Lemon Tree Hotels Limited

March 19, 2019

Summary of rating action

Instrument	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based – Term Loan	99.37	[ICRA]A- (Stable)
Long-term/ Short -term – Fund Based Working Capital	30.00	[ICRA]A- (Stable) / [ICRA]A2+
Short-term/ Short-term – Unallocated	4.11	[ICRA] A- (Stable) / [ICRA]A2+
Total	**133.48**	

Material Event

On March 13, 2019 Lemon Tree Hotels Limited (LTHL) intimated the stock exchange regarding signing of a non-binding term-sheet with Berggruen Hotels Private Limited (BHPL or Keys Hotels) and Berggruen Investments (Holding company of BHPL) for acquisition of 100% stake in BHPL, directly or through its subsidiaries. The consummation of the transaction remains subject to due diligence and requisite regulatory approvals.

Impact of Material Event

The ratings remain unchanged at [ICRA]A-(Stable)/[ICRA]A2+ following the company's announcement as the transaction is in very nascent stages with final consummation contingent upon satisfactory due diligence and other requisite approvals. As per discussions with management, the due diligence process may take 2-3 months given the number of properties and diverse locations. Given the early stages, the management has indicated that the transaction size, structure and funding-mix is yet to be finalised.

A successful completion of the proposed transaction can lead to 35% increase in LTHL's operational room inventory, provide it access to currently unpenetrated markets and consolidate presence in few key markets like Bengaluru and Pune. The same is in line with company's long-term strategy to augment its geographic presence and revenues. However, financial profile of target company, purchase consideration and its funding mix will be key variables. ICRA would continue to monitor the developments and will take an appropriate rating action after getting complete details and assessing its impact, if any, on the company's credit profile.

The previous detailed rating rationale is available on the following link : Click here.

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About ICRA Limited:

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