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Lemon Tree to close Keys deal

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Mumbai: Lemon Tree Hotels is set close the acquisition of Berggruen Hotels (Keys Hotels) soon. The company had in July this year said that its subsidiary Fleur Hotels will acquire the Berggruen Hotels Pvt Ltd for Rs 471 crore.

In a recent analyst meet, Lemon Tree Hotels officials said the financials of Keys Hotels are expected to be integrated with Lemon Tree from October 2019.

“The management was confident that after the acquisition is complete, the average room rate (ARR) of Keys Hotels could be increased on par with Lemon Tree. Therefore, the earnings before interest, tax, depreciation and amortisation (Ebitda) margin is not expected to decline,” Amit Agarwal, research analyst, Nirmal Bang Institutional Equities said in a company note.

While the acquisition of Keys will bring synergistic benefits, analysts said the deal will also aid room addition under management contract.

Accordingly, inquiries that did not qualify under its existing brands earlier would now be considered under the Keys brand. This will pave the way for the company to add hotels in a slightly lower category without diluting its existing brands.

“Post-acquisition, while most Keys hotels would operate under the existing brand name, a few will get re-branded as Lemon Tree hotels, which the management believes would require a capex of Rs 15 crore. The company is confident of achieving an immediate 4% revenue improvement coupled with 2% cost decrease (of sales) post the acquisition and expects Keys Hotels to generate Ebitda of Rs 60 crore in fiscal 2021,” Motilal Oswal research analysts Sumant Kumar and Darshit Shah said in a company note.



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