

# Warburg picks up 27% in Lemon Tree

## DEAL STREET: PRIVATE EQUITY FIRMS FIND INDIA STORY SIZZLING Warburg picks up 27% in Lemon Tree< Shells Out Rs 280 Cr For A Pie Of Hospitality Firm

Indian hospitality industry is going through one of its hottest deal-making phases. Private equity firm Warburg Pincus has picked up around 27% stake in Delhi-based mid- price range hotel chain, Lemon Tree, for Rs 280 crore.

Out of this around Rs 210 crore will be used for creating a network of around 25 Lemon Tree Hotels across the country by '10. Around Rs 70 crore is being used as seed capital to launch a new chain of economy hotels, under the Red Fox Hotel brand. According to Patu Keswani, CMD, Lemon Tree Hotels, plans are afoot to start off with three Red Fox Hotels at Mumbai, Hyderabad and Jaipur, with room rates in the range of Rs 700-Rs 2,000 per night, depending on the city, involving around 400 rooms. Mr Keswani said there are plans to have eight to nine of these no-frill hotels in place by '10.

Lemon Tree Hotels operate in the mid-price segment of Rs 3,000-5,000 per room night and largely cater to business and leisure travellers. Currently two Lemon Tree hotels are operational at Gurgaon with plans to have nine more by '08.

Mr Keswani, who set up Lemon Tree in '02, said all projects under Lemon Tree and Red Fox brands will be owned, operated and managed by the company.

Commenting on the deal, a Warburg Pincus spokesperson said, "We believe that the budget and moderately priced hotel segments in India present a large and untapped opportunity."

Several international hotel groups are looking at launching mid and economy brands in the country. Accor group has tied with InterGlobe to set up around 25 Ibis hotels around the country. Domestic brands such as Tata-group promoted Ginger, is also targeting the economy segment of the market. Indian hospitality industry has recorded dream run in the last couple of years with average hotel room rates growing over 30% annually.

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