E (x)	-55	-80	57	51	24
P/B (x)	8	8	7	6	5
EV/EBITDA (x)	157	81	22	20	13
RoE (%)	-14	-11	13	12	21
ROCE (%)	-1	1	13	14	20
RoIC (%)	-1	1	11	11	17

Source: Dalal and Broacha

Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>121</b>	<b>37.5</b>

**Market data**

Current price	Rs	88
Market Cap (Rs.Bn)	(Rs Bn)	69
Market Cap (US\$ Mn)	(US\$ Mn)	843
Face Value	Rs	10
52 Weeks High/Low	Rs	103.4 / 52.2
Average Daily Volume	('000)	26,762
BSE Code		541233
Bloomberg		LEMONTRE.IN

Source: Bloomberg

**One Year Performance**

Source: Bloomberg

% Shareholding	Mar-23	Dec-22
Promoters	23.61	23.61
Public	76.31	76.31
Total	100	100

Source: Bloomberg

**Dhruv Shah**  
+91 22 67141414  
dhruv.shah@dalal-broacha.com

It is expected that this property will contribute to about **Rs 150 crores to EBITDA with margins of ~50%, contributing roughly Rs 300 crores to the topline.**

➤ **Improvement in Occupancy & ARR:**

The Company has been registering sustainable growth in the occupancy (**Q3FY23-68% vs Q1FY22-30%**) and Gross ARR (**Q3FY23 - Rs 5,738 vs Q1FY22-Rs 2,362**) has been growing for the past 6 quarters. It is expected that these numbers will grow even further on the backing of various key events taking place in the country like the G20 Summit & Cricket World Cup 2023 and demand and supply mismatch in the industry (Refer Exhibit: 7).

➤ **Tailwinds In The Sector**

India will be hosting two major events in 2023, G20 summit and the Men's Cricket World Cup 2023 in the second half of the year. Traction has already been seen from G20 summit as the delegates arrived in the country. And with majority of the inventory being catered for business purpose, lemon tree hotels have positioned itself to be one of the key beneficiaries. A report by STR showed that G20 summit held at St. Petersburg in 2013 led to a significant jump in the RevPAR of over 300% in the host city, with average daily rates increasing ~285% & the occupancy increasing over 4%.

➤ **Offering Brands to customers at different price points**

Lemon Tree hotels has expanded its presence with **7 brands** namely Aurika Hotels & Resorts, Lemon Tree Premier, Lemon Tree Hotels, Red Fox & Keys (Keys Prima, Keys Select, Keys Lite). Ranging from Aurika that caters to Luxury Upscale segment to brands like Red Fox & Keys that comes under Economy segment, LTH provides its service to customers across the value chain.

➤ **Industry Leading Margins**

LTH is able to deliver **EBITDA margins upwards of 50%** due to its focus on cost optimization and a shift in the strategy towards asset-light model.

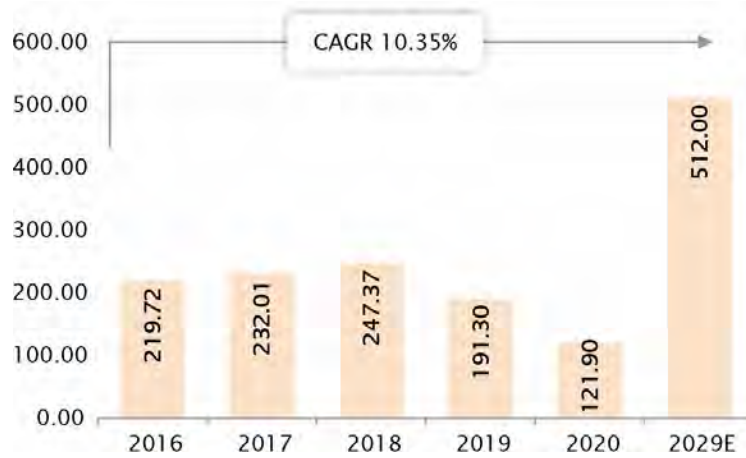
➤ **Demand-Supply Mismatch to further drive ARR**

Almost two decades back supply growth outpaced demand growth. But this has now been reversed. Growth of room supply is expected to be in mid-single digits and growth of demand for rooms is expected to be in range of 12-14%. This demand supply gap is expected to stay for foreseeable future driving up the Average revenue rates going forward.

### Revival in Travel & Tourism Industry

The travel & tourism industry was one of the first industry to have suffered a major setback during the pandemic. The industry’s total contribution to the country’s GDP fell from 7% (\$212.8B) to 4.3% (\$121.9B). Since then, there has been a sharp recovery of \$50B and the contribution to GDP increased to 5.8% (\$178 B) in 2021-22. This is expected to reach to \$512B by 2028-29.

**Exhibit 1: Total Contribution of Travel and Tourism to GDP at Real 2019 Prices (US\$ Bn)**

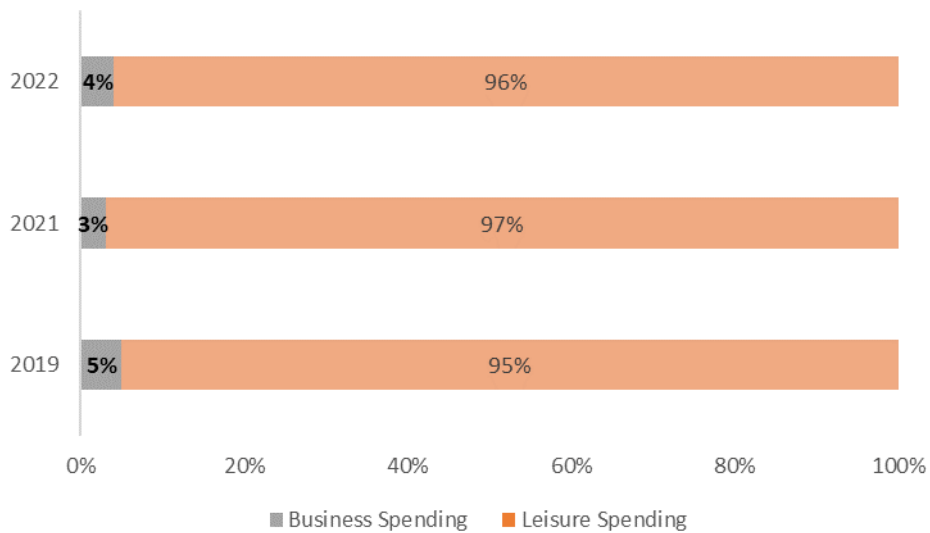


Source: IBEF.Org, Company

In 2020, Indian Tourism sector accounted for 39 million jobs, which was 8% of total employment in the country. By 2029, it is expected that the sector will account for 53 million jobs.

The recovery in the industry was driven primarily by domestic leisure travel. However, business travel is also showing signs of recovery as corporates returned to full or hybrid work-from-office model.

**Exhibit 2: Contribution of Business and Leisure Spending**

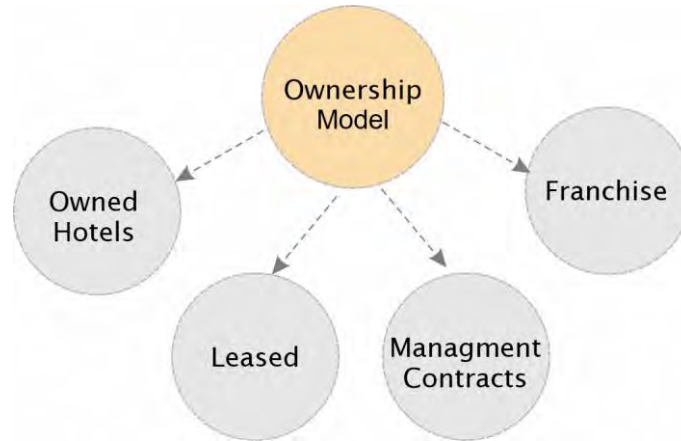


Source: Hotelivate 2022 Report

### Hotels Ownership Model

Hotel Ownership model can be categorized into 4 segments. Owning a hotel can be 100% owned or by entering into a JV, Franchising, Leasing - can be land lease or building lease and Management contracts.

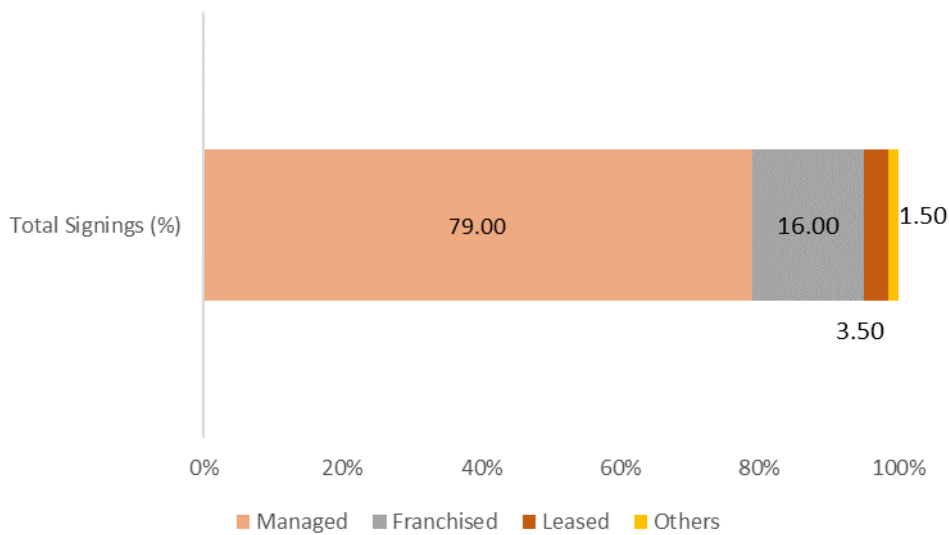
**Exhibit 3: Ownership Model**



Source: Dalal & Broacha Research

With high barriers to entry like high capital requirements for purchase of land, construction costs, receiving regulatory approvals, the players in the industry are now preferring management contracts or the franchising model over ownership of hotels.

**Exhibit 4: 79% of total keys signed in 2021 were management contracts**



Source: HVS Anarock 2021, Dalal & Broacha Research

## About The Company

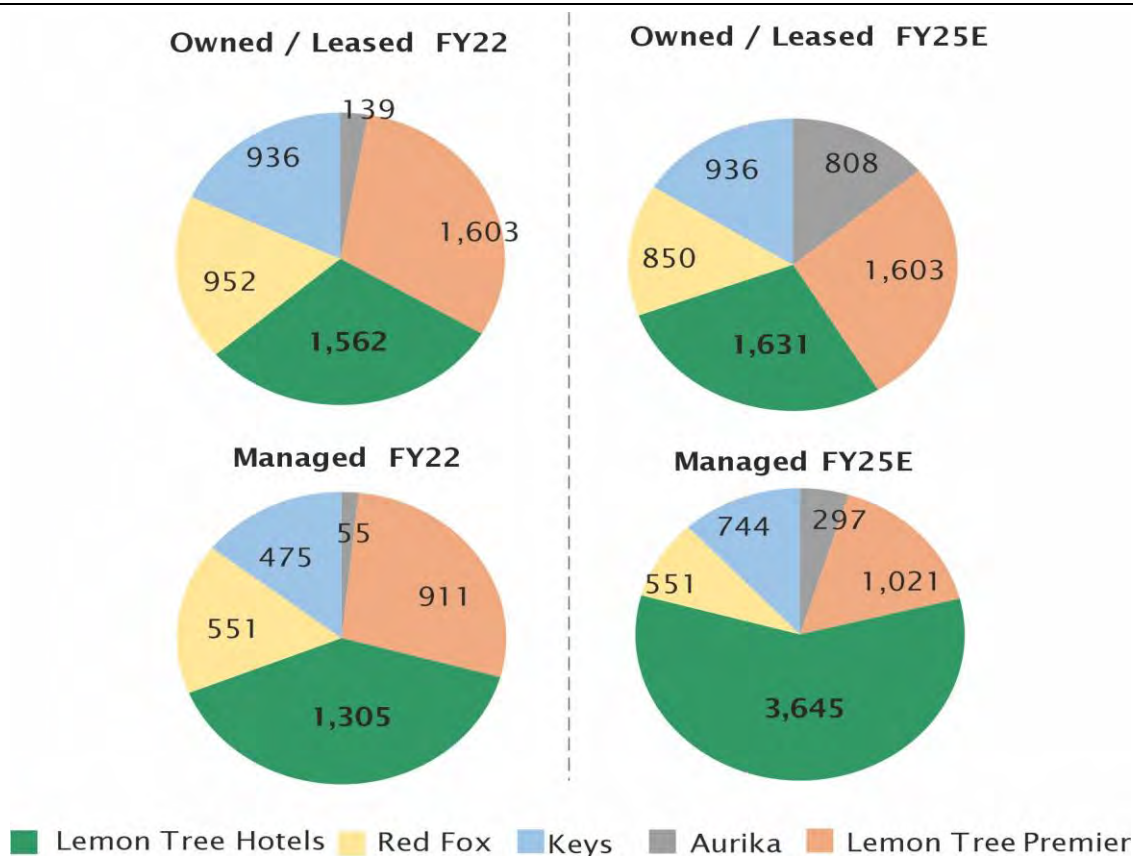
Lemon Tree Hotels are the largest hotel chain in mid-priced segment by owned rooms in India. Starting with a hotel of just 49 rooms back in 2004, LTH operates across 7 brands with an inventory of ~8451 rooms with 88 Hotels spread across 54 destinations in India and South Asia. It has positioned itself as the 6<sup>th</sup> Largest hotel chain in terms of inventory in India operating under Owned, Leased & Managed Hotels. (Refer Exhibit:31)

LTH operates its business through: (i) Direct Ownership of Hotel properties; (ii) Long-term leases for existing hotels which are owned by third parties; (iii) operating and management agreements. The operations are spread across the value chain and range from acquiring land to owning, leasing, developing, managing, and marketing hotels.

Owned & Leased hotels are operated broadly under the company's subsidiaries Fleur Hotels Pvt Ltd & Lemon Tree Hotel Company Pvt Ltd where the company has 58.91% & 100% ownership. The Managed Hotels are operated under Carnation Hotels Pvt. Ltd which is a 100% owned subsidiary.

Historically LTH has taken the route of Organic growth by building its own hotels as well as Inorganic growth by capitalizing on the opportunity of acquiring other hotels.

### Exhibit 5: Lemon Tree Hotels Brand-Wise Share Of Rooms



Source: Company, Dalal & Broacha Research

## IPO Details

The company came with its IPO in 2018, with an issue size of ~1,039 cr, which only comprised of Offer for Sale by non-promoter entities with a price band of Rs 54-56. The hotel had been a loss making entity since FY13 (PAT: Rs -20.7 cr) which turned profitable only in FY18 (PAT: Rs 14.5 cr).



**Exhibit 6: Operational Portfolio**

Operational Portfolio Particulars	Owned & Leased		Managed		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Aurika	1	139	1	55	2	194
Lemon Tree Premier	9	1,603	9	911	18	2,514
Lemon Tree Hotels	17	1,562	24	1,409	41	2,971
Red Fox	6	850	6	551	12	1,401
Keys Prima	-	-	1	40	1	40
Keys Select	7	936	4	287	11	1,223
Keys Lite	-	-	3	108	3	108
<b>Total</b>	<b>40</b>	<b>5,090</b>	<b>48</b>	<b>3,361</b>	<b>88</b>	<b>8,451</b>

Source: Company, Dalal & Broacha Research

To serve all kind of customers across value chain, LTH operates under 7 brands ranging from a 2-star economy hotel to 5+ star luxury hotels. When the company went public in 2018, it had 3 brands in its portfolio, Lemon Tree Premier, which is a 3.5-star to 4-star kind of hotel which targets upper midscale hotel segment. A step down is Lemon Tree Hotels, can be compared to a 3-star hotel catering to mid-scale hotel consumer and a step below is Red Fox, an economy hotel, which was launched in 2009, comparable to a 2-star hotel which targets price conscious Indian consumer. In 2019, Lemon Tree launched another brand Aurika Hotels & Resorts, which serves Upscale segment and which is a notch higher than Lemon Tree Premier.

In the same year, Lemon tree acquired Berggruen Hotels Pvt Ltd that owned Keys hotel Portfolio. Keys operated under 3 brands, Keys Prima (Upper-Midscale), Keys Select (Mid-scale) & Keys LITE (Economy).

### Acquisition Of Keys Hotel

The Board of LTH in FY2020 approved the acquisition of 100% ownership in Berggruen Hotels Pvt Ltd that owned Keys Hotel Portfolio. At the time Keys Hotels operated 21 Hotels across 19 cities, 7 Owned/Leased hotels with 936 rooms and 14 Managed hotels with ~655 rooms under 3 brands i.e. Keys Prima, Keys Select & Keys Lite. Keys Prima can be positioned to Upper Mid-scale segment; Keys Select to a Mid-scale segment & Keys LITE to Economy Segment.

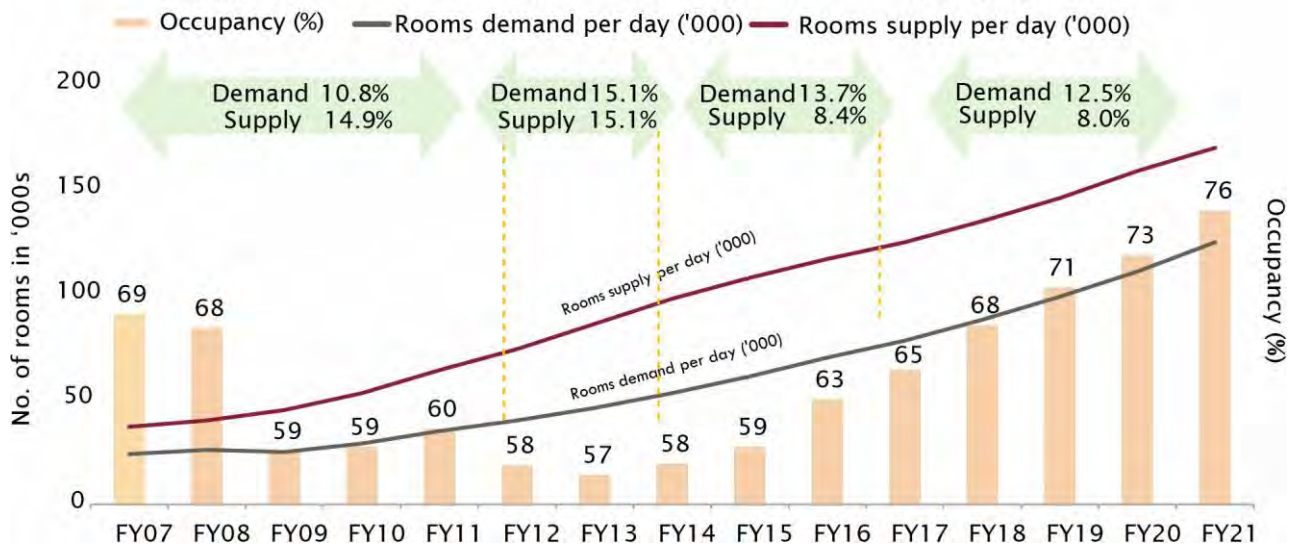
Acquisition of Keys involved payment of Rs 471 crore for an Enterprise Value of Rs 605 crore through its subsidiary Fleur hotels in which Lemon Tree owns 58.91% while the balance 41.09% is owned by Dutch Pension Fund Manager APG. Lemon Tree & APG was subscribed to CCPS of Rs 61 crore for Lemon Tree & Rs 360 crore for APG and the rest was funded through cash available in Fleur.

This acquisition made it possible for Lemon Tree to establish a market leadership position in the midmarket segment, taking its room count to approximately 7800 rooms which are about 15% of the all India branded midmarket hotel supply.

**Exhibit 7: Demand Supply Mismatch To Further Drive ARR's**

Indian hotel industry is at an inflection point

Slowing supply and rising demand is expected to increase occupancy and ADR



Source: Company, Dalal & Broacha Research

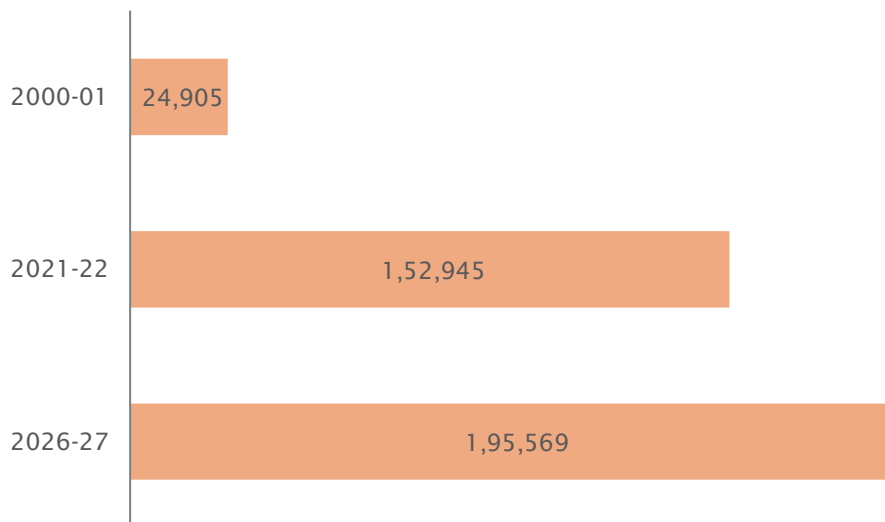
Building a hotel is highly capital and labor intensive. And it takes at least 2-3 years from acquiring the land and then building the structure and developing the infrastructure of hotel. The total number of branded rooms available in the country is about 1.5Lakh.

Demand for the branded hotel room is growing in the range of 12%-14% annually. And the supply growth is expected to be range bound, 5-7%. Additionally, during Covid, a lot of hotels had shut down. Hence the supply is expected to remain constrained.

This mismatch between supply and demand will drive up the ARR's. However, there are then chances of price-sensitive customers to change their preference of visiting the same hotel they used to visit before the price increase. But since, Lemon tree hotel is present from a 2-star economy hotel like Red Fox to 4+ star premium hotel like Lemon Tree Premier and Aurika, this will lead to just a shift of customer to a lower priced brand, which on a company level will not reduce consolidated occupancy.

According to Hotelivate Research, two decades back there were about 25000 branded rooms supply in India which in 2022 has grown to ~1,53,000, registering a CAGR of ~9.5%. It is expected there will be 1,95,000 rooms by 2026-2027, a CAGR of 6%.

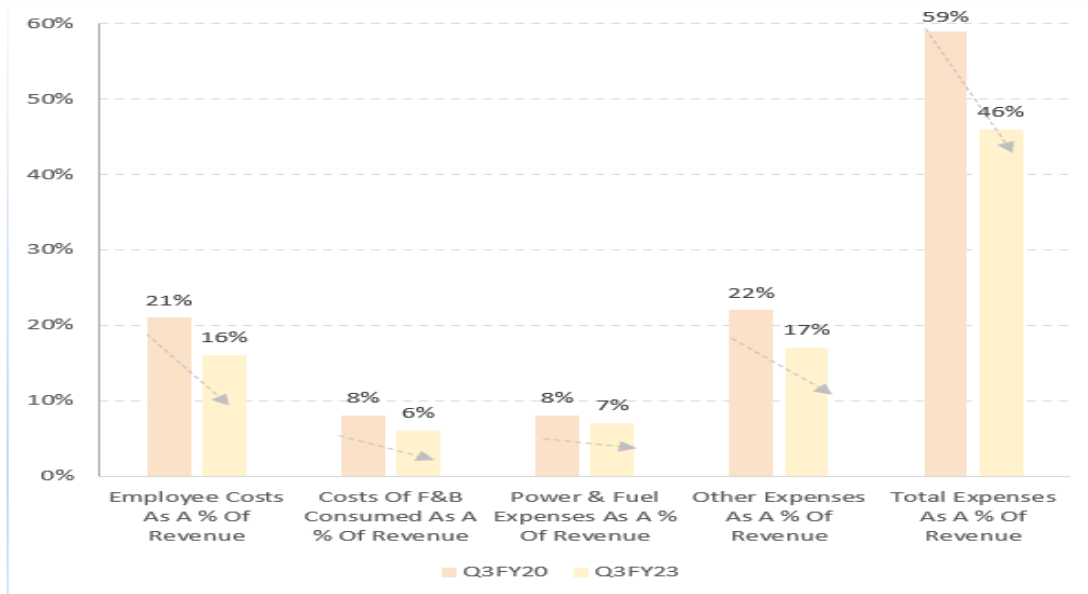
**Exhibit 8: Growth Of Room Supply**



Source: Hotelivate Research, Dalal & Broacha Research



**Exhibit 9: Focus On Cost-Optimization Leading To Margin Expansion**



Source : Company,Dalal & Broacha Research

**Cost Optimization to drive up margins**

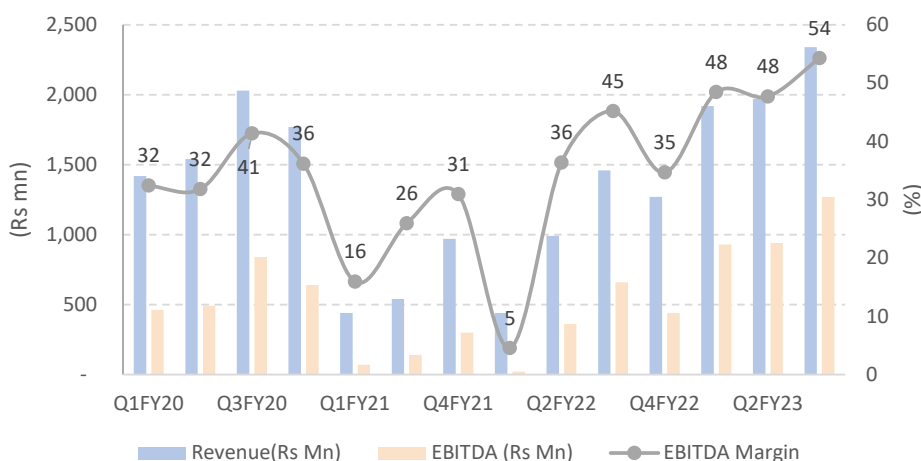
Employee costs are one of the largest cost components for the hotel industry. In case of LTH, Employee costs accounted ~21.07% of sales in Q3FY20, this has come down significantly to just ~16.3% in Q3FY23. Similarly, total operating costs has dropped from 59% in Q3FY20 to 46% in Q3FY23 which led to EBITDA margin expansion from 41.6% (Q3FY20) to 54.3% (Q3FY23).

This was possible because Lemon tree successfully turned calamity into opportunity during the pandemic, where unlike many hotels that had to completely shut down as operating expense remains mostly fixed due to the nature of business and potentially no revenue stream, Lemon tree hotels were still operational. About 71% of the owned/leased inventory was kept operational. Major source of revenue was from on-duty doctors that were advised to isolate themselves, many Indians who opted for institutional quarantine and global IT majors, part of business continuity planning teams occupied many of the rooms in Bangalore, Pune & Hyderabad.

This forced the company to optimize its existing staff, train them to multi task, digitalization and automation which needs less number of manpower. Earlier >1 staff was required per room and because of the factors mentioned above this came down to ~0.65 staff per room which is permanent in nature.

LemonTree Hotels are aggressively increasing the share of electricity from renewable sources. In FY20 share of electricity from renewable sources was 5%. Company intends to take this share to 50% by FY26, optimizing the costs going forward and subsequently improving margins.

**Exhibit 10: EBITDA Margin Expansion Driven By Cost Optimization**



Source : Company,Dalal & Broacha Research

### Aurika MIAL To Be A Significant Booster To Topline

LTH is expecting to open its largest hotel in Mumbai near Mumbai International Airport in Q3FY24. This hotel will have 669 rooms and will be its second owned hotel for Aurika brand following the brands first hotel in Udaipur. A sum of about Rs 1,000 crore will be spent to build this hotel which will roughly cost Rs 1.5 crore per room.

This hotel is expected to be a game changer for the company. Strategically located closer to Mumbai International Airport, the hotel will be able to generate higher occupancy and command a higher ADR with EBITDA margins more than 50%.

#### Exhibit 11: Performance Geography wise

Parameters	RevPAR (Rs.)			Occupancy Rate (%)			Average Daily Rate (Rs.)		
	Q3 FY23	Q3 FY20	Change (%)	Q3FY23	Q3 FY20	Change (bps)	Q3FY23	Q3 FY20	Change (%)
By Region									
Delhi (636 rooms)	4,941	4,606	7	81	85	-389	6,090	5,418	12
Gurugram (529 rooms)	3,587	3,302	9	68	75	-739	5,286	4,387	20
Hyderabad (663 rooms)	4,644	3,860	20	74	77	-299	6,245	4,990	25
Bengaluru (874 rooms)	2,805	2,836	-1	54	65	-1,130	5,205	4,351	20
Mumbai (303 rooms)	6,683	4,151	61	79	62	1,684	8,473	6,691	27
Pune (426 rooms)	3,436	2,703	27	69	67	199	4,978	4,033	23
Rest of India (1,659 rooms)	3,419	2,763	24	64	68	-323	5,317	4,091	30
<b>Total (5,090 rooms)</b>	<b>3,877</b>	<b>3,311</b>	<b>17</b>	<b>68</b>	<b>71</b>	<b>-373</b>	<b>5,738</b>	<b>4,644</b>	<b>24</b>

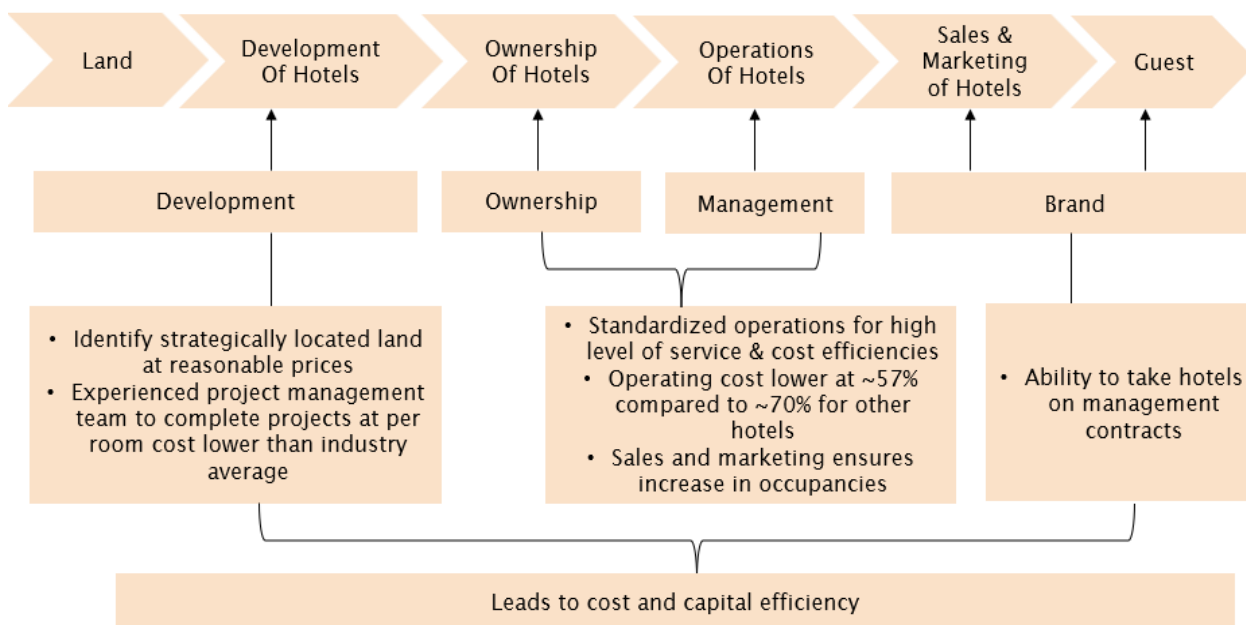
Source: Company, Dalal & Broacha Research

To estimate the performance of this hotel, consider Lemon Tree Premier Hotel, a step down brand than Aurika, in Mumbai which has 303 rooms, did an Average Daily Rate of ~Rs 8,500 with occupancy of 79% in Q3FY23. Hence it is expected that Aurika MIAL will at least do that levels of occupancy and an ARR of more than Rs12,000. (Refer Exhibit: 11)

Additionally, to compare, Aurika Udaipur (139 rooms) did an ARR of north of Rs13,000 in FY22. However, the company is trying to penetrate that market, since occupancy was on the lower end for FY22 (36%), which is evident from the recent quarter (Q3FY23) where the occupancy for Aurika Udaipur was closer to 55%. (Refer Exhibit: 27)

For our projection in 2024, we have assumed a revenue of ~Rs30 crore since the hotel will be fully operational for just Q4, at an ARR of Rs 12,000 with occupancy of 50%.

**Exhibit 12: Presence Across Value Chain**



Source: Company, Dalal & Broacha Research

Lemon Tree Hotels is the market leader in the mid-market hotel segment and has end-to-end capabilities with presence across the value chain i.e. they operate from land to guests. Meaning they acquire land, design hotels, develop them, own & manage them and also brand/market them.

Lemon Tree also designs and develops hotels on behalf of third-party owners for hotels they intend to manage.

Fully integrated project management company, Grey Fox Project Management Company Pvt. Ltd provides in-house project design, project management & project development capabilities.

**Exhibit 13: Market Leader In The Mid-Priced Segment**

Segment	Industry Inventory	Our Inventory	Lemon Tree Brand Positioning
Luxury and Upper Upscale	51,170		aurika HOTELS & RESORTS
Upscale	30,490	194	
Upper Midscale	30,100	2554	lemon tree PREMIER keys PRIMA BY LEMON TREE HOTELS
Midscale and Economy	37,500	5741	lemon tree SELECT keys fedfox keys LITE BY LEMON TREE HOTELS
Unbranded Standalone	250,000 (suitable for branding under LTP/LTH/RFH) 1,750,000 (suitable for branding under KPH/KSH/KLH)		lemon tree PREMIER keys PRIMA BY LEMON TREE HOTELS lemon tree MIDDLE keys BY LEMON TREE HOTELS fedfox BY LEMON TREE HOTELS keys LITE BY LEMON TREE HOTELS

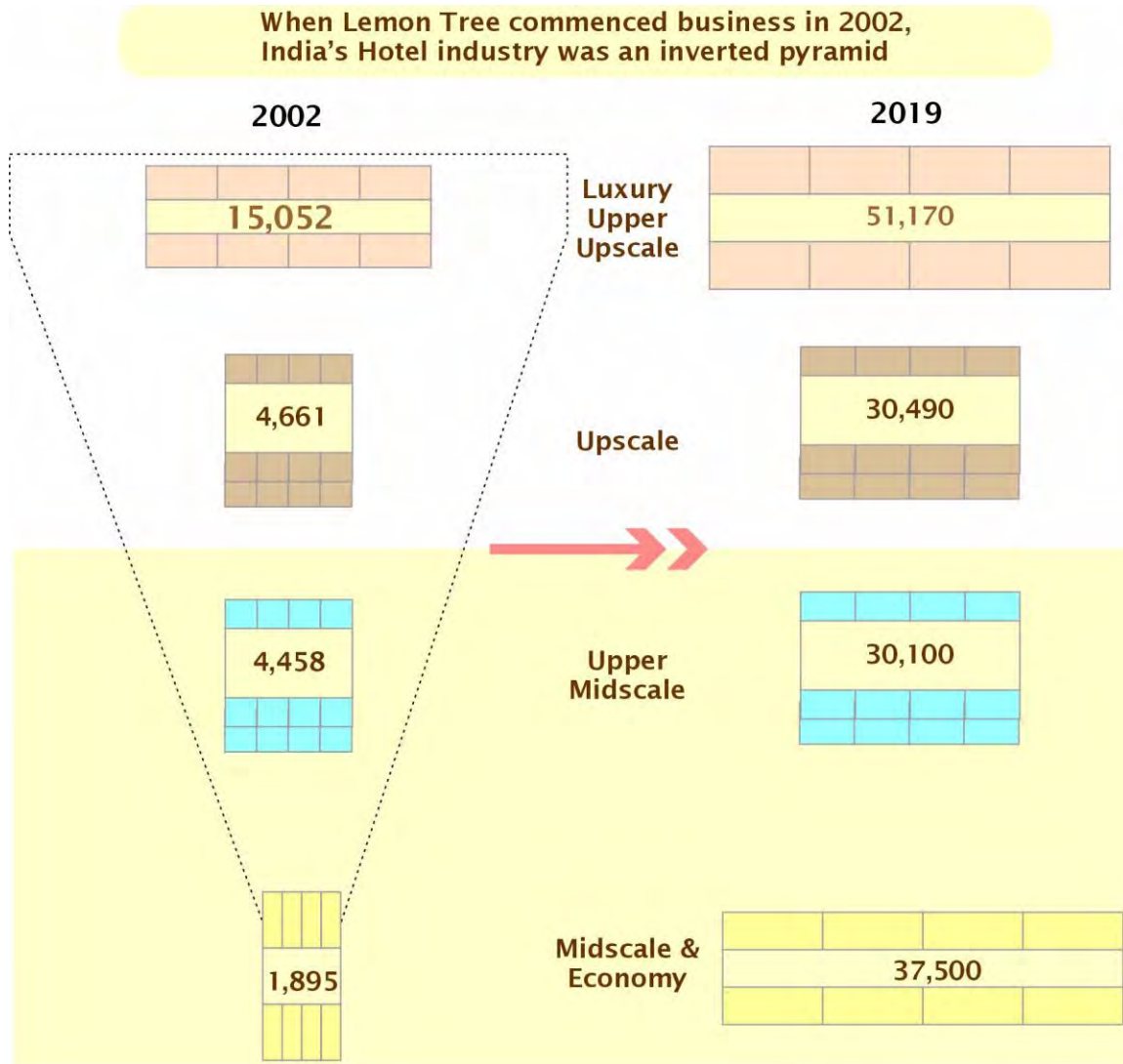
Source: Company, Dalal & Broacha Research

Lemontree Hotels is the largest chain of hotels that caters to mid-market or mid-priced segment in India on the basis of owned inventory with a market share of ~12%. A mid-priced segment hotel includes all the hotels with ratings from a 2-star to a 4-star hotels.

Going forward the company aims to consolidate the unbranded hotels which has the largest inventory in the industry into organized market.

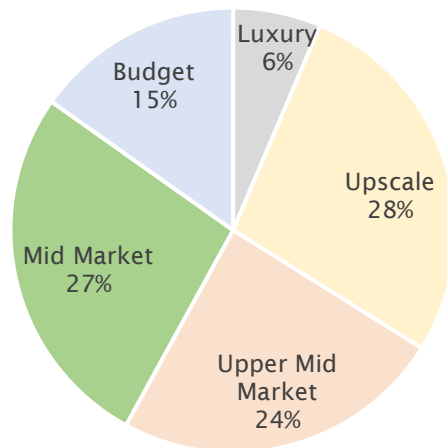
Earlier, Indian branded hotel sector was identified as inverse pyramid, with larger proportion of rooms under Upscale – Luxury segment. However, there has been a significant shift in the market since then, with close to 60% of the room inventory in the economy and mid-priced segment.

**Exhibit 14: Rise in the inventory of mid scale branded rooms**



Source: Company, Dalal & Broacha Research

**Exhibit 15: Mid-priced & Economy segment at the epicenter of future supply**

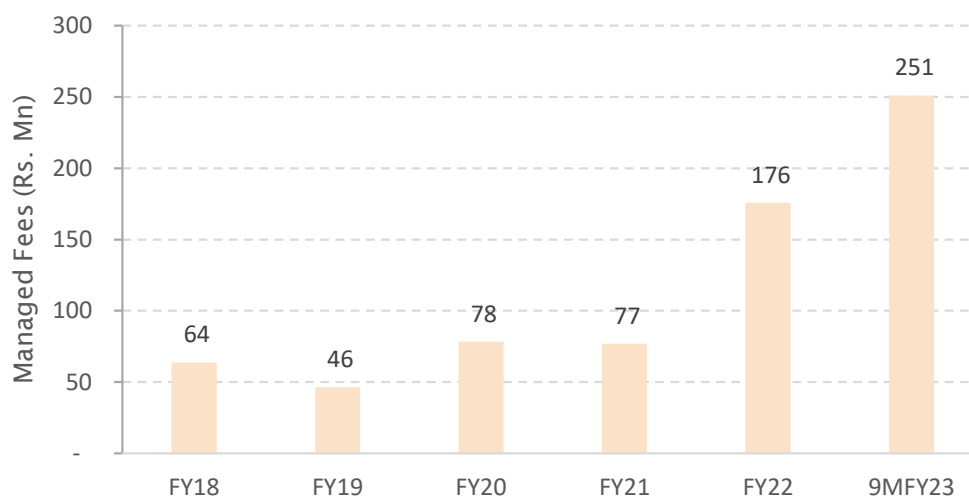


Source: Hotelivate, Dalal & Broacha Research

Indian hotel industry has a total of approximately 1,50,000 branded rooms and according to a report published by Hotelivate,2022, it is expected that there will be an additional supply of about 42000 rooms based on properties under active development by 2026-2027. This will take total supply of branded rooms to ~1,92,000, registering a growth of 28% over a period of 5 years.

Of this proposed supply, ~65% will be built catering to Mid-priced & Economy segment. (Refer Exhibit 15)

#### Exhibit 16: Asset-Light Model Improves ROCE & Boosts Bottomline Through Increase In Managed Fees



Source: Company, Dalal & Broacha Research

Building a hotel is highly capital and labor intensive business. The Hotel business comprises of 4 parts - Developing the hotel, Ownership of hotel, Management of hotels and branding of hotels.

But managing and franchising is viable only at a scale. Typically, manager or brand owner of a hotel makes ~14% of the profit. LTH already has established its brands and its fair share of owned hotels which gives other hotel owners an assurance to operate their hotels under Lemon Tree's management.

We are great at managing our own hotels, but we are even better at managing hotels owned by others." - Mr. Patanjali Keswani

Management contracts are a lucrative option for inorganic growth and establish presence in underpenetrated market like in tier-2 & tier-3 & tier-4 locations. LemonTree has recorded 29% CAGR from FY18-FY22 in managed fees earned. Also owning 1 hotel is equivalent to managing roughly 7 hotels.

#### Exhibit 17: Step Up In ARR For Red Fox & Keys To Drive Growth

Particulars	RevPAR(Rs.)			Occupancy			ARR(Rs.)		
	Q3 FY20	Q3 FY23	Change (%)	Q3 FY20	Q3 FY23	Change (bps)	Q3 FY20	Q3 FY23	Change (%)
Aurika	3,011	8,982	198%	20%	53%	3228	14,883	17,102	15%
Lemon Tree Premier	4,174	5,167	24%	71%	75%	465	5,908	6,863	16%
Lemon Tree Hotels	3,289	3,760	14%	73%	68%	-449	4,514	5,500	22%
RedFox Hotels	2,811	3,132	11%	78%	73%	-569	3,591	4,315	20%
Keys Hotels	1,978	1,778	-10%	66%	51%	-1562	2,985	3,512	18%

Source: Company, Dalal & Broacha Research

Red fox is a budget/economy hotel, which is why the customers of Red fox are quite price sensitive. The company intended to avoid decreasing the ARR which in the process reduced the occupancy levels. However, holistically the RevPAR saw a growth of ~11% in the current quarter.

Some portfolio of keys is under renovation (Evident from the lower occupancy). This renovation is expected to be completed within a span of 2 years. Post that it is expected that both brands should see a step up in terms of ARR, meaning ARR for keys post renovation should reach the current level of Red Fox.

ARR for Red fox which was Rs 3600 in Q3FY20 has moved to Rs 4,300 in Q3FY23 (close to ARR for LTH in Q3FY20). This is expected to go up even further. And same way for keys, ARR which was Rs 2,985 in Q3FY20 is up to Rs 3,512 which was closer to a Red Fox Rate in Q3FY20. This trend is expected to continue going forward.

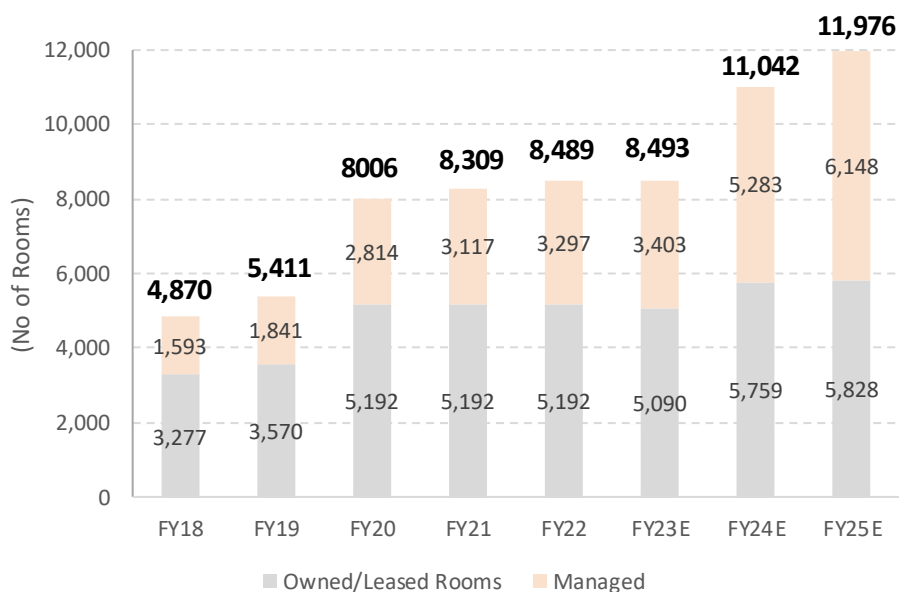
#### Exhibit 18: Strong Managed Hotel Pipeline

Pipeline Portfolio Particulars	Owned		Managed		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Aurika	1	669	1	132	2	801
Lemon Tree Premier	-	-	2	95	2	95
Lemon Tree Hotels	1	69	24	1,609	25	1,678
Red Fox	-	-	-	-	-	-
Keys Prima	-	-	1	42	1	42
Keys Select	-	-	1	40	1	40
Keys Lite	-	-	3	133	3	133
<b>Total</b>	<b>2</b>	<b>738</b>	<b>32</b>	<b>2,051</b>	<b>34</b>	<b>2,789</b>

Source: Company Investor Presentation, Dalal & Broacha Research

The company has been aggressively increasing its portfolio base of rooms and hotels. For the year FY23 they have already signed about 20 hotels aggregating to more than 1100 rooms which is expected to open by FY26-27. Management has given the guidance of having about 111 hotels from current 88 hotels and more than 11500 rooms from the current base of ~8500 rooms registering a CAGR of ~16%. As of December, 2023, there are ~2800 rooms and 34 hotels in pipeline.

#### Exhibit 19: Aggressively Expanding Share Of Management Contracts

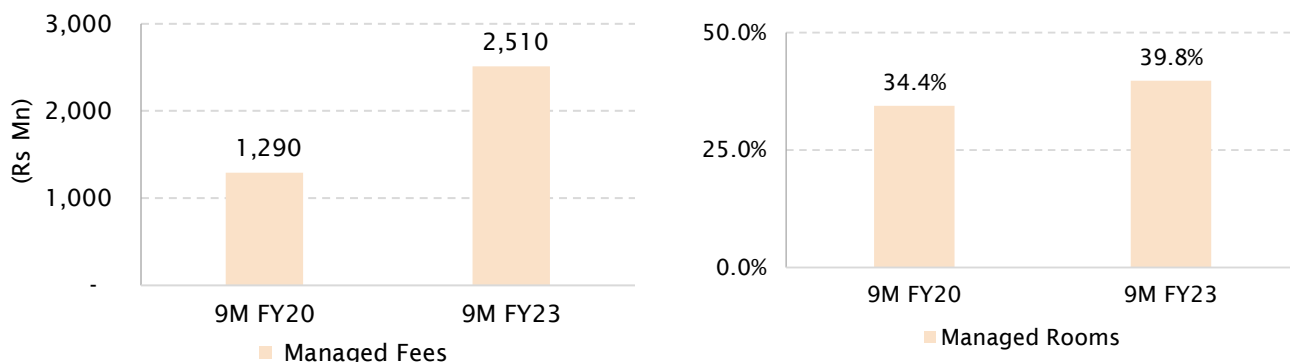


Source: Company, Dalal & Broacha Research



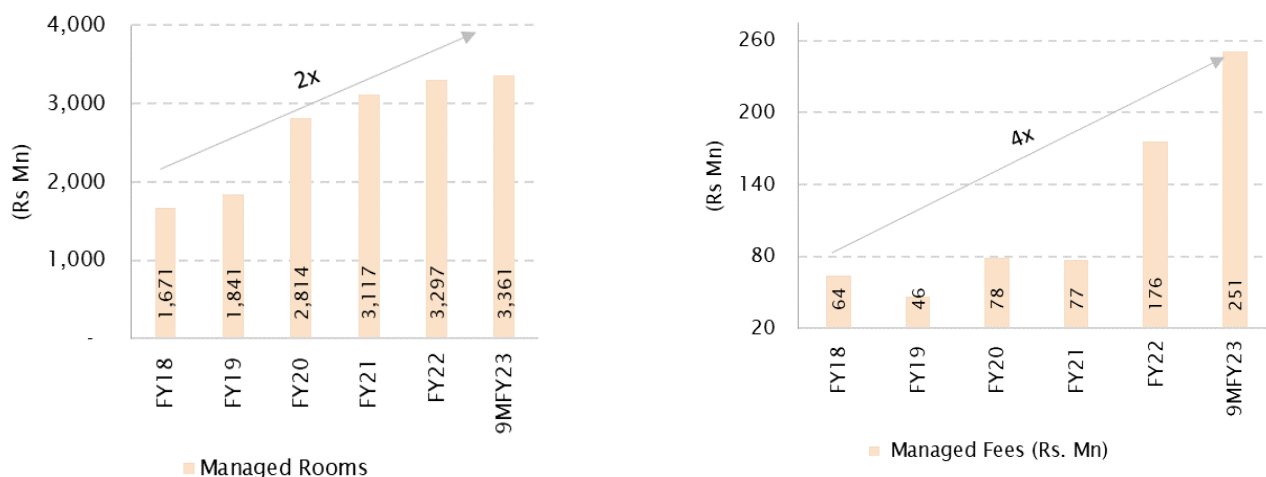
The company has been aggressively increasing its portfolio base of rooms and hotels. For the year FY23 they have already signed about 20 hotels aggregating to more than 1100 rooms which is expected to open by FY26-27. Management has given the guidance of having about 111 hotels from current 88 hotels and more than 11500 rooms from the current base of ~8500 rooms registering a CAGR of ~16%. As of December, 2023, there are ~2800 rooms and 34 hotels in pipeline.

**Exhibit 20: Managed Hotels Comparison- 9M FY 2020 vs 9M FY 2023**



Source: Company, Dalal & Broacha Research

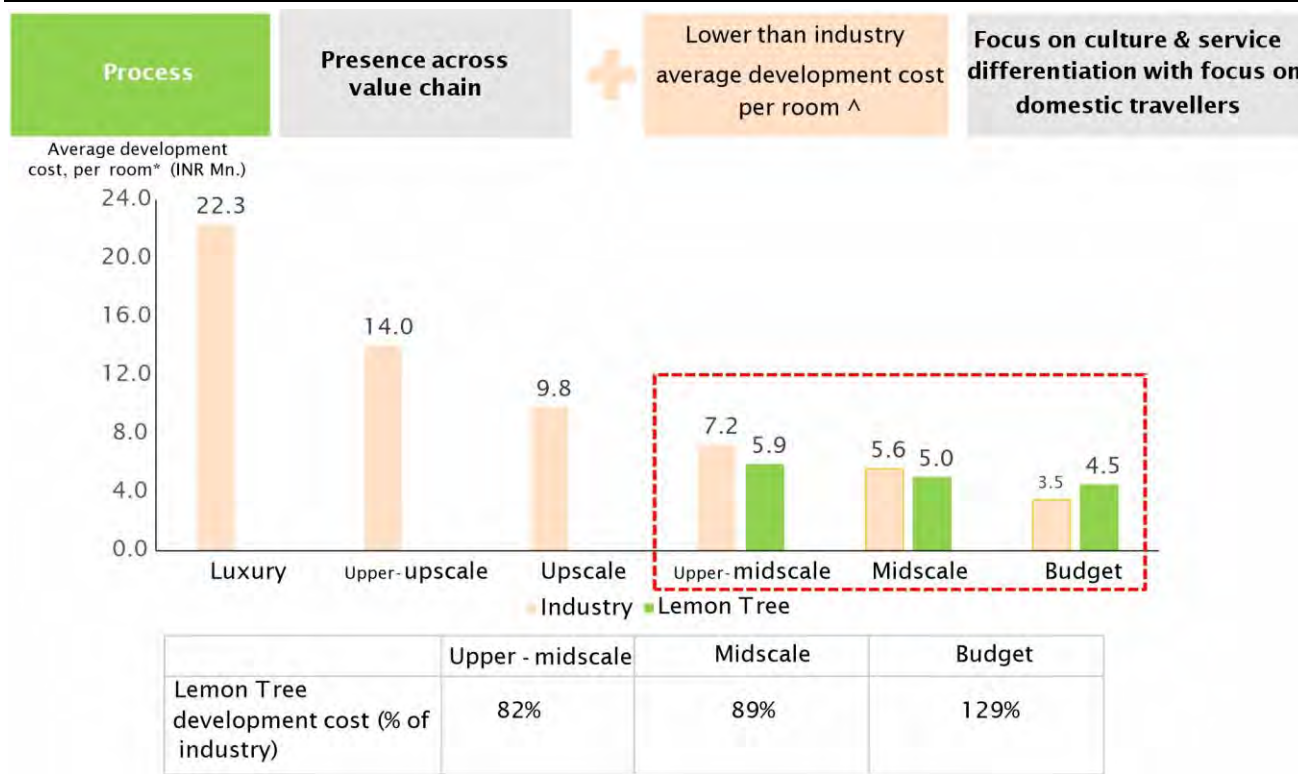
**Exhibit 21: 2x Growth In Number Of Managed Rooms Led To 4x Growth In Revenues From Managed Fee**



Source: Company, Dalal & Broacha Research

Managed rooms have grown at a CAGR of 18.5% from FY18-22, however the managed fees have registered a growth of 29% CAGR for the same period.

**Exhibit 22: Room Development Cost Lower Than Industry**



Source: Company, Dalal & Broacha Research

Average development cost per room for the owned hotels developed between 2011 & 2015 was about Rs 5.9 million, Rs 5.0 million and Rs 4.5 million in the upper-midscale, midscale, and economy hotel segments respectively. The industry average cost for the same timeline was Rs 7.2 million, Rs 5.6 million and Rs 3.5 million respectively. The key driver for this is the lower staff to room ratio as compared to the industry average. One of the key parts of their business model is their focus on easy replicability of their product designs without compromising on quality and finish. This results in lower procurement cost. Which is why among the industry, LTH have the lowest development cost per room in the mid-priced hotel segment, which makes it possible for them to have industry leading EBITDA margins in the north of 50%.

## Tailwinds in The Sector to Accelerate Growth

India is hosting the G20 summit for the year which will have over 200 meetings to be held across 56 destinations in metropolitan cities like Delhi, Mumbai and various other state capitals. Hosting the delegates, diplomats and its staff will pose immense opportunity for the hotel industry.

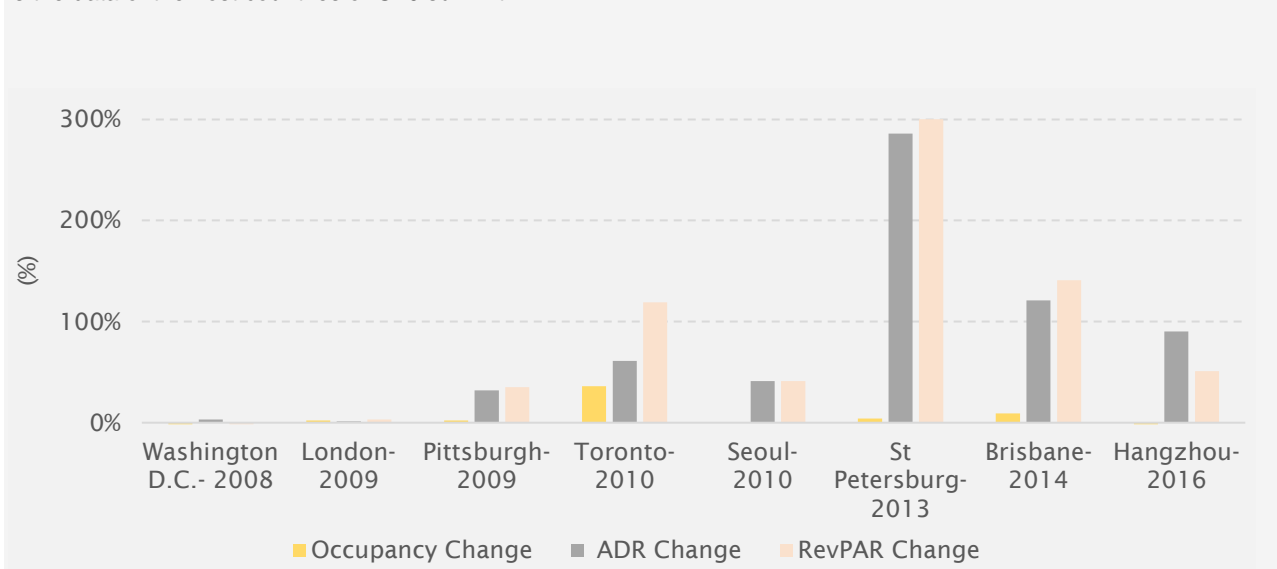
According to a research, G20 summit held at St. Petersburg in 2013 led to a significant jump in the RevPAR of over 300% in the host city, with average daily rates increasing ~285% & the occupancy increasing over 4%. As per an STR report, ADR was the driving force in the increase in RevPAR which was a trend observed based on 11 host countries.

An increase in RevPAR driven by higher occupancy leads to increase in revenue as well as operating costs, however ADR driven spike in RevPAR impacts mainly to the topline, therefore increasing the margins further.

Being a major player in the business hotel segment and strategically located in ~54 destination across India, LTH stands to gain significantly from the event.

### Did you know?

A study by STR revealed a significant jump in ADR during the 2 days of G20 event and 5 days leading upto it. Following is the data of the host countries of G20 summit.



Source: STR Report

**Exhibit 23: Lemontree Hotels Delivered The Best Ever Quarter, With Record High Key Metrics**

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Gross ARR (Rs)	4,002	4,133	4,644	4,530	2,362	3,028	3,901	4,093	4,822	4,917	5,738
Occupancy (%)	77.5	74.8	71.3	61.0	29.6	51.0	57.6	46.1	65.1	66.2	67.6
Revenue (Rs. Mn)	1,422	1,537	2,028	1,765	443	988	1,460	1,272	1,923	1,974	2,431
EBITDA (Rs. Mn)	460	494	844	644	20	358	656	445	926	943	1,270
EBITDA (%)	32.4	32.1	41.6	36.5	4.6	36.2	44.9	35.0	48.2	47.8	54
PBT (Rs. Mn)	-14	-21	156	-135	-673	-346	-32	-394	207	250	592
PAT (Rs. Mn)	-21	-23	111	-190	-598	-332	-52	-392	136	194	486

Source: Company, Dalal &amp; Broacha Research

Despite occupancy not being at pre-covid levels, Q3FY23 has been the best quarter on all major KPIs – Gross ARR, EBITDA, EBITDA %, PBT, PAT.

Occupancy to grow based on the points discussed above which will further give record results for the company.

**Exhibit 24: Performance with and without Keys Hotels**

Rs. Cr	Lemon Tree Consolidated ex. Keys Hotels					Keys Hotels*					Lemon Tree Consolidated				
	Q3 FY23	Q2 FY23	Q3 FY20	QoQ Change	YoY Change	Q3 FY23	Q2 FY23	Q3 FY20*	QoQ Change	YoY Change	Q3 FY23	Q2 FY23	Q3 FY20	QoQ Change	YoY Change
Inventory	4,154	4,154	4,256	0%	-2%	936	936	936	0%	0%	5,090	5,090	5,192	0%	-2%
Gross ARR	6,094	5,186	4,869	18%	25%	3,512	3,355	2,985	5%	18%	5,738	4,917	4,644	17%	24%
Occupancy %	71.4%	69.3%	72.0%	211	-66	50.6%	52.8%	66.3%	-214	-1,562	67.6%	66.2%	71.3%	133	-373
RevPAR	4,349	3,592	3,508	21%	24%	1,778	1,771	1,978	0%	-10%	3,877	3,257	3,311	19%	17%
Revenue from Operations	215.6	179.1	183.9	20%	17%	17.9	17.6	15.8	2%	14%	233.5	196.7	199.6	19%	17%
Other Inc.	0.1	0.4	3.1	-72%	-97%	0.5	0.3	0.0	36%	1438%	0.6	0.7	3.2	-22%	-82%
Total revenue	215.7	179.5	187.0	20%	15%	18.4	18.0	15.8	2%	16%	234.1	197.4	202.8	19%	15%
Total Exp	91.6	90.8	106.1	1%	-14%	15.4	12.3	12.3	26%	25%	107.1	103.1	118.4	4%	-10%
EBITDA	124.1	88.6	80.9	40%	53%	2.9	5.7	3.5	-48%	-15%	127.0	94.3	84.4	35%	51%
EBITDA (%)	57.5%	49.4%	43.3%	813	1,426	16.0%	31.7%	22.0%	-1573	-597	54.3%	47.8%	41.6%	648	1,265
PBT	62.1	25.5	16.8	143%	270%	(2.9)	(0.6)	(1.2)	418%	150%	59.2	25.0	15.6	137%	279%

\*Keys Hotels by Lemon Tree Hotels was acquired w.e.f 1<sup>st</sup> November 2019, hence Q3 FY20 performance includes only Nov-19 and Dec-19

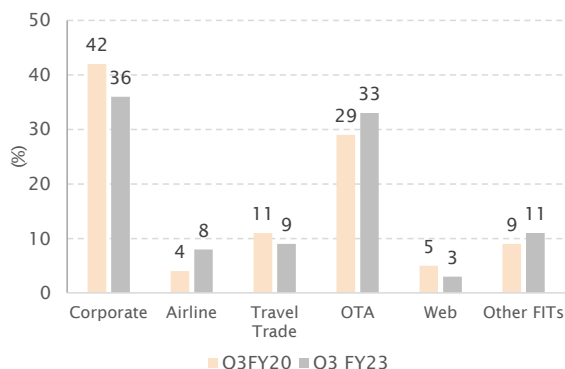
Except of Keys Hotels, Lemon Tree hotels have already achieved occupancy levels of more than 70%. The performance was dragging due to underperformance of keys hotels whose major inventories are under renovation.

When the company was acquired by LTH, they were already operating at a rate below than what lemon tree were operating which is why the management felt the need to renovate and upgrade the quality of rooms.

These renovations are expected to complete in 1.5 years, post which there will be an increase in ARR, Occupancy & RevPAR on a consolidated level.

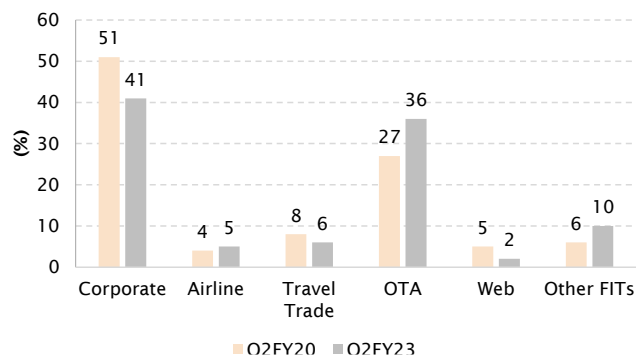
**Capitalize On Increasing Share Of The Retail Segment**

**Exhibit 25: Q3FY20 vs Q3FY23**



Source: Company, SSL

**Exhibit 26: Q2FY20 vs Q2FY23**

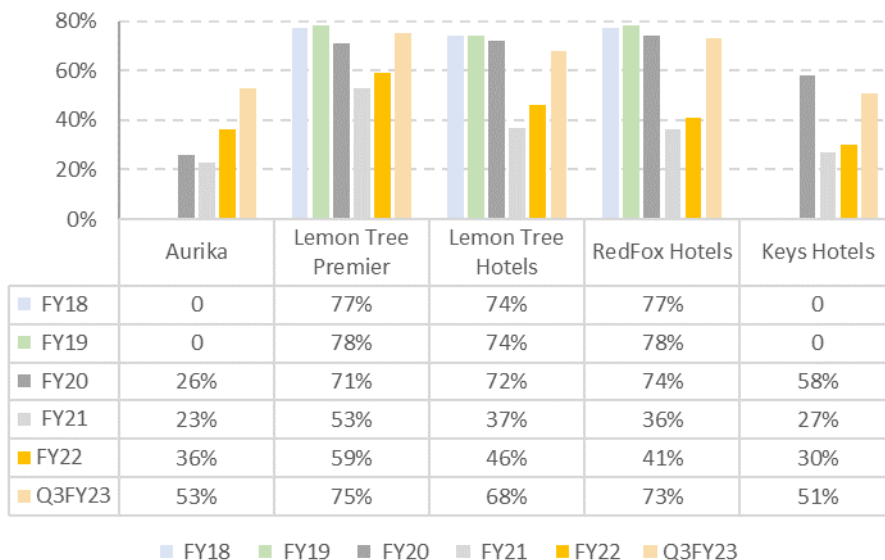


Source: Company, SSL

LTH has been focusing on increasing its share of business from retail segment which includes OTA, Web & Other FIT which gives higher rates than the corporate side.

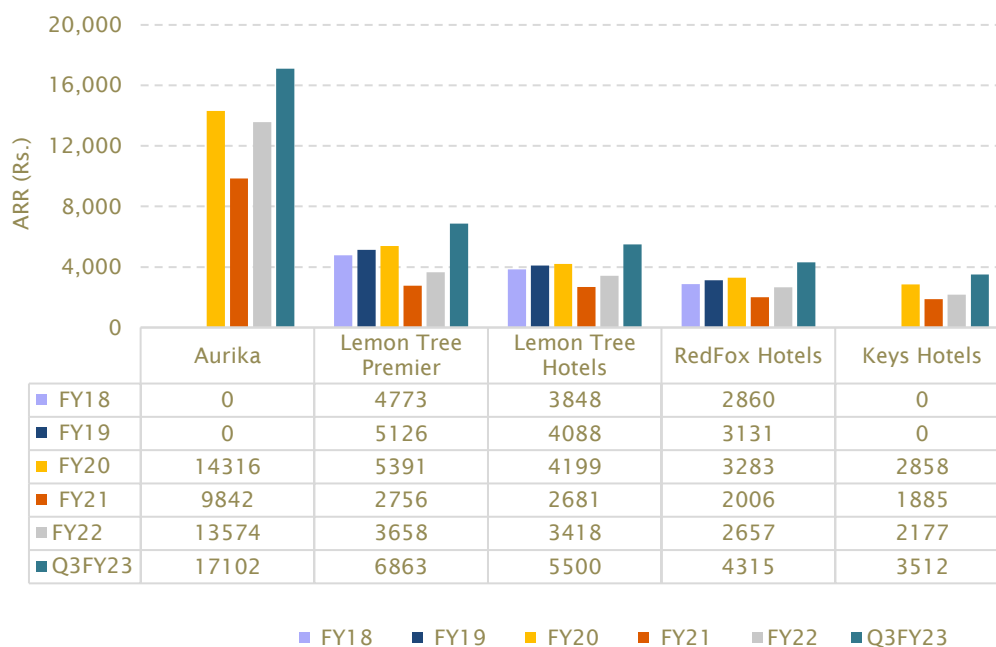
The commissions taken by online travel agents range from 15% to 20%. But conversely, the rate charged to the customer through online travel agents are also at 1.3x or 1.5x at normal rate, so on a net-net basis; they are still accretive to Lemon Tree Hotels.

**Exhibit 27: Occupancy**



Source: Company, Dalal & Broacha Research

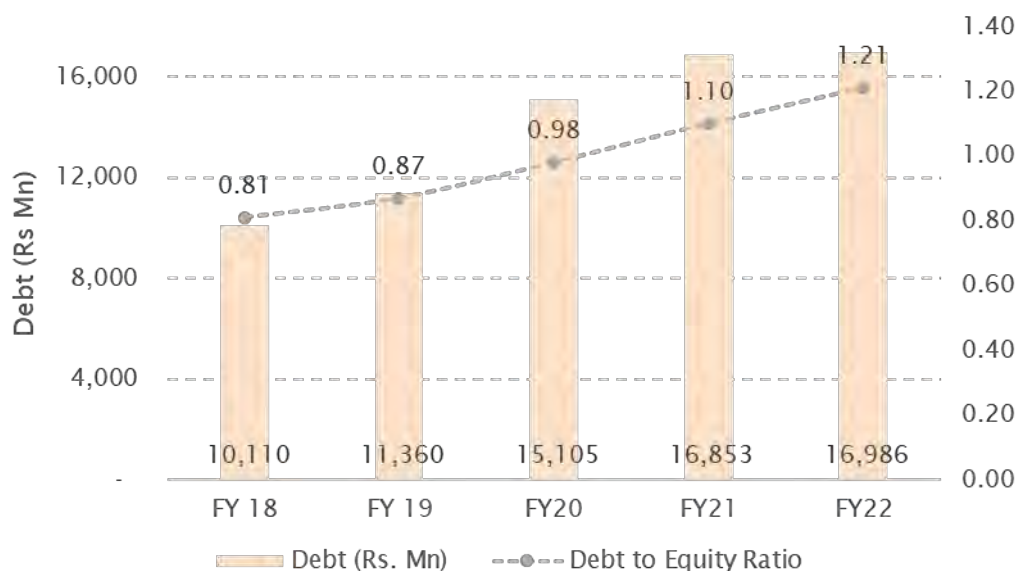
After two subdued period for lemon tree the occupancy has almost caught up to pre-covid levels for LTP, LTH & Red fox. Aurika has also been increasing its occupancy sequentially, however there is enough headroom for expansion there which is expected to be met by Aurika MIAL and post covid there has been a huge uptick in weddings and Udaipur is regarded to be a hotspot for destination weddings so demand for Aurika Udaipur should benefit from this going forward. With respect to Keys, occupancy is expected to rise on completion of renovation.

**Exhibit 28: Average Room Rate**

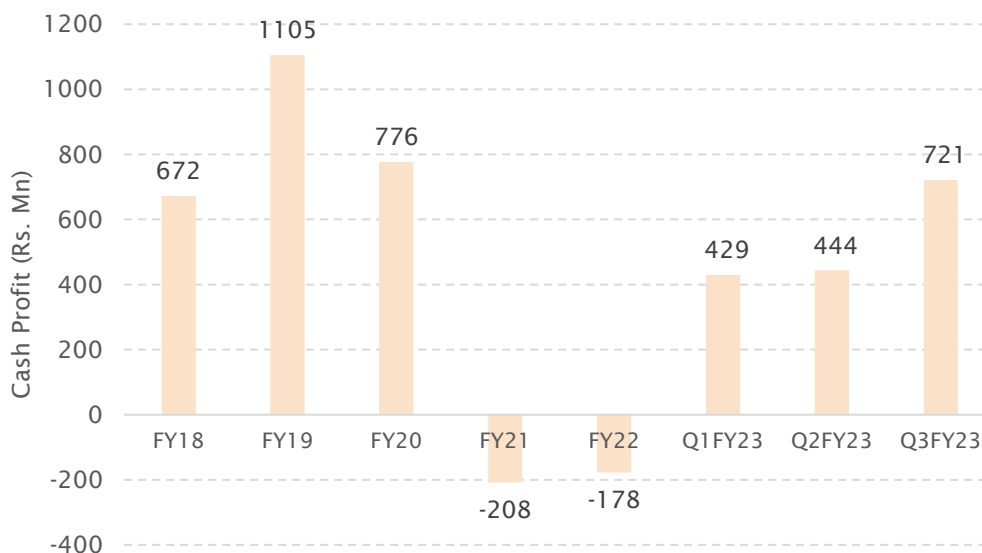
Source: Company, Dalal & Broacha Research

The company has registered highest ever ARR for Q3FY23 across all its brands and the mismatch between supply and demand will be a driving force for ARR. Upgrading the quality of keys hotels will improve the ARR for the brand as well. With G20 presidency and ICC world cup as some of the levers for demand, ARR are only expected to go up in the coming quarters.



**Exhibit 29: Debt & Debt/Equity ratio**

Source: Company, Dalal &amp; Broacha Research

**Exhibit 30: Cash Profit generated**

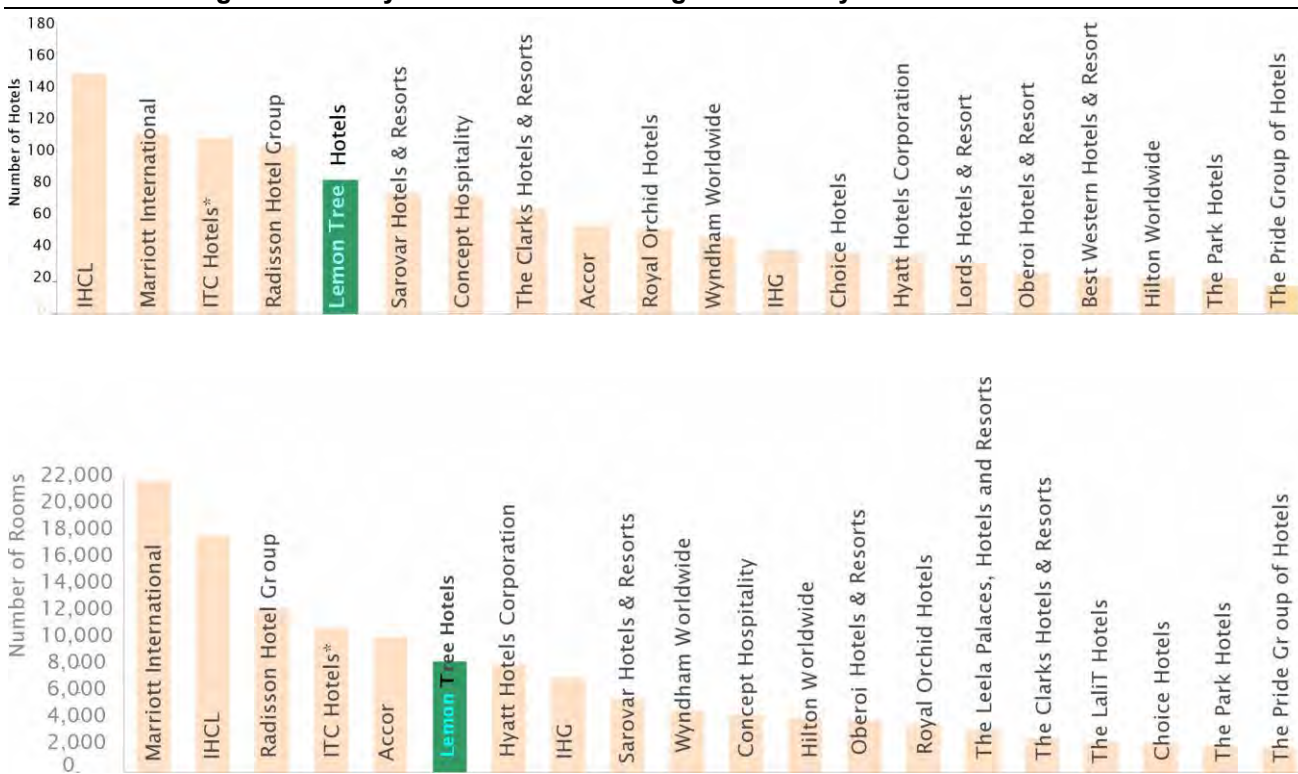
Source: Company, Dalal &amp; Broacha Research

As on Dec'22, the total debt for the company stands at ~Rs 1,670 cr. This is expected to be peaked out. With occupancy and ARR coming back up and revival in the industry, after a period of two consecutive years of negative cash profits the company generated Rs 72.1 cr for Q3FY23 & Rs 159.4 cr for 9MFY23.

The future capex plans for maintenance as well as for Aurika MIAL is to be funded from internal accruals. LemonTree Hotels is expected to generate sufficient cash to be debt free in the coming 3 to 4 years.

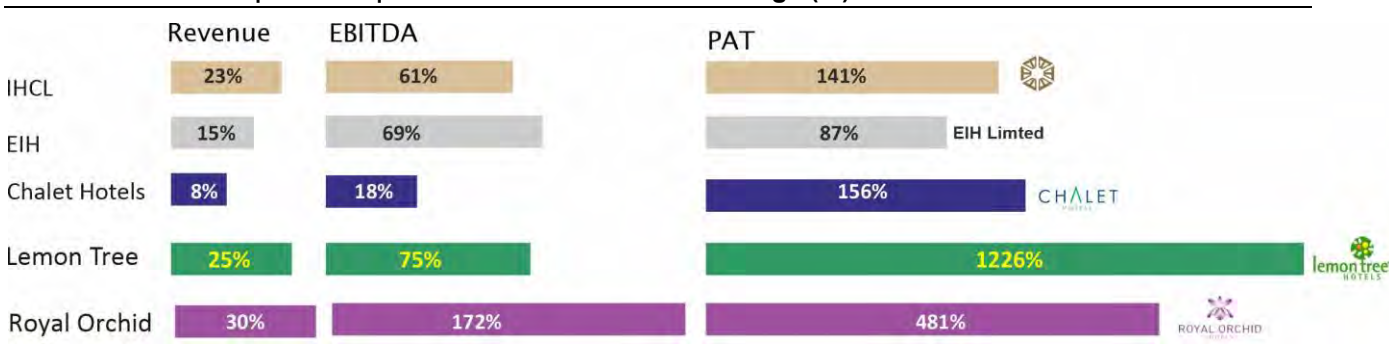
### Peer Comparison

**Exhibit 31: 5<sup>th</sup> Largest Inventory Of Hotels And 6<sup>th</sup> Largest Inventory Of Rooms In India**



Source: Hotelivate 2022 Report, Dalal & Broacha Research

**Exhibit 32: Revenue | EBITDA | PAT 9MFY23 vs 9MFY20 Change (%)**



Source: HVS Anarock 2022 Industry Report

Company Name	CMP (₹)	Mcap (₹ Mn)	Revenue (₹ Mn)			EBITDA (₹ Mn)			EBITDA %			EV/EBITDA*		
			FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Lemon Tree Hotels	88	69,872	8,668	10,131	13,793	4,398	4,811	6,977	51%	47%	51%	21.7	19.5	13.2
Indian Hotels	340	482,936	58,099	63,642	69,042	19,430	20,032	22,523	33%	31%	33%	28.5	25.3	22.5
Chalet Hotels	393	80,565	10,971	14,389	16,304	4,151	5,992	7,374	38%	42%	45%	24.8	17.2	14.0
EIH	189	117,869	18,398	20,248	22,273	5,303	5,737	6,196	29%	28%	34%	23.0	21.3	19.0
Royal Orchids	345	9,453	2,720	3,210	4,300	810	950	1,240	30%	30%	29%	13.1	11.1	8.5
<b>Average</b>												<b>22.2</b>	<b>18.9</b>	<b>15.4</b>

\*: Bloomberg estimates

---

## Outlook & Valuation

---

Taking into consideration of a strong pipeline of rooms with higher weightage on managed rooms, tailwinds in the sector like G20, ICC World Cup, leading to higher ARR and Occupancy, we expect Lemon Tree to command a premium over the average valuation of the industry for FY25E i.e. 15.4x EV/EBITDA. And with keys hotel completing its renovation and better quality rooms driving up the ARR for the Keys business, strong inventory of managed hotels rapid pace of signing new hotels mainly under management contracts will be a driving force for the EBITDA margins. Hence we have given a 10% premium over the average which is still lower than valuation for Indian hotels by 25%.

With company turning profitable and generating significant cash profits, internal accruals should be enough for future capex plans and we expect the debt burden to go down in the coming years.

**At the current levels of Rs 88, the stock is trading at 22x FY23E/19.5x FY24E/13.16x FY25E EV/EBITDA multiple. We recommend BUY with a target price of Rs 121 (+37%) giving an EV/EBITDA multiple of 17x.**

**Exhibit 33: Managed Hotels Portfolio**

Name Of The Hotels	Location	Number Of Keys	Brand
Aurika Coorg	Coorg	65	Aurika
Lemon Tree Premier- The Atrium	Ahmedabad	63	Premier
Lemon Tree Premier Bhubaneshwar	Bhubaneshwar	76	Premier
Lemon Tree Premier Dwarka	Dwarka	109	Premier
LemonTree Premier- Jaipur	Jaipur	108	Premier
Lemon Tree Premier Patna	Patna	105	Premier
Lemon Tree Premier Corbett	Ramnagar	68	Premier
Lemon Tree Premier Rishikesh	Rishikesh	65	Premier
Lemon Tree Premier Vijayawada	Vijayawada	122	Premier
Lemon Tree Hotel Aligarh	Aligarh	68	Lemon Tree
Lemon Tree Hotel Alwar	Alwar	40	Lemon Tree
Lemon Tree Hotel Amritsar	Amritsar	64	Lemon Tree
Lemon Tree Hotel Baddi	Baddi	49	Lemon Tree
Lemon Tree Hotel Shimona	Chennai	54	Lemon Tree
Lemon Tree Hotel Coimbatore	Coimbatore	61	Lemon Tree
Lemon Tree Hotel Dehradun	Dehradun	49	Lemon Tree
Lemon Tree Hotel Dubai	Dubai	114	Lemon Tree
Lemon Tree Hotel Gangtok	Gangtok	80	Lemon Tree
Lazy Lagoon Baga	Goa	44	Lemon Tree
Lemon Tree Hotel Sohna Road	Gurugram	112	Lemon Tree
Lemon Tree Hotel Jammu	Jammu	39	Lemon Tree
Lemon Tree Hotel Jhansi	Jhansi	61	Lemon Tree
Lemon Tree Hotel Katra	Katra	70	Lemon Tree
Lemon Tree Hotel Lucknow	Lucknow	51	Lemon Tree
Lemon Tree Hotel Tarundhan Valley	Manesar	70	Lemon Tree
Lemon Tree Mukteshwar	Mukteshwar	41	Lemon Tree
Lemon Tree Hotel Kalina	Mumbai	70	Lemon Tree
Sandal Suits Operated By Lemon Tree Hotels	Noida	195	Lemon Tree
Lemon Tree Hotel Port Blair	Port Blair	48	Lemon Tree
Lemon Tree Hotel Viman Nagar	Pune	69	Lemon Tree
Lemon Tree Hotel Siliguri	Siliguri	50	Lemon Tree
Lemon Tree Hotel Srinagar	Srinagar	37	Lemon Tree
Lemon Tree Hotel Thimphu	Thimphu	27	Lemon Tree
Lemon Tree Hotel Vadodara	Vadodara	48	Lemon Tree
Lemon Tree Srikanya Vishakapatanam	Vishakapatanam	44	Lemon Tree
Red Fox Hotel Alwar	Alwar	49	Red Fox Hotel
Red Fox Hotel Bhiwadi	Bhiwadi	130	Red Fox Hotel
Red Fox Hotel Morjim	Goa	111	Red Fox Hotel
Red Fox Hotel Trichy	Trichy	80	Red Fox Hotel
Red Fox Hotel Vijayawada	Vijayawada	101	Red Fox Hotel
Keys Select Hotel Malabar Gate	Calicut	65	Keys Select
Keys Select Hotel Katti Ma	Chennai	30	Keys Select
Keys Select Ronil Resort	Goa	125	Keys Select
Keys Select Hotel Krishna Inn	Kolhapur	28	Keys Select
Keys Select Hotel Nestor	Mumbai	135	Keys Select
Keys Lite Mayfield	Gurugram	25	Keys Lite
Keys Lite Apple Nest	Manali	22	Keys Lite

Source: Company, Dalal &amp; Broacha Research

Source: Company, Dalal &amp; Broacha Research

**Exhibit 34: Owned/Leased Hotels Portfolio**

Name Of The Hotels	Location	Number Of Keys	Brand
Aurika Udaipur	Udaipur	139	Aurika
Lemon Tree Premier, Ulsoor Lake, Bengaluru	Bengaluru	188	Premier
Lemon Tree Premier, Delhi Airport	Delhi	280	Premier
Lemon Tree Premier, Leisure Valley 2	Gurugram	80	Premier
Lemon Tree Premier, Leisure Valley 1, Gurugram	Gurugram	81	Premier
Lemon Tree Premier, City Center, Gurugram	Gurugram	61	Premier
Lemon Tree Premier, HITEC City, Hyderabad	Hyderabad	267	Premier
Lemon Tree Premier, New Town, Kolkata	Kolkata	142	Premier
Lemon Tree Premier, Mumbai International Airport	Mumbai	303	Premier
Lemon Tree Premier, City Center, Pune	Pune	201	Premier
Lemon Tree Hotel Ahmedabad	Ahmedabad	99	Lemon Tree
Lemon Tree Hotel, Aurangabad	Aurangabad	102	Lemon Tree
Lemon Tree Wildlife Resort, Bandhavgarh	Bandhavgarh	33	Lemon Tree
Lemon Tree Hotel, Electronics City, Bengaluru	Bengaluru	175	Lemon Tree
Lemon Tree Hotel, Whitefield, Bengaluru	Bengaluru	130	Lemon Tree
Lemon Tree Hotel, Chandigarh	Chandigarh	81	Lemon Tree
Lemon Tree Hotel, Chennai	Chennai	108	Lemon Tree
Lemon Tree Hotel, East Delhi Mall, Kaushambi	Delhi	55	Lemon Tree
Lemon Tree Hotel, Udyog Vihar, Gurugram	Delhi	49	Lemon Tree
Lemon Tree Hotel, Tarudhan Valley	Manesar	70	Lemon Tree
Lemon Tree Hotel, Sector 60, Gurugram	Gurugram	104	Lemon Tree
Lemon Tree Hotel, Gachibowli, Hyderabad	Hyderabad	190	Lemon Tree
Lemon Tree Hotel, Banjara Hills, Hyderabad	Hyderabad	85	Lemon Tree
Lemon Tree Hotel, Indore	Indore	100	Lemon Tree
Lemon Tree Vembanad Lake Resort, Kerala	Allepey	27	Lemon Tree
Lemon Tree Hotel, Hinjawadi, Pune	Pune	124	Lemon Tree
Red Fox Hotel, Dehradun	Dehradun	91	Red Fox Hotel
Red Fox Hotel, Delhi Airport	Delhi	207	Red Fox Hotel
Red Fox Hotel, East Delhi	Delhi	94	Red Fox Hotel
Red Fox Hotel, HITEC City, Hyderabad	Hyderabad	121	Red Fox Hotel
Red Fox Hotel, Jaipur	Jaipur	183	Red Fox Hotel
Red Fox Hotel, Neelkanth	Pundrasu	84	Red Fox Hotel
Keys Prima By Lemon Tree Hotels, Aketa, Dehradun	Dehradun	40	Keys Prima
Keys Prima By Lemon Tree Hotels, Thekkady	Thekkady	42	Keys Prima
Keys Select By Lemon Tree Hotels, Gandhi Ashram, Ahmedabad	Ahmedabad	52	Keys Select
Keys Select By Lemon Tree Hotels, Hosur Road, Bengaluru	Bengaluru	159	Keys Select
Keys Select By Lemon Tree Hotels, Whitefield, Bengaluru	Bengaluru	222	Keys Select
Keys Select By Lemon Tree Hotels, Malabar Gate, Kozhikode	Kozhikode	71	Keys Select
Keys Select By Lemon Tree Hotels, Ludhiana	Ludhiana	95	Keys Select
Keys Select By Lemon Tree Hotels, Pimpri, Pune	Pune	101	Keys Select
Keys Select By Lemon Tree Hotels, Thiruvananthapuram	Thiruvananthapuram	101	Keys Select
Keys Select By Lemon Tree Hotels, Visakhapatnam	Visakhapatnam	107	Keys Select
Keys Lite By Lemon Tree Hotels, Tapovan, Rishikesh	Rishikesh	38	Keys Lite

Source: Company, Dalal &amp; Broacha Research

## Financials

P&L (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	2,517	4,022	8,668	10,131	13,793
Operating Expenses	-178	-279	-517	-608	-828
Employee Cost	-704	-973	-1,488	-1,830	-2,063
Other Expenses	-1,022	-1,584	-2,286	-2,903	-3,946
<b>Operating Profit</b>	<b>613</b>	<b>1,187</b>	<b>4,377</b>	<b>4,790</b>	<b>6,956</b>
Depreciation	-1,076	-1,043	-966	-1,056	-1,108
PBIT	-463	143	3,411	3,733	5,848
Other income	133	140	21	21	21
Net Interest (Exp)/Inc	-1,817	-1,740	-1,765	-1,743	-1,705
Profit before tax	-2,147	-1,456	1,666	2,011	4,163
Provision for tax	322	72	-298	-503	-1,041
Profit & Loss from Associates/JV	-40	10	7	8	8
Reported PAT	-1,865	-1,374	1,375	1,516	3,131
MI	595	499	-145	-162	-182
Owners PAT	-1,271	-874	1,230	1,354	2,949
<b>Adjusted Profit</b>	<b>-1,271</b>	<b>-874</b>	<b>1,230</b>	<b>1,354</b>	<b>2,949</b>

Balance Sheet (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity capital	7,904	7,908	7,908	7,908	7,908
Reserves	1,272	404	1,635	2,988	5,937
<b>Net worth</b>	<b>9,176</b>	<b>8,312</b>	<b>9,543</b>	<b>10,896</b>	<b>13,845</b>
MI	6,174	5,676	5,675	5,820	5,983
<b>Non Current Liabilities</b>	<b>19,872</b>	<b>19,828</b>	<b>19,606</b>	<b>19,409</b>	<b>19,031</b>
<b>Current Liabilities</b>	<b>2,963</b>	<b>2,533</b>	<b>2,938</b>	<b>3,429</b>	<b>3,857</b>
<b>TOTAL LIABILITIES</b>	<b>38,185</b>	<b>36,350</b>	<b>37,762</b>	<b>39,554</b>	<b>42,716</b>
<b>Non Current Assets</b>	<b>35,883</b>	<b>35,041</b>	<b>36,242</b>	<b>36,417</b>	<b>37,567</b>
Fixed Assets	29,295	29,180	30,179	29,913	30,804
Right of Use Assets	5,060	4,299	4,532	4,970	5,226
Financial Assets	821	799	803	803	803
Deferred Tax Asset	404	461	423	423	423
Advances	230	245	245	245	245
Assets	73	57	60	63	66
<b>Current Assets</b>	<b>2,302</b>	<b>1,310</b>	<b>1,521</b>	<b>3,137</b>	<b>5,149</b>
<b>Current investments</b>	<b>9</b>	<b>59</b>	<b>10</b>	<b>11</b>	<b>12</b>
Inventories	72	81	99	117	159
Trade Receivables	308	291	617	722	983
Cash and Bank Balance and Advances	1,411	543	339	1,830	3,536
Assets	-	-	-	-	-
Assets	42	24	26	29	32
Other Current Assets	460	312	429	429	429
<b>TOTAL ASSETS</b>	<b>38,185</b>	<b>36,350</b>	<b>37,762</b>	<b>39,554</b>	<b>42,716</b>



Cashflow (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT	-2,147	-1,456	1,666	2,011	4,163
Depreciation	1,076	1,043	966	1,056	1,108
Net Chg in WC	<b>136</b>	<b>-180</b>	<b>-180</b>	<b>405</b>	<b>159</b>
Taxes	96	-17	-266	-503	-1,041
Others	1,250	1,963	1,727	1,823	1,788
<b>CFO</b>	<b>410</b>	<b>1,353</b>	<b>3,913</b>	<b>4,793</b>	<b>6,177</b>
Capex	-644	-668	-1,600	-3,000	-1,750
Net Investments made	-137	159	45	-1	-1
Others	125	55	-	-	-
<b>CFI</b>	<b>-656</b>	<b>-454</b>	<b>-1,555</b>	<b>-3,001</b>	<b>-1,751</b>
Change in Share capital	<b>2</b>	<b>8</b>	-	-	-
Change in Debts	598	134	7	-267	-448
Div. & Div Tax	-	-	-	-	-
Others	<b>512</b>	<b>-1,773</b>	<b>-2,569</b>	<b>-34</b>	<b>-2,273</b>
<b>CFF</b>	<b>1,112</b>	<b>-1,630</b>	<b>-2,562</b>	<b>-301</b>	<b>-2,720</b>
<b>Total Cash Generated</b>	<b>866</b>	<b>-732</b>	<b>-204</b>	<b>1,491</b>	<b>1,706</b>
<b>Cash Opening Balance</b>	<b>408</b>	<b>1,275</b>	<b>543</b>	<b>339</b>	<b>1,830</b>
<b>Cash Closing Balance</b>	<b>1,275</b>	<b>543</b>	<b>339</b>	<b>1,830</b>	<b>3,536</b>

Ratios	FY21	FY22	FY23E	FY24E	FY25E
OPM	24.3	29.5	50.5	47.3	50.4
NPM	-48.0	-21.0	14.2	13.3	21.3
Tax rate	-15.0	-5.0	-17.9	-25.0	-25.0
<b>Growth Ratios (%)</b>					
Net Sales	-62.4	59.8	115.5	16.9	36.2
Operating Profit	-74.8	93.7	268.8	9.4	45.2
PBIT	-130.6	-130.9	2,282.5	9.5	56.6
PAT	1,328.9	-26.4	-200.1	10.2	106.5
<b>Per Share (Rs.)</b>					
Net Earnings (EPS)	-1.61	-1.11	1.56	1.71	3.73
Cash Earnings (CPS)	-0.25	0.21	2.78	3.05	5.13
Dividend	-	-	-	-	-
Book Value	11.61	10.51	12.07	13.78	17.51
Free Cash Flow	-3.37	-2.26	2.46	1.06	4.40
<b>Valuation Ratios</b>					
P/E(x)	-55	-80	57	51	24
P/B(x)	8	8	7	6	5
EV/EBIDTA(x)	157	81	22	20	13
Div. Yield(%)	-	-	-	-	-
FCF Yield(%)	-3.83	-2.56	2.79	1.20	5.00
<b>Return Ratios (%)</b>					
ROE	-14%	-11%	13%	12%	21%
ROCE	-1%	1%	13%	14%	20%
RoIC	-1%	1%	11%	11%	17%

Source: Company, Dalal &amp; Broacha Research

## Disclaimer

**Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B** (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.dalal-broacha.com](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time. SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

### **Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-**

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

### **Disclosures in respect of Research Analyst:**

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, 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 or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.  
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)