

Wadhawan to set up 9 hotels, bouquet of PE funds

After closing its grocery retail venture, Spinach, the Wadhawan Group is setting up new hotels. The city-based entity, which runs housing finance company DHFL, also plans to launch a bouquet of private equity funds and beef up its financial services operations.

The group is planning to set up nine hotels, in four- and five-star categories, at an investment of Rs 1,000 crore in the next five years, according to Kapil Wadhawan, chairman of Wadhawan Holdings, the holding company of the group.

Of the total outlay, 60 to 70 per cent will be funded through debt. The 1984-founded group has tied up with hospitality chain Minor International to run its hotels. The first of its two hotels, in Mysore and Pune, will be up and running in the next two quarters, Wadhawan said. The rest of the hotels will come up in Wayanad in Kerala, Varanasi in Uttar Pradesh and Udaipur in Rajasthan, besides Tamil Nadu's capital city of Chennai. That southern metropolis will carry a brand of Anantara Resort & Spa, while the Wayanad hotel will have the brand of Naladu.

"We will not be in a hurry," said Wadhawan. "We will launch them slowly...at an appropriate time. The plan is that all nine hotels will be up and running five years from now." Wadhawan is not alone. About 15 companies, some of them new, are planning to set up 600-odd hotels in India to tap the demand from business and leisure travellers.

According to estimates, Shanghai, the second biggest city in China, has more organised rooms to offer than the whole Indian market, which is struggling at little over 100,000 rooms.

The group also plans to launch multiple funds in the next few years — under the rechristened asset management venture ArthVeda Fund Management (earlier known as DHFL Venture Capital) "The plan is to have Rs 5,000 crore of assets under management in the next five years," Wadhawan said. "After raising our second real estate fund, we will launch other funds also."

ArthVeda is launching a Rs 250-crore Star Fund, which will invest in mid-income housing projects in 16 cities.

The group had to close its retail venture, Spinach, in 2010 due to slowdown in consumer spending and rising inventories and costs.

Currently, the group runs 50 stores of retail chain Smart in Bangalore and Sabka Bazaar in north India.

"All retailers know what went wrong," Wadhawan said without giving specific reasons for the closure of Spinach.

The group also stopped the operations of direct to home retail venture Sangam Direct which it bought from Hindustan Unilever in 2007.

Though the group tried to integrate the operations of buying, human resources, IT infrastructure, and store designs, it did not see much success, said a person who worked on the plans.

"We have been moderate in scaling up all non-housing finance and non real estate development ventures," Wadhawan said. "But as I said, besides our financial services business and select real estate projects, we are basically scaling down all other business operations."

Dheeraj Realty, the property development arm of the group, is developing real estate projects in Mumbai and Pune. The realty firm will look at new developments "selectively", he said.

In fact, Kapil and his brother Dheeraj have delinked themselves from HDIL, a BSE-listed realty developer promoted by their uncle Rakesh Kumar Wadhawan and cousin Sarang Wadhawan. They did it by selling off their shareholding in the company and relinquishing board positions.

Its food and beverage arm Dish Hospitality has brands such as Aurus, Sancho's, Cinnabon among others.

Wadhawan Lifestyle, the lifestyle retail arm of the group, which has launched international brands such as Ed Hardy, Christian Audigier and Adolfo Doming, does not plan to bring in new brands, Wadhawan said. "Wadhawan Lifestyle is active on the ground," he noted. "It is a small business of two brands. But these are eventually going to be either hived off, or scaled down."