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National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex,
Bandra (East)
Mumbai – 400 051

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai – 400 001

Name of Scrip: LEMONTREE

BSE Scrip Code: 541233

Subject: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Ref: Outcome of Conference Call with Analysts/Institutional Investors

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in continuation to the disclosure made on May 29, 2026 w.r.t. the audio recording of the conference call on Audited Financial Results for the quarter and year ended March 31, 2026 held on Friday, May 29, 2026 at 04:00 PM IST, please find enclosed herewith the transcript of the conference call with Investors/Analysts.

This is for your information and record.

Thanking You
For Lemon Tree Hotels Limited

Pawan Kumar Kumawat
Company Secretary
& Compliance Officer
M. No: A25377

Encl: a/a

Lemon Tree Hotels Limited

CIN No. L74899HR1992PLC140546

Reg. Office: Lemon Tree Corporate Park, Urban Complex, Ullahawas, Sector 60, Gurugram, Haryana-122011

Corporate Office: Asset No. 6, Aerocity Hospitality District, New Delhi-110037

T +91 124 714 2310 | E hi@lemontreehotels.com

Central Reservation: +91 9911 701 701 | www.lemontreehotels.com



Lemon Tree Hotels Limited

Q4 & FY26 Earnings Conference Call Transcript

May 29, 2026

Moderator: Ladies and gentlemen, good day, and welcome to Lemon Tree Hotels Limited Earnings Conference Call. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you, and over to you, sir.

Anoop Poojari: Thank you. Good afternoon, everyone, and thank you for joining us on Lemon Tree Hotels Q4 and FY26 Earnings Conference Call.

We have with us Mr. Patanjali Keswani, Executive Chairman of the company, Mr. Neelendra Singh, Managing Director, Mr. Kapil Sharma, Executive Director and CFO, Mr. Saurabh Shatdal, Managing Director and CEO of Fleur Hotels, and Mr. Mayank Sharma, CFO of Fleur Hotels. We would like to begin the call with opening remarks from the management, following which we will have the forum open for an interactive question-and-answer session.

Before we start, I would like to point out that some statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the earnings presentation that was shared with you earlier. I would now request Mr. Keswani to make his opening remarks.

Patanjali Keswani: Thank you very much. Good afternoon, everyone, and thank you for joining us today. Neelendra, the new Managing Director of Lemon Tree Hotels will be covering the business highlights and financial performance for Q4 and FY26. Post which, Saurabh, the Managing Director of Fleur Hotels, who will share an update on Fleur's business development. And lastly, I will then share an update on the demerger scheme, which we have also included in the earnings presentation this time. Post which, of course, we will open the forum for your questions and suggestions. Over to you, Neelendra.

Neelendra Singh:

Thanks, Patanjali. Despite intermittent global headwinds including renewed geopolitical tensions in the Middle East, aviation disruptions and GST changes during the year, FY26 was the best year in Lemon Tree's history across Occupancy, ARR, Revenue, EBITDA, PBT, PAT, Cash Profit and Q4 FY26 was the best ever fourth quarter on the same parameters.

For the full year FY26, the total revenue stood at Rs. 1,452.7 crore, up 13% YoY. Net EBITDA stood at Rs. 699.3 crore, up 10%. PAT grew at 19% to Rs. 288.3 crore and Cash Profit grew 16% to Rs. 443.1 crore. Our gross ARR stood at Rs. 6,875 for the full year, and occupancy was 73.5%, both the highest we have ever reported for a full financial year.

For Q4 specifically, revenue stood at Rs. 419.5 crore, up 11% YoY. Net EBITDA was Rs. 218.3 crore, up 7%. PAT was Rs. 116.5 crore, up 8% and Occupancy for the quarter was at 78.5%.

Our net EBITDA margins for FY26 was 48.1% compared to 49.4% in FY25, a contraction of about 126 bps. For Q4 specifically, margin was at 52%, down 198 basis points from Q4 FY25.

In FY26, our margins were impacted by 580 basis points due to significant step-up in renovation expenditure as we invest in upgrading our owned hotel portfolio, investments in technology and the GST-related change that came into effect during the year, which only had a half year impact in FY26 and will have a full year impact going forward. This GST impact will decrease YoY as the numbers of customers paying a rate below Rs. 7,500 keeps reducing in the medium term with our price hikes and ARR growth. Additionally, all our current future supply is being planned under the upper upscale Aurika brand which remains largely unaffected by this change. We expect all these 3 expense heads to reduce to approximately 3.7% of revenue by FY28 and onwards, leading to corresponding expansion in EBITDA margins.

On debt, we have brought our total borrowings down to Rs. 1,500 crore from Rs. 1,699 crore versus a year ago, and our cost of debt has fallen to 7.42%, down 115 basis points versus a year ago.

Our combined operational and signed pipeline inventory now stands at 22,581 rooms across 268 hotels, of which 131 hotels and 11,811 rooms are already operational. In FY26, on the asset-light side, we opened 20 managed and franchised hotels with 1,523 rooms and signed 55 managed and franchised hotels with 4,912 rooms.

Fees from management and franchised contracts for third-party owned hotels stood at Rs. 73.9 crore in FY26, an increase of 23% YoY. Fees from Fleur Hotels stood at Rs. 95.8 crore in FY26, an increase of 8% YoY, which is partially subdued due to the impact of GST change and accelerated renovation in the Fleur portfolio. Total management fees for Lemon Tree stood at Rs. 169.7 crore in FY26, an increase of 14% YoY.

Lastly, the Indian hospitality market continues to be in favourable structural position, demand is consistently outpacing supply in the mid-market segment, and which is where exactly we operate. Now I will hand over to Saurabh to give an update on Fleur.

Saurabh Shatdal:

Thank you, Neelendra. Thank you, everyone, for joining us on the call. I want to spend a few minutes on Fleur's business and pipeline. Post-scheme, Fleur will be India's largest hotel platform by inventory with 5,600 rooms and 39 operational hotels. While we operate pan-India, our economics are concentrated in top 6 cities that have structurally high barriers to entry and growing demand. We currently have 4 hotels with 875 rooms in our confirmed pipeline of which 572 rooms at Nehru Place, which is going to be the North India's largest hotel are under the final approval stage before we commence construction. We have finalized the design for Aurika, Nehru Place, a glimpse of which you can see in the annexure section of the investor presentation.

Secondly, we plan to open 2 out of 3 blocks of Aurika Naldehra, Shimla by Q2 this year to capture the increased demand during the summer season. Thirdly, in January this year, we have signed a license deal for a 47-room heritage, Aurika Hotel at Varanasi located right on the ghat adjoining the River Ganges. This hotel has the potential to do extremely high rates owing to both the strategic location and the deep demand of the Varanasi market throughout the year.

I also want to highlight that Aurika is the highest ARR and margin product, and the growing portfolio of Aurika elevates the group's overall profile and improves financial metrics and the growing network further strengthening the brand.

Combined with Warburg Pincus primary investment commitment and strong internal accruals, we now have the capital structure and the institutional backing to expand our top line even further. We are focused on urban markets with structurally deep demand, leisure markets, and international destinations that Indian travellers visit frequently.

On the pipeline, I can tell you that we were evaluating a healthy and growing number of opportunities. We work across deal types, whether that is acquiring an asset, existing asset or development of new hotel, Fleur's peer-leading margins and in-house development capabilities are key differentiators that compress the time and risk in underwriting new opportunities.

We are not very rigid on structures, but we are very disciplined on returns. There are only a few players in the market that can build hotels at this scale and efficiency as Fleur. This is a genuine competitive advantage in the market where good assets do not always come packaged neatly.

Now I hand over the forum to Patanjali to give an update on composite scheme of demerger.

Patanjali Keswani: I want to take this opportunity to continue the conversation on the demerger scheme. This time with the results we have shared pro forma financials for both Lemon Tree Hotels Limited and Fleur Hotels Limited as they would appear upon the demerger scheme becoming effective. The transaction itself is very simple.

Warburg has completed the purchase of APG's stake in Fleur. Next, Lemon Tree will transfer 17 hotels and development capabilities in exchange for which Lemon Tree shareholders will get Fleur shares, leading to Fleur's listing as a separate entity. This scheme will result in 2 distinct financially sound businesses.

Lemon Tree Hotels as a pure-play, asset-light company focused on offering hotel management, brand loyalty distribution and digital services. Fleur Hotels will operate as a large-scale growth-oriented hotel ownership/leasing platform with end-to-end in-house development capabilities and potentially, as Saurabh mentioned, a very large pipeline with a significant pool of available capital.

Each entity will have its own management team, capital structure and growth priorities while continuing to benefit from long-term operating agreements and arrangements and strategic alignment. Post the reorganization, Lemon Tree will emerge as a debt-free, high-margin, high ROCE company generating strong free cash flows from fees and brand-related income. Fleur Hotels will consolidate ownership of our group's existing hotels, all of which will be fully renovated by the time of the demerger.

From a shareholder perspective, the scheme is designed to unlock value while preserving continuity. Post reorganization, Lemon Tree shareholders will effectively own close to 74% of Fleur Hotels, 33% directly and about 41% indirectly through

Lemon Tree. This is, of course, before any primary infusion by Warburg Pincus, and this is versus the 59%, which Lemon Tree directly owns in Fleur today.

Post scheme, Lemon Tree and Fleur will continue to enjoy synergistic benefits. Long-term management contracts give Lemon Tree stable and growing fee income from Fleur and Fleur can also underwrite new opportunities with certainty and speed with Lemon Tree as the management partner, while retaining strategic flexibility where the opportunity warrants for the other brands.

Today, as Executive Chairman, I continue to chair both companies with direct ownership in each. My primary focus will be on delivering the Fleur pipeline and growth as its Executive Chair. In Lemon Tree, I will cease to hold an executive role March 2027 onwards and transition to non-Executive Chair.

Our core values, including our commitment to being an employer of choice and fostering an inclusive diverse culture will remain central to how both platforms operate as we enter this next phase of accelerated growth. With this, we come to the end of our opening remarks, and I would like to ask the moderator to open the forum for any questions that you may have.

Moderator: The first question is from the line of Achal Kumar with HSBC.

Achal Kumar: I have 2 simple questions. So first, tomorrow after demerger, if Fleur believes that its inventory can be managed by some other operator and not Lemon Tree, how would that happen? Is it goes beyond arm's length basis, or can you please give a bit of colour on that?

Patanjali Keswani: Okay. First point, Achal, is that when Warburg came in, one of the things they did was check the quality and the economics of our management contracts and compare it to other similar operators and I think they were quite happy with the fact that we were very much in sync with that. Now the point is that if a new asset comes under development or acquisition, and it makes more sense for some other brand to operate it, then I can assure you as the Fleur Chairman, that we will make sure that happens.

However, having said that, there is a long relationship between Fleur and Lemon Tree and if we continue to deliver the results that we do in the mid-market segment, especially in the upscale segment, then there is also no reason why Lemon Tree will also be considered. And if the economics make sense, then Fleur will go with Lemon Tree. Short answer, brand agnostic but with one caveat that obviously Lemon Tree should not be discriminated against when opportunities arise.

Achal Kumar: But then, is not that the loss of a management fees for Lemon Tree?

Patanjali Keswani: Yes. But Lemon Tree must be able to deliver best results to get it. Just because Lemon Tree has skin in the game with Fleur does not mean that it has an automatic right to any asset that Fleur develops. Let me give you an example. It will I think answer your question. We bid recently for a 5-star hotel. The economics were compelling. It was through NCLT. Unfortunately, we did not get it. It was run by another international brand and run very successfully by that international brand.

The reason it was under NCLT, it was basically a financial structuring problem, and the owner had obviously gone bust. We did what would be a fair price for Fleur to buy it, assuming the same management contract. Unfortunately, it did not happen because we had an ultra-high net worth individual who outbid us. But my point here being that if we had bought it, we would have kept the contract with the existing operator.

Achal Kumar: Okay. Understood. And then my second question within your brands, you have such a huge divergence in terms of RevPAR growth. So, Aurika was only 3% while Keys was 16%. What is going on there? And how do you see going ahead? I mean, do you think what kind of growth you are reporting at Keys is the similar kind of growth is possible at Aurika also? Or is it the sort of a high-end brand so you do not see that kind of growth and the growth ARR or RevPAR growth will be in low-single digit range?

Patanjali Keswani: I want to clarify one thing. RevPAR growth is very subject to micro market, okay? Now Keys operates in certain micro markets and Aurika Hotels operates in different micro markets. Aurika is only 2 hotels, 1 is Mumbai and 1 is Udaipur. Keys is from Ludhiana to Visakhapatnam to Bangalore and 2 markets to Trivandrum to Cochin to Pune, and micro markets within those cities. I would urge you to look at micro market growth.

I will give you an example. In Mumbai, a very interesting thing has occurred. What happened was that in the last, I think, 1 year, about 5 hotels have opened in the micro market where Aurika operates. I think it includes Accor Fairmont at the top end to Ginger and then in between at upper mid-scale there is something called ICONIQA, then there is some Novotel, some Radisson, multiple hotels opened. And this is about 2,000 Keys, temporarily there was a supply glut. But Mumbai always absorbs supply glut.

This is I think also a timing issue. I would urge you to really look at a full year performance and then look at how this grows over time. Udaipur is, of course, a very

seasonal market and a wedding market. I think I am quite pleased with the way our Aurika, Udaipur is also performing. But the growth was muted. And I think 1 very big reason, which I do not know if any other hotel company has talked about is the impact of the Indigo shutdown in December, which had an impact, December, spilling over to January and then, of course, the war, where the impact started marginally in early March, but by mid-March had become very significant and has, in fact, continued into April too.

So, these uncertainties also affect, because we are at the front end of discretionary consumption. And that affects some markets even more than others, especially airport markets. One must take all this into account. Now we look at the full year performance, we are looking at a quarter with some exceptional things but if I look at RevPAR growth for Aurika, FY25 to FY26 full year, it is 19%. And for Keys, it is 20%. And let me tell you an amusing thing. Keys is only reflecting the first 2 fully renovated hotels. When we finish the entire renovation, which is still ongoing, I mean, this 20% will continue for another 2 years till the entire portfolio is stable with those new fully renovated hotels. And I think I have mentioned this earlier too in some past earnings call that Keys is going to be a very positive addition to our brand. As far as the other portfolio goes, as I said, it is subject to local micro markets and overall, we look at RevPAR as a group. Then obviously, we do disaggregate and see where we could do better and so on.

Moderator: Our next question is from the line of Karan Khanna with Ambit Capital.

Karan Khanna: Firstly, Patanjali, given the macro environment, especially with both the largest domestic carriers now announcing capacity cuts for the next 3 months, even in the domestic rooms. How should one think about the occupancy and RevPAR growth environment for specifically the next 2 to 3 months? And if this were to continue, then for full year FY27 as well, especially given most of this capacity reduction is in the metro-to-metro routes.

Patanjali Keswani: Karan, we took a call about I think in mid-March that we would start focusing on occupancy growth rather than price growth because in an environment like this, you are constrained with demand shrinking and therefore, you must look at innovative ways to grow demand. Therefore, our strategy in April, where the slowdown continued from March going on into May was very clear that we would adjust pricing, so that our occupancy would continue at a premium to the market.

Having said that, obviously, our strategy was not to drop prices ridiculously and therefore, we would at least maintain YoY price levels, tactical interventions in markets like the ones you mentioned to maintain an occupancy premium. What I can

report to you is that has worked very successfully. Normally, we would like to revert both Occupancy and ARR growth still Occupancy ceiling.

I can tell you that in this quarter, amazingly, our Occupancy has hit some form of a ceiling. We have never seen this before. But our average rate growth has not been significant, has been actually more or less flat. And we are going to continue with this strategy if this uncertainty of war continues.

Karan Khanna: Secondly, on the signings to openings conversion, while you signed 55 hotels during FY26, openings stood at just 20 hotels with only 1 hotel opened in 4Q. How should one read this and more importantly in FY27 and FY28, where you have about 4,500 Keys to be opened, what are the confidence levels here and risks of slippages if any? And as a follow-up, what should the total managed management fee look like for FY27 and FY28 if the 4,500 Keys opening is on track?

Patanjali Keswani: The way to look at that and I am going to mail the comments for the following year. The way to look at openings and the way to look at signings is as follows because most of our management contracts are signed is not conversions, but hotels under construction. The best way to look at growth of openings is look at what we signed, say 3 years ago and use that as a rough benchmark as to what we will open this year, very rough.

The good news is that, while we opened about 1,500-1,600 rooms, we signed 5,000 rooms. Technically 3 years later we should open 5,000 rooms, but we may in that year signed 10,000 rooms. Going back 3 years, we signed a little under 2,000 rooms and we opened a little under about 1,500-1,600 rooms this year. We just follow that, by and large, in the right trajectory. If I am signing 5,000 rooms, assume 3 years later, I will be opening them +/-, some might get delayed. None will open earlier that I can assure you, unfortunately. But all will open that time or maybe six months slippage or sometimes even a greater slippage if the owner runs out of finance.

Karan Khanna: And the numbers for total management fee that you are mentioning for FY27-28, how should we think about that.

Patanjali Keswani: No. I do not want to give guidance. What you can do is look back, okay, let us give a number, look this becomes guidance and if there is a slippage tomorrow, you will correctly ask why did you say this. But we expect broadly to open, how many rooms this year?

Neelendra Singh: Same click as last year, opened about 2,000 rooms.

Karan Khanna: Lastly on just Aurika, Mumbai, if you can provide some colour in terms of how the ADR occupancy and customer mix trended in FY26 and expectations for FY27, especially given capacity ramp-up at Navi Mumbai? And as a follow-up with 2 large airports becoming operational at Navi Mumbai and Jewar, how are you thinking about expansion near these airports?

Patanjali Keswani: These airports are opening not to shift demand but to cater to increasing demand. What really affects us in a micro market is the growth of supply. The growth of demand continues because all these new airports are basically catering to growing demand. What affected us in Mumbai was the supply growth of those hotels as I mentioned.

We took a call this year that we would also now start focusing on non-airline sector because we had kind of stabilized our crew levels. The crew levels themselves in quite dramatically because this year, we did not get the wet lease crew of last year because that shifted to a lower rated hotel. These are cost of doing business or I am not too worried about it. Our strategy was, can we grow either the ARR or the occupancy based on opportunity in this. As I said, the RevPAR of Aurika as a brand grew by about 19% for FY25 to FY26, disproportionately more than the other brands. I mean top 2 performers were the top end and bottom end, Keys and Aurika.

Neelendra Singh: Most of our expansion is relatively recent. Clip off about opening, signing 55 hotels are opening about 20-odd hotels will safely continue in the future. If you see a density of our hotels, first slide in the deck, you will see that a large majority of our hotels are populated in the North and West. If you start now looking at the Southern region or the Eastern Coast of India or the far East, Bengal and beyond, there is a fair amount of expansion available now still, as we go deeper into India.

Purely from a general direction perspective, signing 55+ hotels every year and opening around 25 hotels annually, with openings typically taking place about three years later, we will certainly catch up as the pipeline continues to build and becomes operational. The hotels that we signed a couple of years ago will start contributing to that.

Patanjali Keswani: I think, the right way to look at it is, how many did you sign this year and 3 years later, you should open approximately those.

Moderator: Our next question comes from the line of Abhay Khaitan with Axis Capital.

Abhay Khaitan: First question is again on the near-term demand trends. I know that Lemon Tree as a portfolio is not very much dependent on foreign travel. However, based on the

conversation that we had with your peers, some of them are now getting more aggressive to capture the domestic demand. If that continues throughout FY27, do you see that as a risk for the portfolio and is there any strategy that you can do maintain the occupancy level that you have right now?

Patanjali Keswani: Abhay, I will just say one thing. Every player in the market competes to maximize their outcomes. We are one of the players. What we do find is that our B2C business, which is direct customers booking us, whether through our own direct channels or through OTAs has gone through the roof. It is the corporate travel that has slowed down.

The other day I was with a friend of mine, who is the CEO of a large company in India and they have 100,000 employees, and they typically give 100,000 room nights a year to the hotel sector. He told me this is late March, that they have given instructions that all travel must reduce to the maximum extent possible, partly because of the rising air fares and partly because they themselves are worried about what is happening with the war.

Corporate travel is the first that kind of dries up when war happens because it is under the control normally of the CEO or an equivalent CXO and it is a one-person decision. What is encouraging, however is that the retail segment or what I would say, the non-corporate segment has continued growing and we have got more than our share than last year.

As I alluded to earlier, our occupancy is much better than last year, same period. And of course, if you recollect last year, I think there was Sindoor, roughly here. We are in a peculiar situation where last year, we had a short war in our or engagement, whatever in this Q1 and this year, there is a war right next door to us.

We are coming out, I think, quite well. We are more concerned personally not about the fact that you see revenue is not in our hands, in a certain way, it is a function of how the economy is performing. What we are bothered about is how do we look at our cost structure, which we consider our moat.

Our cost structure has been adversely affected because of certain hard calls we took to do a catch-up renovation. I think if I look at the shocks that we got this year, I mean, simply from renovation, ex gratia, Labour Code impact and from GST impact and so on, that has affected us to a significant level.

Our intent now is how do we manage to bring that under control? How do we increase our EBITDA margins to the levels they were earlier? We have alluded to that in our

investor presentation. I think that is our current focus. I am confident that we will do reasonably well in the cost side from this year on. Even with a high double-digit growth QoQ, we still manage to maintain high operating leverage.

Abhay Khaitan: That is very helpful. My second question is on Fleur. So, regarding the expansion to the 2,500 extra rooms that is supposed to be added. I just wanted to understand the thought, are we going to more Aurika, more Premier within that or is it going to be more evenly spread between Lemon Tree, Lemon Tree business as well?

And even across markets, are we looking at more metros, are we looking at non-leisure markets? Any thought process? And, if it will be going to be greenfield investments or are you also looking at expansion strategies? And what will be the timeline for that? Just a broad thought on that would be very helpful?

Patanjali Keswani: I will ask Saurabh, as the CEO of Fleur to answer that.

Saurabh Shatdal: The rooms which we are talking about 2,500, they are under various stages of discussions. And we are very sure that the capital coming in from Warburg Pincus and the strength of the balance sheet as well as our entire project teams sitting on the Fleur side. So, it is a combination which I would say, none of the any peers have. Given that, we are confident that we will be able to add that many rooms from a strategy of investment locations, we are, like we said, around a large amount of Fleur's revenue comes from the top 6 cities in India. And this remains a core city and will invest into upscale and upper upscale, which is between Aurika and Lemon Tree Premium and from a location perspective, we would like to be more in the top 6 cities. And from the kind of investment, we are looking at greenfield, we are looking at operating hotels, we are looking at brownfields all kind of assets. However, it must be core micro market within those 6-7 cities and some international destinations where Indians are traveling and very selective leisure markets.

Abhay Khaitan: Understood. But the timeline would be then close to 5 to 6 years for the entire 2,500 rooms? Is that a like a fair assumption?

Patanjali Keswani: Well, I can say that it is not 5 to 6 years. Those which we acquire is immediate, those which we acquire, but need renovation will be a 1-year period or 2-year period, those which are greenfield will be 4 years. It will never take 5 years. Unless there is a force majeure, we normally take 3 to 4 years to build a hotel. It is a competition of all.

But whatever I think Saurabh was mentioning, it is also covered in the presentation. We are focused on deep markets which are structurally deep demand in India. We are focused on international destinations where Indians travel, we are focused on

leisure markets. As far as destinations go, as far as brands go, when we invest our own money for greenfield, we are focused more on Lemon Tree Premier and Aurika. That is investment in greenfield. But this is the broad strategy. There may be opportunities for us to acquire mid-market hotels, which makes sense in their micro market, and we would very happily look at those two.

Moderator: Thank you. Our next question comes from the line of Sameet Sinha with Macquarie Capital.

Sameet Sinha: A couple of questions here. If you can talk about GST and the headwind that is creating, obviously, it has been significant. And yes, we will see it go down, but it will go down only marginally in FY28. What are your plans there? How are you trying to achieve that offset? That is my first question.

Second question is, it seems like in terms of renovations, we are seeing that slipping into FY28 as well. Can you comment on that? How should we think about it? Are those final handful of rooms or is the major rooms being shifted?

Patanjali Keswani: No. What is happening, Sameet, is I think 2-3 quarters ago, I said the total spend we will do in FY27 and renovation will be a shade under 4%. I think, I have forgotten, I said 3.6% or 3.8%. Typically, 50% is OPEX, 50% is CAPEX. A bunch of it is also replacement of air conditioning systems, pumps, DG set, so on and so forth for the Keys portfolio and some of the very old hotels that we have in our own Lemon Tree.

Slide 29 in our presentation, we tried to give colour on the impact of these things and how we see them playing out with our revenue in terms of how it will affect our cost structure. In FY26, we spent 5.8% of our revenue on GST tech and renovation. In FY27, we have said the impact of GST will go from 1% of revenue to 2% of revenue because it is full year.

We will continue our tech investment at a higher level, because it will be 0.9% of our higher income rather than higher revenue rather than 0.6% of lower revenue in FY26. But renovation will come down to 1.9%. At that point, the entire portfolio is done.

Then we will revert to our normal renovation. And I think, I have mentioned this time and again that our normal renovation is 1.2% - 1.4%. We are assuming that we are doing that 1.3%. It may be less, but it will certainly not be more.

In some ways, this will compensate for the cost of the GST. But even GST, if we continue with a 7%-8% price hike every year as we normally achieve, then the GST impact will come down to 1.7%, and technology will then stabilize at about 0.6%-0.7% of our revenue. And that is why we have seen that from 5.8% of these 3 cost

heads, it will drop to 4.8% in this financial year and then 3.7% in the next financial year, about 1% a year.

What besides this, what will change is that roughly Rs. 25 crore to Rs. 30 crore that we spent this year, incrementally one-offs on ex gratia on the property tax at Delhi, the new Labour Code impact that will disappear from the P&L from FY27, which is another 2% of income. So, to synopsis, we expect to save 1% of revenue every year from the GST, tech and renovation. And another Rs. 25 crore - Rs. 30 crore from that one-off impact, which will be a permanent saving.

Moderator: Our next question is from the line of Vaibhav Muley with Haitong.

Vaibhav Muley: My first question was on our Fleur demerger timeline. Earlier, we had mentioned that merger will be completed 12 months in Jan. Now the slide mentions that it will take another 12 to 15 months for SEBI and other approvals. Can you just highlight the new timeline for the demerger?

Patanjali Keswani: The CCI approval came in April. We are still awaiting. Kapil, can you give some flavour on this? You and Mayank?

Kapil Sharma: Yes. So, we are current at the stage of shareholders and the SEBI approval. That is the normal process before we file with the NCLT. There is 1 month delay only from that perspective. Generally, it takes 3 months for stock exchange. I would say 1 month delay. This estimate, which has been given a little conservative estimate because there are certain things which are procedural and especially, I would talk about the NCLT, which is a process depends on many factors. It could be shorter also; we will try our best to how fast it could be done.

But looking at the procedural of first motion order, second motion, in between, there would be shareholder approval and creditors approval as well. So that is why we are taking that much time, but it does not mean that it would go into end of CY27. That is not the case. So, we would not be far away from what we said earlier.

Patanjali Keswani: Actually, the real issue is NCLT. Will it take 6 months? Will it take 9 months? Will it take 12 months? We have been given multiple possible timelines by experts in this. If that happens earlier, then it will be 12 months from now. If it happens later, then it will be 18 months. So, I am giving you an outer limit.

Vaibhav Muley: Understood, sir. My second question was on the pro forma financials for the Lemon Tree standalone entity. We have reported 60% margins. My impression was that since the flow-through for the management fee income would be near 75% to 80% with 300-odd Keys that will be under the lease model. Overall margin should be

somewhere in the range of 70%. Can you just highlight why the margins are slightly at a lower end despite the asset-light portfolio? And where do you think this margin trajectory could go towards?

Patanjali Keswani: Good question, because that is something we were discussing ourselves. Our expectation is what we have said as guidance is that our steady state flow-through will be 70% +. We are currently at 60% for a very simple reason. One is that a bunch of our operating expenses in the corporate side of Lemon Tree have gone up. One of them being our tech investments and one of them being our hiring of new people.

We have got a whole bunch of new people in, which Neelendra has brought in terms of operations, marketing, revenue, digital, and in sales. This is top-level talent, and it will contribute to the growth of the revenue of the company, but has a lag effect to that, but has immediately come on the P&L.

Second is, this is not steady state, what you are seeing. This is pro forma as we do better, this 60% will become 70% and maybe 1 day it will be 75% to 80%. That is when all the hotels that we are signing start giving us fee income. It is very much true that we expect also north of 70% steady state, hopefully, 75%.

Vaibhav Muley: On the renovations bit, can you highlight the status of the renovation in terms of how much inventory is already renovated? And in the current quarter in Q4 and Q1 how much part of the inventory is shut for the renovations?

Patanjali Keswani: In the current quarter, it would be maybe 400 rooms. Fourth quarter would be 400-500 rooms because we normally maximize renovation in summer and minimize it in winter. But certain rooms like Keys, Whitefield is not complete. I think it will be complete in the next 4 months.

Certain parts of Lemon Tree Premier, Bangalore are under renovation. Keys Hosur Road is under renovation. Keys Pimpri, Pune is completely renovated. Red Fox Hotel, Delhi, which has now been rebranded to Lemon Tree Hotel, Delhi, has I think about 40 rooms to be renovated in this H1. Broadly, if I look at our portfolio, the rooms we did not have to renovate were about 1,700 rooms, which is Aurika Mumbai, Lemon Tree Premier, Mumbai Lemon Tree Premier, Pune Lemon Tree Premier, Calcutta and Aurika, Udaipur.

If I take those out and say that the amount, the ones we wanted to renovate are 5,000 of which heavy renovation is in 4,000. The 4,000, I would say about 85% is done. Renovation does not only include renovating rooms and public areas. It was also a catch-up in major repairs and maintenance and in replacement of equipment.

That too is continuing. That is why in this year, our CAPEX is as high as our renovation spend, in fact, a little higher. But from next year onwards, we are showing 1.9% in FY27, 1.3% in FY28.

Next year onwards, it will be 1.3% or more likely, I think that is quite aggressive it would probably be 1.2%-1.1% from next year. In fact, I think it will be 1%. We have given you an outer limit because there is always some stuff that happened, some equipment that needs replacement and so on.

Moderator: Our next question comes from the line of Sumant Kumar with Motilal Oswal.

Sumant Kumar: In Aurika, the occupancy has declined by 2%. So, can we assume this decline is majorly due to Udaipur?

Patanjali Keswani: No. This is because of very large wet lease in Aurika Mumbai went away. That was a one-off. It has affected us. We were happy to take it when we needed it. But you will notice that has been commensurately compensated by the rate change because the segment change, therefore. So, occupancy dropped by 2%, but wet lease was about 8% of occupancy. It means really the wet lease went, but we replaced it with 6% of other demand, and that is how it flowed at better rates.

I think, Sumant, also keep in mind that we had a big impact due to IndiGo. We also had a big impact due to the war. I would urge you to look at the full year figures, which is what were you saying, Neelendra? Why did not you say it?

Neelendra Singh: Yes. Sumant, I think the best way to look at Aurika or any hotel business in this case because of last year, every quarter had some extraneous event. Especially to your question, the Q4 performance in Aurika is essentially a March performance. In fact, January was, let us say, reasonably good. February was excellent. It is only March when the war happened and the traffic or the air traffic decline and that we had challenges in filling the hotel up. If you look at the full year, Aurika occupancy moved from 62% to 74%, as an aggregate. Therefore, 19% RevPAR growth. As very, very healthy as a brand portfolio for the full year.

Sumant Kumar: As price ARR increase of 5% is all because of a change in product mix in Aurika Mumbai?

Neelendra Singh: You are talking about Q4?

Sumant Kumar: Yes, Q4. I am talking about this quarter.

Patanjali Keswani: In Q4, March, the price went down, retail price, because demand dropped. In February, it went up. First 2 weeks of January went down because demand dropped. But second 2 weeks of January, it went up. It is a question of these expert circumstances Neel was referring to that determine our retail pricing. Corporate pricing does not change, but even corporate demand came down in March.

Sumant Kumar: 5% increase is because of Aurika Mumbai or Udaipur? ARR.

Patanjali Keswani: Yes, it would both be and maybe Aurika Udaipur was a little higher.

Sumant Kumar: Majorly driven by Aurika, Udaipur?

Patanjali Keswani: It would not be material. Let me put it this way. Because if Aurika Mumbai grows by 4% and Aurika Udaipur, which has one quarter the inventory and similar occupancy grows by 15%, the average is still 5%.

Sumant Kumar: Okay. Got it. See, we have seen a significant growth in Keys and what we were talking about post renovation, the ARR is going to increase. Currently, the Keys' ARR is 2,900 plus and you were talking about 16% kind of growth every quarter and a couple of years. Can we assume this Keys' ARR RevPAR can reach to Rs. 4,000 level?

Patanjali Keswani: The Keys' ARR currently.

Sumant Kumar: No. I am talking about RevPAR.

Patanjali Keswani: 2 years ago, I think I said that Keys was in Rs. 3,000 something and Red Fox was Rs. 4,000 something ARR. I said, Keys should move towards Red Fox's ARR. I think this was in an earnings call maybe 18 months ago and I was referring to post renovation. Let me give you one example, because you have one fully renovated hotel. If you go to the investor presentation, go to Slide 56. This is the first fully renovated hotel from last year. We have been able to focus both on occupancy and on ARR, because the others, when you either rebrand or you renovate fully, then you start with the price change and build up the occupancy because now you are targeting a different segment, okay? Are you on that Slide 56, Sumant?

Sumant Kumar: Yes, sir.

Patanjali Keswani: You will see what I mean. This is a 100-room hotel and today, the EBITDA is Rs. 11 lakhs a room. Now obviously, all Keys Hotels will not have Rs. 11 lakhs a room. I have been conservative and said we want Rs. 60 crore EBITDA which means over 930 rooms. We want less than Rs. 6 lakhs a room EBITDA from Keys.

Sumant Kumar: Yeah. I got it. My question was what you were talking about the ARR is going to reach at the Red Fox level, okay. Next 2 years, overall, currently, we have ARR of Rs. 4,700 in Q4 and average might be maybe in the range of, say, Rs. 4,200 to Rs. 4,300. Is there a potential to reach this hotel ARR to Rs. 6,000 in next 2 years?

Patanjali Keswani: That is market driven. I cannot comment on it. But what I can tell you is Keys ARR is today close to Red Fox's ARR, but when I say we did an occupancy rate of 64% in Q4, there were rooms also shut about I do not know the exact number, but a few hundred rooms of Keys were shut, because those were the ones that we were renovating around the year. I do not see it as ambitious to say that we would like Keys occupancy to be like Red Fox's occupancy, which is about mid-70s. And in ARR, obviously, even if you assume that it is not Rs. 6,000 but Rs. 5,400 - Rs. 5,500, you should get to your Rs. 60 crore EBITDA number, which is our target for this portfolio at present.

Moderator: Our next question comes from the line of Jinesh Joshi with PL Capital.

Jinesh Joshi: Just one small observation. Our management fee income from third party was up by about 29%, which was a very healthy growth but the same from Fleur was up by only 3%. Does it imply that the managed portfolio was relatively less insulated from the Middle East crisis as compared to Fleur, or is there something more to read into this?

Patanjali Keswani: No. You see a large part of our fees comes from incentive fee, which is delivery of EBITDA at different slabs. Our incentive fees can go from 1% of revenue to 5% of revenue based on which slab of GOP or hotel level EBITDA we are at. Now what happened was that during this year, we aggressively renovated a lot of the owned portfolio, with a lot, obviously, Fleur hotels in that portfolio. GST impact and the elevated renovation impact dropped the EBITDA margins. As a result, our incentive fees were significantly affected. That is, again, linked to our delivery of EBITDA. Now if it picks up, as I am hoping it will, then obviously our fee will pick up proportionately.

Saurabh Shatdal: Plus, Jinesh, the only other thing to add apart from what Patanjali was saying is that when you look at the management of third franchise hotels, I will give you the full year picture now. The full year fee growth was 23% in the third-party hotels and Fleur was 8%. 8% broadly because the same reason as Patanjali said, and the reason is 23% is because it is both same-store and scale revenue. There were net additions in the third-party owner, let us say, base of hotels and therefore, it is a 23% increase on a base-to-base. For Fleur hotels, the 8% full year number is based on a same-store basis, because there was no additional rooms added in that base. Making sense?

Jinesh Joshi: Sure, sir. Sir, secondly, if I look at our presentation, I think in one slide, we have given the ratio of negotiated room nights. I think that figure in this quarter was about 55% versus 59% in the base quarter. So just wanted to get some understanding, I mean, have we lost some corporate contracts, or is it that due to fall in occupancy due to the Middle East crisis some of these nights got reallocated to the retail category since temporarily the mix has changed? From a long-term perspective, I mean how to think about this mix between negotiated and non-negotiated room nights? Because I think there is a differential in rates in both these categories as well.

Patanjali Keswani: Negotiated room nights have a lower rate than non-negotiated generally. However, March was the key differentiator for Q4. As I said, corporate business dropped in March. We tried to build some occupancy up through retail at lower prices. You think of it as 59% of 77% last year was corporate. And this year, 55% of 78% was corporate. The corporate came down by about 2%, but it was replaced by 3% of the total occupancy by retail; but to get that occupancy in a downtime, we had to offer obviously slightly lower rates to pick business up.

Saurabh Shatdal: I will just, again, Jinesh, what you are looking at is the Q4 picture. It is not as material when you start looking at the full year picture. In the full year picture, our negotiated ratio is 55.4%, which has come down from 56.1%, so 50 basis points. It is not material in that sense. I will tell you. This difference is largely driven by Q3 and Q4, which is where exactly to what Patanjali said, when the corporate demand dropped, the relative retail demand also picked up or we at least strived hard to compensate that to retail demand and hence, this slight change in the pie chart.

Patanjali Keswani: Our long-term strategy is to focus on building more. See, what insulates a company? Dependence on large aggregators or large concentrated demand or distributed demand. We are very clear, as we grow our portfolio and network, we want distributed demand. We have a joke within our company that it is better to have 100 individuals booking you than 1 company giving you 100 room nights because that 1 company can disappear tomorrow, but the 100 will not.

We are very clear that as we grow to 20,000 - 25,000 rooms operating, we want 65% of our business to be retail, which is direct to us so it is really a C2B business, customers coming to us directly, sometimes through OTAs who are our partners in this endeavour and more and more directly through our website, our loyalty program and our direct to hotel or call centre.

Moderator: Our next question is from the line of Anuj Upadhyay with Investec.

Anuj Upadhyay: Just one question from my side. Have we set aside any total CAPEX or capital outlay, specifically for this proposed addition of 2,500 Keys across Fleur going ahead, which I believe is over the next 2-3 years' time?

Patanjali Keswani: If you look at acquisitions today, depending on sellers' need and buyers' need, it is available anywhere from 8x of EBITDA to 16x of EBITDA. In some trophy assets, which we are not interested in, it could be even higher. The capital we put aside is 2. One is if we are buying an existing asset, we obviously will have to pay a higher price for it, because it is an operating asset, it has EBITDA upfront and the maximum investment we would make would be in renovation, if required, which obviously we adjust in our acquisition price. If we build ourselves, then it is naturally much cheaper, but there is time to market in that case.

If I look at the committed capital from Warburg, this is entirely contingent upon availability of the right deals and that 2,500 active discussions are many of them right deals. If I take Fleur and Warburg's investment into account, we have the potential to deploy up to Rs. 3,000 crore in the next 12-18 months. Now will we deploy it? If all the 2,500 come plus everything that we are doing, then yes, we will deploy it. If it does not happen, we will deploy less. That is one.

Point number 2 is our current assets like Nehru Place. Nehru Place will, best guess, require Rs. 700 crore. As Saurabh had mentioned earlier, it is the single largest asset in North India. The next largest is a neighbour of ours here called Andaz, which is 525 rooms. This hotel, the cash flow will be over the next 3.5 years with 60% in the last 18 months, because that is when real money goes into finishing a hotel so we feel that we can build through our internal accruals.

So the cash that we have available, which is from Warburg and our own likely free cash flow in this financial year plus debt, should safely enable us to buy these 2,500 rooms, if all fructify and any other opportunistic acquisitions which align with the strategy of core markets, high leisure demand markets or international markets where millions of Indians travel.

Moderator: Our next question is from the line of Nikhil Poptani with Kizuna Wealth.

Nikhil Poptani: My first question is on margin side, like for the Lemon Tree Hotels and the Fleur Hotels, so when I look at our cost savings that we are estimating is going forward, so most of the cost saving is coming from the renovation expense coming down. All the flow through in the margins will go to Fleur Hotels. Is that understanding, correct? Sir, how much steady-state margin in FY27 - FY28 margin, how much are we thinking for the Fleur Hotels?

Patanjali Keswani: Margin. Well, pre-fees, these same stores should be in the late 50s, pre-fees.

Nikhil Poptani: During the January call for the demerger announcement, we said that Lemon Tree Hotels' PAT margin would be around 60%.

Patanjali Keswani: PAT margins? No, not PAT margin. I assume you are talking EBITDA margins.

Nikhil Poptani: In the January call, you stated that, sir. That is why.

Patanjali Keswani: No, I only talk EBITDA. PAT I never talk about. I think review what I said. It would be EBITDA. Anyway, let us assume it is EBITDA. What is the question please ask?

Nikhil Poptani: No sir. Then my question is answered, sir. So that is it, sir.

Moderator: Our next question comes from the line of Vikram Shah with Vikram Securities.

Vikram Shah: Congratulations on a great set of numbers. My question was towards 2,500 room deals and with or without it, what sort of peak debt number are you comfortable with?

Patanjali Keswani: You look at our debt-to-EBITDA today, it is about 2.25. See, in a high-growth company with stable earnings, you can technically go 4x debt-to-EBITDA. But we are, I think, much more conservative. If we deploy Rs. 1,500 crore of capital and we would probably borrow and our debt would go to mid Rs. 2,500 crore to Rs. 3,000 crore as a consolidated entity of Fleur, which means that our debt-to-EBITDA would temporarily go up till the EBITDA started flowing in.

Now this is, of course, also a question of how much of these 2,500 rooms have existing EBITDA and how many will give EBITDA after a year or 2 years? It would be a mix and match. I cannot comment. It depends on which of these 2,500 rooms we finalize. I think this question you could perhaps ask us 12 months from now or earlier, if possible.

Vikram Shah: Okay. Sir, regarding the Iran war, how has it been in the last 3 months, and if status quo is maintained for the next 6 months, how worried will you be?

Patanjali Keswani: We are in the middle of the war and as I said, we find that our occupancies have improved, not diminished. I cannot comment because what happens is as uncertainty and volatility continues, then I am more concerned about the impact on the Indian economy. See, oil, inflation, current account deficit, all this will start hitting our country very hard. It is not Iran war, it is the U.S. war against Iran, I would say, but anyway.

The thing is that if there is a conclusion to the war, then this question is irrelevant. But if there is no conclusion, then we have taken the necessary steps to mitigate our cost structure appropriately and I think we will be fine. Fortunately, this war has not had an impact on us other than in the months of March and April. May has been surprisingly good. I am just hoping that if it does not deteriorate further, then we should do reasonably well. If it repairs and the economy is not significantly hurt, then we would do even better than that. You are asking me a very difficult question. I cannot really answer it.

Vikram Shah:

It was just directionally more than anything, but I will just squeeze in a quick last one, if you do not mind. For the next 5 years, again, directionally, could you give us an understanding where you foresee like CAGR growth for Lemon Tree, the platform owner, the asset-light over the next 5 years now that you have freed up, it is a very asset-light company, it is a lot of capital deployed and so much opportunity. How do you see the next 5 years?

Patanjali Keswani:

See, let us go back for a minute. I do not want to give guidance, but I can give you a direction. We are signing 5,000 rooms a year. I think that will accelerate. One of the key resources we have hired or Neelendra has hired, is a top line business development head who has aggressively gone with his team to go and get more hotels. Remember, 2.5 million rooms in India unbranded.

We have strong strengths to convert most of them because they are in our sweet spot, which is the mid-market to upper mid-scale segment. We have grown our fees at only 23%, I am using the word only. That is with about 6,000 branded rooms under the management contract side, keep Fleur aside for a moment.

If Fleur adds that 2,500 plus the 1,000 rooms under construction or 800 rooms under construction, then Fleur site will increase 60% in the next 3 years, in terms of operating assets. Those fees will come directly to Lemon Tree. Hopefully, unless there are some hotels which go to some other brand.

As far as the managed portfolio goes, we are talking about maybe 2,000 rooms opening in FY27. In FY23, I do not know the number but certainly by FY another 2, 3 years from now, we will be opening 5,000 rooms a year, because that is what we are signing now. You can do the math then. You say FY27, we will open 2,000 rooms and we have 11,000 rooms.

In FY28, Fleur will start contributing more. We will open maybe 3,000 rooms. In FY29, maybe we will open 4,000 rooms. One can have a range. How many rooms

we open, and you have a simple number, which is the following and this is where I would be very careful about assessment.

In the first 1 or 2 years of opening a hotel, normally 1 year, the income is not stable. Our fees are subdued. The minute the hotel gets stable, then our fees start kicking in on a full basis. Really, the fees can increase by 50% - 60% on a stable hotel. One must compensate for that and say, okay, I am opening 2,000 rooms this year. Mainly I will earn Rs. 100 a room. But next year, these 2,000 rooms will give me Rs. 150 a room. Then it will be Rs. 150 going forward. Therefore, you must do this adjustment also in the fee income for the first 12 to 18 months, depending on lower fees till stability.

Okay. If you look at FY23 to FY26, our fee income of the managed portfolio grew at 27% a year. I would obviously expect it to be larger, although the base has become larger, this fee income should also grow much faster. I mean, we have projections, but I am not going to share it with you.

Moderator: Our next question comes from the line of Rahul with ER.

Rahul: Yes. I just wanted to ask about this loyalty program of yours. A lot of your international peers have very successful loyalty programs and tie-up with banks and card issuers. I am very surprised to see that as an asset-light company Lemon Tree, which is becoming now, why do not we have a very exhaustive application, a mobile app and loyalty program because that will really drive consumers towards you, more particularly on the retail side, which will be booked directly through you rather than through OTAs? That is my question.

Neelendra Singh: Fair point, Rahul. That needs, of course, significant technology investment. I will answer this in a broader way before I come to the key points. So far, let us say, our technology investments have been focused on essentially making the operations seamless, getting our data aligned, making sure we have fit-for-purpose for scale. Therefore, we have invested in our revenue management system. We have invested in a market tool. We have invested in, let us say, sales force automation, what remains now going forward is when we should be able to direct our technology investments in some legacy systems transformation like a PMS system and working on our loyalty engine, which means essentially working on our website, our booking engine and the loyalty program.

The benchmark that you are talking about through international hotels is a very, let us say, well-executed playbook. It helps us, of course, in rebalancing our segments more towards the direct business. That is what you could expect from us in the next

couple of years. With currently at the early stages of driving investment on the loyalty side.

Though the loyalty program was rehashed a couple of years ago, we have about 24 lakh guests there, 48% of them are of the room nights that we sell in a year, almost 50% of them are driven by our guests from a loyalty guest, the first time sign-up of the loyalty guests, 25% of our room nights, the volume that we deliver every year is driven by a loyalty program. It shows all good signs. The benchmarks versus international chains are also solid at this point of time. Therefore, the next stage is what you just alluded to.

Rahul: That will be all, I think. I just look forward to a great app being a Lemon Tree customer myself. That will be all.

Patanjali Keswani: One question, sorry, is Nikhil of Kizuna Wealth still on the line? Anoop, can I talk to him?

Moderator: One moment, please, sir, I will just check. Sir, the line for Nikhil from Kizuna Wealth has been unmuted.

Patanjali Keswani: Nikhil, are you on the line? Nikhil, you are there?

Nikhil Poptani: Yes, sir.

Patanjali Keswani: My apologies, we just referred to the transcript. You were talking about what I said about Lemon Tree steady state that when it becomes a pure play brand and asset owner on a steady state when our EBITDA hits 75%-80% and taxes 22%-25%, then you are right. There is no depreciation. There is no interest. Our PAT will be 60% of the revenue. Thank you. You said something correct and I was incorrect.

Nikhil Poptani: Thank you, sir for the clarification. Sir, let us say, now my second follow-up question would be on that only. Now coming to the PAT margins, in our recent quarter that we have reported, our PAT margins are coming out to be 40%. For the FY25, it was 45%. How are we planning to increase those to 60%? Because most of the margin flow-through is going to go to Fleur rather than Lemon Tree. Because of technological expenses are going to be staying at 0.7% or 0.9% of the revenue. Can you help us understand a bit more on how the margins will increase and because all the technical expense will go to Lemon Tree, if I am not wrong?

Patanjali Keswani: You are right. Let us put it this way. The Lemon Tree's current investment in technology, you must consider, although it is in the P&L, must be considered as an investment, which we must monetize. On a steady-state basis, we are not going to

significantly increase our main expense, which are 2, in Lemon Tree as a brand, which is corporate expenses and technology expenses.

As our revenue grows in terms of management fee income and we have been discussing this, if you do some rough modelling, then on a steady-state basis, hopefully, earlier rather than later, the growth of management fee income will translate to a flow-through of about 75%-80%, on a steady state basis. That is what you should track over the next 2.5 years. How is this happening?

This is including technology. Then 75% flow-through means that if you take tax at 22%- 23%, then you have a 60% PAT. This is broad. Obviously, if the fee income grows much faster than the fixed cost of Lemon Tree, then what will happen is that we will then hopefully achieve that 80% EBITDA, take out 25% tax and you have 60% PAT.

Moderator: Our next question is from the line of Sriram R, an Individual Investor.

Sriram R: Post restructuring, Lemon Tree is expected to generate substantial free cash flow over the coming years, right? How are you thinking about capital allocation? Like would the priority be to reinvest in adjacent growth opportunities or return the excess capital to shareholders through buybacks or dividends?

Patanjali Keswani: Lemon Tree will not need any significant capital other than potentially investments in technology or in marketing and so on. It will be essentially a zero-debt cash accretive company. What we will do is, I think we will sit down as a Board and decide what our dividend distribution or give back to shareholder policy yet. Lemon Tree will effectively move into distribution of profit to shareholders.

As far as Fleur goes, Fleur is not currently seen as a dividend distributing company, at least, currently, we would like to deploy capital because we see we can really add to shareholder value by growing the business. It will be more focused towards capital growth or share capital growth and share value growth rather than distribution to shareholders because we think we can give a better return to shareholders simply by growing the business.

Sriram R: Basically, we are thinking about shareholder buybacks or dividend for the Lemon Tree stand-alone. That means we are ruling out any investments into adjacent growth areas, let us say, F&B or some other areas, right? We would not be investing in those lines. Am I right?

Patanjali Keswani: Currently, we do not see growth in F&B, because F&B has specialist, it is not our core competence, frankly. It is not obviously not on the top of my mind or even our

Board at present but if there are interesting opportunities to acquire asset-light platforms at the right value, which add value to our entire portfolio of brands or to our customers or to our technology platform, then it is possible we would invest there. Frankly, we would have a very high hurdle rate there. Because our view is that if we are not sure we can adequately reward the shareholders by not giving the level of dividend we should, then there should be a compelling reason to then do this acquisition, whatever that is.

Moderator: Next question comes from the line of Vaibhav Muley with Haitong.

Vaibhav Muley: Just small bookkeeping question. Can you share the room revenue and F&B revenue for full year as well as Q4 if it is possible?

Patanjali Keswani: Okay. Nipun, our Head of Strategy, will call you and explain that to you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I now hand the conference over to the management for closing comments.

Patanjali Keswani: Thank you once again, everybody, for your interest and support. We will continue to stay engaged. Please be in touch with our Investor Relations team for any further details or discussions. We look forward to interacting with you soon. Thank you and have a good weekend.

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