

Published Date:	13 Oct 2024	Publication:	Business India [National]
Journalist:	Hemang Palan	Page No:	38
Circulation:	128,500		

# Poised for a big leap

**LTHL is about to become an impeccable Indian hospitality brand on a global scale**

Lemons were once considered a status symbol in ancient Rome, where they were used as a form of currency and displayed as luxury items in wealthy households. And, the lemon tree has long been considered a valuable luxury and a symbol of prosperity. Historically, in Rome, Egypt and China, only the most elite would decorate their homes and gardens with this vibrant plant as a means to display their wealth and success.

Taking a cue from the 'refreshingly different' essence and characteristics of lemon, Patanjali Keswani, a former employee of IHCL (Taj Hotels), promoted Lemon Tree Hotels Limited (LTHL), a hospitality venture in India in 2002. And the country's first 49-key Lemon Tree Hotel was opened in May 2004 in Udyog Vihar in Gurugram (then Gurgaon) in North India.

"The name 'Lemon Tree' has an interesting story behind it," explains Keswani. "I wanted to create a brand that was fresh, fun and spirited and whose brand essence lay in being 'refreshingly different'. With this idea to start with, I selected more than 1,800 words and phrases of significance from the dictionary, and then pared the list down to 120 meaningful names. Over time, this list was further whittled down to 20 short-listed names, which were then discussed with friends and family. Lemon Tree, as a name, resonated the most with the brand essence and thus the brand was born". "Listen to your heart and never fear failure" is Keswani's motto and, being passionate about his work, he believes in providing a stress-free environment to his employees to work in.

"My vision for the company goes back to the 1990s, while I was an employee of IHCL (Taj Hotels) and realised that there were really no mid-market brands in the Indian hotel industry," he adds. "Through an in-depth study, I found that structural issues, like high costs of land and debt were the biggest challenges to building such hotels, where



Keswani: creating a 'refreshingly different' brand

the pricing and existing business models did not provide an adequate return on investment. Anticipating the enormous yet latent demand for mid-market and economy hotels in India, I ventured into the hospitality business."

The operational portfolio of LTHL is over 10,300 rooms across 110 hotels. The company opened nine hotels (500 rooms) in the current financial year and, by March 2025, 12 new hotels (900 rooms) are likely to open in Bihar, Gujarat, Andhra Pradesh, Uttar Pradesh, Haryana, Tamil Nadu, Rajasthan and Goa. Plans are afoot to open more hotels in Nepal and Bhutan too. LTHL also operates a hotel in Dubai near Jumeirah Open Beach and Sheikh Zayed Road.

**Embarking an ambitious journey**

"We have embarked on an ambitious journey, leveraging our asset-light strategy to increase our presence across geographies, with an aim to expand to over 20,000 hotel rooms within the next five years," affirms Keswani. "This growth will primarily focus on managed and franchised properties, with a target of over 14,000 rooms in these categories, up from the current 4,500". LTHL's expansion strategy encompasses exploring partnerships to open hotels across destinations where Indians travel, within

and outside the country. Within India, the company is already operating hotels in over 60 cities and exploring growth in major urban locations, and also tier II, III and IV cities. This strategic move allows the brand to tap into the growing demand for quality accommodation in underserved areas, thereby broadening its customer base and enhancing brand visibility. LTHL is focussed on forging partnerships in cities that show potential for growth.

The branded hotel market in India is poised for substantial growth driven by rising affluence, urbanisation and a shift in consumer spending patterns. India's GDP per household has reached a critical inflection point, similar to what China and Indonesia experienced in 2006-07. At that time, these countries saw exponential growth in discretionary spending, including a 22-25 per cent CAGR growth in branded hotel room demand, front-ended by growth in demand for upscale hotels. This signals a parallel opportunity for the industry in India. Thus, the largest mid-priced hotel sector chain in India, Lemon Tree Hotels also operates upper-upscale hotels under 'Aurika' brand. Aurika is Lemon Tree's vehicle to tap into the fast-growing upscale and upper upscale segment, ensuring the brand has a prominent stake in India's booming hospitality industry.

Keswani feels that, as discretionary income rises and the middle class expands in India, there will be a natural shift towards premium and luxury experiences. LTHL expects a 6x growth in hotel demand in the next five years, driven by factors like a 3x growth in airline seat capacity, the expansion of airports from 150 to 250 in India and tripling of four-lane highways across the country. Aurika is thus perfectly positioned to cater to this segment with its upscale offerings, he argues.

LTHL operates hotels under different brands like Aurika Hotels & Resorts (upscale), Lemon Tree Premier (upper midscale), Lemon Tree Hotel (midscale), Red Fox By Lemon Tree Hotels (economy) and Keys Lite By Lemon Tree Hotels (budget). "Over the next 3-4 years, Lemon Tree Hotel midscale

Published Date:	13 Oct 2024	Publication:	Business India [National]
Journalist:	Hemang Palan	Page No:	39
Circulation:	128,500		



The operational portfolio of LTHL is over 10,300 rooms across 110 hotels

1

brand is likely to witness the maximum growth," observes Keswani. "More than 40 hotels under this brand are slated to open by 2024. Also, our properties under Keys brands like Keys Prima by Lemon Tree Hotels and Keys Lite by Lemon Tree Hotels are likely to expand phenomenally in the years to come".

By 2028, Indian tourism and hospitality industry is expected to earn \$50.9 billion as visitor exports. Also, the industry is expected to create 53 million jobs in the next five years. The Indian hospitality sector has been one of the fastest-growing industries in India. However, this sector faces several challenges too.

**High operational costs**

Keswani is of the opinion that the hospitality industry in India suffers from high operational costs due to labour, taxes, utilities and compliance with various regulations. The government could reduce the Goods & Services Tax (GST) on hotel rooms, as also dining & services. Additionally, there could be different subsidies or incentives for energy-efficient technologies and implementation of eco-friendly practices, to reduce long-term costs. Also, there is a significant shortage of skilled workers in the hospitality industry. Attracting fresh talent as well as retention of the existing skilled staff is an issue with which the hospitality industry has been battling. The government should work with industry bodies to develop training and education programmes. The ministry for tourism & hospitality and institutions like management schools could play an even more active role in creating a

skilled workforce through public-private partnerships.

Hospitality businesses often face complex regulatory hurdles, including obtaining multiple licences and adhering to local rules that differ across states. Simplifying regulatory frameworks, introducing a single-window clearance system for licenses and harmonising regulations across states could significantly reduce the hurdles faced by hotels. Insufficient tourism infrastructure, such as transportation, connectivity and ancillary services/ facilities, hamper the growth of the sector, especially in non-metro cities and Tier II, III & IV towns. Government should improve its focus on greater investment in tourism infrastructure, including better road and rail connectivity, improved airports and maintenance of local attractions.

Another challenge faced by the hospitality industry in India is that it faces high demand fluctuations due to seasonality. Occupancy levels drop during off-seasons, leading to reduced profitability. "Government-backed marketing campaigns promoting off-season tourism could help stabilise demand year-round. We could see benefits from investing in branding and promotional campaigns to market India as a safe and attractive global destination, with an emphasis on cultural heritage, wellness and adventure tourism. Further, tax breaks during off-peak seasons could help hotel chains," says Keswani.

The Indian hospitality industry consists of a large unorganised/unbranded segment, including small hotels, homestays, guesthouses and other lodging

options, creating a fragmented ecosystem. Government should encourage the formalisation of this unorganised sector through incentives, subsidies and skill-building initiatives, he feels. This will lead to uniform standards across the board and help integrate smaller players into the mainstream. Also, providing tax rebates or financial assistance to smaller hotel properties to adopt technology like property management systems, booking engines and digital payment platforms will certainly bolster the growth of the Indian hospitality sector.

Lemon Tree Hotels provides employment to over 8,500 individuals, including full-time, fixed-term and outsourced employees of which, only 11 per cent are women. About 18 per cent of its employee base (over 1,500 employees) are opportunity deprived individuals. It includes employees with disabilities, including physical and intellectual disability and those from economically or socially marginalised sections of society, such as below poverty line individuals, widows/ battered women, orphans, etc.

In the hospitality industry, it's not just the luxurious amenities or the efficiency of service that guests will remember; it's the warmth, care and empathy they experience. As Lemon Tree Hotels celebrates its 20th anniversary this year, it is poised to become an impeccable Indian hospitality brand on a global scale in the years to come considering this hotel chain's huge expansion plans to serve Indian as well as foreign nationals across the globe. •

HEMANG PALAN  
feedback@businessindiaingroup.com