

'We won't enter new sectors ... we'll grow existing ops'

Five years ago, many of RPG Group companies were in debt and their stocks were quoting sub par. Today, all these businesses have turned around. Chairman **Harsh Goenka** spoke to *DNA Money's Rabin Ghosh* about his vision and growth strategies.

On the group's near-term vision

We are aiming to be \$10 billion in sales in the next five years and leaders in the segments we operate in. We don't see ourselves getting into new sectors. Our current growth strategy is to stick to the core and grow it, though we may undertake forward or backward integrations like coal mines to feed our power plants. What we will not do is manufacture aluminum or set up airports. We will improve our net margins. All our businesses have turned around. Earlier there was a focus on costs. Now that has been achieved, the focus is on margins.

What is your preferred mode of growth?

A large part of our growth targets would be met through the organic route, though we may make opportune acquisitions. In IT, we have made three acquisitions in 12-15 months. We will continue to look at more strategic opportunities. In transmission, we are now looking growing our business in the matured markets and could make an acquisition in the US.

On investment plans

In power (CESC), about Rs 9,300 crore will go into the Budge Budge expansion, the new Haldia

lines of business like railways general projects and railway electrification projects. Investments here would be about Rs 1,500 crore. Although we are a global leader, we don't have a big presence in the US or Europe. In tyres (CEAT), we plan to invest Rs 1,700 crore. We have already begun the expansion and radialisation initiatives both in the Indian opera-

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— Harsh Goenka, chairman, RPG Enterprises

tions as well as in the Sri Lanka companies. A special thrust will also be given to specialty tyres. In Retail (Spencer's), we plan to invest about Rs 1,500 crore. Entertainment (Saregama) will be another area of innovation. We plan to invest about Rs 500-600 crore in this segment. In technology (Zensar) business we will continue to look for buys in software services whereas we plan to be a niche player in our biotechnology business. Our investment here could be to the tune of Rs 1,000 crore.

On fund-raising

The group's debt:equity position today is quite healthy. Hence options are there either to leverage or raise equity. But we will adopt different structures for each sector. In retail equity will most likely be looked. In power, we are looking at certain innova-

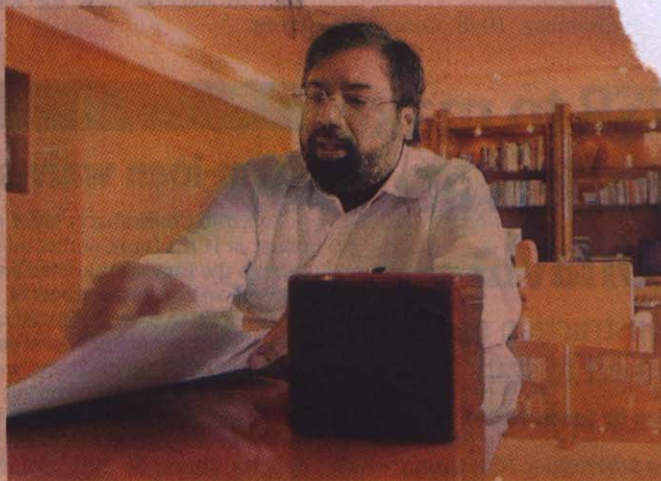
sources is one of our top challenges. There are bigger opportunities outside and with the advent of westernisation loyalty towards the organisation has diminished.

For the group, there is a lot of emphasis in quality and HR processes ... we have worked very hard to make RPG the most exciting group to work.

In our experience, managers are not looking at only money. They are looking for wholesome experience. We rotate our managers within the group, giving them a wider exposure across various sectors. We have young managers - those in their late 20s to mid-30s — in our advisory board. We send our senior executives to Harvard and other international universities. IIMs have also designed course specifically for us. Other challenges are more sector specific, like In power where we are looking at setting up capacity for 3,000-4,000 MW, the challenge is to get fuel linkage and independent power producers (IPPs) in place.

Which company takes most of your personal time?

None. My job is to create a strategy for the group and let the management achieve those



plan to list Spencer's?

We are giving an option for the investors to take an exposure to the booming retail sector. There is no hurry to list Spencer's.

What about raising stake in group companies where promoter holding is low at the moment, like KEC (35%) and RPG Cables (33%)?

Our general philosophy is to hold around 50% stake in our companies. In several companies, the holding is around that mark, which is a comfortable level. Where we are not yet there, we are taking steps to achieve higher holdings.

On media segment

We are working on the plans for the media business. It will initially be for magazines. The finer details are still being worked out.

Road map for RPG Lifesciences

It is a niche player having strengths in the biotechnology segment in addition to its traditional strengths in formulations. We are working on new biotech products for which the strains have already been obtained and yields are being improved. We are also seriously looking at increasing our business in the active pharmaceutical ingredients (API) segment. Next fiscal, we will make an entry into the lucrative US markets.

Is your entertainment business a bit of disappointment?

Yes, our entertainment division has been a bit of a laggard. There have been issues like piracy which have hampered growth. We are working on expanding the scope. Our film distribution busi-