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Lemon Tree Hotels to divest 49% stake in two years

SHALLY SETH MOHILE
 Mumbai, 27 June

Lemon Tree Hotels, which has been in a capital deployment phase to expand operations and create assets, will start scouting for buyers to divest minority stake after fiscal 2021-22. Patanjali Keswani, chairman and managing director, Lemon Tree, has said. The move will be a change in tack for the New Delhi-based company that has been investing in assets.

"We have been in a capital deployment cycle. We had to deploy \$800 million (₹5,524 crore). Most of it is done. After investing the remainder \$120 million over the next two years, am going to find partners who can buy 49 per cent, we will have 51 per cent," said Keswani.

The move, he said, will help unlock over a billion dollar of capital for the company over the next two to three

years. "Why carry in your balance sheet a high level of risk that is linked to the assets? Just get rid of it," he said.

To be sure, most of the hotels in India, including the Indian ones that traditionally owned assets, have embarked upon an asset light model for a faster growth and quicker returns.

Lemon Tree is likely to announce a deal with Keys Hotels in the

next two weeks, he said. The mid-market hospitality chain had signed a non-binding term sheet with the Los Angeles-based Berggruen Holdings, which owns two, three, and four star hotels under Keys Prima, Keys Select, and Keys Select. Keys Hotels owns and manages 21 hotels with 1,911 rooms in 19 cities in India.

If the deal goes through, it will be the first acquisition of a hotel chain by Keswani-led hospitality firm that currently has a portfolio of 56 hotels (5,525 rooms) with another 31 hotels (3,275



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 Chairman and managing director,
 Lemon Tree

rooms) in the pipeline likely to be added by calendar year 2021.

The Warburg Pincus-backed company, which raised ₹1,038 crore in March 2018, had then said it had plans to add

3,000 hotel rooms over the next three years. The company has been expanding its footprint at a brisk pace over the past 12 months.

On Wednesday, Lemon Tree



PHOTOS: KAMLESH PEDNEKAR

PORTFOLIO AT A GLANCE

5,525	3,275	8,800
number of rooms at present	number of rooms in pipeline	number of rooms by 2021

announced the opening of Lemon Tree Premier, its upper mid-scale brand. Comprising of deluxe, premier and executive rooms and suites, the 303-room hotel will be operational later this

week. It's one of the 23 such hotels the company plans to have by 2021. It currently has 12 hotels under the Lemon Tree Premier brand.

Lemon Tree expects its upscale brand Aurika, coming up near the Mumbai International Airport, to be up and running over the next two years. The 670-room luxury hotel will be one of the largest five star hotels in India, said Keswani.

The overall consumption slowdown in the domestic market has hit the hospitality sector, said Keswani. Though the occupancy rates have been high, average room rate has been under pressure and has been coming down month-on-month for the last three to four months. He expects the government to announce measures to kick-start the economy and revive consumption.

Lemon Tree's shares closed at ₹64.90, up 0.70 per cent on Thursday. The benchmark Sensex closed at 39,586.41 points, down 0.01 per cent.

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