Lemon Tree to Diversify into Housing, Vacation Biz

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Mumbai: Lemon Tree Hotels is looking at diversifying into vacation ownership and affordable housing to broaden revenue streams and cushion its hospitality business. The company plans to invest about ₹500 crore to acquire resorts in leisure destinations to its domestic business and the vacation ownership venture.

"The Delhi-based company backed by Dutch pension fund APG and global private equity fund Warburg Pincus is looking at rolling out its two new offerings in the next three years. The hotel business is a cyclical business and it has very high volatility. The past five years have seen the extended bottom-of-cycle condition in India. The only way we have grown is through supply addition by adding new hotels, while the price of each room has not grown the same way. This has hurt the industry as a whole," Patu Keswani, chairman of Lemon Tree Hotels, told ET. Keswani said the company is evaluating the potential of vacation ownership business with HCL, a vacation exchange group.

Lemon Tree Hotels is increasing its presence in the leisure markets to add both its foray into vacation ownership as well as its domestic hotel business.

"The demand in leisure markets has grown faster than the demand in business markets," Keswani said.

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The company is evaluating leisure market opportunities in the tiger reserves of Jim Corbett National Park in Uttarakhand, Bandhavgarh in Madhya Pradesh and Ranthambhore in Rajasthan. It is also looking at Coorg in Karnataka and the Nilgiris in Tamil Nadu and has started building resorts in Udaipur and Shilim.

Keswani said the company will leverage its 10-member in-house project management team to enter the affordable housing segment. "Affordable housing is a function of how quickly the interest rates stabilize and demand for housing picks up. The segment has shown green shoots and is recovering," he said.

Keswani said the company's focus currently is its initial public offering, which is expected in the next eight to 12 months. APG owns 16% in the company and has so far invested ₹532 crore. In 2006, Warburg Pincus invested ₹193 crore in the company for an undisclosed stake.

Keswani said the company's current growth plans are funded and it's not looking to raise funds from private equity before the IPO. He added that the company can raise funds by further monetizing its real estate assets and through debt.