



RP-Sanjiv Goenka Group chairman Sanjiv Goenka.

RANA CHAKRABORTY/MINT

Sanjiv Goenka: We regret buying Chandrapur plant

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KOLKATA

The RP-Sanjiv Goenka Group is going through a restructuring that will result in its flagship CESC Ltd being carved up into four firms with separate managements.

The chief executive officers (CEOs) of each of these four firms have been identified internally, group chairman Sanjiv Goenka said in an interview.

The aim is to unlock value and have the businesses—power generation, power distribution, retail and business process outsourcing—apprised independently in the market.

Edited excerpts:

Is the timing of any relevance?

We will be creating a pure-play distribution company, and it is going to be the first such in India. In my view, the market has gained the maturity to appreciate a pure-play distribution company, and we are confident of creating our own benchmarks on the strength of footprint, scale and efficiency.

Why are you averse to expanding generation capacity?

I had decided several years ago that we will not expand generation capacity. In my view, generation

is not remunerative because it does not readily give you access to coal or long-term power purchase agreements.

Does that mean you wouldn't consider acquiring distressed power plants even if offered at attractive prices?

First, you have to make a distinction between potentially viable and unviable plants. A lot of these plants are ill-conceived. So, even if you get them at prices way below their book value, you may not be able to run them profitably for a variety of reasons such as fuel supply, evacuation and a market to sell power.

Do you regret acquiring Chandrapur?

Yes. As a group, we have an asset base of around Rs40,000 crore, largely invested in power. Resource allocation will change going forward. Though I am confident that it will not take too long to turn it around, I regret buying Chandrapur. There were a lot of things that changed after we bought Chandrapur—certain changes in regulations that we could not have anticipated in any manner led to the difficulties.

consumers—how can we improve consumer experience? What more can we offer so that, eventually, when we are faced with competition, our consumers remain loyal to us. Better network utilization, or use of the same network to offer other services, could be one area of improvement, and we have got a study done by the Boston Consulting Group on this.

What led you to buy into a snacking company?

We sensed that there's a lot we can do with foods—there are so many things that can do so well if marketed in the right manner. We bought Apricot Foods because we got it at an attractive price—two times its turnover, whereas some companies were asking for seven-to-eight times. And now we have lined up the launch of some 40 variants of snacks—all at Rs5 each. We are internally aiming for a sevenfold jump in turnover in five years.

The restructuring will lead to Spencer's Retail also getting listed. How are you preparing for it?

In the June quarter, Spencer's has achieved cash break-even despite some disruptions in trade channels. With GST being implemented, Spencer's performance will organically improve. But we

have been tweaking our operations to make it more profitable. For instance, the share of apparel in our total sales is consistently rising, and it's a good thing because apparel gives you 35% margin versus 18% from foods.

Are you impressed with returns from your investments in sports?

Yes, of course. Cricket gave our group national recognition—even international recognition you could say. One day, I was shopping at Harrod's (in London), and somebody approached me asking if I was indeed the owner of an IPL cricket team he had seen on television. The purpose of investing in football was to connect with CESC's consumers in Kolkata. Both, to my mind, have done extremely well—no amount of advertising would have yielded so much.

There's been a lot of speculation about your interest in media. Where is the group headed?

Yes, we are keen to expand in media, but I will not comment on speculations. We are back in film production: 14 films are currently under production, each



How are you going to strengthen the distribution business?

There are some basic parameters to measure efficiency such as zero outage, voltage stability and time taken to install a new connection. On these, we are very efficient in Kolkata and Greater Noida. But the three towns in Rajasthan, where we have started to distribute power, have a long way to go.

Because we are already efficient in Kolkata and Greater Noida, the challenge is to do incremental things for our

with a budget of less than Rs5 crore. These are being produced for digital release through channels like Netflix, and on these channels, you need only 200,000 views to recover money.

Saregama has launched its portable music player, and it is one of the fastest selling products online. Don't see it as hardware; we are selling our recordings. We have found a way to sell the software, and it's doing so well that we are not getting enough players to sell through our own Spencer's stores.