

News monitored for: Lemon Tree Hotels

# Lemon Tree plans to go asset-light, monetize brand

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**L**emon Tree Hotels Ltd plans to lease and operate hotels under its brand rather than build new ones on its own, a top executive said, as the hospitality company aims to become India's second largest hotel operator by the end of next year.

Over 60% of Lemon Tree's rooms are company-owned, while the rest are owned by others and managed by Lemon Tree.

It plans to gradually reduce the proportion of hotels it owns and focus on managing hotels under its brand, on the

lines of global hotel chains such as Marriott International, AccorHotels and Radisson Group.

"The real return in our business is in terms of management and brand returns," the company's chairman and managing director said Patanjali Govind Keswani said. "Going forward, we want to go asset-light, monetise our brand and management. So, the percentage of rooms that we own is going to keep falling. Unless there are some compelling reasons, we do not intend to invest in the asset creation side," Keswani added.

Lemon Tree recently listed on the stock markets after a Rs1,039 crore initial public

## Lemon Tree to stop building hotels

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offering. It operates 4,900 hotel rooms across 28 cities now, and plans to add another 3,000 rooms in the next three years to reach a total of 51 cities. Half of these are being developed by Lemon Tree for

Rs1,700 crore. Around Rs1,000 crore has already been invested, Keswani said.

"By 2019-end, we will become the second largest hotel chain in India. We created these assets to build the

brand so that we could have a standardised product... We now want to extend our business model (and brand) to other owners," he said.

With rising occupancies and room rates, the company also expects an improvement in its business. Keswani said room rates across all Lemon Tree hotels were raised by around 14% in September-October, the first such hike in eight years. "Our hotel occupancy stands at around 77%. We are confident that India will reach its peak cycle for the next four years. As demand exceeds supply, hotels will reprice their average room rates and this will further push our growth," he said.