

Just check in for a tangy experience

A 50-ROOM PROJECT STARTED IN 2004, LEMON TREE HAS NOW TRANSFORMED INTO A COMPANY WITH 1,300 ROOMS & 2 BRANDS

When Patu Keswani decided to launch his own company in 2002, he had a barking partner- Sparky, his dog. Sparky is now the vice-chairman and mascot of Lemon Tree Hotels and sits in all the board meetings, though very quietly. He was also the first employee of the hotel chain. "So far, only 1% of our staff is canine and 99% is humans," says Mr. Keswani.

Welcome to Lemon Tree Hotels, which is one of the fastest growing, moderately priced and upscale full service hotel brands in India.

Way back in 2002, a bunch of 40 friends came together, pooled their money and stood firmly behind a man who believed in himself. A 50-room hotel project started in 2004 has now transformed into a company with 1,300 rooms and two brands-Lemon Tree Hotels and Red Fox.

"We just wanted to build a hotel which was fun, fresh and different; a place where we all could work together without problems or politics," says Patu Keswani, who founded the company.

Patu Keswani, who did his B.Tech from IIT Delhi and MBA from IIM Calcutta, led operations of Taj's business hotel division. Later on he joined A T Kearney to help set up its Delhi Office. His experience at the hotel company and his tryst with a consultancy firm opened his eyes to the largely underserved and mid-market segment (below the five-star category) especially for business executives. This encouraged him to leave his cosy corporate job and venture out as an entrepreneur.

Raising money for the project was never a problem for Keswani. "I always believed I could raise the capital," says Keswani. "A T Kearney gave me the initial capital. There was an idea, an unmet need and several friends who were willing to take the plunge with me."

The initial plan was to build one or two hotels that would have given Keswani a good income and his employees a good salary. "The overwhelming response and feedback that we got from our customers after the opening of the first hotel was the turning point," says Keswani. "It was the big moment for me. The fact that we started making profits in a short span of time gave us more confidence and helped us plough in money back into the system."

The success of the first two hotels in Gurgaon opened the world for Lemon Tree Hotels. Keswani bought a few more plots and there was no looking back. Initially, Lemon Tree Hotels started out as a limited service and economy hotel brand. But later, its positioning was changed to moderately-priced upscale and full-service hotel. "We realized that business executives were willing to give up on the luxury of five-star hotels, but didn't want to scale down too much," he says.

When Lemon Tree Hotels was upgraded, it created space for another brand in the economy segment-Red Fox. While the brand name Lemon Tree was arrived at by a brainstorming session which lasted for four hours, Red Fox was born out of a simple conversation which Keswani had with his daughter. "My daughter thinks I look like a fox, especially my nose," says a smiling Keswani. No wonder, his office is full of his caricatures drawn by his daughter.

In 2006, private equity player Warburg Pincus spotted the potential of the company and picked up stake in Lemon Tree Hotels for Rs. 210 crore. It invested another Rs. 70 crore as seed capital for Red Fox Hotels. By 2008, two more PE companies-Kotak Realty Fund and Shinsei Bank-joined Warburg. This was also the time when some of Keswani's friends, who had initially invested, cashed out partially with hefty returns. At present, private equity players own about 33% of Lemon Tree Hotels and 25% of Red Fox. Private investors own 30% in Lemon Tree Hotels.

"By that time, we could raise loans at the right term which is very important for a hotel. By the end of 2010, we would have approximately 2,000 rooms operational under the two brands. By 2012, we would scale it up to 3,800, of which 2,800 would be for Lemon Tree Hotels," Says Keswani.

The acid test for Keswani was the slowdown years. "Our revenues fell, but we remained profitable as our cost structure was built for the worst time," he says. This was at a time when some of the leading five-star hotel chains had to close down certain floors because of less occupancies. No wonder, he opened 7-8 hotels during this time and realized that it was the right time to expand because he was confident that Indian economy's fundamentals are strong.

The company believes it would be among the top three hotel chains that own their hotels by 2012. "When you design, build and manage your own hotels, you take a risk," he adds. Once the company has a presence in all the significant metros, it would look at going public by 2012 or 2013, depending on the market conditions. His long-term vision is to build a brand, known for its service standards, not only in India but in Asia.

Known for sporting a ponytail during his IIT years and after he started Lemon Tree Hotels, several of Keswani's senior employees can be spotted sporting a pony-tail with yellow ribbon, giving an idea about the informal atmosphere and stress on employee happiness. These senior employees are also the ones who can be contacted by consumers having any problem or interested in giving a feedback.

"I am growing my hair and the ponytail will be back pretty soon," says Keswani.

You don't lose anything by being patient. Don't go overboard during good times & plan for the bad time.

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