

January 20, 2026

Lemon Tree Hotels Limited: update on material event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating outstanding
Long-term Fund-based – Term loan	44.75	44.75	[ICRA]A+(Positive)
Long-term/ Short-term – Unallocated Limits	101.25	101.25	[ICRA]A+(Positive)/[ICRA]A1
Total	146.00	146.00	

*Instrument details are provided in Annexure-I

Rationale

Material event:

The Board of Directors of Lemon Tree Hotels Limited (LTHL), in their meeting held on January 09, 2026, based on the recommendations of the Reorganization Committee, the Audit Committee, and the Committee of Independent Directors, inter-alia, considered and approved a Composite Scheme of Arrangement involving LTHL, its material subsidiary viz., Fleur Hotels Limited (FHL), and its wholly owned subsidiaries viz., Carnation Hotels Private Limited (Carnation), Hamstede Living Private Limited (Hamstede), Oriole Dr. Fresh Hotels Private Limited (Oriole), Canary Hotels Private Limited (Canary), Sukhsagar Complexes Private Limited (Sukhsagar), and Manakin Resorts Private Limited (Manakin). The implementation of the reorganisation scheme is subject to various stakeholder/ regulatory approvals.

If the reorganisation scheme is implemented, then w.e.f. April 01, 2026:

- Carnation and Hamstede (wholly owned subsidiaries of LTHL) will be merged into LTHL.
- Oriole, Canary, Sukhsagar and Manakin (wholly owned subsidiaries of LTHL) will be amalgamated with FHL. In addition, 12 hotels (11 operational hotels and one under-construction hotel at Shimla) and development team / capability of LTHL together with exclusivity on all future development / ownership / leasing of hotel assets along with the investment in one under construction hotel in Shillong through a subsidiary of LTHL, will be demerged from LTHL into FHL.
- In addition, the board has also approved the execution, delivery, and performance of the Share Purchase Agreement (“SPA”) between LTHL, APG Strategic Real Estate Pool N.V. (“APG”), Coastal Cedar Investments B.V., an affiliate of Warburg Pincus (“Warburg Pincus”), and FHL, for the sale of APG’s entire shareholding of 41.09% in FHL to Warburg Pincus.
- FHL will receive primary investment of up to Rs. 960 crores of equity capital (in tranches when required), which will provide further capital for its growth.

Impact of material event and the resultant structure of the entities:

The proposed reorganization will create two clearly differentiated and complementary platforms:

1. LTHL, as a pure-play asset-light company focused on offering hotel management, brand & loyalty, distribution and digital services
2. FHL, as a large-scale growth-oriented hotel ownership / leasing platform with end-to-end in-house development capabilities and a potentially large pipeline of room inventory with a significant pool of available capital.

Post the implementation of the reorganisation scheme, the shareholders of LTHL will directly and indirectly hold 73.99% of FHL, as under (shareholding figures below exclude any dilution from primary investment by Warburg Pincus):

- Shareholders of LTHL will directly own 32.96% of FHL
- LTHL will own 41.03% of FHL
- Warburg Pincus will own the balance 26.01% of FHL
- All the hotel assets in FHL (existing and newly transferred from LTHL) will enter into new hotel operating agreements (HOA), effective April 01, 2026.

ICRA notes that LTHL’s reported revenues would reduce substantially post the implementation of the new structure as going forward, Fleur which contributes about 70% of LTHL’s consolidated revenues, will not be fully consolidated. LTHL will emerge as a high margin, high RoCE, and a debt free entity which will focus only on management and franchise business via management fee and would cater to a portfolio of more than 11,000 operational room inventory and more than 9,000 rooms in pipeline. In effect, although LTHL’s scale of operations will reduce post the reorganisation, the evolution of its operating model and balance sheet is likely to enhance its resilience to downside risks in a sector that is inherently vulnerable to demand shocks. That said, in case the company’s financial policy changes in a way that suggests a much higher tolerance for financial leverage, it could weigh on the ratings and therefore remains monitorable. Further, ICRA will track LTHL’s strategy for extending funding support to FHL, as needed, for growth or any other requirement.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Environmental and social risks, Liquidity position and Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Hotels
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Lemon Tree Hotels Limited; the details of the entities consolidated are shown in Annexure II.

About the company

Incorporated in 2002 by Mr. Patanjali Keswani, his friends and associates, LTHL is a publicly listed company that owns and operates 121 hotels with 10,956 rooms under seven brands across 71 locations in India and abroad, as of September 30, 2025. The company’s portfolio spans upscale, midscale and economy segments. Its brands include Aurika (upscale), Lemon Tree Premier and Keys Prima (upper midscale), Lemon Tree and Keys Select (midscale), and Red Fox and Keys Lite (economy). In terms of ownership, a ~23% stake in the company is held by the promoters (the Keswani family), ~15% by APG (a Dutch pension fund) and the rest by foreign portfolio investors, mutual funds, employees and the public.

The company designs, develops and manages properties directly or under its subsidiaries (collectively referred to as the Lemon Tree Group). While most properties in its portfolio are owned by the company directly or through its subsidiaries, a few are operated on long-term lease basis. As on September 30, 2025, the Group had 41 owned and leased operational properties and three properties under development. The total owned/leased inventory across the operational properties stood at 5,759 rooms with 756 rooms under development.

To facilitate rapid expansion of LTHL’s brands across the country, the Group’s subsidiary, Carnation Hotels Private Limited, enters management contracts with asset owners. As on September 30, 2025, 5,197 rooms across 80 properties were under management contracts with additional 8,362 rooms (118 properties) in the pipeline.

Key financial indicators (audited)

LTHL Consolidated	FY2024	FY2025
Operating income	1,071.1	1,286.1
PAT	181.0	243.4
OPBDIT/OI	48.9%	49.3%
PAT/OI	16.9%	18.9%
Total outside liabilities/Tangible net worth (times)	1.6	1.3
Total debt/OPBDIT (times)	4.5	3.4
Interest coverage (times)	2.5	3.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount Rated (Rs Crore)	Current (FY2026)				Chronology of rating history for the past 3 years					
			FY2026				FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long Term	44.75	Jan 20, 2026	[ICRA]A+ (Positive)	Jul 15, 2025	[ICRA]A+ (Positive)	Aug 09, 2024	[ICRA]A (Positive)	Aug 07, 2023	[ICRA]A (Stable)	Jun 02, 2022	[ICRA]A- (Stable)
Working Capital	Long term/ Short-term	-	-	-	-	-	-	-	-	-	Jun 02, 2022	[ICRA]A- (Stable)/ [ICRA]A2+
Unallocated limits	Long term/ Short term	101.25	Jan 20, 2026	[ICRA]A+ (Positive)/ [ICRA]A1	Jul 15, 2025	[ICRA]A+ (Positive)/ [ICRA]A1	Aug 09, 2024	[ICRA]A (Positive)/ [ICRA]A2+	Aug 07, 2023	[ICRA]A (Stable)/ [ICRA]A2+	Jun 02, 2022	[ICRA]A- (Stable)/ [ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loans	Simple
Long-term/ Short-term – Unallocated limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan-I	FY2021	NA	FY2028	3.25	[ICRA]A+ (Positive)
NA	Term Loan-II	FY2020	NA	FY2031	34.55	[ICRA]A+ (Positive)
NA	Term Loan-III	FY2017	NA	FY2027	6.95	[ICRA]A+ (Positive)
NA	Unallocated Limits	NA	NA	NA	101.25	[ICRA]A+ (Positive)/[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	LTHL Ownership	Consolidation Approach
Lemon Tree Hotels Limited	(rated entity)	Full Consolidation
Carnation Hotels Private Limited	100%	Full Consolidation
Fleur Hotels Limited	59%	Full Consolidation
Lemon Tree Hotel Company Private Limited	100%	Full Consolidation
Canary Hotels Private Limited	100%	Full Consolidation
Oriole Dr Fresh Hotels Private Limited	100%	Full Consolidation
Red Fox Hotel Company Private Limited	100%	Full Consolidation
Sukhsagar Complexes Private Limited	100%	Full Consolidation
Nettle Hotels Private Limited (formerly known as Poplar Homestead Holdings Private Limited)	100%	Full Consolidation
Madder Stays Private Limited	100%	Full Consolidation
Arum Hotels Private Limited (formerly known as Jessamine Stays Private Limited)	100%	Full Consolidation
Totally Foxed Solutions Private Limited	100%	Full Consolidation
Hamstede Living Private Limited	100%	Full Consolidation
Manakin Resorts Private Limited (Subsidiary of PSK Resorts & Hotels Private Limited)	100%	Full Consolidation
Celsia Hotels Private Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
Inovoa Hotels & Resorts Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
IORA Hotels Private Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
Hyacinth Hotels Private Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
Bandhav Resorts Private Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
Ophrys Hotels Private Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
Berggruen Hotels Private Limited (Subsidiary of Fleur Hotels Limited)	59%	Full Consolidation
Mind Leaders Learning India Private Limited	37%	Equity Method
Pelican Facilities Management Private Limited (Subsidiary of Mind Leaders Learning India Private Limited)	37%	Equity Method
Glendale Marketing Services Pvt. Ltd. (Subsidiary of Pelican Facilities Management Private Limited)	37%	Equity Method
Mezereon Hotels LLP (Capital contribution by Fleur Hotels Limited & Celsia Hotels Private Limited)	59%	Full consolidation

Company Name	LTHL Ownership	Consolidation Approach
Krizm Hotels Private Limited Employee Welfare Trust	-	Full consolidation

Source: LTHL Q2FY26 results

Note: ICRA has considered consolidated financials of the parent (LTHL) while assigning the ratings.

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