

## Print Coverage

### Quess buying stake in East Bengal Football club

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# EAST BENGAL CLUB LOSES MAJORITY IN QESS FOR FUNDS

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Two deals two decades apart have left one of India's oldest sporting clubs holding a minority stake in the football team it will field in competitions.

By getting into a partnership last week with Quess Corp Ltd, a business service provider, the 98-year-old East Bengal club with a global fan following of an estimated 40 million may have secured the funds to stay afloat, but the club will hold a stake of only 30% in its football team.

Two decades ago, amid much resistance from the supporters of the red-yellow squad, East Bengal sold a 50% stake in its football team to Vijay Mallya's UB Group. He

## WIN SOME, LOSE SOME

► East Bengal has sold a 70% stake in its team to Quess Corp after UB group pulled out

► Football team's MD says it has secured a "blank cheque" and full control over activities

► East Bengal spent ₹13 cr on its team last season; UB provided a little over ₹10 cr

► The club has already put together a team worth ₹10 cr for the next season



PHOTO BY HT; GRAPHIC BY PARAS JAIN/MINT

took a similar stake in the football team of East Bengal's arch rival Mohun Bagan.

Back in 1998, both the clubs spun off their football teams into privately held companies in a break from their "feudal past", according to Kalyan Majumdar, who will head East

Bengal's football team as managing director.

But after the UB Group, now controlled by Heineken International, pulled the plug on the partnership earlier this year, East Bengal was left with no option but to rope in a new partner at the cost of parting

with a controlling stake in its football team.

"Quess Corp wouldn't settle for anything less than 70%," said Majumdar. In return, the club has secured a "blank cheque" to pursue its dreams and a complete control over sporting activities, he said.

In a regulatory filing, Quess Corp said it aims to strengthen its own branding initiatives, and, at the same time, contribute to "development of football in the country".

East Bengal and Quess Corp will have four directors each on the board of Quess East Bengal FC Pvt. Ltd, but club representatives will have unfettered control over operations, according to Majumdar.

East Bengal, which won the Kolkata league last year and the national club league thrice between 1997 and 2007, has

already put together a team worth ₹10 crore for the next season, but it hasn't hired any foreigner yet.

"Now we can give finishing touches to our team and we don't have to worry about money anymore," says Majumdar.

Still, it may not be easy convincing the club's 12,000 odd active members that there wasn't a way out. Majumdar and other architects of the deal are already bracing for a fiery annual general meeting due in September.

When the deal was being worked out, Majumdar kept the circle tight on negotiations. Confidentiality was a key condition for publicly traded

Quess Corp, says Majumdar. Only three to four people knew about it.

The club's executive committee of about 30 was briefed only on the day the deal was announced in Kolkata. The

support for it was unanimous, claims Majumdar.

Even so, only four representatives from the club have individually subscribed to 30% of the shares of the football team.

Quess Corp insisted that the directors hold the shares for the club, says Majumdar.

The arrangement was the same 20 years ago for both Mohun Bagan and East Bengal.

**By teaming up with Quess Corp, East Bengal club may have secured the funds to stay afloat, but it will hold only 30% in its football team**

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# East Bengal football club wins lifeline, but gives up majority stake to Quess

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Back then, East Bengal wasn't even a registered society, says Majumdar. So, there was no question of the club picking a stake in the team.

To be sure, if the club, now a registered society for over a decade, had to subscribe to the share capital, it would have had to seek the consent of its members—a time-consuming process even if it remained uncomplicated.

Last year, the club passed up the opportunity to join the

Indian Super League (ISL) tournament for want of money and other reservations.

The club can now foot the entry fee of ₹15 crore and build a fighting team, but there is no question of representing any city other than Kolkata.

"If ATK were to take on East Bengal in the ISL at the Salt Lake stadium, who are people going to root for?" asks Majumdar.

Several active members of the club said privately that even if there was no alternative to selling a majority stake in

the football team, the plan should have been discussed at a general body meeting.

An enabling resolution was passed, but only to seek a partner. Going behind the back of the executive committee to seal a deal like this should have been avoided.

**East Bengal and Quess will have four directors each on the board, but the club will have control, says Majumdar**