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News monitored for: Lemon Tree Hotels

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PE funds to invest \$120-150 m in pre-IPO round as co intends to go public by early FY18

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Mumbai: Private equity funds such as the Blackstone Group, TPG Capital Management and Capital International Group are in talks to invest \$120-150 million (₹800-1,000 crore) to acquire a 10-15% stake in New Delhi-based hotel chain Lemon Tree Hotels. The transaction is seen as a pre-IPO round of funding as the company is intend to go public by the last quarter of fiscal 2017 or early next fiscal year, multiple sources aware of the negotiations told ET.

The company is aiming to raise another ₹1,000 crore from the IPO, sources said. However, the process towards that will start only during the second half of the fiscal year. The deal with the funds will see existing investors including the US private equity (PE) giant Warburg Pincus and Dutch pension fund APG re-



ducing their holdings. Warburg invested ₹210 crore in the company in 2006 for a 25% stake. APG currently holds 15% that it acquired through three rounds of investments starting 2012. The Dutch fund has so far invested ₹1,120 crore in Lemon Tree.

When contacted, Blackstone, TPG and Warburg Pincus declined to comment. Lemon Tree, Capital International and APG didn't respond to emails sent to them on Thursday seeking comment. Lemon Tree managing director Patu Keswani didn't respond to phone calls and text messages.

Launched in 2002 as a hospitality chain targeting the mid-market segment, Lemon Tree currently has presence in premier luxury, mid-market and economy sectors. It owns 29 hotels with 3,200 rooms in 18 Indian cities and is building nine more hotels with 1,400 rooms. The planned properties are expected to get

operational by the end of 2018.

In addition, Lemon Tree has operational management contract for five hotels. It also has overseas expansion plans, especially in the Middle East and Far East Asia. The company said last month that it plans to have eight hotel assets across the Gulf Corporation Counsel region.

Lemon Tree's net loss widened to ₹60.24 crore in 2014-15 from ₹46.1 crore the previous year, as per its latest available filings with the Registrar of Companies. Its revenue in fiscal 2014 was ₹245 crore.

Lemon Tree was set up by industry veteran Patanjali (Patu) G Keswani, former chief operating officer at the Taj Group of Hotels. After quitting the Tata Group, where he spent 18 years, he worked at consulting firm AT Kearney for two years, just before launching Lemon Tree.

Private equity interest was tepid despite an increasing trend in the broader industry sector because of declining profits and increasing competition.

The Indian hotel industry received ₹2,500 crore investment from PE in the past five years, showed data compiled by the hotels and hospitality group of property consultancy JLL.