

News monitored for: Lemon Tree Hotels

# Hospitality firms eye unbranded hotel space to expand footprint

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Mid-sized hotel firms are increasingly looking at the estimated over three million-strong unbranded hotel room market in India for their next hotel property, as domestic hospitality chains head for an aggressive expansion in the mid to economy budget segment.

Several Indian hotel firms are adopting a less capital intensive approach while focussing on quicker addition of supply. Many are looking for an opportunity to convert unbranded hotel properties, including local stand-alone hotels, by either acquiring them or signing management contracts with owners.

"Branded players are finding merit in converting existing unbranded inventory and bringing them under their fold as it allows for a quicker addition of supply and enables brands to offer rooms across geographies in a small period of time," said Achin Khanna, managing partner, Hotelivate, a hotel consultancy firm.

At present, less than 10% of the total four million hotel room inventory in India comes from branded hotel chains. The success of hotel startups such as Oyo and Treebo, which run on a franchisee model, have opened up a vast opportunity to consolidate hotel assets from the unorganized sector into the branded fold, according to hotel experts.



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The biggest supply in the mid to economy hotel space is coming from rebranding of unbranded hotel properties in the last few years, said Patanjali Govind Keswani, chairman and managing director, Lemon Tree Ltd.

"We accelerated our business in the last three to four years. We have signed about 3,500 rooms. The majority were unbranded and only few were managed by other brands," Keswani said.

Hoteliers are increasingly adopting an asset light model. The conversion of unbranded hotels will thus accelerate in the three-four years. "At least 40-50% of unbranded hotels will come under the branded fold. Once a hotel is branded there is rationality in pricing, customers can be reached in an

organized way, loyalty programmes can kick in," he said.

For Gurugram-based Cygnett Hotels & Resorts Pvt Ltd, which signed the maximum number of hotel according to the latest report by HVS and Anarock, nearly 30% of the portfolio of 1,400 hotel rooms have been converted from unbranded hotels. "We have a

pipeline of 10 hotels of around 1,000 rooms. About 50% would be conversion from an unbranded hotel property," said Sarbendra Sarkar, chairman and managing

director, Cygnett Hotels & Resorts.

A total of 11,787 rooms have been converted either from unbranded to branded or migrated from one brand to another, according to a 4 April report by HVS and Anarock.

**Hotel firms are adopting a less capital intensive approach while focusing on quicker addition of supply**