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Lemon Tree signs deal to
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Lemon Tree signs deal to buy Berggruen's Key Hotels

Firm plans to operate Keys hotels under Lemon Tree or Red Fox brand

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Mumbai: A year after taking the company public, Patu Keswani, CMD, Lemon Tree Hotels, has set sights on New York-based billionaire Nicolas Berggruen's hospitality firm Berggruen Hotels that owns and operates a chain of mid-market hotels in India under the Keys Hotels banner.

In an exchange filing, Lemon Tree said that it has signed a non-binding agreement with Berggruen Hotels Pvt Ltd (Keys Hotels) and its Mauritius incorporated holding company Berggruen Investments to acquire 100% shareholding. The stake will either be acquired by Lemon Tree directly or through its subsidiaries, subject to due diligence and obtaining requisite approvals, the company said.

While valuation figures were not disclosed, Kabir Kewalramani, MD, Berggruen Holdings India (the invest-



\$100mn
Berggruen's exposure to Indian hospitality industry

1.5%
Total inventory Keys has in mid-market hotel segment

1,911
Guest rooms Keys Hotels has across 19 cities

ment arm of Nicolas Berggruen), had in an earlier interaction (i.e. May 2017) told DNA Money that it has the largest exposure of over \$100 million in the Indian hospitality industry.

Interestingly, Berggruen Hotels has been in the market for a while now and many international hotel companies showed interest in the past. However, the deal never happened for various reasons including a valuation mismatch between the parties involved. So why is Keswani keen on taking control of Keys when every hotel company is looking at an asset-light approach to expand their operations?

There are reasons for pur-



suing the company, Keswani told. "The mid-market segment in India is very fragmented and this (Keys Hotels) is the fourth largest mid-market hotel company with 1.5% of the inventory in this category of hotel accommodations in the country. So the first reason is it's a consolidation play. Secondly, most of

their hotels are in cities where Lemon Tree is not present. So post-acquisition, the network effect will give us a fair share of the market in those cities," he said.

Another advantage, Keswani said is that Keys Hotels has a smaller team in fewer cities, has less resources and relative to Lemon Tree it's underperforming significantly. "We haven't taken hotels on management contract in many cities because most of them didn't meet our brand standards. That's not the case with the Keys Hotels portfolio, it may require some tweaking though. The plan is to rebrand the Keys portfolio and operate it under Lemon Tree or Red Fox," he said.