Low-cost option

Valuable, the media and entertainment company, is being sought after as a provider of content and technology support in US motels

In times of an economic downturn, making a bid for an acquisition begets surprise. Some months ago, Valuable, the Mumbai-based, Rs150-crore media and entertainment, technology and infrastructure conglomerate, bid for the US-based movie**beam**, the first studio-certified platform that supports a hybrid Push and Pull architecture and offers unlimited choice of movies to consumers. Founded by Disney some years ago, with over $250 million in aggregate investment from industry titans like Intel Capital, Cisco, Norwest Venture Partners and Mayfield Partners, besides Disney's own, the acquisition made news as reports suggested that Valuable had reportedly paid only $5 million to acquire it from an American company, Movie Gallery, in turn, had acquired it from Disney for only $10 million some years ago when it was making severe losses.

Since the acquisition, the first-generation enterprise Valuable group has transformed movie**beam** to support next-generation technologies in providing cost-effective solutions. It has made it a low-cost Video-on-Demand (VoD) solution for travellers in the small and mid-tiered hotels in the US, with direct-to-home (DTH) comprising a mix of Hollywood and Bollywood content across several markets in India and the MENA region and providing technology support to the existing content distributors. The acquisition has brought in the movie**beam** brand, IPR, its trade markets and physical assets into Valuable's fold.

The Valuable group, which opened shop barely four years ago, has pioneered several technological initiatives, including online lottery, digital distribution and exhibition of movies through satellite, and uses a blend of satellite technology and innovative models to create new markets and build new businesses.

In 2003, when Sanjay Gaikwad quit his job as president, technology and new projects, Zee group, after the success of the online lottery, Playwin, he was confident that there was enough scope for starting another venture of a similar kind. Keen to become an entrepreneur himself, the chemical engineer-MBA graduate quit his job and, along with friend and colleague M.B. Zaidi, started out on his own.

At the time, the online gaming industry was growing at a rapid pace and Gaikwad decided to float a first-of-its-kind BPO company for gaming and lottery operators that included lotteries managed by several state governments as well. Zaidi supported this idea and, with the seed capital of Rs1.5 crore from the Madurai-based entrepreneur Usman Fayaz, Valuable Reserves (I) Ltd came about.

PHOTOS: SANJAY BORADE

Gaikwad: pioneering several technological initiatives as entrepreneur

Narendra Hete, a journalist-turned-entrepreneur and currently vice-chairman of the Valuable group, played a pivotal role in forming the company. Originally a competitor, he realised the potential of the concept and using his goodwill in the industry, brought in a large number of clients to the group's first venture.

Beginning operations in January 2004 from a small, 500 sq ft office at Bandra-Kurla complex, they were soon able to shift to a much larger space in Mumbai's north-western suburb of Andheri. In six months, the company became cash-positive, with a business of Rs2 crore per day. By the end of FY 2004, Valuable had achieved a turnover of Rs7.5 crore with a profit after tax of Rs2.5 crore. Since then, it has seen an exponential growth, with an estimated turnover of Rs150 crore (PAT: Rs40 crore). After running the lottery business for one year, Gaikwad, Hete and Zaidi realised the highly regulated nature of the gaming industry and a great deal of uncertainty was coming in the way of the industry's growth. Looking to diversify, they were keen to enter the media and entertainment space.

COMPANY:
Valuable Group

PROMOTERS:
Sanjay Gaikwad, late M.B. Zaidi and Narendra Hete

BUSINESS:
Media & entertainment, technology and infrastructure

TURNOVER:
Rs150 crore

LOCATION:
Mumbai

At the time, Gaikwad acquainted himself with the technological know-how of MPEG4, a new digital technology, which beamed feature films through satellite, excelling MPEG2, which, at 80 GB, was difficult to relay over satellite and took as much as 25 hours to transmit the content. Compared to MPEG2, MPEG4 had a file size of 8 GB, which used an advanced compression algorithm that brought down the movie size and transmitted it to theatres in 2.5 hours from the central server, and thus reduced the bandwidth costs. This gave the model a leading edge.

"The entire process was simple," says Gaikwad. First, a producer's consent is procured to convert the MPEG4 format. The file is then transferred to Gurgaon, where the central server is

Hete: no more a competitor

situated and maintained by Hughes System, which also stores these digitised films. The film is then relayed over satellite to connected theatres, which are licensed to show it. "It provided a win-win situation for both the producer and the exhibitor in smaller towns, leaving little scope for film pirates to create pirated versions as the films get simultaneous release in A, B and C centres, thus bringing in the 'First Day First Show' profits for film distributors and exhibitors across the country, says filmmaker Prakash Jha.

As a part of the diversification plan, Valuable started UFO Moviez in January 2005. Once again, an NRI provided the initial funding of around Rs1.5 crore. UFO became an instant hit because of its unique technology and business model. Once the project was in proper shape, Raja Kanwar of Apollo International chipped in Rs25 crore in March 2005, and later 3i with $25 million came in as another investor. With 1,400 screens, UFO has a presence in 21 states, showing 25,000 shows a week in 19 languages. It also contributes 35-45 per cent revenue of its annual total box office collection of Rs5,000-6,000 crore. "And we are adding some 40 to 50 cinemas per week to our strength," says Gaikwad. "As a result," he adds, "UFO also generates Rs500-600 crore of 'new revenue' for the industry." In FY 2009, UFO contributed Rs36 crore to Valuable's total kitty of Rs150 crore.

Another venture of theirs that has been successful is IMPACT. This is also a first-of-its-kind settlement platform, aiming to install computerised ticketing systems with VSAT connectivity in theatres to make the sales data accessible real time to all the stakeholders in the film industry. It also addresses issues like revenue degradation due to the number of participants in the distribution chain, piracy and revenue leakage due to unreported and unaccounted sales, collections and lack of transparency, and provides possibilities of new financial products for the movie industry. According to Gaikwad, the company, in its role as a settlement exchange, is mediating the transaction between the exhibition centres on one hand, and the government and the distributors, on the other, in consideration of a nominal settlement fee of 3 per cent to be paid by the distributors and the government, and a small equipment providing fee from the exhibitors.

Its technology and architecture, with storage on set-top box (STB), makes movie**beam** eminently suitable for providing VoD service. In fact, it has already started reaping dividends in the US, the UK and MENA region, says Ameya Hete, executive director and son of Narendra Hete, with over half a million hotel rooms in the US alone to service. Ameya, a Boston-returned technocrat, expects to enlarge Valuable's reach in India and in other Asian countries. Gaikwad is also looking at international expansion for UFO services in countries where local language films are in demand.

The group has also forayed into small mall theatres, the travel industry and construction of a township at the pilgrim hub of Shirdi in Maharashtra.

◆ DEVENDRA MOHAN