

Warburg buys 27% stake in Lemon Tree for Rs 280 cr

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THE Indian hospitality industry is going through one of its hottest deal-making phases. In yet another deal, private equity firm Warburg Pincus has acquired an around 27% stake in Delhi-based mid price range hotel chain Lemon Tree for Rs 280 crore.

Of this, around Rs 210 crore will be used for creating a network of around 25 Lemon Tree Hotels across the country by 2010. Around Rs 70 crore is being used as seed capital to launch a new chain of economy hotels, under the Red Fox Hotel brand. Lemon Tree Hotels CMD Patu Keswani said plans are a foot to start off with three Red Fox Hotels at Mumbai, Hyderabad and Jaipur, with room rates between Rs 700-Rs 2,000 per night. These rates would depend on the city but involve around 400 rooms. Mr Keswani said there are plans to have eight to nine of these no-frill hotels in place by 2010. Lemon tree Hotels operates in the mid-price segment of Rs 3,000-5,000 per room night and largely caters to business and leisure travellers. At present, two Lemon Tree hotels are operational at Gurgaon with plans to have nine more by 2008. Mr Keswani, who set up Lemon Tree in 2002, said all projects under lemon Tree and Red Fox brands will be owned, operated and managed by the company.

Commenting on the deal, a Warburg Pincus spokesperson said, "We believe that the budget and moderately priced hotel segment in India presents a large and untapped opportunity."

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