

Hotel Leela Venture challenges ITC's shareholder oppression claims

Hotel Leela Venture Limited (HLV) has countered ITC's allegations of shareholder oppression in a fresh development in their ongoing legal battle, centered on the 2019 sale of significant Leela properties to Canada's Brookfield for INR 4,250 crore, as per informed sources.

ITC opposes the sale, contending it was detrimental to minority shareholders. Although the conglomerate owns a stake in HLV Limited, it doesn't meet the requisite 10% shareholding threshold to file such lawsuits under India's Companies Act.

Despite this, NCLT allowed ITC's petition, citing exceptional circumstances due to its past shareholding exceeding the required threshold. HLV Limited has challenged this ruling at the National Company Law Appellate Tribunal (NCLAT), with a hearing expected on April 19, according to sources.

Both HLV and ITC have not responded to requests for comment on the matter.

This legal dispute, which had simmered down, resurfaces amidst ITC's move to spin off its hotels business into a separate listed entity, announced on July 24 last year, aiming at efficient capital allocation and independent pursuit for the hotels division.

According to the January 24 NCLT order, ITC alleges that the Leela-Brookfield transaction was structured to bypass laws, benefiting promoters who received over INR 300 crore, leaving HLV Limited's minority shareholders with a shell business and associated liabilities.

ITC claims it held 11.78% shares until September 2017, while promoters held 63.88%. Debt of INR 4,150.14 crore was assigned to JM Financial and Assets Reconstruction Company Ltd in 2014. ITC alleges that in September 2017, JM Financial and Assets Reconstruction Company Ltd converted INR 275 crore of its loan, increasing its and promoters' shareholding to 73.27%.

This majority shareholding, ITC argues, stifled the rights of minority shareholders, including ITC. Despite ITC's complaint to Sebi, no relief was granted. The Securities and Appellate Tribunal (SAT) allowed Leela's asset sale to Brookfield, rejecting ITC's challenge to Sebi's order.

HLV Limited had announced in March 2019 that it was selling its hotel business and assets to Brookfield for INR 3,950 crore, including properties in Bengaluru, Chennai, Delhi, and Udaipur, along with contracts and subsidiary Leela Palaces and Resorts.