January 21, 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: Transcript of Investors & Analysts Conference Call

Dear Sir/ Madam,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, transcript of the Investors & Analysts Conference Call held on January 15, 2026, w.r.t. announced of the Composite Scheme of Arrangement is enclosed.

You are requested to take the above information in your record.

Thanking you,
For **Lemon Tree Hotels Limited**

Pawan Kumar Kumawat
Digitally signed by Pawan Kumar Kumawat
Date: 2026.01.21 22:44:25 +05'30'

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

Encl. as above

Lemon Tree Hotels Limited
Investor and Analyst Conference Call
January 15, 2026

Moderator: Ladies and gentlemen, good day, and welcome to Lemon Tree Hotels Limited Investor and Analyst Conference Call.

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

Anoop Poojari: Thank you. Good evening, everyone, and thank you for joining us on Lemon Tree Hotels conference call to discuss the announced Composite Scheme of Arrangement.

We have with us Mr. Patanjali Keswani Executive Chairman; Mr. Kapil Sharma, Executive Director and CFO, Mr. Neelendra Singh, Managing Director and CEO, and Mr. Saurabh Shatdal, CEO 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 presentation that was shared with you earlier. I would now request Mr. Keswani to make his opening remarks.

Patanjali Keswani: Thank you. Good afternoon, everybody, and welcome to this conference call. Thank you for joining us, and I wish you all a belated Happy New Year. The purpose of this call is really to explain the rationale of the timing and logic for this Composite Scheme of Arrangement, which has just been announced. To begin with, I would like to give some context. So please bear with me.

As you know, the hospitality sector in India is currently at the start of a structural upcycle, which has been marked by sustained demand, healthy repricing and a favourable long-term travel outlook. On the supply side, over the last 2 years, we have attempted to position ourselves to capitalize on this by commissioning the Aurika Mumbai, securing a marquee 500-plus room hotel Aurika Hotel at Nehru Place in New Delhi and signing about 7,000 rooms under third-party management contracts. So today, we operate about 130 hotels with approximately 11,700 rooms with another 130 hotels and about 10,000 rooms in the pipeline.

In addition, over these past 2 years, we have also undertaken other initiatives, including very significant investments in extensive renovations across our owned portfolio as well as digital / technology capability building. These will have an enormous impact on our pricing, revenue and margins going forward.

Alongside our network expansion, product improvement and digital initiatives, we have also strengthened our organizational foundation by transitioning to independent professionally led management teams for both Lemon Tree Hotels and Fleur Hotels, including separate Managing Directors for the 2 entities. This structure will provide clarity on accountability and sharper strategic focus as both these entities scale going forward.

Against this backdrop, the corporate scheme of arrangement represents a logical and value accretive next step. The proposed reorganization will result in 2 distinct well-capitalized 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 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 arrangements and strategic alignment.

Post the reorganization in about 12-15 months, 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, including assets like airport hotels in Mumbai and Delhi, flagship resorts like Aurika Udaipur and premium urban hotels in high moat key Indian markets. Its growth will be driven by completing ongoing construction of 3 hotels with 750-plus rooms and acquiring much of the current 2,500-plus rooms, which are under active discussions and pursuing other selective acquisitions/portfolio opportunities, which come up over time, as well as actively enhancing asset level performance.

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 v/s the 59% which Lemon Tree directly owns in Fleur today.

In addition, the primary capital commitment of about Rs. 960 crores by Warburg significantly strengthens Fleur's balance sheet and provides flexibility to pursue growth at scale. This structure allows each business to access capital aligned with its risk return profile, while remaining tax efficient and operationally integrated.

As Executive Chairman, I will continue to chair both companies with direct ownership in each. 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, I come to the end of my opening remarks, and I would ask the moderator to open the forum for any questions you may have. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Jinesh Joshi with PL Capital. Please go ahead.

Jinesh Joshi: Thanks for the opportunity. Sir, my first question is on the ownership structure of Lemon Tree in Fleur. Now any specific reason to design the structure in a way whereby Lemon Tree continues to own an indirect stake in Fleur. I mean was it not possible to design the structure whereby shareholders of Lemon Tree directly get shares in Fleur as a consideration for the transfer of room?

Patanjali Keswani: Let me explain this in a slightly different way. Currently, there is obviously a case to be made that all 74% of Lemon Tree shareholding in Fleur should be distributed to all shareholders of Lemon Tree. When the Board debated this, and so did, I think, Warburg, the conversation was along, how does Lemon Tree show it still has skin in the game when it manages hotels for Fleur.

We felt it was prudent to have significant skin in the game at this stage, which means that going forward, it is very possible that Lemon Tree may dilute or even increase its stake over time; this will obviously be a Board decision. But the intent is to show skin in the game and going forward, as Fleur keeps raising capital Lemon Tree would naturally get progressively diluted.

Jinesh Joshi: Understood.

Patanjali Keswani: Sorry, I would like to explain one thing. Since you asked this question, now look, this sounds a little bit like guidance but let me give some idea of what dilution means when Fleur gets diluted, I mean, Lemon Tree gets diluted in Fleur. Let us assume Fleur, just as a number Rs. 1,000 crores of capital after listing in some form, say, a QIP. If this Rs. 1,000 crore is deployed, it should typically lead to an asset turn of about 30%-35% of the capital deployed, which means that Rs. 1,000 crore deployment of capital will lead to roughly Rs. 350 crores. This is through development, Rs. 350 crores of turnover, which means based on our performance, about Rs. 170 crores to Rs. 180 crores of EBITDA, which means that Lemon Tree will also get fees of about Rs. 30 crores. So just to put it in perspective, a Rs. 1,000 crore deployment with Fleur in development will lead to a Rs. 30 crore fee stream for Lemon Tree.

You can put your multiples on it but let me put it this way. this value alone, if it is deployed at scale, this kind of capital in a structural upcycle, which I think will continue for the next 10 - 20 years means enormous fee streams for Lemon Tree. So, I am just giving you some rationale on how we thought about this.

Jinesh Joshi: Got that. Sir, the reason I asked this question is because a direct stake warrant hold-co discount, whereas an indirect stake Fleur does not. so, I was just kind of intrigued as to why we kind of devised this structure. Yes. So that that was the reason.

And secondly, I think the hotel assets that are going to be transferred to Fleur all of these assets, basically what we have stated in the PPT is that a new hotel operating agreement will be signed from 1st of April. So just wanted to say whether Lemon Tree will get a higher fee income from Fleur, given the fact that there is a transfer of development capability that happens from Lemon Tree to Fleur. If you can just clarify on that part?

Patanjali Keswani: Okay. The fees that we charge, rest assured are completely transparent and completely in keeping with norms of other management companies of our size. It is not that Lemon Tree being a 40% shareholder of Fleur will take out a disproportionate share of money as fees, because that would be very unfair to the shareholders of Fleur and long-term to the value that Fleur will unlock for the Fleur shareholders. So that is an assurance and a commitment. By me as actually the Chairman of Fleur.

Number two, the transfer of assets and development capabilities, the valuation has been done by a credible third-party. It is roughly along the lines of what we expected. It is obviously based on, I think, what was it Kapil, a discounted cash flows, so on and so forth, so it was done as it would have been done even if this was 2 separate companies with no ties with each other. And I am in this amusing situation where I am Chairman of both companies, and I was certainly very interested that it should be completely transparent and not open to any debate.

And I think I can commit that it has been done from that perspective. Development capability was an issue which was raised in order to maximize Fleur's growth, we did not want shareholders of Fleur to ever feel that Lemon Tree when it recommends any assets was cherry-picking, which means Lemon Tree would say, I have got this very nice asset in Delhi, why should I offer it to Fleur. It has a very assured return. So, we will develop it ourselves.

In order to have Chinese firewalls, we said development capability and exclusive right to develop hotels would be Fleur's mandate. And it made sense from even an earlier commitment we have been making that we want to transform ourselves into an asset-light, high growth, high ROCE business with a focus on brand management and digital. I think from every perspective, we looked at all the pros and cons and try to make it transparent, fair to both shareholders with as far as possible zero conflict of interest.

Jinesh Joshi: Sure. One last question from my side. I mean do we expect to renew the lease of 202 rooms that are not getting transferred to Fleur or will it be that these rooms will no longer be a part of our portfolio once the lease term expires?

Patanjali Keswani: See, the deal was for, I think, a certain number of years. This was signed very early in Lemon Tree's life. I think the leases get over in the next 5-6 years. In which case, I cannot comment whether the owners will be okay to extend the lease, in which case they may ask for different terms or whether it will simply move into a management contract for Lemon Tree or simply the owners take the assets back and run it themselves will give it to some other brand. Keeping in view this uncertainty we decided not to transfer. It was very difficult to value these two assets.

Moderator: Thank you. Next question comes from the line of Abhay Khaitan with Axis Capital. Please go ahead.

Abhay Khaitan: Hi, thank you for the opportunity. My question is more on how will both Fleur and Lemon Tree like after the transaction is completed. In a sense that, firstly, for Fleur, I know that you have mentioned that there is a Rs. 960 crores of capital that is committed from Warburg Pincus side. But just wanted to understand how will this be expanded and in future, will we see Fleur also going for other brands apart from

Lemon Tree as well? Or will it be now continuing to be an exclusive tie-up? And how will the future of Fleur look like after this is completed?

Patanjali Keswani: Let us put it first is how do we look at this capital raise with Warburg. Warburg has made close to Rs. 1,000 crores available to Fleur. Obviously, this will be leading to some level of, how would one say dilution, for say for Lemon Tree and Fleur. What we understand is Fleur itself will have a few hundred crores of cash available, maybe Rs. 300 crore - Rs. 350 crores of equity cash available in the next 1.5 years to deploy.

Obviously, our first choice is to deploy Fleur's free cash into acquisition/development. Warburg Rs. 1,000 crore is also available. So, we will look at what makes best sense for Fleur in terms of how much capital we deploy internally and from Warburg, how much debt we take in order to grow this portfolio.

If I look at all the negotiations/discussions we are having, and I think I mentioned it in my talk that we are in active conversations for 2,500 rooms. A lot of them are operating assets and a lot of them are going to be development assets. It depends on what fructifies now and what fructifies in the next 12 months. But this is the kind of capital we have available, which means if we go for a prudent 1:1 debt equity. We have potentially about Rs. 3,000 crores available to deploy in this growth before we list. And of course, after we list, then we have an ability to access public markets. How will Fleur operate? Our hope is that speaking from the Lemon Tree operating company perspective, if we continue to generate very good ROCE for the mid-market segment and for the upscale segment. Then we see no reason why we should not continue to be in the preferred operator of choice for Fleur.

However, if there are assets available, which have a different operator, and the operator is doing a good job, and the assets are available for a good price, and we feel that bringing it into Lemon Tree will improve its performance. Then obviously, we will keep that operator. It could be a multi-brand platform. We are not saying it is exclusively for Lemon Tree, but that depends on availability and opportunity.

Abhay Khaitan: Got it. That is very useful. My second again, on the Lemon Tree side now that given that it will be a pure brand manager, what would it do differently now compared to what it has been doing over the past few years. And in terms of will be looking more acceleration in terms of managed contracts or will be looking at expansion of number of brands that we have. So, what is the sort of vision there once it transitions to your brand company?

Patanjali Keswani: We currently have about nearly 12,000 rooms in 130 hotels in the next 3-4 years, it will be as of today, 260 hotels, about 22,000 rooms. We typically add 4,000 - 5,000 rooms a year, and Fleur, I hope will add 1,000 or 2,000 rooms a year, of which we will get a share. We think if I did some crystal gazing, and this is not guidance, I am making guesses. In the next 3-4 years, we would certainly like to be 30,000 - 40,000 rooms, a large, in fact, the largest operator in this space with very significant fee income. And in fact, internally in the Board, the question then was what we do with this cash flow because we are going to be nearly 100% asset-light. And that would require, in fact, the Board to define a dividend policy or a shareholder reward policy, which I have no doubt we will be coming out with in the next few months. And therefore, Lemon Tree will morph into a rewarding shareholders company. And Fleur will be continuing to be an asset-heavy asset-owning company and with its own risk/reward profile.

Abhay Khaitan: Got it. In terms of brands, are we looking at expansion on to further brands?

Patanjali Keswani: No. We do not want to confuse our customers. We feel Lemon Tree is very widely recognized. In fact, once upon a time, MakeMyTrip CEO told me that the minute you open a hotel with the Lemon Tree brand, 20%-25% of the occupancy comes from us straight away. And we would like to, therefore, continue building our brands rather than adding more and more brands. We feel we have more than enough brands.

Moderator: Thank you. Next question comes from the line of Kaustubh Pawaskar with ICICI Direct. Please go ahead.

Kaustubh Pawaskar: Good afternoon, sir. Thanks for giving an opportunity. Sir, my first question is on debt. So now on Fleur's balance sheet, there will be around Rs. 1,300 crores of debt. As you said that you are expecting 1:1 debt-to-equity ratio. We should be comfortable with debt remaining at this level and there should not be any significant increase unless there is any good acquisition. Is it the right understanding?

Patanjali Keswani: No. See, debt, here is our thought. The way we look at risk mitigation and management on the asset-heavy side of the businesses. I am talking now about Fleur. Firstly, when this demerger happens, all the debt, including the Lemon Tree's debt, after adjustment is being transferred to Fleur. Fleur will have 100% of our debt and Lemon Tree will have zero debt. Okay. So, what will Fleur's debt be on an ongoing basis by end of next year, by the time of this demerger would be around Rs. 1,300 crore including Lemon Tree's debt which will be transferred. What will Fleur's EBITDA be after paying all fees and expenses, would be $100 million next year. So, what are we talking? We are talking that you have a Rs. 900

crore EBITDA and a Rs. 1,300 crore debt. This is now the question for debate that we are going to deploy another up to Rs. 1,300 crore - Rs. 1,400 crores, maybe more of equity then I think in order to maximize return for Fleur shareholders within acceptable risk levels, we should be able to borrow another Rs. 1,300 crores. Which is what? Which means that with a Rs. 900 crore net EBITDA and a debt of maybe Rs. 2,500 crores, we should be quite safe because this deployment of capital will lead to acquisition of some EBITDA because we will acquire hotels and some future EBITDA, which is the pipeline. This is the mix and match we are looking at.

And I think our EBITDA levels, at least in our modelling, look so sustainable and large that I think it will be a little bit of a surprise to the market when you look at the net EBITDA of Fleur in 1 year from now.

Kaustubh Pawaskar: Is it fair to assume that Rs. 2,500 crore - Rs. 2,600 crore kind of funds, which you will be having, that will suffice for the expansion of rooms. What you have given in the presentation, there is 756 rooms, which you are adding on your books, plus the acquisition, what you are planning to do in terms of properties you are looking at?

Patanjali Keswani: Let us go back for a minute, Kaustubh. We have 750 rooms under-construction, where Shimla will be ready this coming year, which is about 100 rooms, another 160 rooms from Shillong will be ready in the following year. So, these two hotels will 100% be ready by the time this company lists, we will have these 250 rooms definitely. Aurika Nehru Place will take 4 years. It will require maximum cash in the last year. So, we will take care of it with free cash flow in, say, FY29 or FY30.

Now we come to these 2,500 rooms we are talking about. Let us assume it costs Rs. 1 crore a room, which is Rs. 2,500 crore is roughly what I am saying. So, it all depends on what we acquire, which is operating EBITDA, where we can take debt, what we acquire as development assets where we look at cash required to build that asset out and therefore, when do we take debt. Debt-to-EBITDA will be a moving number. But rest assured, it will be highly risk mitigated.

Kaustubh Pawaskar: My second question is on the portfolio mix. Under Fleur, will it be more towards Aurika and Lemon Tree as you are tapping to the premium and mid-premium kind of a segment or it will be a mix of everything?

Patanjali Keswani: It will be more Lemon Tree and Aurika. The asset-light side of our business, especially in the economy and lower mid segments will be driven by Keys or Red Fox.

Kaustubh Pawaskar: And sir, my last question is on the margin front. Fleur, we have seen that margins over the past 2 years have reduced mainly because of the fact that a lot of renovation has happened. Now we are at the end of that renovation phase and from here we should start seeing benefits of those renovations coming in. So, should we expect Fleur to achieve EBITDA margins of around 44% - 45% over the next 2 years, and there is a scope of further improvement considering the fact that you are focusing on at the premium end of the segment?

Patanjali Keswani: Actually, I did not explain. These 2,500 rooms, we are under active discussion. I think we will make some very interesting announcements of a very large portion of this in the next 3 months. Would you agree, Kapil and Saurabh?

Kapil Sharma: Yes.

Saurabh Shatdal: Yes

Patanjali Keswani: Okay. So that will be something interesting for the market to see. And it will be significant. Let me assure you. Now we come back to short-term pain and long-term gain. The Indian stock markets whip you for a quarter performance without seeing the upside on the long term. Let me actually just put this on the table.

In this year, besides everything you mentioned, what is the other hit to Lemon Tree and Fleur. There were two regulatory interventions, one in GST and second in Labour Code. GST meant that any hotel where we do not charge Rs. 7,500, we no longer were entitled to input credit, and that would hurt us fairly significantly. We were starting to focus on taking more and more rooms, at a price above Rs. 7,500 obviously subject to market accepting it.

Labour code will hit us one-off quite significantly. I think it will be close to Rs. 16 crores to Rs. 20 crore this quarter. Then if I put everything together, what you said and what I am seeing, which is what are the one-offs. The one-offs are the massive full-scale renovations we have undertaken last year, this year and next year. The impact of labour code onetime and the impact on an ongoing basis going forward.

The ex-gratia of about Rs. 20 crore that we have paid this year, which is OPEX. The technology and digital investments which we are making, the onetime property tax that we were asked to pay at Delhi Airport suddenly, which is close to Rs. 8 crores to Rs. 10 crores. If we put all this together, the incremental impact on our EBITDA margins will be 5% of revenue for FY26 and FY27.

And then it will revert to norm by FY28. So let me explain this. Our all these costs, excluding the one-offs, put together should be 3%-4% of revenue. But this year, it will be 9% of revenue. Obviously, the EBITDA margins will be 5% below what they should be this year and next year. The renovations will only be over by H1 next year, after which the EBITDA margins of Fleur will be north of 48%.

Moderator: Thank you. Next question comes from the line of Sameet Sinha with Macquarie. Please go ahead.

Sameet Sinha: Yes. Thank you very much. Couple of questions here. Mr. Patanjali, you said by the end of 3-4 years, 30,000 to 40,000 rooms, are we talking these 30,000 to 40,000 rooms would be operational or they will be operational plus pipeline?

Patanjali Keswani: Well, then it would be 40,000 rooms, including pipeline. The point is, Sameet, that we signed 5,000 rooms but we will open 3 years later. So, it depends on how many operating assets we signed, how many greenfield, how many brownfields. So, I am saying 40,000 will definitely be including pipeline. How many are operating difficult to say, but I would say it should be north of 20,000, - 25,000.

Sameet Sinha: Got it. Okay. Perfect. Second question is what is with this transfer of these rooms from Lemon Tree to Fleur, I think it was 1,565 rooms or so. What was the implied valuation that you used to get at to issue those 5 crore odd shares?

Patanjali Keswani: There were 2 valuations. One was discounted cash flow, which was done by a third-party valuer. And one was the giving up of development capability and transfer of 2 hotels, which is Shillong and Shimla. I would say, if you look at it, it was roughly for every 100 shares with Fleur, 58 new shares were issued.

The new share capital of Fleur would be 158 shares, of which Lemon Tree directly has 59 plus.

Warburg is buying APG's 41, which on 158 is 26 and the balance, 52, 52 out of 158 is going to Lemon Tree shareholders, including me. And that will how Fleur will automatically be a listed entity.

Sameet Sinha: Got it. As you were doing the due diligence on this event, Lemon Tree becomes a unique asset, right, with really high margins, high growth rate, high ROCE, which is probably not seen in the hospitality industry globally. What sort of comparable company analysis that you do undertake to kind of arrive at the valuation for that?

Patanjali Keswani: Very good question. I was hoping you would answer it, Sameet, or our transaction adviser Morgan Stanley. But here is what we see. Typically, obviously, asset-light capital non-intensive businesses with high growth have much higher multiples than asset heavy.

But asset heavy businesses with high growth also command higher multiples, as you can see in the Indian asset companies, than those asset companies that are not growing quite so fast. Basically, the difference in multiple is the implied growth premium.

What I see happening is Fleur will 100% have a net EBITDA north of Rs. 1,000 crores within by FY28, without doubt. Okay. Now the question is how many of these 2,500 rooms we get, how many more do we add on? What will the EBITDA of Fleur look like in FY28, which is, by the way, what will be valued when we list next year. And what will it look like going forward, which is the pipeline, which will derive the multiple. I do not know. Obviously, we are hopeful it will be something quite large.

As far as Lemon Tree goes, when we look at the numbers, we are talking about EBITDAs, which are very significant, purely from fee income without our 41% share of Fleur Hotels PAT and the implied hold-co discount. After all, I do not feel there should be a significant hold-co discount like HDFC with its subsidiaries, because this is a concentrated portfolio. We are not a conglomerate. It is our business. So, whatever the value of this 41% is in Fleur. I hope it will not be a large discount. Yes, there will be some hold-co discount, but not a very significant discount. So, when we looked at this and we looked at our likely fee stream and the numbers look fantastic for FY28. And we have used comparables here. We have used Indian comparables. Now getting into specific means guidance. But let me just say it is enormously value accretive to where we are today.

Sameet Sinha: Got it. Okay. One final question. Just wanted to understand how the GST, ITC dynamics work. So, in the case, if the hotel room is less than Rs. 7,500, you do not get the credit. Yes, in a hotel, which is, let us say, your rooms, which are different parts of the spectrum, is it proportionate in some way? I am just trying to understand the dynamics.

Patanjali Keswani: It is proportionate. Let me give you an example. If I take last year roughly half of it is above Rs. 7,500 and half is below Rs. 7,500. But if you take our rate increase that happened now, it may be 60-40, which means that if 40% of our revenue, these rooms, which are selling at below Rs. 7,500 then the GST input credit we get is only 60% of the total, which means we lose 40%, it can be a significant impact. Last year, if we work backwards, it would have been about Rs. 35 crore - Rs. 40 crores, is that correct Kapil?

Kapil Sharma: Roughly 3%-3.5% of the revenue. But this is going to reduce, actually. This will be going to be in the range of 1.5%-2% of the revenue.

Patanjali Keswani: But 2% of next year's revenue of Rs. 1,800 crore - Rs. 1,900 crore is still Rs. 36 crores.

Kapil Sharma: Yes.

Patanjali Keswani: It will have an impact. When I gave that, which I should not have given that guidance of Fleur hotels at 48%, it was after adjusting by the way. This I think I had said earlier, our expectation is Fleur on a gross EBITDA before fees and everything else, would have an EBITDA margin of 60%. This is what our expectation is for FY28. And then there are these incremental impacts, but the very large impacts, one-offs will obviously not apply, which is property tax at Delhi Airport, ex gratia and labour code put together, that was what Rs. 60 crores. That will not apply.

The incremental spend on renovation, which is another Rs. 60 crore a year, will no longer apply from FY28. All these costs will go out. The only incremental cost that will come will be the ongoing Labour Code, which is just a couple of crores, and the GST impact and put together, it will be about 2% of revenue.

Moderator: Thank you. Next question comes from the line of Dipak Saha with Nirmal Bang Institutional Equities. Please go ahead.

Dipak Saha: Sir, my first question is with these 202 rooms that we have kept it with ourselves, just on the timeline of these leases remaining, if you can share what are these two properties and what is the remaining timeline for these leases?

Patanjali Keswani: These two properties. One is a 100-room hotel in Indore, and one is a 102-room hotel in Aurangabad. These are both Lemon Trees. They are with common owners, and this lease was signed, I think, it was signed 17 years ago. One lease was for 24 years, so that will get over in 6 years, and one will get over in 8 years I think broadly.

Dipak Saha: Got it. And one last question in this context, sir, is there any divergence in the business strength of these two properties compared to, say, what we have in overall business scenario or is it just because of what you alluded earlier, that is the reason you have not transferred. Just trying to understand from this context?

Patanjali Keswani: No, there was also when we signed a transfer restriction, that it should not be transferred out of Lemon Tree. Normally, if there was 15 years left on the lease, we would have still gone to the owners and said please permit this. But since there was not much time left and there is a transfer restriction, we said forget it. Let it remain in Lemon Tree's balance sheet.

Moderator: Thank you. Next question comes from the line of Samarth Agrawal with Ambit Capital. Please go ahead.

Samarth Agrawal: Yes. Thank you for this opportunity. Mr. Keswani just wanted to understand on the Lemon Tree standalone side, what kind of profitability for the underlying hotels do you expect in the next couple of years because right now at least for the industrial report suggests that your RevPAR growth like-to-like is not exceeding that inflation rate that we have seen for the past few years. So just wondered even for fees, it would make a difference. I just wanted to understand how the profitability for the underlying asset-light hotels would look like in the next couple of years?

Patanjali Keswani: For the asset light?

Samarth Agrawal: Yes. Not for entity, but the management contracts that you are signing right now.

Patanjali Keswani: No, I am a little confused. Sorry, Samarth are you asking about the hotels or are you asking about our fee income growth?

Samarth Agrawal: Sir, my understanding is that as long as the asset-light hotel do well because you get a certain percentage of the GOP and the profit. So, your fees will continue to grow at a good rate. But if the profitability itself of those underlying assets tend to shrink down, then perhaps the fee flow-through might be lower? I am just trying to understand that.

Patanjali Keswani: Okay. So typically for every Rs. 100 in fees that we charge, about 65, two-third maybe 70% is fixed and 30% is variable. The variable is a function of whether we cross a certain EBITDA threshold in percentage terms and so on and so forth. In the worst case, I would charge out of that 30 is zero. If I perform, I will say, 40% EBITDA level for that hotel, I will charge 10%-15%. If I get over 50% EBITDA levels in those hotels, then I charge the full 30%. So, are you with me so far?

Samarth Agrawal: Yes.

Patanjali Keswani: Yes. So, is that clear?

Samarth Agrawal: Yes.

Patanjali Keswani: Okay. Now in some markets, multiple things happen. We manage hotels which are inefficiently designed. Therefore, our ability to get to 50% EBITDA is itself compromised. In other markets, the hotel has got massive F&B and the way to maximize EBITDA is actually through room income and not so much through F&B income.

If you look at the weighted average flow-through, the highest flow-through is through room and then any other fee stream income stream in a hotel. So, there is a hotel, which has a lot of banquets, a lot of restaurants. It is very difficult for us to hit an EBITDA of even 40%-45% because the flow-through of the F&B side of the business is much lower. So, there are multiple reasons, then it could be that a certain market is not doing as well as we thought over the next 3-4 years. Broadly, we take management contracts opportunistically, which means wherever there is a contract that comes up, we are happy to take it and run it. If left to us, where would we deploy capital is a completely different story.

So, when you see the fee income not growing so fast, it could be that in some new hotels we have opened, it is just not taken off yet for multiple reasons. What you should see is a secular trend. And I think if I look at our fee income growth, every year, it is about 20%. But I am hopeful now you see the problem was that we were opening far fewer hotels than we were signing. But going forward, now we will be doing the catch-up and I think you will see fee income grow proportionately.

Samarth Agrawal: Understood.

Patanjali Keswani: Does that answer the question.

Samarth Agrawal: Yes, sir very clear. And just one question on the profitability front. We are looking at different Marriott, all the Hiltons of the world. And what I understand is you are doing higher margins than most of them at around 65%-70% EBITDA margin. So firstly, despite the scale of a Marriott or Hilton, what is that difference which is through which you are able to drive the superior margin and what would the PAT margin look like for the Lemon Tree standalone entity ex of any contribution from its holding in Fleur?

Patanjali Keswani: Let us work backwards for a minute. We expect that our underwriting is that within 2 years, which is by FY28, our EBITDA margin should be North of 80%. If it is 80% and there is hardly any depreciation, there is no finance cost, there is some small depreciation because of the lease of those two hotels. If I take 80% and take out 25% is my tax because there is no write-off on tax. Frankly, my PAT should be 60% of my revenue simple.

Samarth Agrawal: Okay. And sir then why it is the case then perhaps even name like a Marriott is not able to even reach a 50% PAT margin. They are still at around 40% last I checked.

Patanjali Keswani: You should ask them what I should say.

Moderator: Thank you. Next question comes from the line of Kunal Lakhan with CLSA. Please go ahead.

Kunal Lakhan: Yes. Hi, thank you. Patanjali, just taking a step back, just trying to understand the rationale for this transaction, right. Just trying to understand like the challenges that you were facing in the earlier structure v/s today in the new structure. That is because it is essentially that the shareholding of remained the same essentially in terms of the shareholders remain the same, except for the change of hands between APG and Warburg. So that remains the same. So just trying to understand what were the challenges you are facing earlier in the earlier structure v/s the new structure?

Patanjali Keswani: As you know, Kunal, we have multiple types of investors. The hotel business has two very clear subsets: those who design, develop, finance and own hotels. Those kinds of investors want chunky returns are willing to take development risk and are looking at yield income. So, these are normally who invest here. These are like pension funds, insurance companies, they are betting on inflation, re-pricing of these assets due to inflation and a long annuity kind of return. Those who want to bet in the asset-light business are betting on brand, management capabilities, betting on how you grow an asset-light business with very low, hardly any capital intensiveness.

Lemon Tree was a combination of both, and that is our history because when we started this company, I still remember, in 2004, 2005, 2006, 2007, when we had built only 4-5 hotels. Whenever I went to a guy, and I said, listen, let me run your hotel we say who are you. We were forced to build hotels to build our brand. But once we build our brand, technically, we do not need hotels because now it is time for Lemon Tree to monetize its brand, which is enormous recall. I mean, it is amazing when we open a new hotel, when I see the number of repeat guests or members of our loyalty program, it is actually, frankly, amazing. For such a new company, remember, we are 20 years old. Every other operating company is 75 - 125 years old. We are very well recognized. Why should we not monetize it? We have actually separated 2 types of businesses. One is asset heavy, long-term appreciating asset, capital intensive. It has a different kind of investor, and this business has a very different kind of investor, and we wanted to actually attract both types of investors.

Kunal Lakhan: Sure. Understood. My second question was on what was the valuation of the 4 entities that we transfer in absolute terms on this in terms of shares noted, in terms of absolute terms of the valuations of Oriole, Sukhsagar, Manakin and Canary.

Patanjali Keswani: I gave it to you can work backwards. We own 59 today, and APG owns 41. We issued 58 new shares for every 100 shares, which means in that 58, Lemon Tree got, I think, 5 or 6 more for this, which is how it went up to 41 into 158 means, it was 5.5 shares more, roughly. So out of the 58, 10%, that is 5.5 shares went to Lemon Tree because of those 4 companies' merger, and the rest, which was our asset transfer of those 11 hotels and those hotels under construction. They accounted for 53%, which went to the shareholders of Lemon Tree. Does that answer the point?

Kunal Lakhan: Partly because essentially, I still need to the valuations of Fleur, that you calculated in this.

Patanjali Keswani: No. I will repeat. I will explain again. Just write this down. Fleur today, 59 Lemon Tree, 41 APG.

Kunal Lakhan: Yes.

Patanjali Keswani: 58 fresh shares issued. 6 shares go to mentor for those 4 companies' merger. So, 59 shares become 65 shares. 41 is Warburg buying out APG. That leaves out of the 52 shares going to Lemon Tree shareholders. Does it add up?

Kunal Lakhan: Okay.

Patanjali Keswani: Lemon Tree gets 59 today plus 6. That is 65. Warburg buys APG's 41 and 52 shares go to Lemon Tree shareholders.

Kunal Lakhan: Okay.

Patanjali Keswani: Does the math work out for you.

Kunal Lakhan: Let me just work on it and I will come back to you.

Patanjali Keswani: Okay.

Kunal Lakhan: Okay. And my last question is I know it is very difficult to comment, but APG held about 15% stake in Lemon Tree as well in parent entity which obviously included Fleur also in the earlier structure. Now that they are out of Fleur, any outlook on the 15% stake that they hold at.

Patanjali Keswani: They have told me they do not plan to sell, but I do not want to comment. If they do sell, I am sure they will do it in an orderly way. But they are shareholders, they are the second largest shareholder after me. If they do plan to sell, I hope that they do so in an orderly way with our help. But they have told me right now they do not have any intention to sell.

Moderator: Thank you. Next question comes from the line of Prashant Biyani with Elara Capital. Please go ahead.

Prashant Biyani: Sir, can we get the pro forma top line EBITDA and PAT for Lemon Tree and Fleur in their new avatar for the trailing 12 months?

Patanjali Keswani: So, if you go to Page 13 of our presentation.

Prashant Biyani: Yes.

Patanjali Keswani: This shows Lemon Tree but last year. It is, I think, quite different this year, know.

Kapil Sharma: For 9 months also.

Patanjali Keswani: This year, it is a little different because now I give you a number, you will be able to work out Q4, which is guidance and Q3. Fleur is Page 22. If you look at Fleur.

Prashant Biyani: Okay. Sure. And then, sir, how much is Warburg paying to APG for acquiring their share of stake?

Patanjali Keswani: See, this is a transaction between one new incoming shareholder and one other shareholders, it could be at a premium, depending on how keen Warburg was. It could be at a discount depending on how not keen or how keen APG was to sell. I think it is a question you should ask them. I do not want to comment on it, but it was not an unfair value. Warburg, Vishal said in CNBC that it was multiples of what this 9,600 was.

Prashant Biyani: Sir, would Warburg have ROFO on APG stake in Lemon Tree?

Patanjali Keswani: No. But there would not be a ROFO, Prashant, because it is a public company. It is a listed company. You cannot have a ROFO on it. And I do not think, Warburg seeing a big upside now in Fleur. So, this is why they want to take a large stake in Fleur, put in 100's and 100's million dollars for a chunky return. So as far as I know, there is no such a deal between Warburg and APG on Lemon Tree.

Moderator: Thank you. Next question comes from the line of Sumant Kumar with Motilal Oswal. Please go ahead.

Sumant Kumar: My question is for Warburg commitment of Rs. 960 crores going forward. What is the timeline, number 1, number 2 are they going to increase their stake at the level of what APG has in Fleur currently?

Patanjali Keswani: See, currently, when you do the full demerger, Sumant, it is 26% on a fully diluted basis. The Rs. 960 crores if it comes in, will obviously increase their stake and dilute Lemon Tree. Lemon Tree today is 41% they are 26%. If they put in more money there, 26% will go up and this Lemon Tree's 41% will come down. So that is the understanding, but they can only deploy this Rs. 960 crores in the next 12 months. Because once we list Fleur, then if we want to raise capital, and I am sure Fleur will keep raising capital to keep growing. It will be through either through its internal accruals or it will be through QIPs.

Sumant Kumar: So, the current structure of the Lemon Tree has 59% and APG is 41%. So, they can -- we have a similar kind of shareholding going forward for Warburg?

Patanjali Keswani: No. It will now become, if you go to our presentation.

Sumant Kumar: 26%, I understand that, but the kind of investment they are going to do in the future. They kind of can go to that level with more in future.

Patanjali Keswani: 41% no. They might go up a little, a few percentage points. It is nowhere nearby. It is no way. We will always be much larger shareholders than Warburg.

Sumant Kumar: Okay. Got it.

Patanjali Keswani: I know you are trying to find out at what value, and I am trying to make sure I do not tell you. But it is fair to Fleur, it is fair to the Lemon Tree shareholders in terms of dilution, and it will be accretive to Fleur shareholders, actually, and they will never cross or come close to Lemon Tree shareholding, even after dilution.

Sumant Kumar: Okay. And sir, when we talk about the asset valuation, all the few players are listed in the space like X and Y player. Can we assume some premium or similar level of discount to that player on FY26 valuation or FY27 valuation? What Warburg has bought a stake in the company?

Patanjali Keswani: See, obviously, Warburg has underwritten something. They have kind of indirectly shared it, but here is how we are looking at it jointly. Because after all, Lemon Tree is also a shareholder, just a much bigger shareholder than Warburg. What we are hoping is to have a very large EBITDA operating platform, with a very large pipeline, which means what do we want to capture.

We want to capture a very large EBITDA and a large multiple. Obviously, we would like to be in the top quartile of multiple and with a very big EBITDA. So that is the intent. Now whether we get there, how we get there, how do we risk mitigate, how we execute that is obviously the challenge for us.

Moderator: Thank you. Next question comes from the line of Naresh Naiker with Systematix. Please go ahead.

Naresh Naiker: Yes. Good evening, sir. Thank you for the opportunity. Sir, as it is mentioned on investor presentation, you know, Warburg will acquire 41% stake and a primary investment of Rs. 960 crores. Just want to know this investment will come in what form, like QIP, preferential and it will index to Fleur's performance or eventual the listing of the Fleur shares?

Patanjali Keswani: It will come as pure equity on a fair valuation, and this is not QIP. This is a committed line of capital equity. This will lead to growth for Fleur. As I said, Fleur itself will have a few hundred crores of equity, we can take debt on top of it. We can take as much as we want of this Rs. 960 crores. So up to maybe Rs. 3,000 crores of capital with our working, we can deploy in the next 12 months.

This is not a QIP. This is a prelisting investment. Once we list, if there is any balance left of the Rs. 960 crores, we will not take that. We will then, as a public company, go to public markets and raise at public market valuations. Obviously, here, Warburg will not invest in Fleur at a public market valuation 2 years out. It will be obviously at a discount to that, but it will still be a fair value as of today. Does that make sense?

Naresh Naiker: Understood. Yes. Thank you, sir.

Patanjali Keswani: Thank you.

Moderator: Thank you. Next question comes from the line of Rajiv Bharati with Nuvama. Please go ahead.

Rajiv Bharati: Good afternoon, sir. Sir, you mentioned two numbers, one Rs. 1,800 crore and Rs. 900 crores. This you are stating for FY27, is it? Because the Slide 20 you mentioned, which is Rs. 509 crores in 2025 and plus, let us say, Rs. 100 crores, which is sitting in, you know, the EBITDA number, which will come from standalone entity the Rs. 600 crores. You are saying this number by 2027 will go to Rs. 900 crores?

Patanjali Keswani: In FY27, this would go to about Rs. 850 crores post fees, this is all post fees.

Rajiv Bharati: And this includes inorganic also? Or this is your all organic from the current portfolio, sir?

Patanjali Keswani: See, we have a couple of sure shots, we have added that. We have not added, for example, Shimla, we have not kind of really taken into account other than in a very small way. Shillong may open earlier we have just guessed it. So let us put it this way. If I just go current basis, demerger, as I said, in FY26, it is Rs. 620 crores, in FY27, it is Rs. 850 crores. And this includes one or two things we are doing, but most of the capital has not been deployed. So, there is Rs. 3,000 crore we are talking about potentially. I would say 95% of it is not giving any additional EBITDA here.

If we acquire those 2,500 rooms, plus some other stuff we are looking at because those 2,500 are active, there are many more in the pipeline, then this EBITDA number could change based on how many of these are operating assets v/s how many of them are under development assets. I am giving you a broad range. I am saying we are very sure we will do Rs. 850 crore or more in FY27, net EBITDA, and we are very sure we will cross very, very sure we will cross Rs. 1,000-plus crore by FY28.

Rajiv Bharati: Sure. Sir, one clarification. This Rs. 950 crores, I mean, there will be another round of valuation which will be done at the time of infusion, or the current valuation basically will imply there?

Patanjali Keswani: No, it will be at a premium to current value.

Moderator: Thank you. Next question comes from the line of Sucrit D Patil with Eyesight Fintrade Private Limited. Please go ahead.

Sucrit Patil: Yes. Good evening to the team. I have 2 following questions. My first question is to Mr. Patanjali. As India's hospitality sector is seeing rising demand from Tier 2, Tier 3 cities, how do you see Lemon Tree balancing its premium Aurika brand with mid-market offerings to capture this growth? Could you share how the company plans to position itself over the next 2-3 years in terms of portfolio mix and customer experience innovation? Thanks. That is my first question. I will ask my second question after this.

Patanjali Keswani: Thank you. You are being very considerate because I might have forgotten the second when I finish answering the first. Okay. Very valid question. See, what we find is we also start tracking where are our customers coming from, especially retail. While we have a clear idea of where B2B business is growing, which is corporate business, there is retail business growing. We like to see connectivity through airlines, which sectors are going full, what price are they going at which airports are operating full, which airports are expanding, where are new airports coming, where are four lane highway is going, where are Vande Bharat trains connecting India. So, we do a very detailed study of all this.

Based on that, we form certain opinions and then we ask partners. We could ask, for example, MakeMyTrip. Can you tell us where you are seeing maximum traction in terms of demand with cities from which cities to which cities. So, these are things we do routinely. Then we obviously subscribe to certain paid consultancies where we get clearer pictures of, you know, what is happening. What we have seen very interesting is Tier-2, Tier-3, Tier-4 towns. Now how many cities are there in India where there is 5 lakh population or more, about 200. How much consumption comes; discretionary consumption is 95% from these 200 cities. So obviously, we want to be in all these cities, whether asset heavy or asset light.

So, we do further assessments. What we generally feel is Aurika, the kind of positioning we are doing for Aurika should either be in a high-value resort or a high-value location. We are not looking at doing Aurika's in Tier-2, Tier-3, Tier-4. Similarly, Lemon Tree Premier's, again, are position based on ability to pay, willingness to pay and depth of market. So, there is a format for it. And I hope this has broadly answered your question. We have a framework. We are actually now using our digital platform, our AIML to get more and more into this to pop out where we should go for capital investment, too.

Sucrit Patil: Thank you. My second question is to Mr. Kapil Sharma. With rising input costs and competitive pricing pressure, what forward-looking steps are you taking to sustain margin expansion while continuing to invest in new properties and technology? Specifically, how do you see operating leverage playing out in FY 2027? And what benchmarks are you setting for long-term cost efficiency? Yes, thank you.

Kapil Sharma: Yes. As you know, in the operating cost of the hotel, there are two major costs, which is one is the manpower cost and second is the power and fuel. On both the fronts, if you have very focused attention and you clearly monitor it to keep it under control, that you can control your margins and you keep your operating costs under control. So, as you know, we have a very low increase in the manpower cost because of our model, which is relating to the HR. And secondly, on the power and fuel front, we are, as you know, regularly and continuously focusing on the renewable energy proportion. We are increasing the sources, which are renewable sources, the power coming from them, and we have got the target to complete, to make it 50% of the total consumption coming from the renewable energy sources.

So based on this, we would be completely focusing and as you rightly mentioned, we are using the technological solution also to reduce our costs. And that is the main focus areas where we continue to pay our attention and keep the margins at a high level and keep control on the costs.

Moderator: Thank you. Next question comes from the line of Naveen Vijay with NS Capital. Please go ahead.

Naveen Vijay: Good evening, sir. Given the transaction going through, Lemon Tree will have their job cut out in operationalizing all the pipelines. Roughly, what would entail this activity of operationalizing, sir?

Patanjali Keswani: Our operationalizing is we have a D minus 360 strategy. See, these hotels are under construction or under renovation or under upgrade and so on. So, we have a fairly clear line of sight when we need to open these hotels, which is why we give now quarterly, we say we expect to open this quarter, though we report, I think, now every year of reopen.

Once we know that roughly 360 days before, we identify a general manager in our system. Typically, the owner wants to interview him. We identify the heads of departments again in our system. These are all placed depending on the role between 9 to 3 months before the hotel is scheduled to open. Separate conversations happen with the revenue team, the sales team, the revenue management department, so on and so forth, our partners who distribute our hotels. So, we try and build up some pipeline of demand before the hotel opens.

Simultaneously, we start to recruit. Usually, in a managed hotel, the general manager is employed by us but works at the hotel as part of the owner's payroll arrangement. The rest of the employees are employees of that hotel and therefore, that owner. We then identified these people. We try and recruit locally to strengthen local communities. We send training teams from our company. They do a lot of training programs in the last 3 months before opening the hotel, including mock runs. Then we opened this hotel. And any support that the owner needs, he pays for through technical fields. And whether it is relating to the project, whether it is relating to engineering, whether it is relating to housekeeping, whatever it is, ordering, we help with all that. And that is part of the fees the owner pays us. So, it is a very standard process. That is how we have opened 80 hotels in the last 6-7 years, and we will open another 130 in the next 3-4 years.

Naveen Vijay: Great. From what you are saying, most of the pipeline is on the management contract and very few are the franchisees? Is it...?

Patanjali Keswani: That is correct. No, Franchisees is also there, but franchisee is a business we are watching closely because there is an implied risk to our reputation, because the franchiser actually runs the hotel. That general manager of that hotel is not our employee and, therefore, is more aligned with the owner. And unfortunately, in some cases, we have found owners are ready to cut costs and so on and so forth. And that impact is ultimately set by the brand. So, our strategy on franchise is fundamentally different. Our strategy for future growth is strongly focused on technology, which will play a crucial role in maintaining the strength of our brand.

Moderator: Thank you. Next question comes from the line of Manoj Kumar Pal, an Individual Investor. Please go ahead.

Manoj Kumar Pal: Thank you for giving me this opportunity. In fact, the majority of the questions have already been addressed. And one question is sir, as of now as a consolidated level, our ROE is at 18-odd percentage. My question is that after the demerger, what will be the ROE or any guidance on that?

Patanjali Keswani: Actually, I have not even evaluated that. Good point, Manoj. Can you wait till the next concall? We will actually study this. And I am sorry, I do not have a number, but obviously, it has to be superior to where we are today.

Kapil Sharma: But actually, if you look at from the Lemon Tree standalone perspective, which will be an asset-light company, it will have a very high ROCE because there is hardly any capital investment into that, except for technology. The ROE will be very high in the Lemon Tree asset-light space. And I think Fleur as it grows further and adds to its new portfolio, there would be better margins and better ROI on that also. But exact number, obviously, we will have to see.

Patanjali Keswani: Actually, we should know that.

Kapil Sharma: Yes.

Patanjali Keswani: Thank you, Manoj. If you are in the next concall, we will try and answer that.

Moderator: Thank you. Next question comes from the line of Jay Kalra, an Individual Investor. Please go ahead.

Jay Kalra: Yes. Thanks. And congratulations on taking a great leap forward. I would like to ask as to whether the brands, I believe the brands will be now housed with Lemon

Tree. Would you possibly get a royalty or a fee for the brand per se? That is one. And secondly, we are a regional player, let us say, of 2, 3, 5 properties and his own brand come to you and say, could you manage this property for us and onboard us onto your technical systems? Would you do at in Lemon Tree?

Patanjali Keswani: Thank you, Mr. Kalra. I must now go back for a moment. Let me explain what is the global model? In some ways, what Lemon Tree has done now or plans to do through this demerger is follow what Marriott and Hilton did earlier, which is remove all their asset-heavy businesses, and I gave the rationale and put it into a separate company. Marriott did it with Host hotels. And I think these Hilton guys did it with Park Hotels.

Now if you talk to Marriott or Hilton, and I have talked to many of these large global players, if they charge fees, typically, their fees range from 10% to 15% even more of revenue. How do they break their fees up? In their minds, I find if they do a pure franchise, and by the way, Marriott does a lot of franchise. In the United States, 70% of their business is franchise, which means they do not even manage hotels. Typically, their franchise fees are 2/3rd of the fees they charge in a management contract, which means that if they charge \$3, \$2 is towards the brand and \$1 is towards management.

In our model, the way we are looking at growing our franchise business, we also want to capture 2/3rd of the fees that should come if we do pure franchise. Therefore, I am not sure we want to do management because it is not a value-added kind of business for us. The opportunity to franchise 1.5 million rooms in India, in my opinion, is the biggest hospitality opportunity in the world today.

Because India is at a structural point, there will be more and more cohorts of customers who want branded hotels, who are aspirational, who are earning more income, who move into the magic Rs. 36 lakhs or more per year of household income. These are the consumers of midmarket hotels.

We may franchise, but I do not think we will manage without our brands. I do not think we would like to do that. However, if there is an opportunity for co-branding and we manage and the opportunity is relevant enough and large enough and strategic enough, then we would be very open to that.

Jay Kalra: Okay. You would largely manage your own brands and not really take responsibility for another brand coming in? Is that right?

Patanjali Keswani: That is correct.

Jay Kalra: But if it is a franchise and you really wrap yourself around the franchise model in times to come, that would be fine with you if it is a set of properties that come along?

Patanjali Keswani: Absolutely.

Jay Kalra: Okay. And my second question is after the fresh infusion of capital of, say, about Rs. 960 crores, which is what you refer to, would one say that Warburg would get to own about 1/3 of the Fleur Hotels?

Patanjali Keswani: We have not worked that, but it would be less of that, less of that than that.

Jay Kalra: It would be less than that?

Patanjali Keswani: Yes.

Moderator: Next question comes from the line of Vishnu Madat with Greenhill Consulting. Please go ahead.

Vishnu Madat: Hello, thank you for giving me this opportunity. Basically, I have just two questions. One, what are the key risks that you identify or foresee in coming years? And second, what are the plans for international expansion?

Patanjali Keswani: We want to obviously grow our fees faster than the 20% that has occurred in the last 2 years. And there is a reason for that. A lot of investors/analysts have asked us that if you are signing so many hotels, why is your fee income not growing at the same rate. And we found a very interesting thing. We did a study of this, and we found we typically open as many hotels in a year as we signed 3 years ago because that is the time it takes to operationalize. So, if you look at Lemon Tree and it signed 1,500 rooms 4 years ago.

Then we opened 1,500 rooms this year, although we are signing maybe 5,000 rooms. So, what this really tells you is whatever we are signing today, the fee stream will happen typically 3 years later, just as a number. And if you want to do it more rigorously than what you have to look at is what is our fee income per operational room multiplied by this 5,000, we have signed this year and attributed to, say, FY29, and you know that is going to come then.

And you would be quite accurate then, so that is the fee income. So, whatever we have signed in the last 4 years, you have to look at attribute and income per room and then take it forward plus 3 years. Coming to international. I always ask a simple question. Why is it that we are so focused on international travellers coming into India, excluding the Indian diaspora, which is like 9-10 million people.

Why are we not looking at the fact that 30 million Indians travelled outside India last year. So, to me, 1 very attractive market is we are trying to build a connect with Indian consumers in India. If we build a strong enough connect, with a strong enough loyalty program, why should we not follow them where they go in large numbers. And I mentioned where are these places. This is Middle East; United Arab Emirates gets 10 million Indians every year. Even if I take out the migrant labour, there are still 5 million guys who go there every year.

If I look at Thailand, that is another phenomenal market. So, there are clear markets, Nepal, where we are already present. We would like to go where Indians go in large numbers and have our inventory share there where we can attract a disproportionate number of them. So that is a very simple thing. We want to follow wherever Indians go. We want to follow our customers. We have no greater ambition than that. And just to explain one thing, we expect that this 26 million – 30 million trips every year, our best case is that it will be 150 million in 6 years.

Vishnu Madat: Okay. And what are the key risks that you identified for coming in future?

Patanjali Keswani: Key risks.

Vishnu Madat: Yes.

Patanjali Keswani: See, our risk to us, there are 3 or 4 risks. The first risk is if we take our eye off the ball on our brand. Our brand is a very critical strategic value. Whatever is wrapped around our brand or whatever our brand wraps around, that is a very key risk. Second is people. People for us is an enormous risk because the fungibility of a hotel trained person is across industries and hotels are among the worst pay masters and cannot afford to pay better actually.

The third is technology risk and distribution risk. Somebody comes along, say, tomorrow, frankly, Amazon or Meta wakes up and says, I have got 2 billion guys on my platform. And you know what I am going to white label something called Amazon travel and stay, if I get enough of these guys to book through me, I will just ask a question. Give me your budget, give me the type of hotel, give me your itinerary and I will book your hotel room, your airline, your everything that you want, then they will disintermediate everybody. Any no brand in the world can withstand that.

The only answer to that is you should control enough supply in a market, in a micro market where even this kind of strategy does not disintermediate you. So, look at Gurgaon. We would like out of the 4,000 rooms in Gurgaon; we would like 3,000. If we can do that, then nobody can disintermediate you because you control supply. Obviously, we constantly discuss risk, management risk mitigation, but I am trying to give you a flavour of it.

Moderator: Thank you. Next question comes from the line of Anuj Upadhyay with Investec. Please go ahead.

Anuj Upadhyay: Hi sir. Thanks for the detailed explanation of the restructuring. Sorry on my part, if I am repeating this question, but you mentioned that the margin across the Lemon Tree could go up from 70% - 80% over a period of time, and so as to do with Fleur which can fail at around 50% plus. I believe by the time this restructuring would happen, all our renovation exercise would have been done across Keys. So that would take scale on the margin for Keys. But how exactly the Lemon Tree margin would improve from 70% - 80%? And would there be any further scope for margin expansion across Fleur considering the fact, that rate hike could not be as steep as what we have seen in the past 2 or 3 years?

Patanjali Keswani: I am not going to get into specific numbers. We just looked at our management fee of Lemon Tree from Fleur and from third-party hotels this year, next year and the following year based on what we know for sure will happen and we asked ourselves, what are the expenses? The only expenses, frankly, are corporate expenses and technology expenses. If we look at that, and overlay what we expect to spend there, then our margins are already 76% - 77%. So that if goes to 80% is no-brainer, because once we add some more hotels, the corporate staff nor technology expenses will go up, but the Fee income will go up. So, when I said 80%, I am assuming a very small number of that, 2,500 rooms coming in. Because it is an asset-light business, it is just monetization of your brand because all your other expenses are distributed with the owners. As far as Fleur goes, you are absolutely right, I keep saying markets whipped Lemon Tree saying the margins have dropped to 42%-43%.

But that is actually incorrect, we have spent 9% of revenue in these one-offs and this what is called renovations, above normal, 9% above normal. So, minute we go to normal the margin will expand by 9%. It is simple and this is post fees. So, it 42%-43%, I am saying we will be over 50%. But to play safe, assuming there will be expenses, there will be many other things, we have said that we will definitely be 48% of our revenue will be net EBITDA after all expenses.

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

Patanjali Keswani: Thank you, everybody, for your interest and support. We will continue to stay engaged. Please be in touch with our Investor Relations team for any other details or discussion, and we look forward to interacting with you soon.

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