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Blackstone, 4 Others Look to Check into Lemon Tree

Global PEs in talks to buy up to 25% in hotel chain for up to \$200 m

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Mumbai: Global private equity funds Blackstone, Brookfield, GIC, ADIA and CPPIB are in talks to pick up around 25% stake in Lemon Tree Group of Hotels for \$150-200 million, valuing the company at \$600-700 million, said three people with direct knowledge of the development.

The existing private equity investor Warburg Pincus that holds 30-35% stake in the company might either partially or completely exit its 10-year-old investment in the company.

"The company's initial public offering plans have been pushed back for the time being and that is why Warburg wants to now exit through a secondary sale," said a person with direct knowledge of the development. "The company might also raise some primary capital through this round."

The investor and promoters have appointed investment bank Morgan Stanley to look for buyers for 20-25% stake valued at \$150-200 million. As per the current value, the company's total valuation will be

Process in On

Deal will value Lemon Tree Group of Hotels at \$600-700 million



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pegged at \$600-700 million, another person privy to the discussions said. "Since Warburg has stayed its course in the company, it does not want to get locked in for another year and half for the IPO and hence a stake sale is being planned," the person said.

"All the global funds have been reached out to. Currently, talks are on with Blackstone, GIC, Bro-

okfield, CPPIB and ADIA," said the third person involved in the discussions.

Founded by former chief operating officer at the Taj Group of Hotels Patanjali (Patu) G Keswani in 2002, Lemon Tree owns 29 hotels with 3,200 rooms across premier luxury, mid-market and economy segment in around 18 cities across India.

In an emailed response to ET's queries, Patu Keswani declined to comment. A spokesperson for CPPIB too refused to comment while emails sent to Blackstone, ADIA, Brookfield and GIC and Warburg Pincus did not elicit any response till press-time.

The company is currently expanding and building nine more hotels that will take its total room strength to around 4,600 over the next two years. The company that additionally manages five hotels as a contractor is now looking to go global with plans to start hotels in the Middle East and Far East Asia.

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.