

Essel Group's growing appetite for acquisitions

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- ▶ **ON NOVEMBER 11**, Essel Group's Dish TV announced it was merging with Videocon d2h
- ▶ On the same day, Essel Finance acquired Peerless Mutual Fund
- ▶ **ON NOVEMBER 14**, Essel Infra acquired two road projects from KNR Constructions and Patel Engineering
- ▶ **On November 21**, Essel Group Middle East bid for five oil and gas blocks in India
- ▶ **On November 23**, another group company Zee, bought out Anil Dhirubhai Ambani's Reliance Broadcast Network

What is Subhash Chandra's ₹22,535 crore Essel Group up to? In a telephone chat from his hometown in Hissar, Chandra, an independent Rajya Sabha Member of Parliament, said, "I am busy in Parliament and with the *Dr. Subhash Chandra Show*, and the five-six villages that I have adopted here."

But as chairman of the group, isn't he involved?

"Yes I am, only to review. My advice to Punit (Goenka, Chandra's son, who runs Zee) and Amit (Goenka, Chandra's second son, who runs Zee's international arm) is that we have concentrated on in-house entertainment so far. Now we must also look at out-of-home-like adventure or leisure. We should become an all-encompassing entertainment and information destination," says Chandra, who monitors the group on a monthly basis, leaving the day-to-day operations to the chief executive officers. Turn to Page 14 ▶

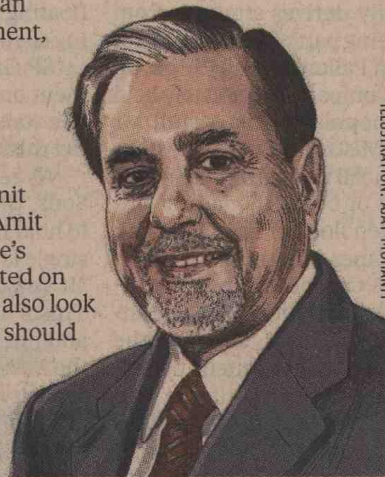


ILLUSTRATION: AJAY MOHANTY

THE ESSEL STORY

Group revenue (\$ million*)

Zee Entertainment	873.35
Shirpur Gold Refinery	589.42
Pan India Network (Playwin)	567.16
Dish TV	456.71
Essel Infra	306.87
Essel Utilities	194.03
Siti Cable	177.45
Zee Media Corporation	81.03
Essel Shyam Communications	37.32
Veria International	37.00
Zee Learn	22.59
Pan India Paryatan (EsselWorld)	17.91
Essel Finance	2.69
Total	3,363.52

*Exchange rate has been assumed as \$1 = ₹67 Source: Essel Group

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Buying radio stations, television (TV) channels and a direct-to-home (DTH or d2h) service is the group's attempt to plug gaps in its flagship media and entertainment business - Zee, Dish TV, Siti Cable and its news outfit Zee Media - which brings in over 48 per cent of its top line and a bulk of its profits.

However, a look at the other half makes it clear that, in many ways, Essel Group is not one entity. In 2008, it was restructured and the shareholding was split among four brothers - Chandra, Ashok, Jawahar and Laxmi Goel. Chandra is the chairman of the group and most of the firms within. But each of the businesses - media, infrastructure, packaging, education and others - is run by one of the brothers or their sons. So Zee Entertainment, for example, is run by Chandra and his sons. Dish TV is run by Jawahar Goel. The bid for oil blocks came from Essel Group Middle East where, "I am the only common link (with the group)," says Gagan Goel, director, Essel Group, and Jawahar Goel's son. Essel Group Middle East, which he set up in 2015, operates in energy, hydrocarbons and potash. Independently funded, the firm is looking for acquisitions, "in almost every part of the world," says Goel.

"It is coincidence that all the deals bunched up close to each other," says Himanshu Mody, head, group finance and strategy. At a group level, the vision is to be the No. 1 or 2 in each of the businesses it operates in. This then gets broken up into strategy for each business separately.

For instance, with media and entertainment, "The idea is to get into all possible entertainment avenues needed to consolidate. From a Zee Entertainment perspective, we have cash on the balance sheet (around ₹1,600 crore) and, therefore, are looking for acquisitions," says Mody.

Radio was a big gap. "We didn't get into radio earlier because the regulatory regime, especially with regard to the migration fee for the Phase 1 licences, was unclear. Now, we have a clear runway, with regards to licence fees till 2030," says Mody. With Reliance it gets 45 operational, profit-making radio stations in Big FM and 14 new licences that are to be operationalised. Earlier in September, the group picked up United Arab Emirates' oldest radio station Hum. The radio foray also goes with an increased focus on music and digital by the group, says Mody.

On the broadcasting side, there has been the acquisition of Odia channel Sarthak in 2015, divestment of Ten Sports earlier this year and last week's acquisition of Reliance's Big Magic (comedy) and Big Ganga (Bhojpuri).

Now, except for Malayalam, sports and kids, Zee's content portfolio is more or less complete. On the TV distribution side, "We believe consolidation will deliver benefits to consumers through a bigger sales and distribution network, as digitisation progresses," says Mody. Dish TV Videocon plus Siti Cable gives the firm control over 34 million of India's 170 million TV homes.

In infrastructure, a business the group had ventured into in 2007, the focus is on roads, renewable energy and smart cities, among other things. Essel Infra is among the more aggressive firms in its space, say analysts. Note that media and entertainment is not just the biggest and most profitable business on Essel Group's portfolio.

It is also one of the oldest. As the ambitions of the younger businesses led by the second generation come into play, more action from the group is inevitable.