

We aim for minimum revenue growth of 15% in 4 years: Lemon Tree Hotels

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Patanjali Keswani, Managing Director and CEO of Lemon Tree Hotels, spoke to *businessline* on his observations on the hotel industry's historical dynamics, the company's growth trajectory, and its response to the evolving challenges, notably the impact of the Covid pandemic.

From discussing the delicate balance between demand and supply to outlining the company's innovative strategies, Keswani provides a comprehensive overview of Lemon Tree's journey, and its vision for sustained success in the dynamic world of hospitality. Excerpts:

Can you shed light on the hospitality industry's overall growth?

In the hospitality industry, there has been a historical mismatch between demand and supply, akin to the challenges seen in the oil industry. The inability to rapidly add hotel rooms parallels the dynamics of the oil sector, where a small increase in demand significantly impacts pricing. Between 2009 and 2019, hotel supply in India grew at a rate exceeding 14-15 per cent annually, resulting in a six-fold increase in the number of rooms.

This oversupply led to a prolonged down cycle, with prices declining due to demand growth trailing behind supply.

Pre-Covid, the hotel sector in India started to see a reversal in this cycle,

with demand surpassing supply. However, the pandemic disrupted this positive trend. Post-Covid, the industry exhibited an unusual behaviour — prices increased even as demand dropped.

Hotels, including our company, raised prices by 20 per cent after suffering losses during the pandemic. The challenge now is to rebuild demand at these new price points.

Do shed light on the company's overall growth.

Over the past six quarters, our strategy has focussed on increasing pricing and rebuilding demand. We anticipate an inflection point in hotel demand in India, especially when GDP per capita crosses \$4,000. With a substantial investment in hotels and a sizeable room ownership in India, our current focus



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PATANJALI KESWANI

MD and CEO of Lemon Tree Hotels



is on maximising returns by optimising pricing and rebuilding demand in the post-Covid era.

As demand continues to outpace supply growth, we aim to capitalise on this favourable market condition.

At present, we have nearly 10,000 rooms, with 60 per cent ownership. Our future growth strategy focusses on an asset-light approach, aiming to have 20,000

rooms within three years. Over 50 per cent of our rooms are owned by us, but our goal is to transition to managing 70 per cent of a 20,000-room portfolio, retaining ownership of 6,000 rooms.

What segments of hotels are you eyeing for opportunities?

We recognise opportunities in the five-star segment, leveraging our cost

efficiency. Our primary focus lies on the unbranded two-, three-, and four-star hotels. However, we aim to provide value to these segments, as they currently lack brand association.

Our strategy involves both opportunistic and proactive approaches, responding to opportunities and strategically targeting cities with demand to create a network effect. The goal is to enhance the performance of individual hotels while fostering demand contribution across our network. At least 60 per cent of our upcoming portfolio will be in the three-star hotel segment.

Can you shed some information on international expansion?

Ideally, 70 per cent of Indian travellers visit seven or eight key cities, such as New York, London, Dubai, Thailand, Hong Kong, Singapore, Nepal, and Sri Lanka. Our strategy aims to manage and brand properties in these locations without direct investments.

Do you expect the 15 per cent to 20 per cent revenue growth trajectory to continue in the next fiscal as well?

Very much. So, I feel that for the next four years, the minimum revenue growth that we will look at would be at least 15 per cent.

What brands will contribute the most?

At present, Lemon Tree Premier and Lemon Tree hotels, but we expect Orica and the Keys portfolio to also kick in from next year.