Finding Elbow Room

Business is down, but hotel chains are working out new ways to keep growing.

A wafting whiff of lemon greets visitors at the new corporate office of Lemon Tree Hotels in Amritsar, near Delhi's Indira Gandhi International Airport. The office moved here recently from a run-down building in Old Delhi Industrial Area, near 30-kilometre away. The new premises, formally small and humble, seem sanguine, give no indication of the tough times the hotel chain has been going through.

Aerocity, built as part of an airport modernization drive, has a Lemon Tree Premier and a Hotel, both brands of the Lemon Tree chain. The two hotels have a total of 487 rooms. Lemon Tree Chairman and Managing Director Pawan Kheria, has been grappling with airport authorities' objections to the location of other two hotels, among 14 others. "We are waiting for a direction from authorities," he says. "If then, the hotels can not be operated. Together, all the hotels have spent over Rs 100 crore in Amritsar."

Located between Terminal 3 and Terminal 4 at IGI's Indira Gandhi International Airport, the two Lemon Tree hotels are not satisfied with the hands of state and security agencies. While security agencies take time longer than usual, the two hotels have to follow real money daily. But this is not Lemon's only worry — higher charges are killing occupancy, rising expenses and lower income growth. Experience has shown that it is not just in the hospitality sector of little help in dealing with problems related to macroeconomic winds. "The best he can do is try to fix the other problems," he thinks, reflecting a rising trend in a sector struggling with slow demand growth and debt. Hotel industry experts say domestic chains are following in the footsteps of global ones in this regard. "Building hotels is very capital intensive," says P.S. Chand, Executive Chairman of ITC Ltd, the flagship company of the ITC Group, on record. Hotel chains may meet fire by signing management contracts with real estate developers. The disruptor knows his hand, and the hotel chain wins it as a management fee. When Business Today met Kheria early last year, he was opposed to management contracts, and said it was difficult for him to get developers in India to build to Lemon Tree's specifications. "In order to build a brand, you need to have consistency in the..."
HOSPITALITY

Impact of Downturn

product," he said. At this time, the last place to build and manage his own hotels. In the ten months his opinion changed, he is building a hotel in the middle of the year. He designs a piece of land with former Tridakini (now called Fortu Homes) in managing hotels. "We will add 5,000 rooms in the management contract to Tridakini's 1,000 rooms," says Kasiradeh, "Fortu Homes, which currently owns 2,000 rooms on 24 properties." Though the Indian hotel industry is putting in money, says Kasiradeh, "Fortu Homes, Managing Director of Hospitality consultancy still talks. "There is enough pressure on their hotel," he is noting.

In trying to thrive in a highly leveraged or backed hotel balance sheets. It is an exception to its other group businesses generate enough cash. This is the only paying way of doing it," he says. "Fortu Homes' hotel in Manipal-based Kasiradeh Hotels and Gateway-based Kalra Hotels have gone the deterministic way. Banke Hotels, with 88,100 rooms of debt, sold to Kanadu in 2011, in Transamerica Enterprises for $500 million, and now only manage it. In November last year, it shut up with four-star player Starwood to manage two hotel hotels in Hyd and Jaipur. The Ovesh Group has also been

THE WAY OUT

Invest in the mid-market and budget categories, the panelists said. "The demand is relatively quick. Try new business models such as mixed-use development, or build two hotels catering to different segments in the same category," one said. "Cut down on costs through better earring and better utilisation of manpower."