

From A to Zee

Editor's Note: The following is an edited excerpt from an unpublished official history of the Essel/Zee Group.

In the late eighties, the country was witnessing a boom in video parlors. Chandra initially toyed with the idea of equipping a fleet of video vans that would tour the countryside charging people to watch the videos. He had also made a quick calculation of the revenue he would earn through advertisements.

In 1990, a casual visit to the Mumbai office of Doordarshan (India's government-owned television broadcaster) inspired him to launch a satellite television channel, though at one point he had toyed with the idea of entering the cellular phone business, too. Chandra contacted a school friend in Doordarshan, who in turn arranged a meeting with the chief engineer. He was told that the Indian regulations did not permit television broadcasting as it was reserved for the public sector.

Then came another trigger. Chandra was watching the Gulf War [coverage] on CNN in 1990 and wondered why India could not have a private satellite channel of its own. He asked why and how foreign TV channels could be seen in India and why the laws did not permit Indians to start a TV station.

For a while, he also explored the possibility of setting up a terrestrial channel to be beamed from Nepal. But when he learnt that the signals would not reach major Indian cities, he gave up the idea.

That was when he heard about Asiasat. In December 1990, Hong Kong had granted a license to a joint venture of the Chinese Government and Li Ka-shing to launch a satellite to begin a direct broadcast satellite (DBS) service in Asia. Chandra virtually chased the chief executive of Asiasat, finally locating him in Canada where he was holidaying in the Christmas of 1991, only to be told that the transponders were leased to one company -- Satellite Television of Asian Region (STAR).

Chandra repeatedly knocked on the doors of STAR headquarters in Hong Kong, only to be cold-shouldered. Finally, because of his sheer persistence, a meeting was fixed with Richard Li, son of Li Ka-shing, the owner of STAR. But it ended on an unpleasant note.

Chandra's team was made to wait in a room for a long time. When Li finally made an appearance, his executives told him there was a gentleman from India who wanted to start an

Indian-language general entertainment channel in a joint venture partnership. “India!” snapped Li, “There is no money in India. I have no interest in India.”

Having outright rejected the joint venture, Li then asked Chandra how much he would pay for the transponder. “I do not want to do a joint venture with you, so you can take the transponder on your own,” was his remark. Chandra said the price of US\$1.2 million had been agreed upon with STAR executives. “Not enough,” said Li.

“I do not know what came over me, but I got up and said I would take it for US\$5 million, provided the agreement was signed within 24 hours,” recalls Chandra. Li refused to take Chandra seriously and walked out of the room in a huff. The meeting ended there.

By then, STAR had hired an investment banker to advise it on potential Indian customers. The banker did not even deem it fit to meet Chandra, who had no media credentials. In April 1992, Li arrived in Mumbai to explore the possibility of leasing the transponder to the highest bidder. His extensive appointment list [included] big guns like *Hindustan Times*, *The Times of India* and Nusli Wadia of Bombay Dyeing. Finally, nobody was willing to pay as much as Chandra.

Meanwhile, Chandra, too, was actively looking for opportunities outside the realm of STAR. But this time he was approached by Li. Chandra hired a helicopter and took him to EsselWorld (an entertainment park he owns) and to the packaging plant (then Essel Packaging; now Essel Propack). When Li realized that the Essel Group was dealing with big FMCG companies such as Colgate, Hindustan Lever (now Hindustan Unilever) and Procter & Gamble, his opinion changed. The agreement to lease the transponder was signed on May 21, 1992, between Chandra’s Asia Today and STAR.

True to his word, Chandra finally leased the transponder for an astounding US\$5 million. But he needed the cash to fund his ambitious television project. This time, the much needed assistance came from an unfamiliar corner and in the form of a fund in Hong Kong owned by Sir James Goldsmith and Kerry Packer, three non-resident Indian friends, and some venture funds.

“The existing media companies felt that satellite television would not succeed in the country. As I did not know anything about the media business, I had nothing to fear,” says Chandra.

But launching a private satellite channel met with roadblocks at every stage. When Chandra broached the subject with the Secretary for Information & Broadcasting, Government of India, he was livid. “You will introduce consumerism and destroy the country. Your proposal can fructify only over my dead body,” the Secretary thundered.

Chandra then approached several legal luminaries, all of whom shot down his proposal. Not a man to take no for an answer, Chandra worked out a strategy. His question was simple: “If

foreign channels like CNN and BBC could be viewed in the country, why not a private Indian channel?”

In 1992, he entered the business of entertainment software through a company called Empire Holdings, which he had started in 1983. The name of Empire Holdings was changed to Zee Telefilms which provided content to Zee TV Hongkong, which in turn beamed the signals into India from Hong Kong. Thus was Zee born on October 2, 1992, initially with only two hours of content.

Overnight, Chandra had ended the monopoly of Doordarshan. Initially, he focused on inexpensive programming. The average programming cost was barely Rs 30,000 (US\$600 today) an hour for the first year. The formula of cheap programming worked and Zee was an instant success. Zee became a hit with soaps like *Tara* and *Hasratein* and interactive musical shows like *Antakshari* and *Sa Re Ga Ma*. In six months, Zee had proclaimed its arrival in the television industry and Chandra was slowly giving shape to his business that was reaching out to almost 12 million homes across the country.

But Chandra had a shock in store. In an unexpected development in 1993, News Corp chairman Rupert Murdoch bought a 63% stake in STAR. Initially, Murdoch had very little time for India as everybody was focusing on China in those days. That was until he heard that out of the 20 million homes that STAR claimed to reach, 12 million were in India and they were Zee homes. Murdoch now upped his ante.

As Murdoch began eyeing the Indian market, he contemplated pulling Zee off Asiasat. As days passed, it became clear to Chandra that he had to look for an alternative to Asiasat.

While Chandra had no funds to invest in another transponder, the threat of Zee's ouster from Asiasat loomed large. Driven to the wall, Chandra had no option but to sell a 49% stake in Asia Today to Murdoch. This was the company that had leased Asiasat in December 1993. STAR and Zee set up Zee Cinema and Murdoch became an investor in distribution arm Siticable, which Chandra had started in 1992.

However, relations between the two began to sour in 1996. The shareholder agreement between the two companies had clearly stipulated that STAR would concentrate only on English content. But STAR violated the agreement and began beaming Hindi content.

“He thought being a global media baron, he could run roughshod over us, but his calculations went wrong. We were on the path of truth. He made the mistake of taking us for granted,” says Chandra.

Murdoch then made an unsuccessful bid to take over Zee. He offered Chandra US\$2 billion as against the company's valuation of US\$500 million. That was when Chandra remarked: "India is not for sale."

Chandra sued in London and, in the face of STAR's imminent defeat, both the companies finally settled the case in 1998. Chandra paid US\$180 million for Murdoch's share of Asia Today and Siticable. The bitter partnership came to a final end in September 1998.

There was no looking back for Zee or for Chandra. Today, Zee has a presence in 167 countries with a viewership of 500 million.