

RONNIE SELLS HIS MAGIC KINGDOM

A legend of the entertainment business sells his stake in UTV, and becomes a mere mortal, as company MD

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Way back in 1981, when Mumbai was Bombay and much of India was still trundling around in Fiat Padminis and watching 'Chitrahar' on black and white Dyanora television, a young man by the name of Rohinton "Ronnie" Screwvvala was running about convincing residents of the tony Maker Towers in Cuffe Parade to subscribe to his video service. His small cable TV network ran a 3-hour video channel and was a welcome break from the monotony of state-run Doordarshan. Soon he had thousands of households subscribing to his service for around ₹200-250 per month.

Today, that video service has mushroomed into UTV, India's first independent television and film production house which the Walt Disney Company has offered to buy in a development that makes Ronnie's success saga almost like a Disney movie in itself. The deal is valued at Rs 2000 crore. (At present, the \$38-billion US-headquartered media giant controls 50.44 per cent.)

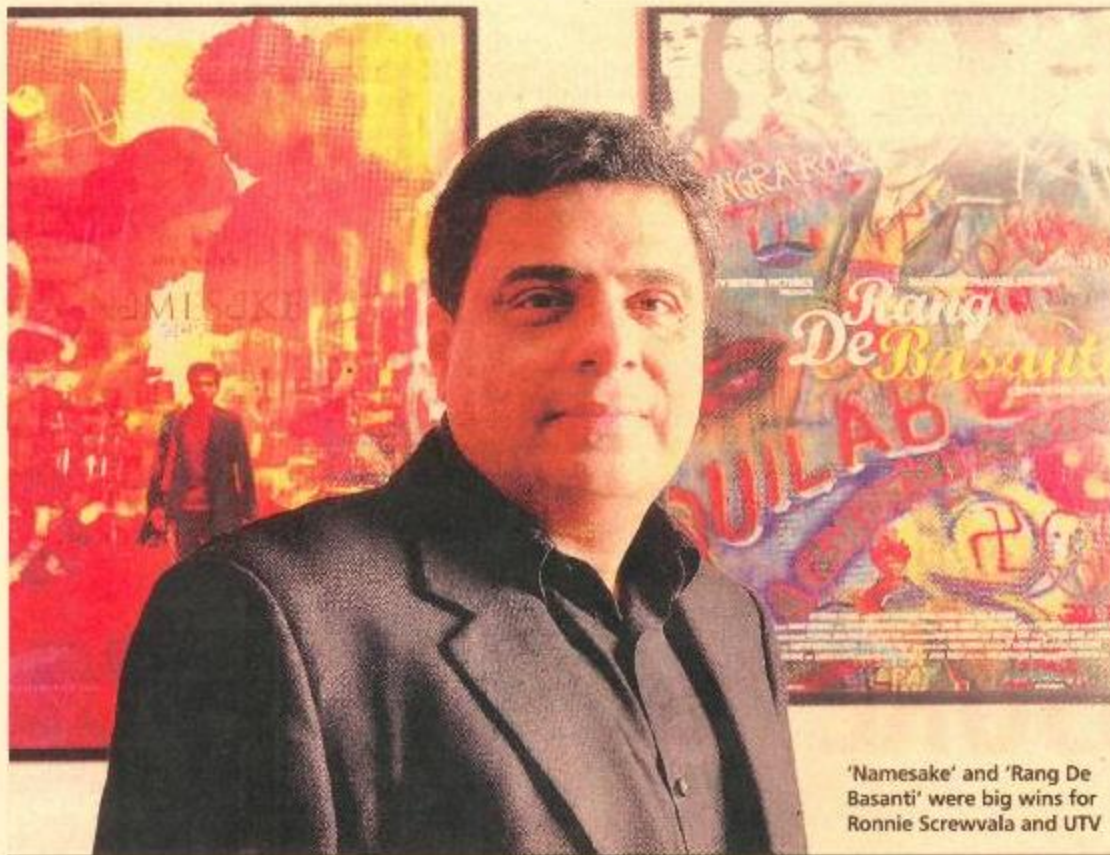
"He is the Indian Ted Turner," says an industry hand. "When Turner entered the cable business in early 70's, there was no cable television in US. There were just three channels. Then, he did what other thought was impossible. He launched CNN and pioneered the live broadcasting news and it was game changer," said senior industry official.

So what makes Screwvvala, 56, so successful?

Like many archetypal risk-takers and entrepreneurs, he made his fortunes by being able to read the tea leaves for the entertainment landscape, innovate accordingly and grow stratospherically before anyone else did.

Back then, few in entertainment were thinking like Ronnie. The movie business was still dominated by families like Yash Raj who leveraged age-old connections to make films. Ronnie changed all of that by bringing a new corporate identity into the film business, setting in place solid accounting practices and insisting on lengthy pre-production schedules.

Ronnie also fostered innovative storytelling by backing movies with unconventional story-lines like Rang



'Namesake' and 'Rang De Basanti' were big wins for Ronnie Screwvvala and UTV

De Basanti starring Aamir Khan, period-based Jodha Akbar, Anurag Kashyap's Dev D, Udaan, and more recently Delhi Belly.

Commercially, he broke new ground as well. UTV-produced, Mira Nair-helmed 'Namesake' brought in \$14 million at the box office—nearly 95 percent from the United States, more cash than any other Indian production had earned abroad at the time.

And, in 2007, unlike his peers in the industry who introduced general entertainment channels, Screwvvala changed the game by launching 'mass specialty' channels called Bindass targeting the youth. Even the gaming and new media vertical at UTV has an established presence in markets globally and across all platforms.

Ronnie's methods have worked well for him and his investors. Today, the UTV Group, with a turnover of Rs 929 crore (as of March 2011) has interests in movie production and distribution, gaming and new media, television content production as well as broadcasting businesses.

Perhaps Ronnie's most valuable

attribute is that he knows when to sell. "He will launch business ventures, change the game by breaking new barriers, nurture it and sell it at the right time," says an industry insider.

For instance he launched a new channel for kids called Hungama TV in a crowded market with over five channels competing for eyeballs. However, in 2006, a mere two years after its launch, in a move that has become a Ronnie trademark, he sold off Hungama TV to the Walt Disney Company for Rs 142.7 crore.

Two years later, in 2008, Disney came courting again and acquired a 15 per cent stake in UTV Global Broadcasting for Rs 118.98 crore. This was followed by another acquisition—32.1 per cent in parent UTV Software Communications Ltd for Rs 805.05 crore, which was at that time one of the largest foreign direct investments in the media and entertainment sector.

Disney apparently couldn't get enough of Ronnie. It upped its stake in the company to 50.44 per cent by buying 20 per cent UTV shares from the open market, making it the first

Hollywood studio to have majority shareholding in the Indian media and entertainment space. The total of over ₹1000 crore investment by Disney, was just the beginning of integrating and enhancing the synergies between the two companies and also helping UTV to its next phase of growth.

"Since 2008, Disney has been nurturing UTV. You look at both the companies, they are structured in similar ways in terms of their business divisions with movie production & distribution, gaming and new media, television content production and broadcasting business being the key focus," said an industry official.

Nevertheless, despite synergies between Disney and UTV, most analysts are amazed at how Ronnie managed to get such high valuations when the company has debt of Rs 899 crore on its book. "Although his businesses have been game-changers in terms of innovation, none of his verticals were actually money-spinners, be it movies, broadcasting or new media. If you see the return of investments on all his businesses across various platforms, he has actu-

RONNIE'S HITS

1981 Set up cable network with three-hour video channel for some homes in Maker Towers, Cuffe Parade

1990 Founded UTV

2004 Sold 51 percent in Vijay TV to Star India for ₹31 cr

2006 Sold Hungama TV within 22 months of launch to Walt Disney at ₹142.7 cr

2008 Disney acquired 15 percent stake in UTV Global Broadcasting for ₹118.98 cr and followed it up in 32.1 percent stake in parent UTV for ₹805.05 cr

Post open offer, Disney had 50.44 percent stake with a total investment of over ₹1000 cr

2011 Disney and UTV signed creative alliance to co-produce a slate of films under the Disney brand in India.

Disney offers to buy out UTV at ₹1000 per share and delist the company. The deal is valued at around ₹2000 cr

ally been able to negotiate to sell his company for around Rs 3000 crore in various transactions," says a media analyst, who wishes to be unnamed.

Perhaps Ronnie is lucky that Disney is looking very hungrily at the Indian market for growth and to build its brand. Andy Bird, Chairman of Walt Disney International said a few years ago that UTV has strong local brands and media properties that provide complementary growth platforms to Disney's existing branded efforts in India so it's no surprise that it wanted to grab the company while it could.

Ronnie, meanwhile, is selling his remaining 19.8 per cent stake and will lose control of the empire he built. He will now be relegated to the role of managing director of Disney India.

But will Ronnie stay with Disney over the long haul? Unclear now, but the easy money is on him cooking up something as we speak. "He is a man of enormous inventiveness. He strikes out on paths others do not think of", said an entertainment official. Stay tuned. A king without an empire is one worth watching.