

RIL may run for Bombay Dyeing biz

Likely To Compete With Indo Rama & JBF Industries To Buy Loss-Making Polyester Plant

REALTY BITE



New game plan
The Wadias are metamorphosing into builders of homes and offices from selling not-so-attractive textiles and petrochemicals

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THE Wadia-Ambani feud of three decades may end in a bittersweet deal. The possible sale of Bombay Dyeing's polyester plant to Mukesh Ambani, scion of the polyester prince who vanquished the Wadias in the battle for a petrochemical empire.

Reliance Industries (RIL) may compete with Indo Rama and JBF Industries to buy the loss-making plant of Bombay Dyeing, which is on its way out of a business that led to a spectacular public fight in the 80s with Reliance founder Dhirubhai Ambani, said two persons familiar with the developments.

Bombay Dyeing & Manufacturing Co, born as The Spring Mills in 1903, may seek shareholders' nod next month to sell the plant that can produce 165,000 tonnes a year, they said.

The Wadias are metamorphosing into builders of homes and offices from selling textiles and petrochemicals, where prospects are dimming. This follows their failure to establish in the petrochemical business, where Reliance has taken giant strides in the last three decades after choosing a different ingredient to make polyester. In the 1980s, both the business houses accused each other of manipulating government policy to suit their interests. Ultimately, the Ambanis won.

"There is no proposal with the board to sell the PSF business," Durgesh Mehta, joint MD of Bombay Dyeing, said in an email.

A Reliance spokesperson said: "As a policy, we do not comment on speculations."

Although petrochemicals and textiles contribute about two-thirds of Bombay Dyeing's revenues, they lost more than Rs 100 crore in fiscal 2010. The real estate divi-

sion made a pre-tax profit of Rs 346.45 crore.

The group's petrochemicals problems started with it choosing dimethyl terephthalate to make polyester while Reliance preferred purified terephthalic acid. In a controlled socialistic economy and small market, duty structures can make all the difference. Duty on these goods were dynamic, which some say favoured Reliance.

In the 80s and 90s, Reliance marched ahead with increasing capacities, by gobbling up smaller rivals, while the Wadias lost.

"The polyester unit could now be valued at about Rs 300 crore," said an investment banker close to the transaction.

RIL chairman Mukesh Ambani recently told shareholders that polyester capacities will be increased.

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Acquisition to boost capacity

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ANY purchase of Bombay Dyeing's polyester business will boost RIL's capacity above 9 lakh tonnes per annum. If Indo Rama gets it, its capacity would go beyond 4 lakh tonnes.

An Indo Rama spokesman said, "There has been no such discussions or developments in the matter that you have mentioned." A JBF official, who did not want to be identified, said it is evaluating proposals, including Bombay Dyeing's. Getting out of a business that does not make sense is not unusual for the Wadias. It began the journey building ships two-and-a-half centuries ago, including the ones on which the US national anthem was composed, and the deck on which China signed off Hong Kong to England, in the Treaty of Nanking. It doesn't build ships now.

It also does not hesitate to jump on to the business that shows promise. When Bombay became the second-biggest cotton port in the world in the 19th century after New Orleans, it began dip-dyeing yarn by hand.

The link with that business may thin with the sale of polyester plant in Patalganga, Maharashtra, which if Reliance buys can annex with its own by just demolishing the compound wall. But Bombay Dyeing is expanding the construction business with its huge swathe of land in Mumbai, the financial capital.

It has hired four expatriates, who cut their teeth in the Middle-East property market, to head project and design teams. It has built the corporate headquarters for nation's third most-valuable private lender, Axis Bank, in a land where a textile mill once stood.

(WITH INPUTS FROM PRADEEP PANDEY)