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Warburg-backed Lemon Tree Hotels begins listing process, shortlists i-banks

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MUMBAI

Private equity firm Warburg Pincus-backed hotel chain Lemon Tree Hotels Ltd has shortlisted investment banks to lead its initial public offering (IPO) efforts, said two people aware of the development.

"Lemon Tree Hotels has shortlisted domestic investment bank Kotak Mahindra Capital Co. Ltd as the left lead for its initial share sale. It is expected to shortlist at least two more banks for the syndicate, both of which are expected to be foreign banks.

It has also appointed foreign i-banks JP Morgan and CLSA," said one of the persons cited above, requesting anonymity.

The development comes almost a year after Lemon Tree first initiated discussions with investment banks on a public listing. In March last year, *Mint* had reported the Warburg Pincus portfolio company had invited banks for discussions on its proposed IPO. With progress on the Lemon Tree IPO, Warburg will inch closer to creating much needed liquidity for its legacy India portfolio where the American PE fund has invested \$460 million across six assets in the infra and energy sectors.

The PE fund has been invested for over a decade in several of these investments. Private equity firms generally target an exit from investments within 5-7 years.

Warburg invested in Lemon Tree in 2006, when it acquired around 25% stake in the company. Other investments that it has been with for over a decade include coal washing firm ACB (India) Ltd and Gangavaram Port, in which Warburg invested in 2006 and 2007, respectively.

Warburg's other investments from its infra and energy portfolio include logistics firm Continental Warehousing Corp. (Nhava Seva) Ltd and power producer Dili-

gent Power Pvt. Ltd, in which Warburg invested in 2011 and IMC Ltd, in which it invested in 2010.

It is not that Warburg has not had the opportunity to exit these investments. In fact, in the case of ACB, it has tried to exit the company through a public listing multiple times. In a span of four years, between 2011-2014, ACB filed its draft IPO prospectus three times. However, the company failed to launch its IPO in all three attempts.

In October 2015, *The Economic Times* reported that Warburg was eyeing a partial Gangavaram Port exit through an initial share sale. Adani Group was also reported to be

in talks to acquire Warburg's stake in the port. However, those plans haven't moved ahead.

Last year, *ET Now* reported that Tata Power was in talks with Bhopal-headquartered media company DB Corp. for a potential buyout of the promoter-owned power generation arm Diligent Power. Those talks too did not materialize in an exit for Warburg.

Its logistics investment, Continental Warehousing Corp., filed its draft IPO papers in September 2016 and received approval from the Securities and Exchange Board of India for the same in December. Warburg plans to part exit its stake in the com-

pany through the IPO.

Questions sent on Wednesday to Warburg Pincus on its exit plans from ACB (India), Gangavaram Port, Diligent Power and IMC did not elicit any response. The fund did not comment on the Lemon Tree IPO too.

"We have no comments to offer at this stage," said Rattan Keswani, deputy managing director at Lemon Tree Hotels in an email response. Emails sent to Kotak Mahindra Capital and CLSA were not answered. JP Morgan declined to comment. The proposed IPO will see Warburg sell part of its stake through an offer for sale, said the second person, also requesting anonymity.