

Lemon Tree Hotels draws up plan to grow roots overseas

By Sangeetha G. May 18 2015

Tags: News

Having strengthened its roots in the Indian market, Lemon Tree Hotels thinks it is time to expand its footprints in overseas markets. The company is in talks to manage hotel properties in key markets that attract a significant number of Indian tourists.

Lemon Tree Hotels finds Dubai, Abu Dhabi, Singapore, Bangkok, New York and London as cities with potential. expand overseas. "These cities receive a good number of Indian travellers. Food, language and familiar service always provide a comfort zone for visiting Indians. Many of them will prefer a familiar Indian hotel brand when they travel abroad," said Rattan Keswani, deputy managing director at Lemon Tree Hotels.

As per estimates, six to seven million Indians travel overseas every year and the numbers are expected to double in the next five years. Many of the overseas tourist destinations receive large Indian film crews on a regular basis.

Lemon Tree Hotels has already initiated talks with prospective hotel owners to manage their properties in Dubai and Singapore. It is looking to take its Lemon Tree Premier brand overseas.

Lemon Tree, which has been investing in hotel properties and owning them, has of late started exploring management opportunities as well. The company now manages 279 keys under five managed hotels and is adding 552 more keys by 2017.

"Now that we have established the Lemon Tree brand, we are looking at growing it faster through branding and managing properties," he said.

However, Lemon Tree will continue to own hotels as well. It has four new properties in different stages of construction. A total of 1,761 keys are coming up in nine hotel properties under Lemon Tree, Lemon Tree Premier and Red Fox brands. Of these, six properties with a total of 1,436 keys are Lemon Tree Premier hotels, which require an investment of around Rs 70 to 80 lakh per key. The company owns 2,727 keys in 21 properties.

The company was also keen on having a luxury brand in India. However, now it finds that the current market conditions are challenging for a luxury brand. "Only tier I cities can accommodate a luxury brand. The economic size needed to sustain a luxury brand currently does not exist. The demand has dropped, pricing is down and at the current real estate rates it is not viable to have a luxury brand," he said.

"Globally, cost of land accounts for only 15 to 20 per cent of the project cost, while in India it is as high as 40 per cent. Cost of finance is higher in India which the tenure of finance shorter,' he added.