Blackstone, 4 Others Look to Check into Lemon Tree

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Mumbai: Global private equity funds Blackstone, Brookfield, GIC, ADIA and CPPB in are in talks to pick up around 25% stake in Lemon Tree Group of Hotels for about $150-200 million, valuing the company at about $600-700 million, said three people with direct knowledge of the development. The existing private equity investor Warburg Pincus that holds around 30-35% stake in the company might either partially or completely exit its ten-year-old investment in the company.

“The company’s initial public offering plans have been pushed back for the time being and that is why Warburg wants to now exit through a secondary sale,” said a person with direct knowledge of the development.

“The company might also raise some primary capital through this round.” The investor and promoters have appointed investment bank Morgan Stanley to look for buyers for around 20-25% stake valued at $150-200 million. As per the current value, the company’s total valuation will be pegged at $600-700 million, another person privy to the discussions said.

“Since Warburg has stayed its course in the company, it does not want to get locked in for another year and half for the IPO and hence a stake sale is being planned,” the person said.

“All the global funds have been reached out to. Currently talks are on with Blackstone, GIC, Brookfield, CPPB and ADIA,” said the third person involved in the discussions.

Founded by former chief operating officer at the Taj Group of Hotels Patanjali Patni (Pata) G Keswani in 2002, Lemon Tree owns 29 hotels with 3,200 rooms across premium luxury, mid-market and economy segment in around 18 cities across India. In an emailed response to ET’s queries, Patu Keswani declined to comment.

A spokesperson for CPPB too refused to comment while emails sent to Blackstone, ADIA, Brookfield and GIC and Warburg Pincus did not elicit any response till press-time. The company is currently expanding and building nine more hotels. The company that additionally manages five hotels as a contractor is now looking to go global with plans to start hotels in the Middle East and Far East Asia.