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Indian Conglomerate Buys New York's Plaza Hotel

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"There seems to be a sudden realization by Indian entrepreneurs that they can run hotels better than some of their counterparts abroad," said **Mr. Chakravarty**. The Nadathur Group, founded by N. S. Raghavan, is buying hotels in Australia and Indonesia, he said, and intends to run them.

"There seems to be something about the hospitality business that so many Indian entrepreneurs feel that they could do a better job at it than their Western counterparts," he added.

"The Sahara group has shown an inclination to be in high-profile, consumer-facing businesses," **Mr. Chakravarty** said.

The storied Plaza Hotel in New York is the latest buy for Sahara India Pariwar of Lucknow.

The Plaza, whose first guest in 1907 was Alfred Gwynne Vanderbilt, heir to the Vanderbilt industrial empire, has been struggling in recent years after a conversion into condominiums. It took nearly seven years to convert the units, and buyers — who spent as much as \$50 million on their homes — complained about the quality of the renovations.

But on Monday, the Plaza's owner, Elad Properties, a real estate company owned by the Israeli businessman Yitzhak Tshuva, said the Sahara group had agreed to buy a controlling stake in the property for \$570 million. Elad has a 60 percent stake in the hotel, and Saudi Arabia's Kingdom Holdings owns the rest. Once the deal is completed, Kingdom Holdings' stake will be reduced to 25 percent. The hotel will continue to be managed by Fairmont Hotels & Resorts.

Financial analysts said the hotel should be viewed as more than a "trophy asset."

"I think it is a well-thought-out business decision," said Praveen Chakravarty of AnandRathi Financial Services. "Looking at the hospitality market in Europe and the United States and the valuations available, it makes sense for anyone with liquid cash to spare to pick up assets, be patient, do some cross synergies and wait for the market to rejuvenate."

The Sahara group is cash-rich, he added, and the deal is not expected to harm the company's finances.

This is not the Sahara group's first overseas hotel acquisition. In December 2010, the company purchased the iconic Grosvenor House Hotel in the Mayfair area of London from the Royal Bank of Scotland for \$726 million. The company plans to add an Indian restaurant, nightclub, spa and swimming pool to the hotel, which will continue to be managed by Marriott International. The group has also reportedly bid £750 million, or \$1.18 billion, for a group of Marriott hotels in London being

offered by the Royal Bank of Scotland, though it has not confirmed that bid.

"Both the Plaza Hotel in New York and the Grosvenor House Hotel in London are both extremely prestigious properties in very attractive markets," said Sudeep Jain, executive vice president of Jones Lang LaSalle Hotels. "New York and London are gateway cities of the world and financial capitals, so the group strategy would seem to be acquiring prized assets in prized markets."

Also in New York, the Sahara group is reportedly about to acquire the Dream Downtown Hotel from the Indian-American hotelier Sant Singh Chatwal. The Sahara group's chairman, Subrata Roy, is reported to have made a formal offer for an 85 percent stake in the hotel, valued at \$100 million. The Sahara group is

also said to be interested in other high-end iconic hotel properties in New York, like the Four Seasons, the Mandarin Oriental and the Waldorf-Astoria.

The Sahara group did not make an executive available for comment.

The group is not alone among Indian hotel companies looking to expand their business overseas. Indian hoteliers like the Oberoi Group and Indian Hotels Company Limited, which operates the Taj Hotels Resorts and Palaces, have had an established international presence for many years, and other Indian companies have rushed into the market recently.

The availability of Indian capital, along with a slowdown in the hotel industry in Europe and the United States, which has caused a drop in property values, has accelerated this, analysts said.

“It has become more prevalent for Indian capital, both hoteliers and investors, to evaluate foreign hotel assets,” Mr. Jain said. “Certain markets could be more attractive than deals available in India at the moment because of the state of the economy and different business cycles.”

In April, New Delhi-based Bharat Hotels, which operates the Lalit brand of hotels, acquired Lambeth College building, a heritage property in London, for an undisclosed amount. The property, which will be reopened in three years, is being developed into a luxury boutique hotel. The group already has a project under development in Koh Samui, Thailand. The Indian Hotels Company acquired the Ritz-Carlton in Boston in 2007 and renamed it the Taj Boston. In April this year, the company has also said to have renewed attempts to increase its stake in Orient-Express Hotels, an international hotel chain.

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“There seems to be something about the hospitality business that so many Indian entrepreneurs feel that they could do a better job at it than their Western counterparts,” he added.

Sahara India Pariwar, founded in 1978 by the billionaire Subrata Roy, has interests in finance, infrastructure, real estate, media and entertainment, manufacturing and information technology. In 2004, Time magazine famously called the Sahara group India’s second-largest employer after the railways. The company also owns a 42.5 percent stake in Force India, the Formula One Team, and the Pune Warriors, an Indian premier-league cricket team.

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The company also recently announced that it would own one of the six franchises of the proposed Hockey India League and is said to be close to purchasing a controlling stake in DigiCable, a cable TV distribution company, to enhance its interests in the Indian television business.