

# HEADING OVERSEAS

Leading Indian hotel chains are on an aggressive expansion mode abroad, buying up – or developing – properties around the world. A report by **Annamma Oommen**.

**T**he Indian hospitality industry has been on a roll for the last five years, with revenues and profitability of top players witnessing exponential growth. Much of the growth has come from their core business – the domestic sector.

But Indian hotel chains, especially leading players like Indian Hotels, East India Hotels (EIH) and the Leela Group, are leaving no stone unturned in their efforts to expand their footprint. Flush with cash, the bigger hotel chains are striving to achieve global scale. Their strategies

range from entering overseas markets through self-owned properties to buying out existing hotels and taking equity stake in established chains to gaining management contracts for premium properties.

Take the Leela Group for instance. The garment exporter-turned-hotel major has been making all-out efforts to grow its operations abroad. With projected revenues of over US\$120 million in the current fiscal, the group has an investment plan adding up to over US\$500 million over the next two to three years.

“We will finance the new projects

and existing expansion through internal accruals and bank loans,” says family patriarch and group chairman, C.P. Krishnan Nair. The Leela Group is currently identifying greenfield sites in New York, Boston and other major US cities.

“We are getting a lot of management contract proposals from hotel promoters and investors abroad,” says Vivek Nair, vice-chairman and managing director of the group. It is keen on entering markets in geographies such as West Asia, South-East Asia and China, in particular Dubai, Bahrain, Singapore, Sri Lanka, Thailand and





China (Beijing and Shanghai). “There are important source markets for the group and we would like to have a presence in them,” adds Nair.

Partnerships seem to be the way to go for the Indian group—its domestic management alliance with European hospitality major Kempinski is a win-win situation for both. Even as Kempinski sets up local sales offices in India in an effort to tap outbound Indian travellers, the partners’ joint HR training programmes, along with special packages and loyalty schemes that are valid across both Leela and Kempinski properties in Europe ensure a mutually beneficial relationship.

Another leading Indian hotel chain that has been in the news lately for its international forays is Indian Hotels of the Tata Group. The company has set aside more than US\$360 million for expanding globally through the inorganic route over the next three years. It currently has over 70 hotels, including the Taj Mahal Palace



& Tower in Mumbai and St. James Court in London. International expansion is a key issue for Indian Hotels and it intends to achieve its objective through a strategy of buying iconic standalone properties across the globe.

"The mature markets are extremely important for us, as the UK and Europe generate 25 per cent of our business, and the US about 15 per cent," says Raymond Bickson, managing director, Indian Hotels. "Our strategy in India is to consolidate and expand our presence through clear brand differentiators in different segments, while in the international market we want to expand only in the high-end

luxury segment. Our recent acquisitions of The Pierre in New York, the Taj Boston in Boston and the Campton Place in San Francisco make this very clear."

The Taj Boston, an 80-year-old classic Beaux Arts hotel facing the Boston public garden, was bought from Millennium Partners for US\$170 million and renamed Taj Boston, while The Pierre in New York is under an operate-and-manage lease agreement. Other than the US, Indian Hotels has also entered the South-East Asian market with an acquisition in the city of Ningbo (in the eastern mainland of China) and by forging marketing alliances with hotels in Japan and Korea.

Ambitious plans are also on track for properties in Singapore, Hong Kong and Bali, although through management contracts. The company is developing luxury hotels in Cape Town and Johannesburg in South Africa, apart from a high-end resort in Phuket, Thailand. "We have also entered into management contracts for a high-end resort on the Palm Island in Dubai and a golf resort in Doha, Qatar," adds Bickson. All these new hotels would start functioning over the next few years.

Not to be left behind is EIH, the flagship company of the Oberoi Group, which has plans to enter China. With over

## GOING GLOBAL

Indian hospitality majors are planning to acquire, manage, or develop properties all over the world. Destinations range from Dubai and Singapore nearer home to the UK, South Africa and the US. **Here's what the leading players are planning:**

### GROUP

### GEOGRAPHIES

Indian Hotels	UK, USA, Japan, South Korea, China, Singapore, Hong Kong, Indonesia, Thailand, the UAE, Qatar
East India Hotels	China, Japan, the UAE, Morocco, Maldives, Cambodia
The Leela Group	Dubai, Bahrain, Singapore, Sri Lanka, Thailand, China
Bharat Hotels	Dubai
Club Mahindra	Austria and Europe, South Africa, the UAE
Kamat Hotels	South Africa, China, Mongolia, the UAE, Bahrain





30 properties in India, Egypt, Mauritius, Indonesia and Saudi Arabia under ownership or management contracts, the EIH strategy is slightly different from that of its competitors.

“The US and Europe are developed markets with very little growth, so we don’t have any plans of expanding there,” says P.R.S. Oberoi, chairman and ceo, EIH. “We plan to have 12 new hotels in India and abroad soon. Our vision is to operate properties from Dubai to Tokyo. We believe it would not be a good strategy to ignore China.”

The group is currently establishing a US\$100 million hotel in Dubai that is expected to be operational by early 2009. It is being developed in partnership with a Dubai-based real estate company and is

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located close to the under-construction Burj Dubai.

EIH is also exploring opportunities in Siem Reap (Angkor Vat) in Cambodia and the Maldives. It also plans to set up a 100-room luxury hotel along with 40 villas, at Marrakesh in Morocco.

The group has plans to re-launch its second brand - Trident Hilton – as just the Trident and intends to expand locally and globally. This initiative comes close on the heels of the group’s exit from its association with the Hilton Group. Global locations targeted for the Trident brand include the UAE, Thailand and China.

“We are exploring opportunities on extending the Trident brand overseas,” says Oberoi. The brand already exists in West Asia with tariffs typically 40 per

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cent to 50 per cent lower than those in premium Oberoi properties.

Even smaller players are trying to get a slice of the global pie. Bharat Hotels of the Suri family is putting up a greenfield project, The Grand Fort Dubai, while Club Mahindra Holidays' first overseas buy is the 97-room, 4-star Hotel Bon Alpina in Innsbruck, Austria.

"We invested nearly US\$4.5 million for a 75 per cent stake in the property as we found it lends itself well as a family destination," says Ramesh Ramanathan, ceo, Club Mahindra Holidays. The company is now looking to expand in South Africa, West Asia and Europe.

The multi-brand hospitality company



Kamat Hotels – a mid-size domestic player with interests in luxury and budget hotels and restaurants – is also setting its sights on global horizons. The group is launching a 5-star, environment-friendly 176-room hotel called Orchid International in Johannesburg. A similar 5-star, eco-friendly, 350-room hotel is also being planned by the group at Lijiang in China, a Unesco World Heritage Site. The other potential destinations for the group include countries in West Asia and Mongolia. "Most of the global markets are being penetrated through the management contract route," says Vithal Kamat, chairman and managing director of the group. "That's a much faster way to expand, where we give our expertise, but it does not involve investment. At a later stage, we may look into investment in these properties."

These growth exercises were all initiated over the past few years and in today's changed global economic outlook, the industry does face a challenge in terms of a liquidity crunch. Consequently, most premium 5-star hotels increased domestic room tariffs in the range of 10 per cent to 15 per cent in October in an attempt to cash in on the peak season in India.

The Indian hospitality industry is expected to push ahead with many of its ambitious overseas projects as the financing had already been tied up. Globe-trotting Indians will then be able to savour a *tandoori chicken* or a *dal makhani* during a harsh winter snow storm in Europe or the US, or sip a glass of *lassi* in the Arabian Desert. 🌴

