

News monitored for: Lemon Tree Hotels

PE Funds Eye 25% Stake in Lemon Tree

Brookfield, GIC, ADIA and CPPIB in talks to buy stake for \$200m valuing co at \$700m

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Mumbai: Global private equity funds Blackstone, Brookfield, GIC, ADIA and CPPIB 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 se-

condary 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, CPPIB and ADIA," said the third person involved in the discussions.

Founded by former chief operating officer at the Taj Group of Hotels Patanjali (Patu) G Keswani in 2002, Lemon Tree owns 29 hotels with 3,200 rooms across premier luxury, mid-market and economy segment in around 18 cities across India.

FUTURE PLANS



Co is currently expanding and building nine more hotels that will take its total room strength to around 4,600 over next two years

In an emailed response to ET's queries, Patu Keswani declined to comment. A spokesperson for CPPIB 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 that will take its total room strength to around 4,600 over the next two years. 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.

In addition, Lemon tree has operational management contract for five hotels. It also has overseas expansion plans, especially in the Middle East and Far East Asia.

The company is currently backed by Dutch pension fund APG that owns 15% stake in the company through three tranches of investments since 2012 that's totalling about ₹1,100 crore. Warburg Pincus owns around 30% stake in the company through three tranches of investments starting 2006. It has so far invested about Rs 500 crore in the company.

Last year, Kotak Mahindra PE sold its 2.5% stake in the company back to promoter Keswani. Post the 2014 investment by APG, the company is being valued at about ₹4,800-5,000 crore, which according to industry experts, is higher than what other similar companies' trade at. "Essentially, they are demanding a ₹1 crore per key kind of valuation, which is very high in today's market," a promoter of another premium chain of hotels said. Lemon Tree's net loss widened to ₹60.24 crore in 2014-15.