

Lemon Tree Hotels attracts investment of Rs. 280 crores from Warburg Pincus

New Delhi

Lemon Tree Hotels, one of India's fastest growing hotel companies catering to the business and leisure traveler looking for an upscale, full service product in the moderately priced category, today announced that Warburg Pincus, the leading global private equity firm is investing Rs. 210 crores in the company. The investment will be used to further expand the Lemon Tree network and enhance the company's pan-India presence.

Lemon Tree Hotels was promoted in 2002 and is rapidly creating a strong position within the hospitality sector in the mid-market segment. The New Delhi based company which designs, develops, owns and manages all its properties, has two operating hotels in Gurgaon and in 2006 will be launching two more in Pune and Goa. Seven more hotels, aggregating 1300 rooms, are under development across India. On completion of all these ongoing projects in 2008, the company will have a strong presence across 10 major Indian cities, including Delhi, Mumbai, Hyderabad and Chennai.

Patu Keswani, Chairman and Managing Director, Lemon Tree Hotels said: "We welcome Warburg Pincus as a strategic partner and significant shareholder of the company and look forward to their contribution to support our growth initiatives. We believe that this investment by a leading international investor signifies their confidence in our business model and growth aspirations and provides an impetus to our long-term objective of establishing Lemon Tree Hotels as one of India's leading hotel chains in the upscale, full-service, moderately priced category."

Surging domestic business travel and tourism across India has fuelled expansion among those hotels that are able to offer consumers a high quality product-service mix at reasonable rates. In line with it's unique brand proposition, Lemon Tree Hotels promises it's customers a memorable experience that is "refreshingly different". These hotels aim to provide comprehensive business and leisure facilities in a fresh, fun and spirited environment. This includes outstanding rooms, front desk, business and conference center, coffee shop, room service, housekeeping and laundry facilities, all available 24X7 and run by experienced hotel professionals, at an extremely attractive price point. The hotels have been designed to be business and leisure friendly with fitness facilities, WIFI, a lounge bar and extensive entertainment and menu options. The first two hotels in Gurgaon are already operating at over 90% year round occupancies, with over one third of the guests being repeat clientele.

Commenting on this investment, Julie Johnson Staples, Head of Communications, Warburg Pincus said: "We believe that the budget and moderately priced hotel segment in India presents a

large and untapped opportunity and we are very excited about partnering with Patu Keswani to target this segment. Warburg Pincus is a long-term, value-driven investor. Our extensive global networks combined with our ability to provide high quality strategic guidance, allows us to be an experienced partner to management teams. We look forward to provide our support to the company's corporate plans, going forward."

Lemon Tree Hotels is also the first hotel company in India to offer significant wealth creation opportunities to its employees through a broad based Employee Stock Option Program.

"We are especially pleased that Warburg Pincus has also acquired a significant part of employee shares, enabling many employees to unlock more wealth by working for under 3 years with Lemon Tree, than in their previous employment of many years in other hotel companies elsewhere", added Lemon Tree CMD Patu Keswani.

In a related development, Warburg Pincus is also investing Rs 70 crores in Red Fox Hotels, a new brand also promoted by Patu Keswani, which proposes to set-up limited service, economy hotels across India at a price range of Rs. 800 - Rs. 2,000 per night. The first three Red Fox Hotels, aggregating to 500 rooms and targeted at the extremely value-conscious business and leisure traveler, are under development and are expected to open in Mumbai, Jaipur and Hyderabad by late 2008.

www.lemontreehotels.com

www.redfoxhotels.com

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About Warburg Pincus

Warburg Pincus has been a leading private equity investor since 1971. The firm currently has approximately \$12 billion under management and invests in a range of industries including

financial services, information and communication technology, healthcare, consumer, industrial, media and business services, energy and real estate. Warburg Pincus is an experienced partner to entrepreneurs seeking to create and build durable companies with sustainable value. The firm has offices in New York, Menlo Park, London, Frankfurt, Hong Kong, Beijing, Shanghai, Seoul, Tokyo and Mumbai, and an active portfolio of more than 100 companies.

Over its eleven-year presence in India, funds sponsored by Warburg Pincus have invested approximately USD 1.2 billion making it one of the largest private equity investors in the country. The firm's past and current investments in India include Bharti Tele-Ventures, Gujarat Ambuja Cements, Housing Development Finance Corporation (HDFC), Kotak Mahindra Bank, Max India, Moser Baer, Nicholas Piramal, Sintex Industries, Vaibhav Gems and WNS Global Services.

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