

Maverick on the Move



LEMON TREE

BUSINESS: Hotels

Turnover: Rs 53 crore

TURNING POINT: Moving to AI. Kearney gave him an overview of many businesses and an appetite for risk.

LESS-KNOWN FACT: "I make the best omelettes." Also, actors lillette and Lushin Dubey are his siblings.

LEADERSHIP POTENTIAL: Lords over a category that was hitherto ignored: the four star.

His pony-tail with the famed yellow butterfly bow may have gone, but not his chutzpah. Patanjali 'Patu' Keswani, 50,

Chairman & Managing Director, Lemon Tree Hotel Company, refuses to let his age temper his radical thinking.

"My company does not exist for guests but for my employee-if we are great with our people, they will automatically be great with the guests. After all, I am not going to be interacting with my hotel guests. For me, my customers are my employees period," he states matter-of-factly.

If that sounds cocky, it's because the hotel chain ended the year to March 31, 2009, with revenues of Rs 53 crore, more than doubling them from the 2007-08 level of Rs 22 crore.

So, how did this IIT-IIM graduate, with a brocaded career at the Tata Group, chuck up everything and still manage to land on the right side of things? "I was 39 years old and reaching the proverbial mid-life crisis and asking myself what I wanted to do," reminisces the former coo of Taj Business Hotels. That's when he got an offer from consulting firm A.T. Kearney. "They made me an offer I couldn't refuse-of Rs 1 crore a year," he quips, borrowing freely from his favourite tome, *The Godfather* by Mario Puzo. And though he admits consulting didn't quite give him a kick, the time spent with A.T. Kearney did improve his appetite for risk.

Today, Lemon Tree sits pretty with an operational inventory of 1,000 rooms across 11 hotels with another 2,500 rooms scheduled to come up by 2012. It is also fathering a mid-market chain of hotels under the brand Red Fox, setting an ambitious target of a total of 20,000 rooms across both brands by 2020.

That would be quite an achievement for somebody who started his first hotel with his savings, loans and borrowings from friends. Today, he has the likes of Warburg Pincus, Kotak Realty Fund and Shinsei Bank as equity investors. Is he also, like several entrepreneurs of his era, build-ing up scale and value to ultimately cash out? "I never say no but my world view has changed with every passing year as we grew bigger and bigger," he says. What that possibly means is that any suitor would have to contend with a substantial appreciation in Lemon Tree's selling price.

Keswani of course makes it sound quite simple on how he hit upon the goldmine-targeting the up market clientele with mid-market price hotels. "While we were a big hit with the guest-house clientele who upgraded to our hotel. the guests who stayed in the five-star hotels wanted more services at a not so brutal price point- which is why we scaled up our value offerings to up market four-star," he says. Most Lemon Tree hotel rooms are thus priced at 50-70 per cent of a city's five star room tariffs. The three-star segment, so left vacant, is what he hopes will be filled up by his Red Fox brand.

With his hotel venture more or less on cruise mode-courtesy his strong management team, most of whom have worked with him at the Taj Hotels-Keswani is setting his sights on backward integration. Given that Lemon Tree has gone in for complete ownership of land assets, Keswani has gotten into commercial real estate development.

"Not many people know that we as a group are owners of 2.5 million sq. ft of real estate across the country, of which 1.8 million sq. ft has been developed as hotels," he points out. The aim is to have all the expertise required to build and operate hotels under one roof without the need to shop for an agency.

While Keswani is gung-ho about the future, he is equally candid about the downturn that has engulfed the economy since last year. "The first thing about a downturn is that nobody can predict it. And secondly, if it happens, it's a good opportunity to revisit your business model," he says. For him, the key is cost control rather than lay-offs. "You can't determine pricing ... What you can control are costs," he observes. This could include simple measures like shutting down some elevators during non-peak hours or lean periods to save power-something the 87' team observed during its recent visit to Lemon Tree Hotel in east Delhi.

Certain ambitions, too, have been scaled down-among them his plans to raise Rs 680 crore last year to fund his expansion, which he says has been a little too fast over the past five years, and a plan to invest in a property in New York.

An IPO, initially scheduled for 2011, has also been pushed back by at least a year. Still, the chain will invest Rs 1,700

crore for its expansion over the next three years. "The aim is to be the largest operator of hotel rooms not just in India but possibly Asia in the next 5-7 years," he says.

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