

Patu Keswani, entrepreneur by chance

Patu Keswani says he stumbled into hospitality. But this IIT-Delhi and IIM-Kolkata alumnus founded one of the fastest growing hotel chains in India-Lemon Tree Hotels. Today, the group runs 14 hotels. In conversation with ET, Keswani, traces his entrepreneurial journey.

Accidental Hotelier

I don't have a background in hospitality. I am an engineer and MBA. I joined the Tata Group and, somehow, I ended up at the Taj and ran hotels for 10 years. Frankly, I had no intention to be an entrepreneur, but I wanted to make some money and I got bored of working with the Tatas. I had turned 39 and was wondering what to do with my life. I went through the typical mid-life crisis.

So, when international consulting firm A T Kearney told me to join them I took the offer. They offered, I think, one of the first Rs 1 crore salaries in India. Apart from the great money they offered, A T Kearney is a strategic consulting group and were not single subject experts. They were half-way down the entrepreneurial spectrum. It sharpened my focus towards risk and reward.

India's mid-market hotel gap

I did some strategic assignments for multinationals who wanted to enter the Indian market and also financial assignments for valuations, which included hotel groups. I discovered there was this huge gap in India. At the top-end you have the Taj, the Oberoi and ITC and in the mid and low segment, there are no national chains. Globally the biggest hotel market is mid-market and economy. As Taj's COO, I had seen how their second-rung hotels, like the Taj Residency, made money and I had a clear idea on how they could make even more money.

Becoming an Entrepreneur

One day I randomly decided to start on my own. I had got my bonus and was sitting on a fair amount of post-tax cash. I asked myself why can't I build a small budget hotel. The first hotel I built was an impulsive decision. If I had thought about it, I would not have done it. I wanted to build a small hotel and live off its profits and play golf, bridge and pool in my free time. That was the initial thought.

Deciding the business model

Then I created a business model and realised I could make 20% return on capital. I built this first hotel. It gave me that 20%. Out of curiosity I bought a second plot, which came very cheap in Gurgaon, and made it a slightly more upscale version. I did not want to manage hotels as the power is with the hotel owner in India. I decided to position the brand at top-end of mid-scale to early-upscale.

We buy land, design, build, manage and brand our own hotels. We are the only hotel group to integrate across the value chain. We are now among the largest investors in hotels in India. We have also set up a budget brand called Red Fox. We plan to take Lemon Tree public next year and then it will become the second largest hotel chain in India.

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