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## CHECKING OUT

At a later stage, the firm will also buy out JV partner Rattan Keswani in arm Carnation Hotels

# Lemon Tree to finalise Berggruen deal by June-end

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**Mumbai:** Lemon Tree Hotels, which is conducting due diligence to acquire New York-based billionaire investor and philanthropist Nicolas Berggruen's hospitality business in India, will finalise its decision by June end. Earlier in March, the BSE-listed hotel company had entered into a non-binding term sheet with Berggruen Hotels Pvt Ltd (Keys Hotels) and its Mauritius incorporated holding company Berggruen Investments to acquire 100% shareholding. Patanjali Keswani, chair-

man and managing director, Lemon Tree Hotels, said the due diligence is proceeding very satisfactorily. "By June end, we hope to make an announcement that will address two concerns. One is, whether we are taking it and what we expect to do with it, and therefore what is the effective multiple we are buying it at or what is the effective multiple we will correct it to within a year. The second one is about how we are going to finance it. We believe that we have found a nice way to finance it with very limited risk," said Keswani in an earnings call last week on Friday. Lemon Tree Hotels had

earlier divested 25% stake in its subsidiary Carnation Hotels. The stake was offered to joint venture (JV) partner Rattan Keswani (not related to Patanjali Keswani) who is deputy managing director of Lemon Tree Hotels and chairman of Carnation Hotels P Ltd. At a later stage, the Lemon Tree management also plans to buy out the stake held by JV partner in Carnation Hotels.

Elaborating on the arrangement at Carnation, he said that Rattan Keswani, who was then president of Trident Hotels at The Oberoi Group, was brought on board to launch Carnation Hotels

## HANDING OVER KEYS

■ Earlier, Lemon Tree had entered into a non-binding term sheet with Berggruen to acquire 100% shareholding

■ Lemon Tree has done an external valuation of Carnation Hotels and plans to make Carnation a wholly owned subsidiary

around seven years ago. "An external valuation for Carnation Hotels has been done already. And based on that

multiple, over time, it is understood that we will buy him out and make Carnation a 100% subsidiary of Lemon Tree Hotels," he said.

A hotel management company, Carnation essentially follows the asset-light strategy/ model entering into management contracts with third-party hotel asset owners. These hotels are operated/ managed on a long-term basis under one of the Lemon Tree Hotels's brands and the management fee is shared in a pre-defined ratio. "The understanding with Rattan was that he would get a 25% stake in the new company that would use the Lemon Tree brand

and platform with some sharing of fees. So typically, for every Rs 10 fee that we charge, Rs 6 goes to Carnation and the balance comes directly to Lemon Tree. So in that sense, his effective share is not 25% of the overall fees, but 15% because it's 25% of Rs 6," he said, adding that in fiscal 2019, Carnation has delivered Rs 19 crore in management fees, growing at 40%, and will register a compounded annual growth rate (CAGR) of 50% over the years to come.

With 23 operational hotels currently in its portfolio, Carnation has a pipeline of 26 hotel management contracts. **Turn to p2**

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