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Lemon Tree eyes shared loyalty alliances with global hotel chains

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1 **A**s demand for hotel rooms in India is expected to outpace supply in the coming years, Lemon Tree Hotels is readying itself to leverage its brand identity and capture a more premium pricing. In an interview, chairperson Patanjali G. Keswani said that this growth will be supported by increased discretionary spending on branded hotels across India. Over the past 12 years, Lemon Tree has built more hotel rooms than any other hotel

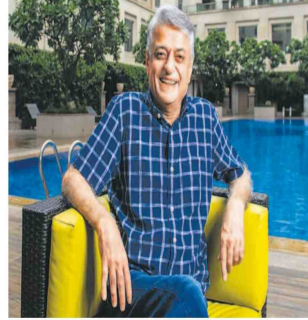
INTERVIEW

company in India, Keswani said. It is planning to list its subsidiary Fleur Hotels within two years to pare debt, and is also eyeing alliances with international hotel chains for co-branding or shared loyalty programmes in the next five years. **Edited excerpts:**

As the Indian middle class travels more, is there a need for Lemon Tree to have a loyalty programme tie-up with an international chain?

Currently, about 26 million Indians travel internationally. Earlier, when Indians travelled abroad, to locations in Asia, they rarely found Indian breakfasts.

Today, that has changed because of a new demand dynamic. At the same time, earlier, there were 100 million Chinese travelling abroad—the largest travelling population in the world—which currently has seen a collapse. My expectation is that in the next 4-5 years, 100 million Indians too will start travelling abroad. Successful Indian hotel chains with strong loyalty programmes will benefit as Indian travellers will end up using those Indian hotel brands when they travel abroad. There are about 10-12 cities in the world like Dubai, Singapore, Hong Kong, London, New York etc where 80% of these Indians will go. This is where a good loyalty programme will help Indian



hotel companies expand successfully.

In September, you announced plans to list your subsidiary Fleur

Hotels. What is the intent behind that?

Yes, we intend to list the subsidiary within two years. About 70% of our hotel rooms are in

this subsidiary. This includes our Delhi Lemon Tree Premier, Aerocity and Aurika Mumbai Skycity hotels. Fleur will become a very large income generator with an Ebitda (earnings before interest, taxes, depreciation, and amortization) over ₹700 crore per annum. Once listed, within six months, Fleur will become debt-free and have about ₹2,000 crore of growth capital available. When this happens, Lemon Tree's management fee from Fleur

becomes visible, which is about ₹150-180 crore per annum. In the last 15 years, we have built 5,000 rooms, so with this growth capital and the cash flow that Fleur already generates we should be able to scale the asset-development side of the business too in that company.

What sort of locations will you look at for new assets?

We'd like to build or acquire big-box hotels in Bengaluru, Mumbai and Delhi. We'd also like to be near every airport of

every city with a population in excess of 10 lakh.

Are the economic indicators in favour of India in terms of increased domestic hotel consumption?

As India moves towards a \$5 trillion economy, the number of Indian households travelling domestically and staying in branded hotels will cross 30 million. India has a \$3.8 trillion economy today, and about 5 million households currently stay in branded hotel rooms out of the 320 million households in India. This will be the biggest opportunity for branded hotels going forward—capturing this demand.

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