

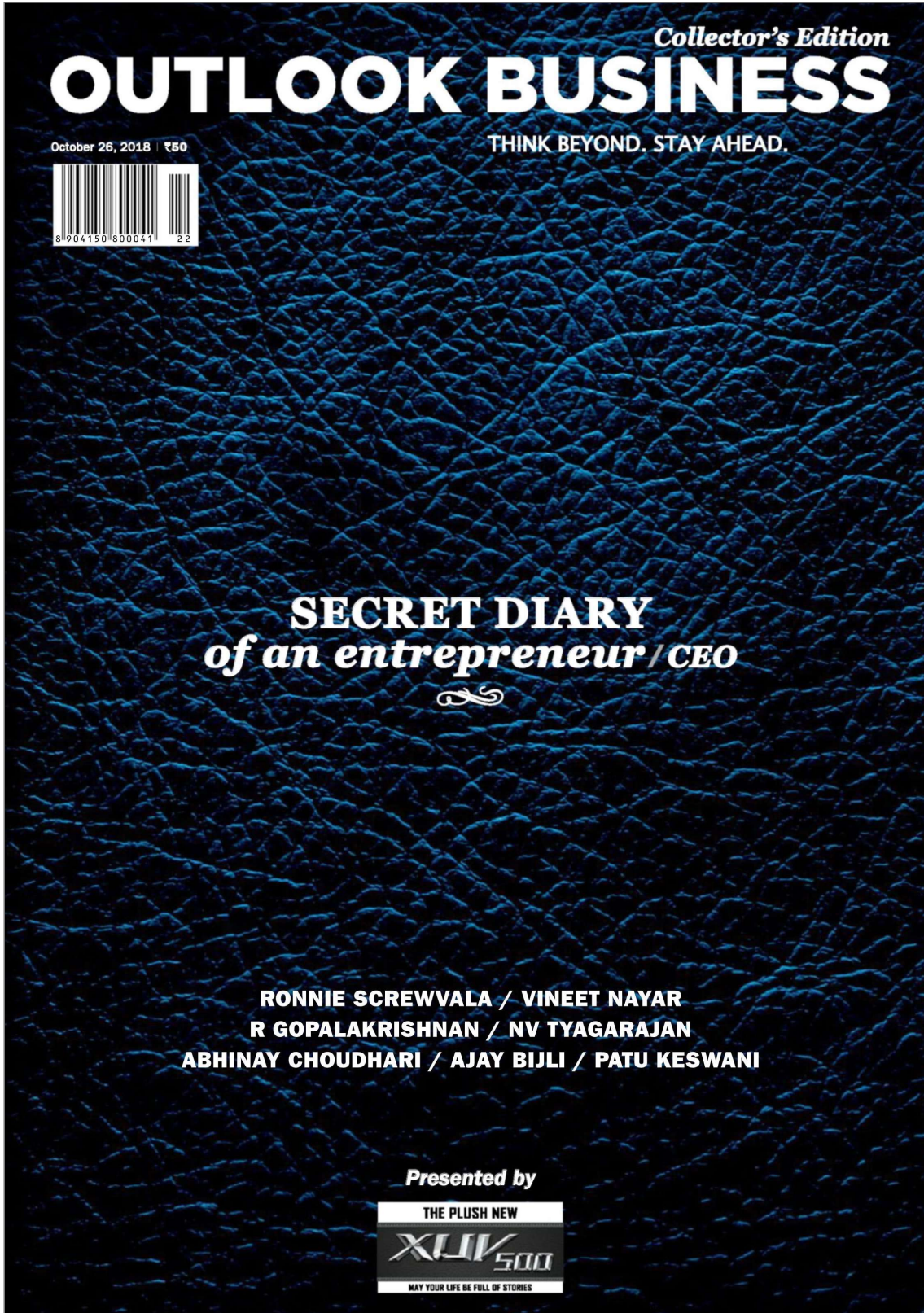
Outlook Business

Page No: 1
Page Name: Cover Page
Size: 8373 sq. cm
AVE: INR 5,672,070

Type: Magazine
Language: English
Circulation: 78,000
Frequency: Fortnightly

National - Oct 26, 2018

News monitored for: Lemon Tree Hotels



News monitored for: Lemon Tree Hotels



OUTLOOK BUSINESS

October 26, 2018

THINK BEYOND. STAY AHEAD.

PATU KESWANI
Founder, Lemon Tree Hotels

VINEET NAYAR
Founder, Sampark Foundation

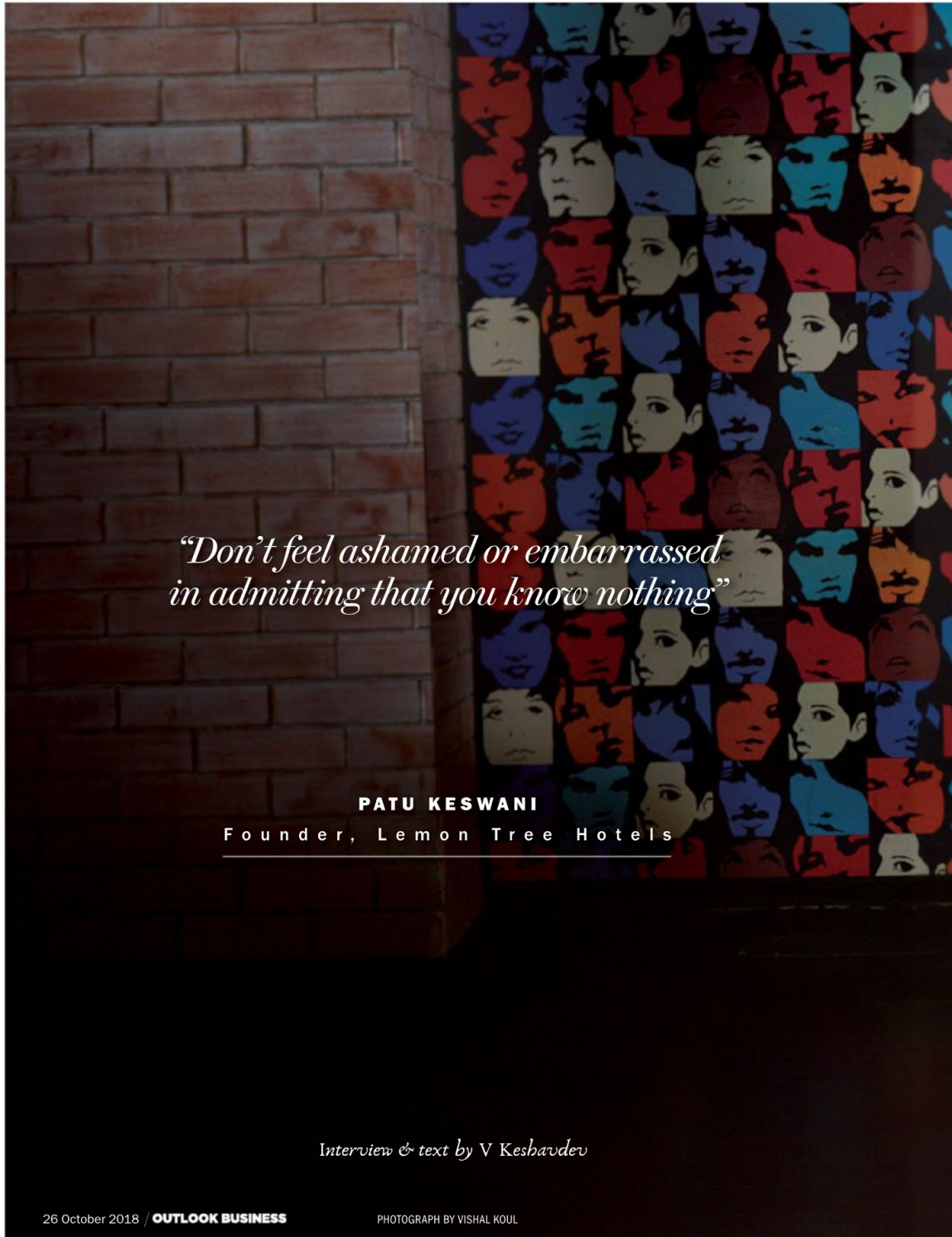
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164 Patu Keswani built a hotel to reach his ₹5 crore retirement corpus but ended up founding India's biggest mid-market hotel chain, Lemon Tree

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SECRET DIARY of an entrepreneur



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*“Don’t feel ashamed or embarrassed
in admitting that you know nothing”*

PATU KESWANI

Founder, Lemon Tree Hotels

Interview & text by V Kesbavdev

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SECRET DIARY of an entrepreneur

I owe my success to Too many things. But more than anything else, it is 'chance'

Eternally grateful to Everyone who has been a part of my journey

The day I felt really low When my parents didn't back my venture

Memorable moment Several, at work; but without a doubt, when my kids were born

Sleepless nights Asking people to leave and when we had to cut salaries

Best friend I have a bunch of best friends. Hence I call some brothers and others cousins!

Favourite movie There are several but The Shawshank Redemption would be at the top of the pecking order, followed by The Godfather

Best days of my life IIT, and the days I spend hanging out with my kids.

My mentor There are several, but Russi Mody was someone I looked up to. Though not a mentor, I have been influenced by Mahatma Gandhi's teachings, which apply in business too...One of which is, why can't we? Why can't our country?

Biggest regret I don't believe in regrets

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SECRET DIARY of an entrepreneur

The first entrepreneur in my family was my paternal grandmother. She got widowed at a very young age, 21, with two sons — my father, who was two-years-old then, and his younger brother, who was one. My granny began tailoring in what was then Pakistan, where my father was born.

My dad never had an easy childhood. Yet, he educated himself — lived on a scholarship from the age of five — to finally qualify as an engineer. He, eventually, joined the Indian Railways. Given the modest background that he came from, my dad valued money and held the principle — never borrow money. That learning has stayed with my sisters and me, so much so that even as an entrepreneur I'm debt averse. Even if I had had to borrow, I have been focused on mitigating any risk arising out of it. I am happy to accept a lower return on equity as long as the risk is commensurately traded off.

Unlike my father, my mother came from a far more privileged background — her dad was a Colonel in the British army. My mother was a doctor and had also joined the Indian Army. She was a captain when I was born. As it turns out, I was an uncontrollable kid and as a four-year-old I would often run on the parapet of our house on the top floor. Things came

to such a pass that my mom had to quit the army because it was either my life or her job! She still believes that had I not been such a brat she would have had a glorious career. In fact, 30 years later, too, it came to fore when one day an ex-army colleague came to meet my mom, and I happened to be visiting her that week. Boy, the glare that my mum gave me after her friend left was like "If it wasn't for you, I too would have had risen through the ranks!"



I was a little 'terror'

Thanks to my dad, from a very young age, I have been comfortable with numbers. When I was three, he used to make me multiply 2 digits by 2 digits.

And when I was four, it was 2 digits by 3 digits. He was very keen that I get admission in St Columba's School in Delhi. It was not easy, but he convinced the principal to give me a chance. On the day of the interview, my dad told the principal, "Call any kid from Class 11 and let's have a math competition." So, in walked a 16-year-old, who was a bright kid, and my father asked the principal to give us any two 2 digits to be multiplied. The principal said 23 and 42, and I answered first. I got admission!

I finished my studies at St Columba's, but I did not know what to do with my life. My mother pushed me towards medicine and my dad, towards engineering. I could not stand the sight of the blood, so it was an easy decision — I applied for IIT. I was 16 when I joined IIT-Delhi.

At IIT, the big challenge was to work hard for respectable grades and, at the same time, have some fun. I discovered that collaboration works best. We were six batchmates and we decided that each guy would master one subject — I was responsible for physics. So, I would attend every physics class,

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make copious notes, and, eventually, master that one subject. We would enjoy ourselves during the week and, every Tuesday night, in an all-nighter, each would train the others in a particular topic for the next day's quiz. By adopting a collaborative approach, we made the best of both the worlds — I became very good at bridge and snooker. But the big takeaway for me was how to work smart and not too hard. There were other colleagues of mine who used to slog for eight to nine hours, but eventually it didn't make a huge difference to their lives.



IIT-Delhi: Where learning was fun

In some sense, my entrepreneurial journey began at IIT because my father had me on a tight leash as far as pocket money was concerned. I used to play bridge at the Delhi Gymkhana Club where my father was a member. I used to go with ₹5 in my pocket and play high stakes, which was ₹5 a point. I would win even ₹100 or even ₹150. So, every week, I would go on Saturday and play with the same principle — have enough working capital to survive a bad streak. I put together a decent kitty, which I later converted into a capital asset, by buying a motorbike for ₹2,700 from my batchmate.

In our wing of IIT-Delhi, there were 18 students and, eventually, all went abroad except me. I could not make it because a severe bout of jaundice and paratyphoid left me bedridden for seven months in my last year and I had to give my final exams in a wheelchair. I was left with two options — joining Philips as an engineer, which was considered a good job, or pursuing higher studies. But I wanted to postpone my entry into working life, so I applied to IIM Calcutta. From '81 to '83, IIM Calcutta was a great time, and I also ended up learning how to play ping pong very well.



Post IIM, I applied for a few jobs and, it so happened, my elder sister Lillete had married an employee of the Tata

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Learning to be a TAS(k) master



Administrative Services, which was considered one of the best private jobs in India, equivalent of an IAS in some ways. I, too, applied to the TAS, and I was lucky I made it there. I learnt an interesting life lesson during my interview.

Given that Tatas are value focused, I remember the vice president of HR, VS Mabesh, asking me a question at the interview: "Would you ever give a bribe?" I said, "Absolutely not." This was the principle that my parents followed and so, under

no circumstances, would I yield. He probed me further by saying, "Okay, I am going to give you an example, and tell me whether you would give a bribe in this circumstance or not?" He said, "Suppose you are with your sister on a bike and, god forbid, there's an accident and your sister is lying bleeding on the ground. No vehicles are stopping by. Along comes an ambulance and you ask the driver to take her to the hospital. He says, I won't unless you give me a bribe of ₹100. Would you give the bribe?" So, I thought for a moment and I said, "Yes, I would. Saving a human life would take precedence over any value system." That episode made me realise that one cannot be too certain in life. In spite of my answer, the Tatas did hire me and I joined TAS in 1983.

Russi Mody: Great human being, great leader

Over the next few years, even as I worked with various group companies, the big learning came during my stint as an executive assistant to the late Russi Mody, the-then chairman of Tata Steel. I used to double as his caddy since he loved playing golf. Russi was arguably the most charismatic leader I have ever met in my life and also the most unconventional. I loved being his caddy even though I myself knew how to play golf reasonably well.

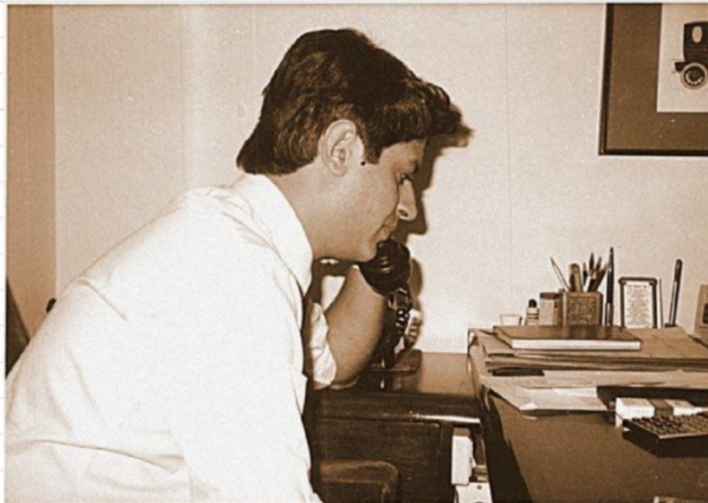


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So, one day we were golfing at Tollygunge, when two youngsters walked up to him and said, "Mr. Mody, we want a job." So, he asked them, "Do you know how to play golf?" They said, "Yes, quite well." He then decided that all four of us would play golf and, eventually, he hired them as they played quite well. Since it was the days of pre-liberalisation, steel was in short supply and the job of a sales guy back then was, primarily, to allocate steel among different customers. The two were posted as sales officers in Bihar. They were a little foolish: despite being entitled to first class rail fare, the two guys used to travel by third class and bill the company first class. They spent ₹60 and billed the company ₹200. As expected, they were sacked on the spot. The two, however, pleaded for an appointment with Mr. Mody and this was in Jamsbedpur.

Mr. Mody asked me to come in for that meeting. At the appointed time, the two entered the room and fell at Russi's feet and said, "Mr. Mody, please help us. What happened is that we both are engaged to two sisters who are from a family that is financially better off than ours. The only reason their parents agreed to the jodi was because we are sales officers at Tata Steel. Please forgive us and take us back." Here, I learnt another lesson. Russi said, "Russi's heart bleeds for you but Mr. Mody can do nothing." It was an eye-opener for me on how to separate personal and professional relations and, no matter how you feel personally, the value system and ethics at work were paramount.

Learning hospitality the Taj way



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After working at Tata Steel for a couple of years, I moved to the Taj Group. In typical Tata style, they made me a resident manager at the Taj Mahal Hotel, Delhi. I hadn't a clue on how to run a hotel.

Here awaited another learning. The same gentleman who had interviewed me, Mahesh, was the-then senior vice president of HR at Taj. So when I got transferred, I approached him for advice: "Mahesh, I don't understand how anything works here. I know nothing about hotels and I have been made the No. 2 of a premier property. So, what should I do?" He replied, "In the first month, just observe and, over the next two months, only ask questions. Don't feel ashamed or embarrassed in admitting that you know nothing." So for the first three months, I precisely did that and it was a great piece of advice. It was a life lesson that never let ego come in the way of learning. Till today, when I talk to people, if they show curiosity and no shame in admitting they don't know something, I see it as a big plus.

Yet another lesson was during my initial days of working with Ronnie Lobo, the-then general manager. On the first day that I joined the Taj, he offered to take me around the huge hotel. As

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An icon, whose advice has stayed etched forever



we were walking, he would often bend down on his knees and pick something off the floor and put it in his pocket. It seemed rather weird for a GM to be doing this. Then I realised that, in fact, he was looking for litter and putting it in his jacket pocket! And then I realised, actually, how clean the hotel was. It was an example of a leader setting the standards.

Incidentally, my days at the Taj coincided with the last phase of Mr. JRD Tata's active involvement with the Tata Group. He was another amazing gentleman and his management style was walking around and meeting his people. One day I happened to be sitting with two people, when Mr. Tata walked into my office. He just came in and sat down. Since I didn't know him well, it was nerve-racking for me and for the other two guys. They soon got up and rushed out. Even I wanted to but since it was my office, I couldn't! Mr. Tata then looked at me and in a very endearing tone asked, "What were you

doing right now?" I replied, "Oh! Mr. Tata, we were discussing a hotel operating procedure which had failed." He asked, "What were you trying to achieve?" I said, "We want to be excellent in the process but we are not." What he told me then has stayed etched in my memory: "Always aim for 100% perfection because you are always going to fail. But in the process you will become excellent." That is the philosophy that I follow even today. I always give my team stretched targets. I know very often that we are not going to achieve it, but in the attempt to achieve that we achieve the real target that I have internally set.

Years later, I remember sending JRD a birthday cake when he was in the mid-90s, and he sent me back a formal thank you note. But in the note somebody had made a grammatical error and, with his turquoise blue pen, he had made a correction. That attention to detail is admirable.

I worked in Taj till 1999, but I did not interact very much with Ratan Tata. I met him a couple of times but my boss by then was Krishna Kumar, who was also a TAS officer. He eventually became a friend. KK, as he was called popularly, became the managing director of Taj and, in similar Tata style, he knew nothing about hotels but was the guy with the right value system and leadership style. So he promoted me as the chief operating officer and I was put in charge of their business hotels.

In my new role, I applied my mathematical, engineering and operations expertise by disaggregating the hotel industry into hundreds of parameters and then re-aggregating them into 180 ratios. I felt these defined the essence of any hotel's operation and financial performance. I sent the sheet to the GMs of the 22 hotels, asking them to fill up the ratios. I am sure they would have thought I was out of my mind asking them to fill this massive sheet which had 180 ratios on the Y-axis and 22 hotels on the X-axis. In three weeks, I had all the data and could identify the best performer in each ratio. There was always one hotel which was an outlier, which had better ratios

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out of the rest, and I created a hypothetical 23rd hotel which had the best ratios of each.

I came to the conclusion that if you have the right culture, inspire people and the right ratios embedded in a business model, one would actually have a very, very successful hotel; in those days, it was a single unit hotel. So I started implementing bits and parts of this when an outing with my friends changed my trajectory.

I was 38-years-old, when two friends of mine and I went for a boys' weekend to the Sawai Madhopur Lodge. Those days single malt was very expensive and not easily available. Over a Friday to a Sunday, we finished two bottles of single malt and decided that, by the time we are 40, we should all retire. Our target was to have ₹5 crore in the bank because, in those days, RBI used to offer 10.5% tax-free bonds for five years.

So, ₹5 crore, 10.5% meant ₹52.5 lakh tax-free income. In the '90s, it sounded like wealth beyond belief. My friends had about ₹2.5 crore of savings whereas I had ₹70 lakh. But I thought I was smarter than them and knew better than anybody how to deploy capital. They were 36, and had four years to reach ₹5 crore, so they would have easily made it, I was 38 and had just two years to hit the target. Making matters worse was that I had hubris — an exaggerated belief in my abilities.



A lesson for life

I borrowed ₹30 lakh from my wife and with a kitty of ₹1 crore started trading on the bourses on margin. Within nine days I was down to ₹3 lakh. So not only did I not have my ₹5 crore, I was financially ruined in just nine days. I calculated that my broker had made much more in commission because I was trading so much. My broker returned my ₹3 lakh via cheque and, as a consolation, gave me a Cartier watch. I was touched by his gesture because here I was down on the ground and expected people to kick my carcass. But instead this guy gave me gratis a Cartier watch.

I was so touched by his gesture that when his daughter got married three months later



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and I had only one valuable item that I owned, a Mont Blanc pen, I presented that as a wedding gift. Unfortunately, six months later my watch stopped working and I sent it to Johnson & Co, the authorized dealer of Cartier. They returned it back saying it was a \$20 fake. So, my new learning was that never give gifts or advice gratuitously but I had to lose 97% of our combined networth in order to learn that lesson! I have still kept the watch — in memory of my hubris.

The episode also taught me that never ever bet the bank, always have plan B, plan C, and plan D. In fact, the bigger the decision, the more plans I have as options. So, for example, when I buy, build, acquire or lease a hotel, I always take the worst-case scenarios. If I can survive that, I might say, okay, I am investing a hundred crore — ₹60 crore equity, ₹40 crore debt. If I find that in the worst-case scenario, the maximum debt I can sustain is ₹30 crore, then I will only borrow ₹30 crore. That is, I will take a hit on equity but I won't risk the entire capital. This is the trade-off that I find people, often, do not make.

Backup!

Plan A

Plan B

Plan C

Plan D

Luckily for me, Plan B manifested when I got an opportunity to work with AT Kearney India CEO Arindam Bhattacharya. Interestingly, he was one of the two friends with whom I had had this ₹5 crore conversation. When I met Bhattacharya, I told him I would work with them for three years and the only question I asked him then was: will I make ₹5 crore in three years? He told me that if I achieve the set targets and milestones, I could easily hit the number.

We shook hands and I remember that my starting salary net of bonus was ₹1 crore, which, at that time, happened to be one of the top 10 salaries in India. It was time to tell KK that I was moving on. I had no intention of being an entrepreneur by the way, and this ₹5 crore target was like a keeda in my mind. I told KK that I want a three-year sabbatical as I would be learning a lot during this period and then I will come back to the Tatas with all that learning. I believe it was the first-time ever that the group gave a sabbatical to an employee to work in another company. Two years into the new job, I had about ₹4 crore. But, more importantly, I wasn't enjoying the role of an advisor.

When I left AT Kearney, my dad and mom were stunned. My parents went with a vengeance after both my sisters and my wife saying, "What has gotten to him? He has two kids and no job." I couldn't afford anything when I started Lemon Tree. I used to pay myself a salary of ₹10,000. My wife was earning then, and it was her salary that ran the house.

I was still thinking of achieving my financial goal as by then RBI's interest rates had come down to 8.5%, and I now wanted an inflation hedge. At AT Kearney, among other things, I had done extensive research on the hospitality industry and realised that there was no mid-market hotel in India. So I thought I would build one with my ₹4 crore and that will be my inflation hedge. Call it circumstances, timing or calling, a friend of mine happened to tell me there was a quarter acre plot

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Lemon Tree opens for business



available in Udyog Vihar in Gurgaon for ₹1.25 crore. I went to see it and fell in love with the location.

I knew that, in India, for a mid-market hotel to succeed, I needed the right location. The public infrastructure would never be enough to support mass transport. Second, Indians love service, so unlike in the west where in the mid-market the cost of service is high, I was particular that the hotel should be full service. So, the only trade-off would be in the design and cost per room. So, I designed the first hotel with

50 rooms and planned to build it in ₹7 crore, including the land cost. I was wrong. At the eleventh hour, when I fell short, having gone over-budget, a few friends put in money. One thing that still rankles is that, when I started Lemon Tree, a lot of my friends put money into it and made tonnes out of it. But, my parents didn't put in one buck. My sisters tell me that I should let it go, but I can't seem to.

I was fortunate as two things occurred: one, a bunch of people who had worked with me in the Tatas and Taj jumped ship. I really value it when people give me their time and, more importantly, their belief. They believed in me: I just had a quarter of an acre and a few crore. No big dream and no big idea. But these people took a major career risk.

The first guy who came to me was the security manager of the Taj Palace, when I was the GM, and I didn't know him very well. He said, I want to work with you. Another guy was a deputy chief engineer. One after the other, 10 people came. So, three things things fell in place: the model worked, I got a bunch of young and talented people and, third, it was the top of the cycle for the hotel sector.

However, I had only put ₹3 crore in the project and kept aside ₹1 crore as risk mitigation. For half a crore, I bought one-third of a little farm in Chhatarpur, with my Sawai Madhopur friends — Sunny, and Arindam — chipping in ₹50 lakh each. Ten years later, Sunny bought it from us for ₹20 crore. A lot of people told me it was a brilliant investment and I replied, it is the worst investment I made in my life. If I had put it in my business, it would have made anywhere between ₹400 crore and ₹600 crore.

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The first hotel did phenomenally well and, in the second year, it gave me 100% return on capital. I had invested ₹9 crore, it gave me back ₹8 crore, so it was close to 100%. So, my team egged me on to build a second property. I bought another small plot in Gurgaon, in a public auction, and guess what it fetched me — 80% return on capital in the second year. What began as an exercise in inflation hedging soon turned into an entrepreneurial drive. It was around this time that we raised private equity from Warburg Pincus and later from Kotak Realty, Shinsei Bank and APG. Now, we are publicly listed.

As we grew, we faced headwind of bureaucratic corruption. I was clear that I will not pay bribes, instead we will excel in execution. So, normally, a bribe will get you approvals in two months and



the hotel gets built in three years. We said we will take six months to get the approval but we will build the hotel in one-and-a-half years. So, with time to market, we will be best in class. Quality will be best in class and cost per square foot will be best in class. Yet I have had to fend off pressure but I overcame it my way!

It was May of 2004, when the first hotel was inaugurated. There was a small coffee shop in the front, a small garden, and in between I had built a small swimming pool, which cost me ₹10 lakh. One week after we opened, a jeep with a red beacon entered the compound and out came a guy with

Coping with a permit raj

crossed bandoliers, and two guns. As it turned out, he was the water inspector, a sinecure given by the government. The water inspector's job is to approve all water bodies, including swimming pools. How difficult it is to do business in India is evident from the fact that a law introduced in the 1880s by the British after a drought had hit Punjab continues to be in practice even after 120 years!

The officer was a nephew of a prominent politician and his only job was to go and collect bribes by hook or crook. He told the GM that we had to pay ₹5,000 a month or we wouldn't be able to run the hotel. I told the GM, "Ask the guy to come back after a month." Few days later I went to the property and swam in the pool to my heart's content. Having done that I told the staff, much to their shock, to drain the water and fill it with mud. When the inspector came after a month he was surprised to see that there was no pool. When he learnt what had happened, he told the GM, "Are you guys mad. You blew up lakhs just like that. If you would have told me, I would have settled for even ₹1,000." For me, it was a matter of value and I have faced enough such obstacles over the years.

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It took me nine years to get approvals to build my first hotel in Mumbai. I had bought the land for ₹50 crore in 2006 and got the approval in 2015! Since the carrying cost doubles every five years, the opportunity cost was ₹150 crore. It would sound foolish but I did not pay a single rupee as bribe. The problem is that corruption in India is institutionalised since the laws are geared towards extortion and not to facilitate. Every law or regulation intersects in a way that, very often, they contradict each other. The only way out is for the law enforcer to say, "Okay, I will look the other way." It's a sad reality.

Even as I was building my first hotel, I kept in mind a simple rule that if I had to sell the business, it should be easy for anybody to buy it. I remember going through the Oxford English Dictionary. Every night I used to go through 10 pages, and finally came up with 1,800 names. I brought it down to about 100. Then, down to 18. Then I called my close friends, about 10 of them, who were all executives in various companies, including, Arindam. I said, "These are the brand attributes, and here are the 18 names. Let's discuss it." A few of them were in advertising and so on. Finally, we selected 'Lemon Tree'.

Interestingly, when I launched our economy brand, the name was an outcome of my daughter's ingenuity. I had eczema and I went to a very well-known dermatologist who gave me some lousy medicine — cream with steroids in it. So I used it for a year, and unfortunately, I went to another doctor who told me, "Are you crazy?" But by then, my skin had thinned to one quarter of the normal thickness. So basically, I turned very red. She was a kid then, and had started calling me 'red fox'. So when I needed a name for the economy hotel, I promptly called it Red Fox. Everybody panned it: "It will be used only by Indians. Aur woh Hindi mein kabenge lal lomdi. Can you say Lal Lomdi is a hotel company?" I said, "Bolne do. Dekha jayega." Now it's successful and everybody says it's a great name.

Sparky, Lemon Tree's first vice-chairman!



My foray into business also forged several new relationships, one of which is the canine kind. My ex-wife loves dogs, and so do my kids. My son, who was still very young, one day came to see me in my office, which is on the first floor at Safdarjung Enclave. He claimed a very small pup, who could barely walk, had followed him for one kilometre from the park and, therefore, was naturally meant to be our pet. This was total bullshit, of course, as he had carried the pup all the way to the office. The dog was given the name Sparky, and was put under the staircase of the house.

One fine day, she disappeared. After a week, our guard Bahadur found the dog hanging around a dhaba. Once



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When specially-abled is an asset

back, the bond turned personal and, finally, professional with Sparky joining the company as an employee and later went on to become the vice-chairman! I introduced her to the board saying the dog was second in command, and they quite liked the idea. She wouldn't sit on the chair, but she was there at the meetings.

She passed away a year ago. Now her EA is being groomed to take over. The qualifying criteria are three: an ability to wag a tail enthusiastically; because if you can't make your

presence felt, then you're not a successful dog. Two, it must be a mongrel. The third I look for is a very peculiar feature — the length of the muzzle. So basically, a foxish look as we're a family of foxes!

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Warren Buffett was once asked, "What makes you the world's smartest, most successful investor?" He very self-deprecatingly said he was the winner of the ovarian lottery. It made me ponder what about the losers of the lottery. You are never born to the wrong parents, but you are certainly born in the wrong place at the wrong time and lack the opportunity.

In 2006, when Warburg Pincus invested ₹280 crore in the company, which was a heck of lot of money for a 25% stake, I was feeling absurdly grateful to God. I didn't know how to reciprocate. I didn't want to build a temple or do some charity. I wanted to give back to society. I remember telling one of my colleagues to hire two deaf boys and give them a job in the kitchen-washing department. I forgot about it, as, in my mind, it was my way of saying thank you to the society at large. A couple of months later, a lady came to see me with a bouquet. Her eyes welled up as she said I have come to invite you for my son's wedding. As it turned out, she was the mother of one of those two boys. I didn't know better at that time that, if you are born deaf, it's a cruel loss of faculty because you also don't speak since you can't hear yourself. That's why they are known as mute. It was an eerie flashback to Russi Mody and the two boys. The only reason this boy was getting married was because he had a job with us as a kitchen washer.

There are about, I would reckon, 10 to 12 million such Indians, of which less than 100,000 are employed. So, it was enormously inspiring to hear the story of our employee. Call it the law of unintended consequences, today we have over 1,000 such people in our system. We want to quadruple the number by 2022. Employees love it. If you read our employee feedback forms and surveys, this recruitment policy is a huge binding factor. They also love that they have to learn, sign language mandatorily. Every manager at Lemon Tree has to learn the sign language. We don't do it as charity



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because that does not lead to a life of dignity. I'm clear that we will provide them jobs and redefine roles in such a way that their disability is irrelevant.

The company is growing very fast and, typically, in our business, there are three types of hotels. Old hotels which are stable and are earning money, new hotels which are breaking even or losing money, and just built or newer hotels, which are losing money, because the revenue has not caught up with expenses. So there have been times when we've had a negative cash flow, especially over the past 10 years because when I opened Lemon Tree, between 2004 and 2007, it was the top of the cycle. In fact, the hotel industry was doing so well that a lot of players ramped up supply. So supply in India grew 5x over the past 15 years, or a CAGR of 17-18%. Demand, which grows in India, is about 12%. So every year, the demand was less than the rate of growth of supply.

As occupancies came down, hotels behaved irrationally. Prices came down and, therefore, every year, on an average, revenue per hotel was going down by a few percentage points. Expenses were going up with inflation. We were in loss-making territory. I was very clear that we need to reach a scale at which, at the right time, we could juice it.

About seven to eight years ago, it was really the bottom of cycle and I had a conversation with our top 10 people. I said we have two choices. One is that we ask 50 people to go or we all take a salary cut. So they said we'll take a salary cut. I said, as the leader, I will take a 50% salary cut. You guys will take 25% cut and everybody else will take a 10% cut. I sent a circular the next day that everybody in the company has to agree to this and then I won't have to ask anybody to go; I explained the rationale. But I told them, here's the deal: When the company does well, I'll return what I have cut with an interest rate of 12%. So about a year-and-a-half later, I paid ₹10 crore happily.

A person's time is the one thing that is limited in this universe, right? If God has given me 80 years and, if somebody is going to give me 15 years, it is 20% of his or her life. That has far more value than any investor giving me \$1 million-2 million. Sure, they have every right to get a fair return. But the first category of stakeholder that has to be taken care of is the employee, then the guests. So if I have happy employees, I will have happy guests and, therefore, happy shareholders.

Just before I went public, I was in Mumbai, and co-incidentally I got a message from KK saying, 'What's up? What's happening with you?' So I went to him and it was a great reunion. He was very

My key to success!



happy and proud of what Lemon Tree has achieved though we are about half of Taj in size and market cap. He was joking with me about it and said, "You never wanted to be CEO, MD or chairman of Taj." And I said, "Not really."

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SECRET DIARY of an entrepreneur

When I left the Tatas, it was not that I had anything against them. I still love the group. I still love their values. I love the people there. It is just that I had changed. As I said, it was never for the money, other than that inflation hedge. Even now, I tell my kids, Nayana and Aditya, "Listen, my big fear is, you'll feel entitled." Both my kids said, "Give away whatever you've made." So, they are both discussing with me on how to create a trust.

As the largest and the controlling shareholder of Lemon Tree, it's my job to make sure that whoever replaces me maximises value for employees, guests, government, society and shareholders. And, I don't think my kids are the right people for that. My son is on the board as a promoter-shareholder, but I don't plan to pack this board with my family members.

I brought my son here for nine months last year as an intern, and I paid him a salary out of mine. I didn't let Lemon Tree pay him, because that's a related-party transaction. My daughter is interning with me for the same reason — to know what this company is all about. Again, I pay her salary. I don't see the next CEO as someone related to me.

Living the Socrates principle



Nayana & Aditya being groomed...at personal expense

I view life the way Socrates did. When the Athenian assembly, which was the cradle of democracy, handed over a death sentence to the philosopher, it was decided that Socrates had to kill himself. Even in his dying moments he asked his close disciple to note the feelings that a human underwent after consuming poison. When he was about to shut his eyes, he said, "Crito, we owe a cock to Asclepius; pay it and don't forget." It goes to show this magnificent indifference towards life, and that nothing matters ultimately. He was killed for impiety but he showed piety. I'm not saying he a nihilist, but at the end of it all, life is but a journey. ☺

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