

# Lemon Tree to go asset-light

## A STAFF REPORTER

**Calcutta:** Homegrown hospitality major Lemon Tree Hotels will adopt an asset-light strategy for its expansion as it looks to scale up its presence to 107 properties across the country over the next two years.

Founded by Patanjali Keswani, the New Delhi-based company opened its first hotel in 2004. As of July, the company operated 57 hotels across 34 cities with a total of 5,828 keys.

Its brands include Lemon Tree, Lemon Tree Premier and Red Fox. The company has now expanded in Calcutta with a 142-room property at New Town, Rajarhat.

Of the 58 hotels in operation at present, 33 are owned by the company and 25 are managed. In the pipeline are three major hotels that the company will own. These include a 577-key property at Mumbai International Airport, a 139-room property



**SUMANT JAIDKA** in Calcutta on Wednesday

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at Udaipur and a 69-key mountain resort in Shimla. The rest of the expansion will be through management contracts.

"Most of our expansion will be asset light. In the initial stages, the idea was to build up the brand and that involved ownership in the properties. But to scale up and achieve a faster rate of growth, the company has to look at management con-

tracts," Sumant Jaidka, senior vice-president (operations) at Lemon Tree Hotels Limited, said on the occasion of the launch of the Calcutta hotel.

The asset-light approach gains importance at a time the company's bottomline has come under pressure because of rising finance costs even as its topline has grown 12 per cent in the first quarter.

In June, the company had announced to the bourses that it would buy out Berggruen Hotels, the parent of Keys Hotels, at an enterprise value of Rs 605 crore. The acquisition is being made through wholly owned subsidiary Fleur Hotels. With this, Berggruen Hotels will become an indirect subsidiary of Lemon Tree.

Fleur Hotels will raise the capital from Dutch pension fund APG Asset Management NV, an existing investor, and parent Lemon Tree by issuing compulsorily convertible preference shares worth Rs 421 crore.