GROWING CORPORATIZATION OF THE INDIAN MEDIA; ECONOMIES OF SCALE OR 'BAILING OUT' MECHANISM?

Dr. Surbhi Dahiya

Abstract:- **'Economies of scale lead to the formation of oligarchic markets'. This proposition is confirmed if we take a look at some of the leading media organisations in the world. In India, however, the formation of new media conglomerates in recent times is also a consequence of existing debt-burdened players seeking associates to bail them out. Corporate consolidation of media is being witnessed and deal making is finally picking up the pace. Considering the entry of Reliance Industries Limited (RIL), India's largest corporate entity in the private sector, into the country's media industry in a major way with strategic associations with the Network 18 group and the Eenadu group, both of which had been strapped for cash and steeped in debt in the recent past, the researcher observes that this association is no more guided by the logic of large-scale economies of scale and scope but by that of a "bailing out" mechanism. Yet in another case Aroon Purie, chairman of the India Today group, stated: "I am delighted to partner with the Aditya Birla group to aggressively address the current and future potential of the Indian media business which is at a tipping point. The Aditya Birla group with its strong leadership, global footprint, diversified business interests, and its shared values of integrity, commitment, and social responsibility is a perfect fit with the India Today group."** ***Mint*** **(August 8) claimed that Deccan Chronicle Holdings Limited DCHL which, besides** ***Deccan Chronicle*****, also publishes** ***Financial Chronicle, Asian Age*** **and Telugu daily** ***Andhra Bhoomi,*** **"is battling the worst crisis faced by an Indian media company in recent years…its survival (is) uncertain". It is understandable that Kishore Biyani of the Future group bailed out T. Venkattram Reddy's debt-strapped group. The researcher wants to take a closer look at these deals by doing four case studies and find out how it makes the issue of profit orientation evident and also raises questions about whether such conglomeration promotes or hinders greater media diversity and freedom. Through this paper, the researcher will also attempt to study how corporatization institutionalizes third party interests, which, against a background of the need for financial viability and revenue certainty, could result in certain conflicts of interest.**

Keywords :- Corporatisation, Indian Media.

Introduction

If we thumb through the pages of history, we find that corporate always had an interference in Media. Nehru, in one of his articles mentioned that The Tata group, which has a substantial presence in the steel industry, used to be a part-owner of the company that publishes *The Statesman*. Sahu Jain group, the owner of BCCL also controlled New Central Jute Mills. In 1960s Ramnath Goenka, who was head of the Indian Express group, made an attempt to control the Indian Iron and Steel Company . Today increased corporate institutionalism has formalised corporate consolidation of media activities. A look at the business activities of some of the leading media organisations in India shows the corporate presence in Media houses. However, the formation of some new media conglomerates in recent times is also a consequence of existing debt-burdened players seeking associates to bail them out while others are an example of complex corporate structures.

DCHL's crisis and the Future Group

Mint (August 8) claimed that DCHL which, besides *Deccan Chronicle*, also publishes *Financial Chronicle, Asian Age* and Telugu daily *Andhra Bhoomi,* is battling the worst crisis faced by an Indian media company in recent years…its survival (is) uncertain'. Allegedly, the newspaper's publisher Deccan Chronicle Holdings Limited (DCHL) and its chairman T. Venkattram Reddy went through their worst-ever crisis. The company and its promoters were deep in debt, facing criminal charges of forgery and fraud. Kishore Biyani of the Future group then bailed out his debt-strapped group.

Venkattram Reddy diversified his business away from the media-into cricket (DCHL owns the 'Deccan Chargers' team in the Indian Premier League), retailing books, stationery, and gifts (through the Odyssey chain of stores) and civil aviation (through Aviotech), besides racing horses. In a statement published on the front page of his own newspaper on August 2, he claimed: "DCHL would like to clarify that the real issue is a liquidity crisis that has arisen due to significant reduction in ad(vertising) spend by domestic and multinational companies in India…The debt that the company has incurred is in (its) usual course of business, and the amount stated in a section of media, that it is to the tune of thousands of crores, is false."

Alliance between Reliance and Network 18

After the announcement on January 3, 2012, that the Mukesh Ambani-led RIL India's biggest privately-owned corporate entity was entering into a strategic alliance with Network 18, Bahl , in an email to Network18 employees, said: "Our balance sheets will become among the strongest in the industry". He added that group companies will now become debt free.

A journalist has beautifully quoted him "He used a cricketing analogy to compare it to the "fourth innings" of a Test match. The first innings was the start-up phase, the next was when TV 18 undertook an initial offering of its shares, the third innings was when the group diversified across general news, entertainment, internet, print, filmed entertainment, and e-commerce. The fourth innings, he exulted: "…is now, when we have become the largest Indian media company, with a cache of capital and hungry ambition, ready to pile up runs and score a handsome victory on the 5th day of a Test match."

He further said "this association makes the new conglomerate India's biggest media group, bigger than the Rupert Murdoch-controlled STAR group and the Jain family-controlled Bennett, Coleman Company Limited (BCCL) group"

The alliance involved selling its interests in the Hyderabad-based Eenadu group founded by Ramoji Rao to the Network 18 group headed by Raghav Bahl and also funding it through a issue of shares, according to a report. This example of vertical convergence and lateral expansion leading to consolidation could certainly reduce competition and lead to the emergence of a market hegemony.

RIL said its group companies, by investing Rs. 2,600 crore, will hold the following stakes in various Eenadu TV (ETV) channels: 100 per cent in regional news channels operating in Uttar Pradesh, Madhya Pradesh, and Bihar, in ETV Urdu, in entertainment channels in the Marathi, Kannada, Bengali, Gujarati, and Odiya languages, and 49 per cent in two Telugu channels, ETV Telugu and ETV Telugu News. RIL stated that it would be selling a part of the interest owned by it in the ETV channels to TV18 Broadcast Limited while TV18 said that it would acquire 100 per cent stake in ETV's regional news channels, 50 per cent in non-Telugu entertainment channels and 24.5 per cent interest in two Telugu channels.

The *Economic Times* (January 4, 2012) wrote that the Network 18 and Eenadu groups will "come together creating a portfolio of 25 channels which will deliver a plethora of programmes to audiences ranging from village folk in Rajasthan to business executives in a Mumbai penthouse". It added that the "Network18 group, saddled with debt and punished by the market for a string of poor performances, will be able to repay their debt and become a bigger enterprise with the merger of

Eenadu".

The Network 18 group of television channels includes news channels such as CNBC-TV18, CNBC Awaaz, CNN-IBN, IBN7, and IBN Lokmat apart from non-news channels such as Colors, MTV, VH1, and Nick (in a joint venture between TV 18 and the US-based Viacom). Board of Directors of Television 18--a company in the Network 18 group approved an outlay of up to Rs. 2,100 crore for the acquisition of Eenadu TV's assets. RIL, through an entity named--some would say, rather ironically--the Independent Media Trust will fund the acquisition of shares in Network 18 and TV18 through rights issues. The two entities are supposed to raise roughly Rs. 4,000 crore, including Rs. 1,700 crore from its promoters.

According to Paranjoy Guha Thakurta, a journalist, "what is arguably the most significant aspect of this strategic association that has been structured in a complicated manner is disarmingly simple: RIL, which is setting up an all-India broadband telecommunications network, will get preferential access to the content as well as the distribution assets of the two media groups. RIL's broadband subsidiary, Infotel Broadband Services, has a memorandum of understanding with TV18 and Network18 Media and Investments for preferential access--on a first-come-first-served basis as a most preferred customer--to all content (including programming and digital content on television, internet, and print) produced by the Network 18 group and its associates for distribution through the broadband network being set up by Infotel. This is what RIL also stated: "Infotel is setting up a pan-India world class fourth generation broadband network using state-of-the-art technologies. Infotel expects to take leadership position in content distribution through broadband technology through a host of devices."

According to the facts stated in an article, Outlook weekly (January 16) pointed out that RIL had acknowledged in the high court of Andhra Pradesh its investments in Ushodaya Enterprises, the holding company of the Eenadu/ETV group promoted by Ramoji Rao . A petition had been allegedly filed in the court by the late Congress Chief Minister Y.S. Rajasekhara Reddy's widow, Y.S. Vijayalakshmi, a member of the Andhra Pradesh Legislative Assembly, alleging that RIL had bailed out Ramoji Rao when his family-owned chit fund, Margadarsi, was in trouble and facing various inquiries (including those by the Reserve Bank of India).

The *Outlook* article by Arti Sharma in Mumbai with Madhavi Tata in Hyderabad suggested: "RIL bailed out ETV after a deal between Ushodaya and private equity investor Blackstone was scuppered by the authorities. Allegedly, Investment banker Nimesh Kampani of JM Financial then pumped in Rs. 2,600 crore and ETV was transferred to RIL in 2008." RIL has denied these allegations in court. Nevertheless, financial analysts quoted by various publications (including *Outlook, Mint,* and the *Economic Times*) have raised various questions about the deal. They have wondered whether this deal entails RIL buying back parts of its own assets, thereby raising issues of corporate governance. Why were RIL's investments in the Eenadu group to the tune of Rs. 2,600 crore, made through J.M. Financial. Thakurta thus observes that this "strategic association" is no more guided by the logic of large-scale economies of scale and scope but by that of a "bailing out" mechanism.

Aditya Birla and living Media Group

When the Aditya Birla group announced on May 19, 2012, that it had acquired a 27.5 per cent stake in Living Media India Limited, Aroon Purie, chairman of the India Today group, stated: **"**I am delighted to partner with the Aditya Birla group to aggressively address the current and future potential of the Indian media business which is at a tipping point. The Aditya Birla group with its strong leadership, global footprint, diversified business interests, and its shared values of integrity, commitment, and social responsibility is a perfect fit with the India Today group."

Birla stated: "The media sector is a sunrise sector from an investment point of view. I believe that Living Media India offers one of the best opportunities for growth and value creation."

Kumar Mangalam Birla, head of the Aditya Birla group, has gone on record saying that he would be a "financial investor" in the Living Media group by using his personal money. This has been estimated at an amount between Rs. 600 crore and Rs. 700 crore, thereby implying a valuation for the media group varying between Rs. 2,400 crore and Rs. 2,800 crore. Given that Living Media acts as a holding company and also owns 57.46 per cent in TV Today Network, a listed company, the value of Birla's investments will be determined in the market. Whether or not this leads to an open offer to purchase shares from the public remains to be seen.

The Living Media/India Today group includes television channels (such as *Aaj Tak*--one of the leading, if not the leading, Hindi television news channels--and *Headlines Today*), a radio station (Oye FM) and publications such as *India Today* weekly and *Business Today*, besides periodicals such as *Cosmopolitan*, *Good Housekeeping*, *Men's Health*, *Harper's Bazaar*, *Travel Plus,* and *Harvard Business Review.* Living Media also has a joint venture with Axel Springer AG, an online shopping portal, besides joint ventures with the UK-based *Daily Mail* for the daily *Mail Today* and with book publisher Harper Collins, which is part of the Murdoch media empire. As on March 31 2012, Living Media owned around 57.46 per cent in TV Today while the Anil Ambani-promoted Reliance Capital owns 13.62 per cent, the Life Insurance Corporation 3.61 per cent, Tata Mutual 1.05 per cent, and stock-broker Ramesh Damani 1.36 per cent.

Birla also heads Idea, one of India's three largest private mobile telecom companies. So the reasons of the alliance can be clearly attributed to the expected growth in mobile communications.

Oswal Green Tech and NDTV-

NDTV is a broadcaster with news channels such as NDTV 24x7 (English), NDTV India (Hindi), and NDTV Profit (business), NDTV Good Times, a lifestyle channel.

Oswal Green Tech, formerly Oswal Chemicals & Fertilizers, acquired a 14.17 per cent shareholding in New Delhi Television on December 21, 2012. According to a report, it was done in two separate block deals from the investment arms of Merill Lynch and Nomura Capital.

Over 91.3 lakh equity shares of NDTV, which runs news and entertainment channels under the same brand, changed hands. While Merrill Lynch Capital Markets Espana sold its holding of over 51 lakh shares at Rs. 26.55 a share, Nomura Mauritius sold over 40 lakh shares each at Rs. 26.75, according to information made available to the Bombay Stock Exchange. The total deal was worth Rs. 24.34 crore approximately, according to a news report.

In April 2011, Goldman Sachs Investments Mauritius and GS Mace Holdings exited from NDTV by selling their entire stakes in a deal worth Rs. 70 crore which was then picked by Merrill Lynch Capital Markets Espana and Nomura Mauritius Ltd. Then, in October, NDTV along with Kasturi & Sons had decided to sell their combined stake in Metronation Chennai Television Ltd to Educational Trustee Company Pvt. Ltd., promoters of the Tamil daily *Dina Thanthi* for Rs. 15 crore. Metronation Chennai Television Ltd was a joint venture between

NDTV and The Hindu, operating under the brand name NDTV Hindu. At the end of September 2011, NDTV's promoters, Prannoy Roy, Radhika Roy, and RRPR Holding were holding 61.45 per cent stake in the company, foreign institutional investors 18.08 per cent and retail investors 14.7 per cent.

BCCL's complex shareholding structure

The annual report of BCCL lists 63 subsidiary companies and four joint ventures. As their names suggest, 14 of these subsidiary companies are in property development and construction -- "the fourth estate as real estate" -- while 12 are apparently engaged in providing financial services. Five new subsidiaries were incorporated in recent past. Times Business Solutions ceased to be a subsidiary and Times Innovative Media Ltd became one. Most of BCCL's subsidiaries are incorporated in India but several are incorporated in the United Kingdom, the United States of America and the United Arab Emirates. Among the subsidiaries incorporated in the UK are One Golden Square Creative Ltd, Times Internet (UL) Ltd, Times of Money UK PLC, TIML Digital Radio Ltd, Times Global Ltd, TIML Golden Square Ltd, TIML Radio Holdings Ltd and TIML Radio Ltd

The major shareholders of BCCL, on 31 March 2011, included: Bharat Nidhi Ltd (24.41 per cent) ,Ashoka Viniyoga Ltd (18.02 per cent) , Camac Commercial Company Ltd (13.3 per cent), Sanmati Properties Ltd (9.75 per cent), Arth Udyog Ltd (9.31 per cent), PNB Finance and Industries Ltd (9.29 per cent),Jacaranda Corporate Services Ltd (8.93 per cent) and TM Investments Ltd (5.96 per cent)

According to the report, The Jain family, which controls the group, directly owns only small percentages of shares in BCCL. Vineet Jain holds 0.57 per cent, Samir Jain and Meera Jain between them have 0.33 per cent and Trishla Jain has 0.13 per cent. Thus, these directors and their relatives hold 1.03 per cent of the company's shares while corporate bodies hold 98.97 per cent. However, the same promoters control BCCL through cross-holdings in subsidiary and associate companies.

Vineet Jain reportedly owns the largest stake in Arth Udyog Ltd and a significant stake in TM Investment Ltd. Samir and Meera Jain together own substantial shares in Ashoka Viniyoga Ltd. Cross-holdings among the company's major shareholders make the ownership structure complicated (as is the case with many Indian family-dominated groups). Bharat Nidhi Ltd owns substantial shares in two shareholding companies: Arth Udyog Ltd and TM Investments Ltd. Similarly, Camac Commercial Company Ltd is the largest shareholder in another BCCL shareholder, Ashoka Viniyoga Ltd. Sanmati Properties Ltd also has a large stake in Arth Udyog Ltd. TM Investment Ltd is largely owned by Ashoka Marketing Ltd, which also owns a substantial stake in Arth Udyog Ltd, which company in turn owns a significant stake in TM Investment Ltd. PNB Finance & Industries Ltd virtually owns all of Jacaranda Corporate Services Ltd and also owns a stake in Ashoka Viniyoga.

Key Concerns

Several key concerns are that it adds to the process of shrinkage of diversity and lends itself to increasing homogeneity in news and entertainment. Some other concerns are the accountability and transparency of media companies, diminishing levels of media plurality in a multilingual and multicultural country, the future nature of editorial control, hijacking of media agenda and difficulty to discern the real "bosses" and the powers they wield.

Conclusion

Corporatisation has intensified multifold. Different trends of corporatisation can be analysed from the examples of corporate alliances cited in this paper. Where on the one hand we can see that corporates have bailed the media owners from debts, on the other hand, complex, multilayer strategic alliances indicate towards institutionalization of third party interests. A few large media groups have been able to diversify their own business activities as varied as aviation, hotels, cement, shipping, steel, education, automobiles, textiles, cricket, information technology and real estate. The emergence of big media houses and corporatisation of media is heading fast towards monopoly in the media. This is a matter of concern.

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