

# Essel group in talks with IVRCL for settlement: Subhash Chandra



Subhash Chandra, Chairman, Essel Group

*The Essel Group (Zee Group) has been in the news after it increased its stakes in the Hyderabad-based infrastructure firm, IVRCL Limited, sparking off speculations of a hostile takeover. Business Today's K.R.Balasubramanyam met up with the Group Chairman, Subhash Chandra, in Bangalore on Sunday and engaged him discussing the IVRCL deal, why he is bullish on infrastructure, his core media business, and education. Edited excerpts:*

## **What is the strategy behind your increasing stake in IVRCL?**

We have an infrastructure business and we wanted to strengthen that. We were approached by investment banker community who said they (IVRCL) wanted to sell. But they were asking a high price, and the market price was not that high. So we bought some stake in the (open) market. At the moment, we are in discussion with them (IVRCL) for some kind of a settlement. That is all I can say about IVRCL.

## **What drove you into the infrastructure space?**

Most of the businesses that we have now are in the services industry. We wanted to enter into an annuity kind of business, which does not require your day-to-day involvement. Five six years ago we entered infrastructure. There is a good future for infrastructure in India. I think we should grow that business and become a significant player.

## **Where do you want to build your presence in infrastructure?**

We started with roads, and now we have entered into environment related projects like municipal solid waste management, water supply, and hopefully, are getting some orders in sewage treatment plants. This we call as the category, business urban infrastructure/environment infrastructure. We are also into renewable energy despite there are many players in this business.

## **Seaports, airports?**

We have no ambition to get into seaport which is highly specialised. We have no ambition to go there. Airports, yes if we get something. Managing an airport is like managing an amusement park. In Essel World, on a peak day, you have 20,000 people and you have to be careful about

their food, safety, security, well being. You have to be very vigilant about its upkeep and maintenance.

**Do you have appetite for airport projects outside India, too?**

We will be looking at airports not just in India, but globally. In the business today, it is a global environment. Indian companies are not anymore looking at any business in India just for India. It is India and overseas. Otherwise, you cannot survive over a long term.

**What about thermal power?**

No. We are not keen to enter into thermal power generation.

**Shifting to media, when do you think India will be ready for a digital-first media like in the West?**

I think we are already digitized on one part of the business. Production and delivery are digitized. There is the distribution side which is not done yet. The regulator, the government and the industry, all are serious about digitizing the distribution.

Now we come to different and newer modes of distribution. Instead of MPEG-4 compression of the digital signal, you want to change it to internet protocol, deliver through 3G or 4G and deliver through the various modes of distribution. I think there are people and companies, including ours, are working on it. If you had asked me this question a year ago, I would have said it is still 10 to 15 years away. But today, I would say we are just about five to six years away.

**Including in television?**

Yes.

**In internet, we see performance based advertising driving everything. Google, for one, believes the next big thing is going to be intersect of internet and television. Broadcast and internet.**

We are seeing it and we are clear about it. But we see ourselves as a content creator, and content aggregator. Now, when you talk about the click-based advertisement, if Google starts a Google TV, it will need content. I want to be agnostic to the platform. I want to generate content for all forms of distribution. That is our core strength and we should remain there. If Google or Reliance Industries or someone wants to invest billions of dollars into other kinds of distribution mode, we welcome it. They will want content and we will partner with them. It is a win-win situation for everybody.

In mobile telephone industry in India, however, there is a lack of regulation on what kind of revenue sharing should happen between the content provider and the mobile operator.

**Were you tempted to bid for a 4G licence?**

No.

**How come being a large media conglomerate you have stayed away from radio?**

We were the single largest in terms of the number of radio licences in the first round of bidding (in the late 1990s). In fact, Times of India was second to us. When the news was flashed, we discussed this project with people who knew the radio business. After that, we decided to withdraw. We got lots of money forfeited by the Government of India. It was a mistake. We

should have discussed before we bid for licenses.

**Is there a rethink on your part to enter the radio business?**

No rethink. Radio has not worked in this country. It is not a good business.

**Why? Is there too much of a competition among the FM channels?**

I don't think that as the reason. There is, in fact, more competition in television than in radio. This (radio) is a business that gives you 10-12 percent IRR (internal rate of return), not beyond that. We don't want to do a business that gives us 10-12 per cent IRR. Television today is a loss-making industry. The industry loses about Rs 8000 crore-Rs 10,000 crore a year. Only five or six companies are making money.

**But investments still keep coming in.**

(Laughs) Ask the people making it as to why they are doing it.

**Do you see a need for consolidation there?**

Yes and no. There are lot of people who want to sell. There must be more than 100 TV stations available for sale. But there is not any buyer.

**In the businesses your group is in, where do you think will a big-ticket growth happen in the next decade?**

Education will be big. Zee Learn is very small (business) at about Rs 100 crore to Rs 150 crore company today.

The policy in the education space, as it exists in India, has to change. I don't say that they wrong or right. But it has to change if you want to provide quality education at a reasonable price. You cannot keep education only in the not-for-profit space. Allowing education in for-profit (model) will bring in more investments.

**As someone invested in education, what are your views on the Right to Education Act?**

The Right to Education is required for our country. But execution will be a challenge.

**Would there be concerns of viability after providing for reservation to students from weaker sections?**

Why not? It can be made viable. There are enough middle and upper middle class people in this country. If I am running a school and if I have 500 children, that means I have to put, about 100-125 weaker section students. I can get 10 persons from the society and suggest why don't you adopt these children and pay for their fee. The government, in any case, is talking about compensating the schools. I don't see a problem here.

The question is how you bring these children at par with others. It is possible by providing special tuition to them. But you must make efforts to see these children are psychologically free from the thought that they are from weaker sections.