

## Lemon Tree's \$800m quest: 2000 rooms and counting!

Patu Keswani's Lemon Tree Hotels has signed a joint venture that will enable him to check in with 6-7% of India's hotel room inventory. CNBC-TV18 Nayantara Rai reports on Lemon Tree's latest joint venture and new business strategy.

APG, a Danish pension fund, has checked into Lemon Tree to form a new joint venture company that is committed to investing Rs 2,000 crore in India by end 2016. APG's combined investment in the JV and into Lemon Tree Hotels for an undisclosed stake is Rs 650 crore. These are the JV's plans

Patu Keswani, CMD, Lemon Tree Hotels says the company will be adding 4,500 room and thus owning or co-owning 8,000 rooms, which is 6-7% of India's room inventory.

With 2,000 operational rooms and another 1,600 under development, the 10 year old Lemon Tree Hotels is already India's fourth largest owner of hotels, behind the Taj, Oberoi and ITC or so it says. Warburg Pincus and Kotak Realty Fund had booked themselves into Lemon Tree earlier and along with APG now hold just under 40%.

Keswani insists all his financial investors are patient and not pressing for an exit. Despite that, an IPO is back on the table, and maybe launched in two years. Also, being asset light is Keswani's new strategy which includes the monetisation of the 18 hotels that have been built over the last six years.

"We've done our calculation and I think we can get USD 800 million of equity," Keswani told CNBC-TV18.

Lemon Tree is planning all this at a time when other hospitality chains have hit the pause mode. Many hotel owners are also considering distress sales. Keswani believes this is his opportunity to cash in and increase capacity, especially in the mid market segment that continues to face a huge supply gap.

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