

RIL buys 14% stake in EIH for ₹1021cr

TIMES NEWS NETWORK

Mumbai/Kolkata: Prithvi Raj Singh Oberoi has found his white knight in Mukesh Ambani. On Monday, Reliance Industries (RIL) acquired a strategic stake of 14.12% in EIH — the company that owns and runs Oberoi Hotels and Resorts — for Rs 1,021 crore, staving off a potential takeover threat that EIH faces from ITC.

ITC, the tobacco-to-hotels major, is already sitting on the fence with a 14.98% stake in EIH. With RIL matching ITC's holding in EIH and having the critical advantage of the promoters' blessing, the possibility of ITC making a hostile bid for the Rs 1,038-crore hotel chain has dimmed considerably.

The stake has been acquired by RIL's wholly-owned subsidiary Reliance Industries Investment Holding, from Oberoi Hotels and certain promoters of EIH. As per EIH's shareholding pattern (June 30, 2010), the promoter holding stood at 46.43%. With the transfer of a 14.12% stake to RIL, the holding would come down to 32.31%.

The move marks RIL's entry into the hospitality sector with experts saying that the deal reflects the enormous potential of the hotels sector, particularly with Reliance buying EIH shares at a substantial premium. RIL bought the stake in EIH at Rs 184 per share, which is a 22% premium on EIH's closing price of Rs 151 on Monday on the BSE. EIH shares rose more than 11% over its Friday's close. RIL's shares fell 0.2% to Rs 947 and ITC declined 1.24% to Rs 159.

There will not be a change in the management or the operations of the company with both staying with EIH. RIL

LOOKING BEYOND OIL & GAS

Aug 30 | RIL announces the acquisition of **14.12% of EIH** through its wholly owned subsidiary **Reliance Industries Investment Holding** for **Rs 1,021 crore**

Jun 11 | RIL buys 95% in Infotel Broadband, a successful bidder in all the **22 circles** of the BWA auction for **Rs 4,800 crore**

May 16 | RIL and Russia's petrochemical co **SIBUR** sign an **MoU** to set up a butyl rubber JV

Apr 16 | Reliance buys **26-35%** for approx **Rs 163cr** in Captain Gopinath's aviation logistics venture **Deccan 360**

May 14 | RIL & IMG announce an equal JV, IMG Reliance, to develop, market and manage sports and entertainment in India



EIH jumped 12% to Rs 151

*EIH shareholder structure

Promoter	46.4%
FII	2.2%
DII	13.5%
Others	37.8%

ITC holds 14.98% in EIH

* Stakeholding structure as of June 2010

and Oberoi were categorical that this was a "strategic investment". EIH chairman Oberoi said, "Reliance Industries desired to make a long-term financial investment in the luxury hospitality industry and we were happy to encourage their invest-

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ment in EIH. There is no change to the control, management or operation of EIH."

Reliance, too, stressed this when it said, "RIL's investment in EIH has been made as the Oberoi family had developed the Oberoi Hotels brand into a premier inter-

national brand in the luxury hospitality sector and as a result EIH has excellent future prospects. RIL has full faith in and would support the management of EIH and there is no change of management, operation or control of EIH."

Impact on ITC

An industry expert, who did not wish to be quoted, said that with RIL's entry, ITC would not launch a takeover bid for EIH as its position has been weakened. The expert said that RIL's move to come in as a strategic investor could enable the Oberoi group promoters to step up shareholding so that the combined shareholding (along with RIL) goes up to over 51%.