

Issue Details	
Issue Opens	26-Mar-18
Issue Closes	28-Mar-18
Issue Size (Rs. Crore)	1,038.68
Face value (per equity share)	10
Price Band (Rs.)	54-56
Lot Size (No of Share)	265
No of Shares on Offer (crore)	18.54
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	09-April-18

Issue Date: 26th Mar – 28th Mar 2018

Price Band (Rs.): 54 - 56

Lot Size (No. of Share): 265

Company Background

Incorporated in 1992, Delhi based Lemon Tree Hotels is India's largest hotel chain in the mid-priced hotel sector, and the third largest overall, on the basis of controlling interest in owned and leased rooms, as of 30 June 2017. The company operates in the mid-priced hotel sector and its hotels are located across India, in metro regions, including the NCR, Bengaluru, Hyderabad and Chennai, as well as tier I and tier II cities such as Pune, Ahmedabad, Chandigarh, Jaipur, Indore and Aurangabad.

Financials

Particulars	For the year/period ended (in Rs. Million)				
	Mar'17	Mar'16	Mar'15	Mar'14	Mar'13
Total Assets	13,602	13,113	12,965	12,937	12,157
Total Revenue	2,238	1,945	2,242	1,948	1,454
Profit After Tax	54	(163)	(10)	143	(203)

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	31.1	31.1
Public (incl institutions and employees)	68.9	68.9
Total	100.0	100.0

Concerns

- Heavy capex has negatively impacted FCFE generation.
- Potential dilution of shareholding in subsidiaries (Carnation).
- Limited room of average room revenue (ARR) growth.
- Intensifying competition, higher bargaining power of B2B players may restrict ARR growth.

Strengths

- Indian hotel industry highly under penetrated compared to global scenario.
- Hotel industry on verge of turnaround.
- Lemon Tree one of the leading mid-priced hotel chains in India.
- Robust expansion plans to ensure Lemon Tree's leadership position in mid-prices hotel segment in India.

Our View

The price band of INR 54-56 per share and 9 months ended Dec-2017 consolidated EPS of Rs.0.04, P/E works out to be 1400x. Even on standalone EPS of 9 months ended Dec-17, the P/E works out to be 350x. There is only one listed peer, EIH Hotels which is trading at P/E of 90. Company is overpriced considering its past earning history.

It has been incurring losses in the last few years. Company has high capex oriented nature of expansion, low RoCE, higher competition in the mid-scale segment. One should not conclude based on last 1 year performance. We would recommend to stay away from such loss making companies.

Objects of the Issue

The objects of the Offer are to-

1. Achieve the benefits of listing the Equity Shares on the Stock Exchanges.
2. Sale of up to 185,479,400 Equity Shares by the Selling Shareholders.
3. Company expects that listing of the Equity Shares will enhance our visibility and brand image and provide liquidity to our shareholders.