August 14, 2026

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

Name of Scrip: LEMONTREE

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

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 August 10, 2026 w.r.t. the audio recording of the conference call on Unaudited Financial Results for the quarter ended June 30, 2026 held on Monday, August 10, 2026 at 4:00 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
Digitally signed by Pawan Kumar Kumawat
Date: 2026.08.14 20:04:13 +05'30'

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

Encl: a/a

Lemon Tree Hotels Limited
Q1 FY27 Earnings Conference Call Transcript
August 10, 2026

Moderator: Ladies and gentlemen, good day, and welcome to the Lemon Tree Hotels Limited earnings conference call.

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 Q1 FY27 earnings conference call.

We have with us Mr. Patanjali Keswani, Executive Chairman, Lemon Tree Hotels, Mr. Neelendra Singh, Managing Director, Lemon Tree Hotels, Mr. Kapil Sharma, Executive Director and CFO of Lemon Tree Hotels, 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 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: Good afternoon, everyone, and thank you for joining us. Today, Neelendra Singh, Managing Director of Lemon Tree Hotels, will be covering the business highlights and financial performance for Q1 FY27, post which Saurabh Shatdal, MD and CEO of Fleur, will brief you on Fleur's business development. And lastly, I will share an update on the pro forma financials for Lemon Tree Hotels Limited and Fleur Hotels Limited upon the demerger scheme becoming effective. And of course, post that, we will open the forum for your questions and suggestions. Neel.

Neelendra Singh: Great. This is Neel. Let me take you through the key highlights of the quarter. For the quarter, total revenue stood at Rs. 346.8 crore, up 9% year-on-year. Net EBITDA stood at Rs. 151.9 crore, up 7%. Net EBITDA adjusted for GST impact and provision for stock appreciation rights stood at Rs. 162.5 crore in Q1 FY27, up 14% as compared to Rs. 142.1 crore in Q1 FY26. PAT grew 19% to Rs. 57.3 crore and cash profit grew 17% to Rs. 96 crore. Our gross ARR stood at Rs. 6,361, up 2% year-on-year and occupancy was 75.7%, up 314 basis points versus last year. Our net EBITDA margin for Q1 FY27 stood at 43.8%, which was 99 basis points less than 44.8%, which we achieved last year in Q1 FY26. This drop was due to Provision for Stock Appreciation Rights and the loss of input credit in the GST levied, which increased our expenses by 3.1% of total revenue in Q1 this year versus zero in the previous year same quarter.

Our gross debt on 30th June 2026 stood at Rs. 1,475 crore, down 11% from Rs. 1,657.9 crore a year ago, and our cost of debt reduced to 7.48%, down 53 basis points versus a year ago.

In Q1 FY27, on the asset-light side, we opened 6 managed and franchised hotels with 334 rooms, which we had signed on an average 30 months ago ballpark. In this quarter, we also signed 13 managed and franchised hotels with 1,020 rooms, which is over 3x of the inventory that we opened. Our combined operational and pipeline inventory now stands at 23,381 rooms across 279 hotels in 170+ cities, of which 135 hotels, which is 11,946 rooms across 80-plus cities are already operational.

Network revenue for the quarter grew at 16% year-on-year to Rs. 576 crore with owned hotels contributing Rs. 320 crore and managed and franchised hotels contributing Rs. 256 crore. So, owned hotels contributed 56% of the network revenue in this quarter. Fees income from management and franchise contracts from third-party owned hotels stood at Rs. 22.8 crore in Q1 this year, an increase of 42% year-on-year. Fees from Fleur Hotels stood at Rs. 22.6 crore, up 6% year-on-year. Total management fee from Lemon Tree stood at Rs. 45.4 crore, an increase of 21% year-on-year.

Now I hand over to Saurabh for an update from Fleur.

Saurabh Shatdal: Thank you, Neel. Thank you, everyone, for joining us on the call. Let me give you a quick update on our hotels under development.

At Aurika, Shimla, our owned 90-room hotel, we have deployed approximately Rs. 108 crore of capital as on 30th June 2026. Finishing work and operational licenses are in final stage, and we expect the hotel to open shortly. At Aurika, Shillong, a leased 165-room hotel, we have deployed ~Rs. 33 crore as on 30th June 2026, with the expected opening in H2 FY28. At Aurika, Varanasi, a 47-room leased heritage hotel, we have begun the work and with an expected opening in FY29. At Aurika, Nehru Place, Delhi, final approvals are pending from the authorities with expected capital deployment to be announced in due course and an expected opening on or after FY 2030. Recently, an extension of validity of letter of award for another year was received by Fleur from DDA, providing ample time for the project to attain all approvals. We have renovated 300 rooms this quarter, for which we have spent ~Rs. 10 crore, and we anticipate a similar number in the next coming quarter. As for the Keys portfolio, renovation was 2/3rd complete as on 30th June 2026, and the portfolio is showing significantly improved performance with a double-digit growth across all locations. Keys portfolio RevPAR in Q1 FY27 was up 19% year-on-year to Rs. 2,885 on the back of a 350-basis point improvement in occupancy to 67% and 13% growth in average room rate to Rs. 4,311.

On the pipeline side, we continue to evaluate a growing number of opportunities, whether in existing operating hotel or development of new hotel. Now I hand over the forum back to Patu. Thank you.

Patanjali Keswani: Thanks, Saurabh. I want to take this opportunity to continue our conversation on the demerger scheme. Like last quarter, we have again shared pro forma financials for both Lemon Tree and Fleur Hotels as they would appear upon the scheme becoming effective.

For Lemon Tree on a pro forma basis in Q1 FY27, revenue stood at Rs. 65.7 crore versus Rs. 54 crore in Q1 last year, which is up 22%. Net EBITDA before provision for stock appreciation rights was Rs. 38.1 crore versus Rs. 29.3 crore and Net EBITDA margin improved to 58.1% from 54.2%, up 383 basis points. PBT after share of profit of associates was Rs. 46.3 crore versus Rs. 38.4 crore, up 21%. PAT was Rs. 33.6 crore versus Rs. 27.5 crore, up 22% and cash profit was Rs. 40 crore versus Rs. 30.5 crore, up 31%. For Fleur on a pro forma basis, FY27 revenue stood at Rs. 311.4 crore versus Rs. 292 crore, up 7%. Net EBITDA without GST impact was Rs. 125.1 crore versus Rs. 114 crore, up 10% with a margin of 40.2%, up 112 basis points from 39.1%. PBT was Rs. 46.5 crore versus Rs. 35.5 crore, up 31% and PAT was Rs. 34.7 crore versus Rs. 28.3 crore, up 23%. Cash profit was Rs. 68.4 crore versus Rs. 61 crore, up 12%.

With this, we come to the end of our opening remarks, and I will ask the moderator to open the forum for the questions that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Archana Gude with IDBI Capital. Please go ahead.

Archana Gude: Hi, thank you for the opportunity. I have a few questions. Starting with the Keys. With 19% RevPAR growth, Keys is surely outperforming the flagship brands. So, does it match with the growth we envisaged before we took the renovation or there is more to look at it in the upcoming quarters? So that is my first question.

Patanjali Keswani: Keys, what we said about 1.5-2 years ago when we started the renovation was that we are targeting Keys to achieve Red Fox ARRs, which was, if I remember right, Rs. 4,500, and we are close to that now. However, Keys is still a work in progress. We will be renovating many more rooms this year. So, we expect that next year, Keys will operate to full performance, which means the occupancies will be close to the Lemon Tree average occupancies and the ARR will continue to improve and will reflect the full performance. Basically, I said we are targeting a Rs. 60 crore EBITDA from Keys, and I think that is something that we will achieve.

Archana Gude: Sure.

Neelendra Singh: All I will add Archana quickly is that Keys almost 2/3rd of the portfolio is now renovated. The interesting thing is, and we have talked about this in the earlier calls as well that the hotels that got renovated earlier, aka our Pimpri property, our Whitefield property are showing results of that renovation. It is a very neat sharp product, and the high-quality renovation shows its impact both in occupancy as well as ARR. And therefore, we are not only able to price it better, but also get more rooms filled post renovation. And that is today visible across the portfolio of 7 hotels. And that is why as a portfolio, it could deliver a 19% RevPAR increase over last year.

Archana Gude: Right. Just a follow-up on this. What would be the operating expenses for Keys renovation this year? I think we will be completing everything by this year end, right?

Patanjali Keswani: The operating expenses will be depending on which part of the portfolio. So those hotels that are going for a full renovation and a complete upgrade were Keys Pimpri, which cost roughly Rs. 11 crore. And then it was Keys Whitefield, which would have cost us about Rs. 23 crore. So, these are over. Now we are investing in the second-level Keys. So, we finished Keys Ludhiana. We are now doing Keys Kochi, Keys Trivandrum and Keys Vizag, which will be at about Rs. 4 lakhs to Rs. 5 lakhs a key. I would say that we would end up when we finish the full portfolio, the balance spend on 300 rooms would be about Rs. 13 - Rs. 14 crore.

Archana Gude: Sure. One more question. We have done extremely well in some of the key markets like Delhi, Pune, Hyderabad in terms of occupancy. But at the same time, Mumbai and Gurgaon, we could not do that well. So, for the markets we did well, was that a few events which led to this kind of growth? Or how we should look at it as a sustainable number going forward? And what is your outlook on the Mumbai and Gurgaon markets going forward?

Neelendra Singh: Yes. Sure. Thanks, Archana. Let me summarize the big impact we had in Q1, which is what most of the hospitality industry experienced, which is the West Asia conflict. That led to the biggest impact of that was lesser inbound traffic and the uncertainty. Now that had second order effects. And in our segment, that translated largely towards lesser domestic travel as a second order effect of less inbound travel. And we saw that corporate demand in most of our high-density CBD locations like Mumbai, even Hyderabad and Bengaluru declined. There was lesser travel in our corporate segment, there were lesser hiring, there were lesser relocation. We did pretty clear in early April that this segment would typically be softer as companies who are tightening their belts on travel and T&E expenses or just traveling less. Therefore, in many cases, was compensated by our retail strategy.

So, we amped up our ability to fill our hotels through retail because of the softness in corporate demand. I am now answering your question, in cities like Delhi, Hyderabad, and Bengaluru, we could more than compensate the decline in corporate traffic that came through because of West Asia conflict. In Mumbai, we could not. And in Gurgaon, we could not. And hence, essentially, you would see the softness in Mumbai and Gurgaon market, whereas Delhi, Bengaluru and Hyderabad continue to do well.

Patanjali Keswani: Also, there is still the lag effect of the 2,000 new rooms that have opened in the micro market of Mumbai near the airport in the last 2 years, and that supply is still being absorbed. So, there were some Novotel and some Radissons and some other brands that opened. And put together, there were 2,000 rooms. But Mumbai is such a market that when supply injections happen on this scale, there might be a temporary mismatch between supply and demand, but it catches up very rapidly. And I think you will see that even with us in these quarters going forward, the catch-up.

Archana Gude: Sure. Sir, maybe just last, I will squeeze one more question. How was the situation in July and first 10 days of August? Some improvement over Q1 in terms of demand?

Neelendra Singh: Absolutely. I think Q1 sounds like everybody caught a little bit of a cold. Q2 is significantly better, and July was great, good recovery in July and August continues to be solid as well.

Moderator: Our next question is from the line of Achal Kumar with HSBC. Please go ahead.

Achal Kumar: Yes. Hi, thanks for taking my question. The first one on ARR. So, ARR in this quarter was up only 2% despite 19% growth in Keys. So, what is going on? I understand that probably you guys dropped the rates to boost the occupancy. Is that the strategy we should expect going forward? Or are you going to change that strategy and boost the ARR? So, I just want to understand a bit of a flavour on that, please.

Neelendra Singh: Yes. Achal, good to hear you again. You are right. When we and I am going back to what I said to Archana. When in early April, in fact, as early as March, we could understand that corporate demand both inbound led demand and domestic travel both will be affected. We had to pivot, filling the rooms through our retail channels, they come at a lesser net ARR in that sense due to commissions. And hence, you would see that when we deploy a more volume retail-based strategy, the occupancy looks so much better in Q1 versus last year, but at the cost of ARR, you are right. But I would say this is temporarily; this was undertaken largely to react to the swing to the situation that we had in Q1. We are back to a more balanced approach in July, August, and that is the way to look at it to be able to drive ARRs higher and maintain our strength in occupancy as well. So temporary, of course, in Q1.

Achal Kumar: Okay. So, you mean from the Q2 onwards, we should expect the change in the strategy, right?

Neelendra Singh: Yes. I mean, our strategy generally has been to keep our strength on occupancy and drive higher ARR premium. Q1, as you know, was an aberration for all or almost everybody in our segment. In the mid-scale segment, we had to resort to a more volume-based, retail-based strategy plan, tactical plan rather than continue to drive ARR, which was anyway softer.

Achal Kumar: Right. Fair enough. My second question was around your growth pipeline. So, you have given the growth for, you mentioned about the growth pipeline for the next year. But what I am trying to understand is that have you sort of sketched out your growth in terms of brand wise? Should we expect the majority of the growth in the higher-end brands, the upper end brands? Or do you expect more to do with the Keys? I just want to understand a bit of a flavour on that so that we can understand what kind of GST impact you continue to face, please?

Neelendra Singh: Yes, interesting. So, I mean, you know from the pipeline that Saurabh talked about, most of them are Aurika. We will continue to at the top end of the business, continue to expand in Aurika and in Lemon Tree in demand dense areas or in key destinations. That does not go away, Achal. These are areas where we will deploy our own capital and build larger destinations. However, as we expand into Tier 2, Tier 3 India, we will also use Lemon Tree Hotels and Keys brand, both the brands to penetrate India deeper. On the asset-light side, I would say the approach towards, let us say, expansion is two-pronged. One, to continue to use our upper mid-scale brands and upper scale brands to penetrate in demand dense areas and use our mid-scale brands, aka Lemon Tree Hotel and Keys portfolio to penetrate deeper into India.

Achal Kumar: Okay. Fair enough.

Saurabh Shatdal: This is Saurabh here. Just to add on the capital deployment. Last quarter also we had said that we are pursuing rooms of around 2,500 Keys. So that pursuit is still on, and we are very hopeful to achieve that in the few quarters ahead. We are very confident on the capital side.

Patanjali Keswani: No, I think if I may speak for both of you. See, we are talking about 2 absolutely different strategies. One is the asset-light growth of Lemon Tree, which will come from signed hotels, which start opening typically 30 months, as Neel mentioned in his opening remarks, from 30 to 36 months from when they are signed. As long as the rate of growth of our signings is much more than the rate of growth of openings, it means that what we are really opening is what was signed, say, 2.5 years ago. And what we sign now, we will open 2.5 years later. So that will tell you the rate of acceleration of our asset-light site managed fee business.

Now if you overlay that with the fact that Fleur is now growing fairly aggressively, and we will have, I am pretty sure in the next few months, a bunch of announcements as to the acquisitions/developments we are going to be doing. That will add further fee income to Lemon Tree. And it is the combination of the 2 that we are looking at from Lemon Tree's perspective as to where it will be in the next year and the years ahead.

We have a fairly clear line of sight. If those of you who are interested, look at what we signed in 2023, you will find that we opened it in this year. What we signed in 2024 will open end of this year. And what we signed in 2025 will be opened a year after that. So, the fee income stream is fairly clearly defined. All we have to overlay on that is within the third-party owned hotels is the quality of the fees. So, if it is a Tier 1 city or a metro, then the fees are much higher than those in Tier 2 and that is higher than those in Tier 3 and so on. So, we have a full model on this as it happens. And we have a fairly clear line of sight as to where the fee income of Lemon Tree will be over the next 3-4 years, because that is based on the signings that we have as at present. Overlay that with the fees that we will earn from current and future hotels of Fleur and then you have the aggregate of the two. And that too is an interesting number. And I think over the next 8-12 quarters, you will start seeing acceleration in the fee income of Lemon Tree.

Achal Kumar: Right. Fair enough. My final question is around the sort of a strategy, of course, in terms of debt, in terms of ROCE. So, while the picture around the Lemon Tree looks pretty bright, it is an asset-light model, you will have very healthy margins, very healthy ROCE and probably the dividend.

But on the Fleur side, are not you worried about if the model is only asset heavy. So are not you worried about at some point of time, you will be very debt heavy and all that. So, do you think you are comfortable with that? Or do you think at some point of time, Fleur could also change the model and could think about doing some asset-light. Any colour on that, please?

Patanjali Keswani: Yes, sure. See, the very purpose of separating the two is to have 2 different kinds of companies with 2 different mandates and 2 different risk return profiles. Fleur is a company that will be only focused on asset creation, whether it is through development or through acquisitions. The only asset-light side of Fleur's business, if we are using the word asset-light in an asset-heavy business, is through leases. So, when Fleur leases a hotel, think of it very simply as follows. If a hotel today costs Rs. 1.5 crore a key, including land, a 200-room hotel costs Rs. 300 crore. So, the way to look at lease is that we will basically put in maybe 5% to 10% of the capital when we take a hotel, maybe more depending on what the agreement is. But we will typically take 50% - 60% of the EBITDA. So, think of it this way, a Rs. 300 crore hotel making Rs. 35 crore or Rs. 40 crore of EBITDA, we invest maybe Rs. 40 crore and we would take Rs. 20 crore of EBITDA, of which part would go as fees to Lemon Tree and the balance would remain with Fleur. So that is the only asset-light side of Fleur.

However, Fleur's return on capital is fairly meaningful even today. If I look at FY26, Fleur did after all fees, a net EBITDA of Rs. 550 crore on a total capital deployed, if I remember right, of about Rs. 4,300 crore. So it was, you know, about 12.5%-13%. And once we finish the Keys renovation, once we finish the entire renovation, our expectation on Fleur is it should move towards a 15% ROCE. Lemon Tree has reported a 58-point some percent EBITDA margin. Lemon Tree's ROCE will be meaningfully higher. I do not want to comment on what the ROCE will be because it is very simple. The capital deployed by Lemon Tree is marginal. It will hardly need any capital going forward other than investments made in brand and in marketing and in generative search and in tech, which is not meaningful. And its fees income will continue to accelerate. You have seen that this quarter, in spite of all the slowdown, I think we have increased our supply by 15%-16%, but the fee income has grown 42%. So that is very evident that the ROCE of Lemon Tree will become very high. And you will see that play out, especially when we have actually given 1 point of guidance, which is our long-term plan in the next 3 years or 4 years is to have an EBITDA margin around 75%-80% and of a much larger base of hotels, which we are managing and charging fees for. So, does that answer your question?

Achal Kumar: Yes, that is fine, absolutely. I have one more, but I will come back in queue. Thank you.

Patanjali Keswani: Sorry, I did not answer your debt question. We are very clear. See, occasionally, we are building 6 big hotels, which is what our plan is, debt may briefly cross 2x existing EBITDA. But our long-term plan is that in Fleur debt-to-EBITDA should hover around 2x, and that is a good sign because it means we are able to productively deploy capital. If debt-to-EBITDA falls below 2:1, you can actually ask a reverse question, which is why are you not growing? So, it is a balanced approach. And right now, our debt in Fleur is about Rs. 1,200 crore or Rs. 1,100 crore. The numbers we announced excluded the cash position in Lemon Tree and Fleur, which is about Rs. 200 crore. So actually, our debt is Rs. 200 crore less than what Neel said. At a group level, it is Rs. 1,275 crore. Is that correct, Kapil?

Kapil Sharma: Yes.

Patanjali Keswani: And our EBITDA was Rs. 700. So, in the zone where there is comfort and an ability to deploy meaningful capital. Keep in mind that Warburg has to put in Rs. 960 crore. So that too will be deployed in Fleur before we list. And we have, as Saurabh mentioned, a bunch of very exciting opportunities. Some of them are going through a phase where we will be able to make announcements fairly quickly. And I think just wait for the next 6 months; you may be very pleasantly surprised.

Moderator: Thank you. Our next question comes from the line of Karan Khanna with Ambit Capital. Please go ahead.

Karan Khanna: Thanks for the opportunity. Two questions from my side. Firstly, Patanjali, and perhaps, Saurabh, you could take this as well. Following up on Mumbai performance, a couple of quarters back, you spoke about significant pricing power for Aurika Mumbai in FY27, given that the occupancies have stabilized. Obviously, since then, we have had the West Asia crisis. But fundamentally, given the performance for Mumbai this quarter, would you like to bring down the guidance for Mumbai for

FY27? Will it be single-digit RevPAR this year? Or are you confident of double-digit RevPAR here?

Patanjali Keswani: See, about Aurika Mumbai, in Mumbai, with the supply addition and whatever has happened, I would still say Q1 was an aberration. Q2 will be better. And as far as RevPAR growth goes, we are now kind of feel we have stabilized Aurika. So, we will be focusing on the ARR of Aurika and you see what happens, Karan, in Q2, and then we can have this conversation, because anything I say it becomes very guidance oriented. But all I can say is we are focusing on pricing now. In fact, Neel is personally focusing on it. Would you like to give a broad comment on this, Neel?

Neelendra Singh: Yes. Karan, hi, again, good to speak to you. And we have talked about this in the past calls as well, Karan, that the Aurika in Mumbai is now a stable brand. It is recognized well. And therefore, at the kind of occupancies it delivers, we believe it is good time to be able to now reprice it and price it to the position that we want Aurika to have in that sense. So, the current aberration notwithstanding, we will continue to drive Aurika on the price side, Aurika's pricing better than today. And you will see that in the, in the RevPAR improvement going forward for sure.

Karan Khanna: Sure. And secondly, Neel, if I look at Slide 63 of the presentation, where you are targeting to open 2,000 keys in FY27. Q1, you are at 334 keys. So, is there a risk of slippage here in terms of number of openings in FY27? Or are you confident about opening all the 2,000 Keys during the year?

Neelendra Singh: Yes. Good point, Karan. See, I mean, in this, in this business, there are always a little bit of wash or a slippage here and there. Broadly, I am pretty confident to be around the 2,000 Keys mark and, things happen. But from the pipeline that we have today and, and the kind of relationships we have with our, with our owners, I feel largely confident unless something large falls on our head, but 2,000 should be okay.

Karan Khanna: Sure. And then lastly, Saurabh, talking about Fleur, you are considering investing around Rs. 2,500 - Rs. 3,000 crore in probably the peak of an up cycle in Fleur post demerger. Given that one of the advantages that Lemon Tree has enjoyed in the past, has always been to invest in a downturn and wait during an up cycle. So, could you help us with how you are thinking about IRRs in this expansion strategy? And on the Rs. 960 crore of capital infusion by Warburg, is there an update here on timelines?

Saurabh Shatdal: Thank you, Karan, for your question. So, from an investment timeline perspective, we would deploy given what we get as the best opportunity, given our internal assessment of the ROCE, what we want to go forward with. So, there is no hurry.

We want to deploy capital at the right strategy, at the right locations and where we see that our capital deployment gets us the right return. So, from an upside investment perspective, we are still focused on markets which has deep demand in the top 6-7 cities in India. That is where we want to chase our opportunities. And the markets which are closer to India, 3–5 hours journey from India where a lot of Indians are still travelling overseas, and we see that also as an upside going forward in the next 2-3-5 years, given the size of the economy and growth of the per capita income. So those are 2 our larger strategies and some of the leisure locations which are upcoming like temple tourism or some of the other tourism where Indians are travelling. So, these 3 are our focused strategies from an investment.

And like Patu said, all would be not just be a pure investment. Some of them would be brownfield, some of them would be operating assets between 6 to 8 multiples, what we will look at buying and some would be deep demand greenfield assets. And also, for better returns, some of them will be long leased buildings, which we will take in either a brownfield or an operating asset or a greenfield. But mix of all these 4-5 strategies with a full focus on the return on capital is what our strategy is, given Warburg is giving us Rs. 960 crore and some kind of Rs. 200 - Rs. 300 crore of balance sheet money, which we currently have.

Patanjali Keswani: Let me add to that, for a minute. We are not in an up cycle. We are not in an up cycle. The India occupancy is still mid-60s. And I do not know why people say we are in an up cycle. An up cycle is defined when India occupancies cross 70%-72%. At the rate of growth of our economy, I think we will be in an up cycle next year or the year following. So, deployment of capital in demand-dense markets means actually there is the level of volatility in a demand dense market, whether it is a down cycle, mid-cycle, up cycle is much, much less because by definition, a demand dense market is supply constrained. That is the reason it is demand dense. There is more demand than supply. And I will give you a classic example of this. A demand dense market is Outer Ring Road, Bengaluru. A demand dense market is BKC Mumbai. A demand dense market is where we have 1,000 rooms, which is near the airport in Mumbai. That in spite of 2,000 rooms coming in, still the occupancy in that market is in the early 70s. One may say that if we are targeting a ROCE of 60% post feeds in a situation of high supply coming in, in a demand dense market, it means expensive supply has come in, which is why these markets have moats, which are basically cost-led or, or capital deployed led. And we are fairly confident based on our ability to attract customers to our brand that we will perform well in these markets.

And we do not really consider bottom of cycle, middle of cycle, top of cycle. We look at how we are performing and say, look, this is what we think we will deliver. We know our cost structure. We know the kind of revenues we can generate. And it is on that basis of knowledge that we make capital allocation decisions. And the concerned date is always taken, and the date is always taken assuming down cycle conditions for a margin of safety. That is, it.

Moderator: Thank you. Our next question is from the line of Sameet Sinha with Macquarie. Please go ahead.

Sameet Sinha: Thank you very much. Patanjali, picking up on what you are talking about the management fee, clearly good performance there. I think everyone is waiting for the compounding to start in that business. We saw year-over-year average revenue per room up 12%, for the last 3 quarters, it was negative. Should we assume that it will stay in this kind of range going forward now on a sustainable, durable basis? I understand that in your business, it is suddenly a new batch of rooms, a new batch of cohort of rooms comes in and suddenly that number could go down. But do you think, if you could give us a sense of how that line would compound? Then I have a couple of follow-up questions.

Patanjali Keswani: See, certainly, we are not happy with Q1 performance. We feel we could have done better. But Q2 onwards, we are definitely going to look at double-digit growth numbers, but that is as a company. As far as management fees go, the minute we hit double digits, say, in Fleur, then the management fee from Fleur also hits double digits and Fleur still accounts for 56% of our network revenue. So, Fleur is growing well. So, it is a virtuous cycle. The better Fleur grows, the better our fee income from Fleur grows.

Third party is a different ball game. It is growing very rapidly. I think I have said this before that the rate of growth of operational rooms in Fleur, in third-party hotels is set to accelerate finally. Because if you just go back in time, 3 years ago, we signed 2,000 rooms, 2 years ago, we signed 3,500 rooms. Last year, we signed nearly 5,000 rooms. So, this rate of growth of signing translates to openings 3 years out and therefore, fee income from those hotels.

So as long as the rate of growth of signings is significantly higher than the rate of growth of openings, it is a positive trajectory and a flywheel effect. So that you are going to see very clearly in the next 2 years in Lemon Tree. And, of course, going forward, we are very optimistic about it. In fact, I should say confident. And simultaneously, Fleur will start deploying capital, which will lead ultimately to ROCEs for Fleur and fee income for Lemon Tree. So, the sum of the 2 is quite exciting.

Sameet Sinha: Got it, and that is very helpful. Yes.

Neelendra Singh: And Sameet, I will, at least I will share some numbers. So, between last Q1 and this Q1, we have added 1,300 rooms. And now because last year was compared to the preceding years was the biggest year in terms of room additions in terms of signings, this compounding is bound to happen. So, I am repeating what Patu said, till the time we continue to open or sign much more rooms than we open, and both will eventually keep going anyway, you will start seeing this compounding. The first batch of, let us say, 1,300 rooms, which opened in this Q1 or between last quarter and this one, just make it, make it illustrative at least in this quarter. You will see similar trends in the next quarter as well.

Patanjali Keswani: No, think of it this way, Sameet. We signed 5,000 rooms last year in FY26. And FY29, we will open all going well around 5,000 rooms in Lemon Tree's portfolio of managed hotels. This excludes anything that Fleur may add on. Just to give context, we are currently operating only 12,000 rooms. So just in FY29 or in that year, '29 going to '30, we will open 5,000 rooms, which is 45% of our current inventory in managed portfolio.

Sameet Sinha: This was helpful and I can see the flywheel is about to turn there. Secondly, just talking about on the margin side, EBITDA margin compressed about 90 basis points, which is better than we expected. I think you had guided to a much bigger decline for the year. How should we think about the progression for the year in light of the fact that second quarter seems to be turning around nicely. What sort of margin should we expect for the full year?

Patanjali Keswani: Let me ask you, what do you expect Lemon Tree's net EBITDA to be for FY27?

Sameet Sinha: Okay. I mean I can probably give you, my numbers.

Patanjali Keswani: I am just curious. What is your expectation?

Sameet Sinha: Yes. I am not looking at my numbers. I am at about Rs. 7.5 billion?

Patanjali Keswani: No, I am asking percentage.

Sameet Sinha: Percentage about 47%.

Patanjali Keswani: Okay. It will be well better than that. See, I will repeat to you a very interesting thing. Our EBITDA margins are fundamentally compressed because we have a bunch of expenses which are not normal still playing out. One of them was unanticipated, which was what happened with GST, but our mitigation for GST, as a strategy, constantly look at how we can replace rooms below Rs. 7,500 to over Rs. 7,500.

So, our ARR in Q1 was 63. So, what Neelendra is saying is that he is going to focus on increasing ARR. So, let us assume a 5%-6% improvement in Q2. In winter, which will go up another 10%, hopefully. So, what you are going to see is more and more rooms being sold at over Rs. 7,500. So, the GST impact comes down. Number two and this is very significant for us; is the amount of money we have spent in renovation. It is an enormous sum. And that will drop dramatically next year, dramatically. So, what should the EBITDA margin, net EBITDA margin be next year on a consolidated basis will not be visible because we will hopefully next year demerge. But if I looked at it, it should be 50% because our performing hotels EBITDA margin is already at the hotel level in the late 50s. As revenue grows, the below-the-line expenses get distributed over larger revenue. And GST, of course, hopefully will reduce and renovation will drop dramatically. So, there is no reason why we should not? And I am saying it in front of Neelendra and putting pressure on him and Saurabh, but there is no reason why our EBITDA margins net should be less than 50%. And this is my statement. You will have to see what happens in Q2 and going on into Q3. And remark you, Q2 will also have a lot of renovation expense.

Neelendra Singh: And let me just top it up. See, I mean, you have seen the trend that our renovation is also tapering Sameet. So that will help. Our ARR will improve. That will help clearly. Our GST impact broadly, I would say, you could still say this is ballpark in the range of 2% of net of our overall revenue. But banking on a much stronger, H2 of the year, I also agree that 50% is not something that is too difficult to achieve.

Sameet Sinha: And that is for fiscal 2028?

Neelendra Singh: Yes.

Sameet Sinha: Or 2026?

Patanjali Keswani: 2027 will not be 47%, it will be better. But fiscal 2028, if we do not do 50%, then we have underperformed.

Moderator: Our next question comes from the line of Dikshi Jain with InCred Research. Please go ahead.

Dikshi Jain: Thank you for taking my question. My first question is regarding the number of rooms that we have added this quarter for management fees. The net addition seems only to be 134 room, whereas we have mentioned that we have opened 334 rooms. So have any hotels management contracts ended? And how do we see these going forward? Are the 2,000-room addition on management contracts gross or will it be net additions?

Neelendra Singh: Dikshi, just to get it right, just to rephrase what you are saying, first of all, we have added 1,300 rooms from last quarter to this quarter, last as in Q1 to this Q1. So, in one year, year-on-year. Did you get that?

Dikshi Jain: I am asking about Q4 to Q1?

Patanjali Keswani: Okay. So, what has happened is one contract we have terminated mutually, which is in Tarudhan Valley, which was a 70-room resort. Then there was a hotel called Nestor Hotel, which we inherited from Keys, which was giving us no fees, but it was in the portfolio. And we have, in fact, taken it to NCLT. So, it was not reflecting in the fees income, but it was reflecting in the inventory. Are you getting me? So between these two, we removed 70 rooms from Tarudhan Valley and 130 rooms from Nestor, which is 200 rooms, but the income loss was only from Tarudhan. It was not from Nestor because Nestor, we were not even charging fees. It had our brand, the Keys brand, and we were trying to resolve the payment they owed to Keys when we acquired it. So you can imagine we acquired it in 2019, and they owe a large amount of money to Keys. So think of it as just notional. The only upside is that if they pay the old fees, which they own to Keys, it is fairly substantial and we get it well and good. But it has had no impact in our revenue perspective. The impact has been with the 70 rooms of Tarudhan Valley.

Dikshi Jain: Okay. Thank you.

Patanjali Keswani: And by the way, just to alert everybody, we are very clear. We are signing lots of hotels. There will be cases where we will terminate our agreements because of a lack of adherence to our brand standards. And so therefore, what one must look at, as you have rightly looked at, is net room addition as we grow more aggressively, there will be a drop due to friction in managed hotels, there will be some losses. But as far as possible, obviously, it will be not material compared to the number of hotels, rooms we open.

Dikshi Jain: Thank you. My next question is regarding the ADR growth that we have seen for the quarter. There has only been growth in Keys portfolio. There has not been growth in Lemon Tree portfolio, Lemon Tree Premier portfolio or Red Fox. How do we see this moving for the next 2 years?

Patanjali Keswani: Well, there has been a small growth in ARR of about 2.5%-3%, if I remember right. The main reason for this is that we have been pushing the retail segment, and we are obviously dropping prices somewhat in order to increase occupancy, and that was specifically based on the conditions of Q1. We are not so affected by inbound travel. What we are affected by is large corporates who are our customers and their managers and deputy general managers who travel, who then stay with us. Now large corporates took a decision, and we spoke to a number of those CEOs actually that they would tighten their belts because of uncertainty in Q1. I mean, we know this because a few of them actually we have spoken to. And that was because of, you see for a large corporate, travel is discretionary at some level. So they were saying some of them inside even told me directly that they have asked their people to do Zoom calls rather than go on actual travel, so that was the impact. But the interesting thing is that we are seeing that coming back in Q2.

Q1, as I said, was an aberration. I still feel and maintain we could have done better. But in Q2, I think all these issues will be resolved. and we will go back to the expected level of improvement in revenue through a mix of ARR and a more balanced mix of ARR and occupancy.

Dikshi Jain: Have we completed any renovations for Red Fox or Lemon Tree Premier where we have seen a good ARR growth?

Patanjali Keswani: Well, look at Delhi, it is the only portfolio, see one reason why you are seeing that Red Fox by Lemon Tree had a negative ARR growth in Q1 versus Q1 previous year was we rebranded the Red Fox Delhi Airport into the Lemon Tree Delhi Airport. But it is the last bit of renovation is left. I think in the entire portfolio of 487 rooms, 37 rooms are balanced, which are currently under renovation. And the sad thing is both the hotels are doing over 90% occupancy. So there is a real loss of revenue, but we will open this by the end of Q2. And these 2 hotels, Delhi are the fully renovated hotels. And now Hyderabad, HITEC City is also fully renovated. So these are showing a good improvement in spite of market conditions not necessarily being conducive. And wherever we have renovated, we see that customer response is good. So now local market conditions may be X, Y Z, but we are confident that this renovation is going to lead to a significant improvement in RevPAR as it plays out by the end of this year.

Moderator: Thank you. Our next question comes from the line of Vinit Agarwal with Bajaj Alternates. Please go ahead.

Vinit Agarwal: Thank you, for the opportunity. Just a couple of questions. One is, with 3 international destinations now operational, which is Nepal, Bhutan and Dubai and fresh Nepal signings this quarter, what is the medium-term ambition for international contribution to network revenue and fees? And are further overseas market under evaluation?

Patanjali Keswani: We are interested in markets which are preferably 3 hours flight from us, where lots of Indians travel because it is time for us to now monetize our loyalty program and the fact that in our existing markets in India, 45% of our demand is repeat. One opportunity, which is very clear is of this 45% demand, only half is in our loyalty program, which still accounts for 2.5 million members. And we find a lot of them in our internal surveys and conversations with them, travel internationally short hauls. So what are the markets where Indians go? The biggest and best market is UAE. You will be surprised to know that in spite of war, the Indian movement to UAE was not significantly affected other than a few days, it is still very much there.

Then the next market is Nepal, where we are already expanding significantly. Then Thailand, specifically Bangkok and Phuket, South of India, there is not so much Sri Lanka, but certainly Maldives. So when we look at this, there are lots of Indians traveling here. And many of them are loyalty program members. So it brings the question that if 32 million Indians travelled overseas last year, over 12 million travel to these 3 markets I spoke about. Actually, it is probably a larger number. This is an old number I have. So it is, in my opinion, a very simple thing, go where your customers go. Marriott did that in the '50s and '60s, so did Hilton. So did other international brands. They always went where their customers who were familiar and comfortable and like their brands, they went there. And there is no reason why Indian brands should not also go international, in my opinion, because we now have the numbers, which is Indians traveling overseas. And why should we not capture that share of the wallet.

Vinit Agarwal: Thank you, and the second question is, like what is the incremental RevPAR uplift you are expecting once the renovation of remaining Keys are also complete?

Patanjali Keswani: I would not say RevPAR uplift. I would say simply that we have a simple target, Keys should generate Rs. 6.5 lakhs per key EBITDA. And if Keys has an EBITDA margin of 50% when it is stable, it means Rs. 13 lakhs - Rs. 14 lakhs per room. So that is what we want. We want a revenue of about Rs. 115 - Rs. 120 crore from Keys and a Rs. 60 crore EBITDA.

Moderator: Thank you**.** Our next question comes from the line of Jinesh Joshi with PL Capital. Please go ahead.

Jinesh Joshi: Thanks for the opportunity. Sir, I just wanted one small clarification from your side. I think our total fees income, which is third-party plus Fleur, it is mentioned at about Rs. 45 crore in the presentation. However, if I look at our pro forma financials, the figure mentioned over there is about Rs. 66 crore. So if you can please first clarify on this part.

Patanjali Keswani: Yes. So that is not fees. In the pro forma, we still have 2 leased hotels in Lemon Tree, which are not being transferred to Fleur because their balance lease terms are maybe 6-7 years. And there is a restriction in our lease agreement that we would not be able to assign it to any other company. So what you are seeing is a Rs. 20 crore, I guess, EBITDA.

Patanjali Keswani: Does that answer your question?

Jinesh Joshi: Yes, sir, pretty much. One second observation as well. So if I look at our network and franchise revenue, the number that we have reported in the presentation, I think the growth is about 29%, whereas for our owned hotels, that growth figure is at about 6%. So just wanted to check this higher growth number is simply due to addition of the managed rooms that we have seen on a Y-o-Y basis? Or does this also have some kind of an impact whereby our network revenue from the managed side is doing slightly better than our own hotels. So if you can just maybe clarify on this part. And lastly, just one short follow-up. What will be our CAPEX for FY27 and FY28?

Patanjali Keswani: So there were many questions. Same-store revenue growth for managed portfolio was in the late single digits; I think it was 9%-10%. One of the reasons is some of the hotels, which we opened last year were not stable in the managed portfolio. So they stabilized this year. So on a low base, there was a higher impact of revenue.

Number two is new hotels that we opened also added to the revenue of the managed portfolio. And what that meant was that while they are not performing at full revenue per fee capacity because they are still new and will take a year or more to stabilize, they are also incrementally adding to the fees income. So if you do a sum of the parts, same-store, 9%-10%, new hotels, additional, and that is what led to this growth.

In fact if what we are saying is correct, then as we add more and more hotels, which is the catch-up of what we signed in the last 3 years, then the rate of growth of fee income will be enormous. And that is something I would recommend you track. That is the first answer. What was the other question you asked?

Jinesh Joshi: Capex figures for FY27 and FY28, if you can just maybe highlight that.

Patanjali Keswani: Okay, we will call you and tell you. I think Nipun says he will give you the exact details because we have to search for these numbers. But what I can say is that next year onwards, OPEX and CAPEX in renovation will meander towards 1% of revenue from what it was in the past 3 years.

Moderator: Thank you. Our next question comes from the line of Vaibhav Muley with Haitong Securities. Please go ahead.

Vaibhav Muley: Hi sir, thanks for the opportunity. My first question again was on the renovation. I wanted to delve a bit more on the timeline. I think last time we met on the call, you had said that a tentative timeline of October for completing the overall renovation exercise. Given almost 75% of the inventory is now renovated, what is the revised guidance on completing the overall renovation exercise?

Patanjali Keswani: Yes. We did 300 rooms in Q1. We think we will do about the same number or a little more this quarter. Let me just give one clarification, renovation is of 3 types. There is high-value renovation, which is Rs. 10 - Rs. 12 lakhs a key. Those are in high-value locations where we feel we will be able to improve both ARR and occupancy like Keys Whitefield or Keys Pimpri. And those are what I would say, large renovations. Those are more or less completely over, except for old Red Fox now Lemon Tree Delhi and a little bit in Electronic City in Bengaluru, which is being rebranded as Lemon Tree Premier and Red Fox Hyderabad, which will also be rebranded as a Lemon Tree Hotel when it is complete in October.

The other renovations are in the nature of much smaller interventions and in fact, in some cases, are basic refurbishments. Keys Cochin, Keys Vishakhapatnam, Keys Trivandrum will go through a refurb, of which I think about 1/3rd or 1/2 is over. But those are Rs. 2.5 - Rs. 3 lakhs per room. So, when we say we are renovating 300 rooms and 600-700 rooms in H1 this year, those are high-value renovations.

What will flow into Q3 and Q4 will be more in the nature of refurbs and quicker turnaround. So, a refurb can take as little as a week and almost a month. And if I refurb 800 rooms in Q3 and Q4, the cost could be much less than the renovation of 300 rooms. So, it is a mix and match strategy because we are very careful and mindful of the money, we spend in each hotel based on the earning capacity that we expect from the incremental investment.

As far as Lemon Tree goes, we will have finished the full renovation of the main hotels and refurbishment of a lot of Keys and other hotels that needed intervention in FY27. In FY28, we will revert to norm, which is really no renovations, but a continuing thing on refurb. Refurb can happen when you need to replace the curtains, you need to redo the upholstery, you need to improve some lighting somewhere, and these are minor costs, which is why I said, typically, we spend 1.2% of our revenue in renovation, and we will revert to norm from next year. There may be a little bit of stuff left here and there. But by and large, the entire portfolio will be new by next year.

Vaibhav Muley: Understood. Just related to this, in Q1, we have seen almost 250 bps impact on margins on account of GST as well as SAR provision. But margin decline has been around 100 bps. I am presuming that part of this is because of lower OPEX part of the renovation in the P&L, which has partly offset the overall impact. Can you elaborate a bit more on how much of this offset was because of the operating leverage and because of the renovation? And related to what you said on the renovation, can we expect improved margin trajectory because of lower renovation in H2?

Patanjali Keswani: We spent about Rs. 9.8 crore in renovation in Q1 which is about 2.25%-2.3% of revenue. So that was the total spend. Now normally, what would we have spent? Normally, we would have spent Rs. 3 crore, which is 1% or 1.2%. It varies, but it is not material. So basically, the incremental spend was about Rs. 6 crore this year. Next year, that will disappear. So, what we expect is there are four or five impacts which have played out. One was a one-off of property tax ex gratia last year. There was now the ongoing impact of GST, which we are hoping to ameliorate. There was the massive impact of renovation in the last 3 years. All these will disappear except for GST. And GST has to be tackled from a pricing perspective, and we are very cognizant of that. So, if you ask me, our EBITDA margin versus last year deteriorated by 1% on revenue, but our spend in renovation was 2.25%. And if you see the waterfall change, it was a reduction in Rs. 5 crore over last year.

Last year, we spent Rs. 15 crore in renovation. So this renovation is now tapering off. So EBITDA margins should recover. And next year in summer, it should be definitely 2%-2.5% higher than what it is this year. And overlay that, that winter EBITDA margins are significantly higher because of season, pricing, demand, etcetera. And that is where you can come to the average of at least 50% net EBITDA margin, which is our expectation next year. In fact, you should see elements of it even in H2 this year.

Vaibhav Muley: Understood. Just lastly if I may add on the 2,500 potential acquisition that we are planning. Given this will be partly operational portfolio and partly greenfield with Rs. 960 crore being infused by Warburg, we already have around Rs. 1,200 crore of debt on the book. Assuming mid- to upper mid-scale sort of a portfolio, will that increase our debt levels to north of Rs. 2,000 crore for a temporary period at the time of acquisition? And does that take your net debt to EBITDA north of three years? Is that a correct assumption?

Patanjali Keswani: No, it is incorrect. I will tell you why. Suppose I am building a Rs. 500 crore hotel and let us assume I take 3.5 years to build it. The immediate payment typically, depending on the land value can be 20%-30% of this Rs. 500 crore, which means I will immediately pay Rs. 100 - Rs. 150 crore to acquire the land. Now of the balance Rs. 350 crore, the way the spend goes is in the first year, you spend only 15% of that because it is towards digging out your basement and making your shell, which is a cold shell, and it is a low cost. Second year, another 25%-30% goes. It is only in the last year, specifically in the last 9 months that you spend up to 30%-35% of the project cost because that is in finishing and in equipment orders.

So, let us make a number. I am building a Rs. 100 crore hotel, I pay Rs. 20 crore plus Rs. 10 crore, I spent Rs. 30 crore this year. I spend Rs. 25 crore next year, and then I spent Rs. 40 - Rs. 50 crore in the last year. Now how does this money get spent? Assuming 1:1 debt equity, which is our general perspective. The first Rs. 50 crore goes from our pocket and takes care of the first 2 years or 2.5 years. In the last year is when you technically require debt, but you also have cash flows. So, we try and match our free cash with that requirement. So really, debt to equity is not what we look at as much as debt to EBITDA. So, we use operating EBITDA, known EBITDA to really look at debt for new hotels rather than fund new hotels based on a presumed EBITDA. So that is a standard risk mitigation practice that Lemon Tree has had from the beginning. Do I make sense to you?

Vaibhav Muley: Yes sir. That is clear. Thank you for the detail answer and all the best.

Patanjali Keswani: Thank you.

Moderator: Thank you. Our next question is from the line of Rajiv Bharati with Nuvama. Please go ahead.

Rajiv Bharati: Good evening, sir. Thank you so much for opportunity. Sir, on the renovation side, put together, we are spending close to Rs. 450-odd crore.

Patanjali Keswani: Including CAPEX.

Rajiv Bharati: Yes. And this will be close to 2 years breakeven. That means, let us say, after 2 years of stabilization, you will add close to Rs. 450 crore in terms of the absolute revenue, right, on the top line side?

Patanjali Keswani: Yes. Maybe not so because the operating leverage of incremental revenue is higher. But we target a 50% of spend as EBITDA improvement.

Rajiv Bharati: Okay. I am just seeing, let us say, from Q1 of FY26 to Q1 FY27, we have seen close to Rs. 28 - Rs. 29 crore kind of a delta. Ideally, the CAPEX which you have done from pre-FY25 or including FY25, close to Rs. 230-odd crore, if I am not wrong, let's say, 1/4th of that should have flown through or maybe 20% because you are saying operating leverage part of that should have flown through even, if everything else remains stable and a delta on the sector's ARR growth should be adding on top of that. Is not that how it should have been?

Patanjali Keswani: Yes, absolutely right. And what you have to look at is where has that spend happened each year in which hotel, that is what we track and how has that hotel performed 2 years later. For example, we spent Rs. 11 crore in upgrading Keys Pimpri. I am just giving you an example. So how is Keys Pimpri's delta in EBITDA before and after that spend. That is what we look at.

Rajiv Bharati: No. So, the Pimpri example is one which has been highlighted, whether which will be taken. Any other case study which we have?

Patanjali Keswani: Yes. Lemon Tree Premier Delhi, which has been fully renovated, have a look at that. Nipun, will you share some numbers with him on a phone call? So, what are the fully renovated hotels? Now this year, it is now finally Lemon Tree Premier Hyderabad, Lemon Tree Premier Delhi. By end of this quarter, it will be Lemon Tree Hotel Delhi. There will be Keys Whitefield, these are the high-impact investments. So, like Lemon Tree Delhi, both the 2 hotels will have accounted for Rs. 50 crore of renovation expense. So has the EBITDA gone up by Rs. 25 crore is the question. So those kinds of numbers, we will be happy. Actually, what you need to see here is the breakdown of where the money has been spent, and what is the incremental EBITDA once it has stabilized and reopened. I mean, opened as a renovated hotel, and those numbers are very visible.

Rajiv Bharati: Yes. So, the request is that, is it possible to put more case studies like you have shared with the Pimpri one?

Patanjali Keswani: Sure. In the next Investor Presentation, why do not you take Lemon Tree Premier Hyderabad, Lemon Tree Hotel, Delhi, wherever we spend large amounts of money. I think we spent Rs. 35 crore in Hyderabad, Rs. 30 - Rs. 35 crore, Rs. 50 crore Delhi. That is Rs. 85 crore, which is over 20% of our total spend. Have a look at that. Start showing more and more hotels. I think you want more transparency, we will give it to you.

Moderator: Our next question comes from the line of Shubhi Gupta with Trinetra Asset Managers. Please go ahead.

Shubhi Gupta: Sir, most of my questions have been answered. Just one question. The investments that we are doing on the technology side, what kind of contribution should we expect towards bookings from this?

Patanjali Keswani: So, investment in technology is three. One is impossible to quantify in terms of return on investment, which is improvement in efficiency, which is an ongoing process. Now just to give context to everybody, Lemon Tree, I must confess, in the first 15 years of its operations, had a bunch of its technology stack. The architecture was very, I should say, archaic. We used to work with Excel spreadsheets. We had a small revenue management system. We had a multiple set of vendors providing property management system, point-of-sale system, so on and so forth. Just after COVID, I think Kapil decided to put an ERP in place. Is that correct?

Kapil Sharma: Correct. Yes.

Patanjali Keswani: So, the first 1.5 years went into ERP. And implementation of that itself was quite a nightmare. Then we said now we need to look at Lemon Tree as it is growing because at that point, we were accelerating our signed contracts, which is 2024 when we signed 3,500 rooms. So, what do we need to be far more efficient as an operating company?

Then number two, where can we capture clear upsides through revenue management, through better sales, how do we integrate with and how do we use providers like Salesforce, which we felt we could finally afford? And what are the other steps like loyalty program, our website, so on and so forth, which we needed to upgrade.

Now that was for the last 2.5 years, that is what we have been doing. Some of them have hit MVP 2, some have MVP 1. And what we have done is started rolling them off across our owned portfolio because we did not need to ask any owner for approval for it. And I can say broadly that certain targets have been met. Certain are still work in progress.

Now we have got Kartikeya on Board, who is the Chief Digital and Technology Officer of Coca-Cola. He now runs our technology vertical. He has been studying everything in place, and we are looking for further improvements in our offerings. But right now, it is still very much an in-house thing. Our intention is once we have rolled it out to our satisfaction within our existing portfolio, then we will look at the managed portfolio and offer them these services. And in our new contracts with the managed hotels, we have specifically said that technology upgrades and so on will be at their cost and will be linked to our brand standards.

So, to summarize, we are recognizing these investments, although we are OPEX-ing it mostly. They are also investments in terms of monetization opportunities with our brand. And this is something that will play out over my best guess is next 2 years. And then I think we will be able to actually give ROIs once we export it to third-party hotels.

Moderator: Our next question comes from the line of Nikhil Poptani with Kizuna Wealth. Please go ahead.

Nikhil Poptani: Yes, hi sir. Thank you for giving me the opportunity. So, my first question is that our non-negotiated room, as we have already mentioned that we try to fill in the detail. So, can we expect the negotiated rooms to go up back in the mix? And how much would be the pricing impact for that, if our negotiated room, the mix goes up back? That is my first question.

Neelendra Singh: Hi, Nikhil, this was definitely, yes. I guess like I said, as we achieve more balance, which is already visible in July and August, you can certainly see in the next presentation, you will potentially notice a better balance of negotiated and non-negotiated business, no doubt about it. It will be difficult for me to comment speculative depending on the seasonality, the rate and the ARR for different segments differ. But I can tell you this for sure that the balance between retail or negotiated and non-negotiated will be better Q2 onwards.

Nikhil Poptani: Sir, my second question is that on an average that we are going to add 2,000 rooms in coming 4 years from 2026, 2027, 2028, 2029, 2030. So, when we are targeting 50% EBITDA margins, so when the fixed cost comes up, will not that impact our margin a little bit?

Patanjali Keswani: Let me explain how does net EBITDA come. Net EBITDA comes hotel level, less below-the-line expenses. As our revenue grow, the below-the-line expenses, which do not grow significantly, we made all the investments we need in technology and in people. They will not grow at the rate of growth of revenue. So below-the-line expenses, which is fundamentally corporate expenses as a percentage of sales, will keep reducing as a percentage of sales.

When we say that we are targeting in Lemon Tree to ultimately have an EBITDA margin of 75%-80%, it means really, we are saying we will double our management fee income and our below-the-line expenses, which is basically talent and technology as a percentage of revenue will then drop to 20%-25%.

Now with growth, what happens is fixed costs get distributed and margins expand. Variable cost is something we are very focused on. It is something we constantly look at seeing how we can reduce it. And typically, in our company, our hotel expenses, half are variable and half are fixed.

So, the way we look at it is that variable costs will grow at the rate of growth of occupancy and fixed costs will grow at the rate of inflation, and that is what we try to achieve, which is why we said next year, if our revenue grows 'x,' whatever that 'x' is, and I do not want to give guidance there. And I am talking now consolidated and not disaggregated, then the EBITDA margins expanding to 50% is not a big deal. Plus, please do not look at Q1, Q1 is an aberration. It is the entire year that last year, for example, I think we did 49% EBITDA margins. So, what am I saying? I am saying basically that if our renovation expenses dropped by 1% of revenue, our EBITDA margins will be 50%. And I would urge you to look at Slide 20. If in FY26, we did 49% of EBITDA margin with a 5.8% impact due to GST, technology and renovation, we are saying GST will increase to 2%, which it will. Technology will increase by 50% from 0.6% to 0.9%. However, renovation will drop. So, if you look at the sum of the parts, there is a 1% reduction in expenses, and therefore, 49% should logically go to 50%. Is that clear?

Nikhil Poptani: Yes, sir. Now sir, my other question is like on the lines that if we are targeting like, let us say, increasing our average room to Rs. 7,500 plus. So, what would be like the timeline to achieve that? Like would it take 1-2-3 years?

Patanjali Keswani: No, it will not. So let me explain. GST applies for that percentage, the input credit or the input credit we lose is the percentage of rooms that we sell below Rs. 7,500. So, for example, our company average was 52% below Rs. 7,500 and 48% above Rs. 7,500. Our intent is not that we will be able to get rid of all the rooms will not go to Rs. 7,500. Our intent is that this percentage should ramp up so that a larger and larger percentage of rooms are sold at over Rs. 7,500. For example, Red Fox East Delhi will never charge Rs. 7,500. It will never happen. Red Fox Jaipur will never charge Rs. 7,500. So there are hotels, where based on their brand positioning, their location and the markets they serve, they will be in the Rs. 3,000 - Rs. 4,000 - Rs. 5,000 range. But there are plenty of hotels we feel we can reprice in demand dense markets where a large amount of our revenue comes. And that is where the GST impact will progressively reduce, which again, I refer you to the Slide 20. We are saying basically 2% will drop to 1.7% and continue to drop, but there will never be a situation where it will be 0.

Nikhil Poptani: Yes, sir. So the dilution impact will get lower and lower as our mix for the Rs. 7,500 rooms goes up?

Patanjali Keswani: Yes. For example, all the new Aurika's that we are opening will all be over Rs. 7,500. Somebody raised the question that Aurika Mumbai. Aurika Mumbai today has less than 5% GST impact. We will make it 0 by next year. Lemon Tree Premier Mumbai has, I think, about 10%-12%, we will make it 3%-4% by next year. So there are certain markets. LTP Hyderabad, 7%-8%, we will make it zero. So when we look at these markets like LTP Delhi, now it is a Pareto Principle. These account for larger inventory with much higher revenue per room. And as we keep increasing the rates here, the GST will progressively reduce. So please look at it as a weighted average.

Moderator: Thank you. Our next question comes from the line of Rahul Majethia with Stratton Oakmont. Please go ahead.

Rahul Majethia: Thanks for taking my question. So with our accelerated asset-light expansion into Tier 2 and Tier 3 markets, what is the situation regarding regional MICE expansion? So local banqueting, regional MICE, have we restructured our central sales and advertising and promotion teams to capture this demand? Or is this burden purely falling on the franchisee partners? And are we expected to extract higher marketing or franchise fee to fund some national level brand campaigns for these Lemon Tree brands, which are managed by third party?

Neelendra Singh: Great. Rahul. So, for your first question, we have actually modified our sales structure to be able to bring more focus, better relationships and a greater execution strength to each segment. When I say segment, I mean airlines is the segment, MICE and weddings is a segment and travel trade is a segment. Look at our sales structure as led by segments in the headquarters aka airlines, MICE and weddings and travel trade and in the geographies as well through our regional sales structure and which is classified into 3 clusters: North and East, South and West. As we become larger and deeper penetrated into India, there are 2 learnings that we have taken in from the past.

First, the initial Lemon Tree model did not have too much space for banquets. As India has grown and as we have grown, we have learned that weddings and banquet revenue is a reasonable source of revenue. While we will still continue to be in the range of Rs. 7,500, Rs. 2,500 room revenue versus others, banqueting and harnessing these local MICE opportunities is a big revenue source. And hence, looking at that and the general evolution of our chain in that direction, we have, to your point, structured or restructured our central sales team to cater to that. The leaders for these segments, travel trade, MICE, weddings, airlines are also in place now. So, as we execute the second half of the year, we believe that we do expect more output from the segmental opportunities that so far, we have been mild in executing.

To your second question, will we charge more for national campaigns? Not right now. See, listen, we already at this point of time, have a fee structure, which is based on base fee and sales and marketing fees. What we certainly do at this point of time is have a very clear marketing calendar that speaks 2 aspects: one, the seasonality aspect and the other themes for the quarter. For example, the theme that we have been promoting very aggressively in Q1 and part of Q2 is weddings and celebration. And that, I guess, is in the ambit of driving overall messages for all our hotels, including third-party owned at our own. So no, we do not want to charge what is anything additional to what we are charging already to our third-party owners.

Moderator: Thank you. Our next question comes from the line of Shivam Singh with Capital Arch. Please go ahead.

Shivam Singh: Sir, I wanted to ask you, why are we not getting into an airline catering business where we can maximize our F&B revenue or something like that?

Neelendra Singh: Great question, Shivam. I will answer it in my way. Patu, please help me if you want to come in as well. I think the simple answer, Shivam, is just focusing on our strengths. Catering, you know our business model is largely driven on maximizing room revenue. And therefore, F&B is a relatively smaller part of the business. And therefore, our strength of our business model is in driving rooms and associated business. Catering, while it could be an exciting business, but we believe we will keep our focus at this point of time in penetrating deeper into India. And like we always said in Lemon Tree, what we stand for is a good sleep, is a good shower, a good WiFi and good breakfast for our guests who stay with us across the network.

Shivam Singh: And sir, my second question was regarding what portion of our business is related to an OTA?

Neelendra Singh: Yes, late 30s, mid-30s to late 30s. Sometimes it depends on the tactic that we might deploy in that month or quarter. But broadly speaking, it will be in the mid-30s.

Shivam Singh: Sir, when we are spending so much on tech, why not go for it, sir? Like expand our own marketing and getting bookings directly instead of going through an OTA?

Neelendra Singh: 100%. I think that is also a very oft executed playbook, Shivam, where hotels generally tend to drive a higher portion of direct through on the basis of their website and loyalty, which is our plan as well. So not denying that at all. As we get better in our loyalty programs and convert better on our website, this is bound to happen. In fact, in Q1, as we deployed a stronger retail plan, our proportion of business from our direct channels also increased.

Shivam Singh: Sir, what was the enterprise value at which we transferred all the hotels to Fleur?

Patanjali Keswani: The enterprise value is evident in the fact that today, we own 59% of Fleur and Warburg owns 41%. When we transfer everything, we will be 74% and they will be 26%. So, you can work back from.

Shivam Singh: Sir, I have worked on that, sir. Sir, Rs. 960 that they will be investing at a later point of stage, will the valuation remain the same or will that be prevalent to the market scenario at that point of time?

Patanjali Keswani: It is a valuation which is fixed at, I think, USD1 billion. So they are investing in Fleur at USD1 billion. So they are giving USD100 million for 10% primary.

Shivam Singh: Okay, sir. So the post holding would be 36% would be Warburg and the remaining would be with us, right?

Patanjali Keswani: No. The demerger scheme envisages the following. Initially, before they have put in this money, we own 74%, they own 26%. Of this 74%, we will distribute 33% to Lemon Tree shareholders. That will lead to an automatic delisting. Are you with me?

Shivam Singh: Yes, sir. I am.

Patanjali Keswani: And we will then be 41%, shareholders will be 33% and Warburg will be 26%. Now somewhere before this, Warburg will put in USD100 million, and their stake will go from 26% on 100 to 26% on 110 because that additional Rs. 960 crore will give them 10 more shares. Are you with me?

Shivam Singh: Yes, sir.

Patanjali Keswani: Then the shareholding becomes Lemon Tree is 41% on 110. Warburg is 36% on 110 and Lemon Tree shareholders are 33% on 110.

Shivam Singh: Okay, sir. That is really helpful to know, sir. And sir, regarding our growth, when do we see an exponential growth starting, because in the last 5 quarters, we have not been growing at the pace which we were confident of doing at that point of time. So do we see a tipping point after which we start the acceleration here?

Patanjali Keswani: So see, when you say growth, what growth do you mean? Fleur was not a going concern once Aurika Mumbai opened. The capital that was deployed by APG was then agreed to number, and that capital was fully deployed once Aurika Mumbai opened. No further capital was deployed either by Lemon Tree or APG in Fleur. So Fleur after that could have only grown at the rate of its free cash flow. To solve for that and to take advantage of what we felt were opportunities, Warburg bought out APG and then is now putting in additional capital. That will lead to a significant growth spurt, which I think we have already said we are in active discussion, and hopefully, 2,500 rooms, whether operating or under development will come into our portfolio.

So let me give you some numbers. We currently operate a shade under 6,000 rooms. We are building 850 to 900 rooms. If we acquire these 2,500 rooms, then we are talking 3,300 rooms, which will be a mix of operating assets and some assets that will open over the next 3-3.5 years.

So we are saying Fleur will increase by over 50% in rooms by FY30 approximate, but much more in revenue because the incremental rooms that are being bought are all Aurika's other than some operating assets. So you can do your math backwards once we start making announcements, it is easy to do the math backwards because we are actually giving you EBITDA per room for different brands in our quarterly presentations and annual presentation. So all you have to say is how many new Aurika's are opening. This is the average Aurika EBITDA per room into this. This is the Lemon Tree Premiers and so on. So that is one aspect of growth, and I am personally very bullish on it, which is why I am staying on as an Executive Director in Fleur for the next 5 years.

As far as Lemon Tree goes, it is now reinventing itself as an asset-light player at scale. We did not feel we could do this split earlier. Lemon Tree had to demonstrate a high growth in fee income and a large amount of fee income for it to be an asset-light player in India because there is, at present, no asset-light player of scale in India in the hotel space. So in that sense, we are new, and we hope the market over the next 6 quarters will understand what Lemon Tree can generate as fee income and how exciting that is and the rate of growth and appropriately decide what it is worth.

Shivam Singh: Absolutely sir. That was really nice explanation. Thank you so much for it.

Patanjali Keswani: My pleasure.

Moderator: Thank you. Our next question is from the line of Arjavi Marwaha with Marslon. Please go ahead.

Arjavi Marwaha: Yes, hi. Thanks for taking my question. I just had a simple question. What kind of progress have you made towards the demerger in the last quarter? And when can we expect the demerger between Fleur and Lemon Tree, which you just explained in the last question?

Kapil Sharma: Yes. So as you know, as we discussed in the last meeting also that this is that approval stage with the authorities. So currently with SEBI, post we got the CCI approval and some scrutiny by the stock exchanges. So that is in process as of now, post which the NCLT process filing and meetings and hearings would start. So as we pointed out earlier that calendar year 2027 would be the year when this will be completed, but it is not later part of the year, but the first half of that, we should be able to complete this whole demerger exercise and list Fleur within that timeline.

Patanjali Keswani: You have to keep in mind all this are subject to SEBI, to then shareholder vote, creditors' approval and then GST approval, there is a whole process. And after all that, it will still take 1-month, I think, for it to be listed. So conservatively, since we have very little control over many of these approval processes, you can say it is in the late second half of next year. Would you agree with that, Kapil, with some certainty?

Kapil Sharma: Hopefully. Yes.

Arjavi Marwaha: Okay. Thank you, sir. So that will be around 12 months from now. And I guess quarter-on-quarter, we will keep tracking progress. Thank you.

Moderator: Thank you. Our next question is from the line of Vikram Shah with Vikram Securities. Please go ahead.

Vikram Shah: Hi, good evening. My question was more towards the quality of some of our rooms we have had because I keep traveling to Rishikesh, to Delhi, and I am afraid, I hate to say it, but the room quality has deteriorated quite a lot. This is the Lemon Tree Premier as I am talking about. And I mean, I do not want to get into the details too much, but I can see a visible quality deterioration, as I said. What are we doing to renovate or to make these things better?

Patanjali Keswani: Which hotels are you talking about specifically?

Vikram Shah: Lemon Tree Premier next to the Delhi Airport, and then there was the Lemon Tree in Tapovan.

Patanjali Keswani: Well, I am surprised to hear that because the Lemon Tree score has gone to 4.6 on 5 after renovation. So, I do not know which room you stayed in and what happened, but our general customer feedback is fantastic, and our rate has gone up significantly and so has occupancy. I would like to know which room you stayed in. If you can just send the details, we will get back to you. Rishikesh is a managed portfolio property, which needs renovation, and I think it is happening. So Rishikesh will go through renovation, but that is a managed hotel, so, you know, owners have to agree and so on. But I think he has agreed to renovate also. But it would be helpful and we would love to get some inputs from you as to what you found.

Vikram Shah: Of course, this was just for a constructive conversation. So, I would be happy to share it.

Patanjali Keswani: No problem. Please share.

Neelendra Singh: Appreciate that, and thanks for bringing it up. We will come back to you soon.

Moderator: Thank you. We have no further questions, ladies and gentlemen. I would now like to hand the conference over to the management for closing comments. Over to you, gentlemen.

Patanjali Keswani: Thank you once again 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, and we look forward to interacting with you soon. Thank you.
