Two Optus hotels come under Lemon Tree

Mumbai: Patu Kewangi-promoted Lemon Tree Hotels will hoist its flag on two hotels owned by Gurgaon-based realtor Optus Group that were being managed by Sarovar Hotels until Wednesday. Industry sources said the management of Lemon Tree Hotels has struck a deal with Optus Group promoters to take over the two hotels on a long-term lease.

DNA Money had first reported this development on September 13, 2016.

Accordingly, the Delhi-based hotel chain backed by Dutch pension fund APG and global private equity major Warburg Pincus, Lemon Tree will soon rebrand the Optus’s hotels in Gurgaon and Bhivadi while also take over their management and operations.

When contacted, Vijay Girdhar, chairman and managing director, Optus Group, denied the development. Lemon Tree Hotels did not offer a comment on the transaction.

However, highly placed industry sources said that Lemon Tree has been successful in cracking the deal with Optus and will soon add the two hotels to its portfolio.

"The approach earlier was to take a majority stake in the two hotels owned by Optus. The plan was dropped later as the capital value arrived at was too high and in excess of Rs 200 crore. The Lemon Tree management has instead taken over the hotels on an annual rental basis for the next 25 years. Accordingly, the F&L of both the hotels now belong to Lemon Tree," sources familiar with the details said.

As a result, the 50-room Optus Sarovar Premiere hotel in Gurgaon (operational since 2009-10) and the newly developed 130-room Optus Hometel at Bhivadi (operational since a little over two years now) will get rebranded in a week from now.

Lemon Tree operates three brands viz. Lemon Tree Premier (upscale), Lemon Tree Hotels (mid-scale) and Red Fox Hotels (economy). The hotel chain currently owns and operates 34 hotels with over 3,500 Rooms in 21 cities. Sarovar, which was earlier operating the hotels, has relinquished the management rights effective October 12, 2016. In fact, the company has issued an internal communication saying, Sarovar has given up management of the two hotels. The company also said that department heads should not devote time towards management and operations on the two hotels.

As the two hotels were under a long-term management contract with Sarovar Hotels, the promoters of Optus Group have had to compensate the Sarovar management for the breach of contract before the end of its tenure. Optus Hotels is understood to have paid a little over Rs 2 crore for this settlement with Sarovar.

SAROVAR HOTELS EXITS

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