Post acquisition, Keys Hotels expected to improve margins: Lemon Tree MD

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Acquisition of 'Keys' hotels is expected to add ₹60-65 crore to the consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation) of Lemon Tree Hotels over the next two years.

Patanjali Keswani, Chairman and Managing Director, Lemon Tree Hotels Ltd, said that the acquisition was a "strategic fit". Keys is expected to add ₹45 crore as EBITDA in FY20 itself against an expected turnover of about ₹90 crore. Over a two-year-period, rationalisation of expenses, reduction in duplication of work, among others should lead to a higher EBITDA.

"Keys is a strong brand and is generating good revenues. Our focus would be to increase the operating profits. If we are able to reduce the corporate expenditure by say 30

Patanjali Keswani, Chairman and MD, Lemon Tree Hotels Ltd

per cent, there will be substantial addition to EBITDA," he told *BusinessLine*. Lemon Tree had a turnover of about ₹273 crore in FY19 and net profit stood at ₹63.24 crore. Its OPM (operating profit margin) and net profit margin stood at 24.98 per cent and 23.14 per cent last fiscal.

Keys is present in 18 Indian cities through brands like Keys Prima (upper midscale), Keys Select (midscale) and Keys Lite (economy). On the other hand, Lemon Tree with its four brands – Aurika Hotels & Resorts (upscale), Lemon Tree Premier (upper midscale), Lemon Tree Hotels (midscale) and Red Fox by Lemon Tree (economy).

Keswani said both Lemon Tree and Keys brands will operate side-by-side. All of them will be retained.

"Post acquisition, we will have two brands across each category. Depending on user preferences we will offer the appropriate brand," he said.

Default choice

Keswani said that Lemon Tree is looking to evolve as the "default choice" for users in the mid-scale segment.

"We want to be the default choice for consumers in India; especially when it comes to mid-scale segment. For that, we have to look at expanding the supply base," he said.