

News monitored for: Lemon Tree Hotels

Lemon Tree to Buy Key Hotels from Berggruen

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New Delhi: Lemon Tree Hotels has signed a non-binding term sheet with Berggruen Hotels to acquire its loss-making Keys Hotels.

ET had reported previously that entities such as Oyo had expressed interest in acquiring Keys Hotels, a mid-market chain that owns and operates properties in India.

The deal is economically lucrative and represents 1.5% of India's hotel inventory, Lemon Tree Hotels chairman Patanjali Keswani said in an interview to ET. The addition of Keys Hotels will enhance Lemon Tree's scale and network. He declined to disclose the size of the deal, but industry experts estimated it to be about \$70 million.

"It is very synergistic. It (Keys) is in many cities where we are not present," said Keswani.

Lemon Tree Hotels currently operates 5,411 rooms in 54 hotels across 32 cities. The acquisition, when completed, will expand its operating portfolio to 75 hotels with 7,322 rooms in 44 cities.

Keswani said the acquisition will give Lemon Tree Hotels access to new corporate and individual customers in cities where it is currently not present, a larger repeat customer base and help to significantly eliminate costs.

"It is a very fragmented market. The larger the inventory we control, the better our ability to get better pricing," Keswani added.

Lemon Tree will acquire 100% of the shareholding of Keys Hotels directly or through its subsidiaries, the company said in a stock exchange filing on Thursday. Completion of the transaction is subject to due diligence and obtaining the requisite approvals.

Keys Hotels owns and manages 21 hotels with 1,911 rooms in 19 cities in India. Keys had been scouting for buyers for a few years and has

an estimated debt of about ₹160 crore.

ET reported in its edition dated February 9 this year that SoftBank-backed Oyo Hotels and Homes was in talks with Los Angeles-based Berggruen

Holdings to acquire Keys Hotels. Berggruen Holdings, the owner of Berggruen Hotels in India, was founded in September 2006 to build and operate business hotels under the Keys brand.

Keswani said the company will consider more inorganic growth opportunities.

"We are very location-driven. We do not acquire a hotel at a lower price unless the location and the product make sense. The second thing we look at is our ability to improve performance... We will look at inorganic growth opportunities if we see an enormous arbitrage in the cost of acquisition," Keswani said.



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