Lemon Tree Hotels forms JV with Warbug Pincus, may invest ₹3k cr

LEMON TREE Hotels on Thursday said it has formed a joint venture (JV) with an arm of Warburg Pincus to develop rental housing projects envisaging investments of ₹3,000 crore over a period of time, reports PTI. In the JV, an affiliate of Warburg Pincus arm and Lemon Tree Hotels will hold 68% and 30% stake respectively, with the balance 2% to be held by Lemon Tree founder-chairman and managing director Patanjali Keswani. PAGE 6
Lemon Tree, Warburg Pincus form JV, envisage ₹3,000-crore investment

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HOSPITALITY FIRM LEMON Tree Hotels Thursday said it has formed a JV with an arm of global private equity firm Warburg Pincus to develop rental housing projects envisaging investments of ₹3,000 crore over a period of time.

The JV, in which an affiliate of Warburg Pincus arm and Lemon Tree Hotels will hold 65% and 35% stake, respectively, with the balance 2% to be held by Lemon Tree founder chairman and MD Patanjali Keswani, plans to develop a platform that would provide affordable and conveniently located co-living spaces for students and young professionals, the company said in a statement.

The JV partners will initially invest ₹1,500 crore in equity over a period of time followed by an additional infusion of ₹1,500 crore in equity at the option of the partners, it added.

The investment will be made to “develop rental housing projects through a combination of greenfield purpose-built properties, refurbishment of existing under-managed/stressed commercial and residential assets taken on lease/acquisition basis as well as management of existing for-rent accommodation projects,” Lemon Tree Hotels said.

The JV marks the company’s entry into an adjacent but new business segment focusing on the development of institutional-grade rental housing accommodation serving both students and young working professionals across major educational clusters and key office markets in India, it added.

“Our aim is to operate 1 lakh beds in next 7 years,” Keswani said.

Lemon Tree Hotels is delighted to once again partner with Warburg Pincus at an early stage of this exciting new business opportunity, which will allow the company to move into a segment which is nascent but closely aligned to its existing target customers and which is expected to see tremendous growth, going forward, he said in a statement.

Driven by the lack of quality accommodation and high rental/capital costs across key Indian cities relative to salary levels, the rise of co-living spaces is a part of the evolution of the sharing economy that will continue to gain significant traction, he added. “We look forward to working closely with Warburg Pincus and leveraging their successful experience in helping create market leading platforms in the shared accommodation space in other parts of Asia,” Keswani said.