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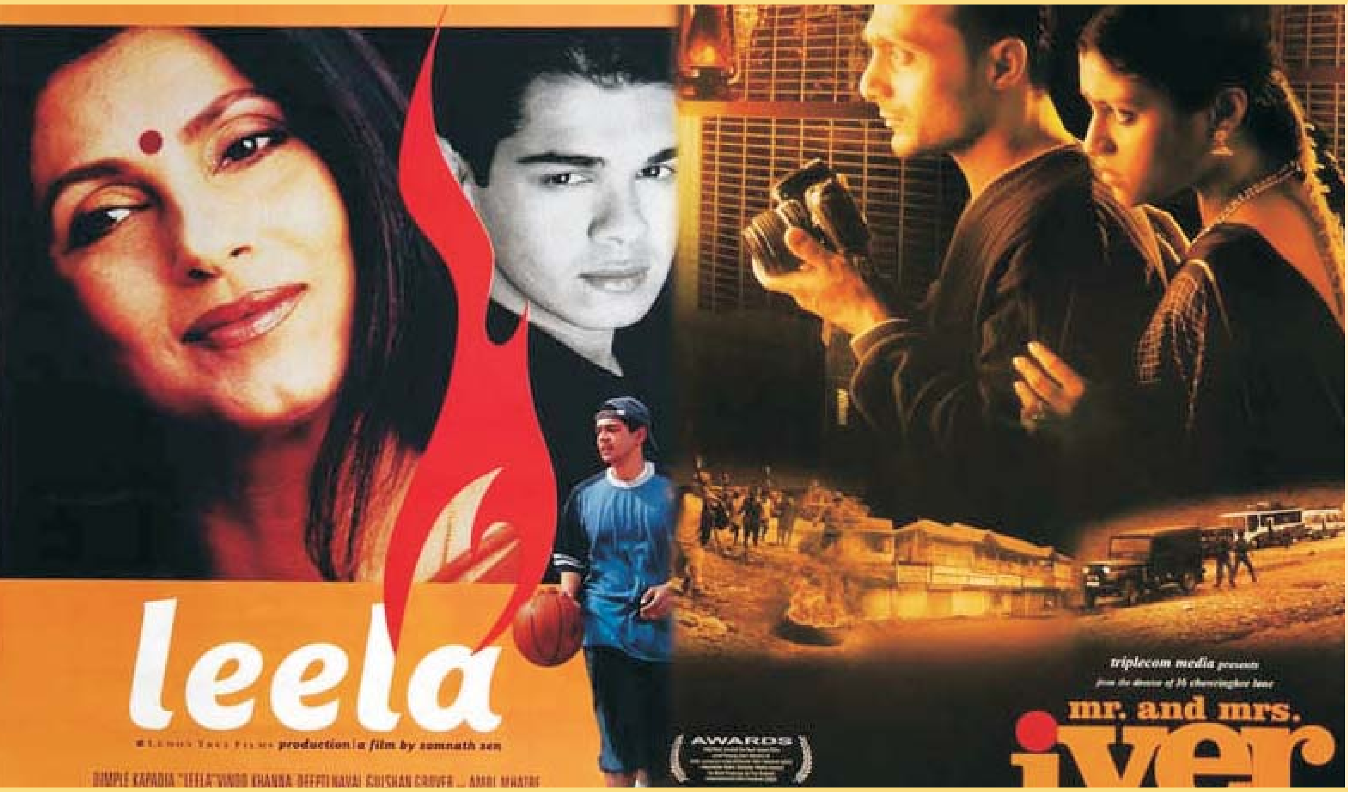
ENTERTAINMENT AND MEDIA



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ENTERTAINMENT AND MEDIA

ENTERTAINMENT AND MEDIA

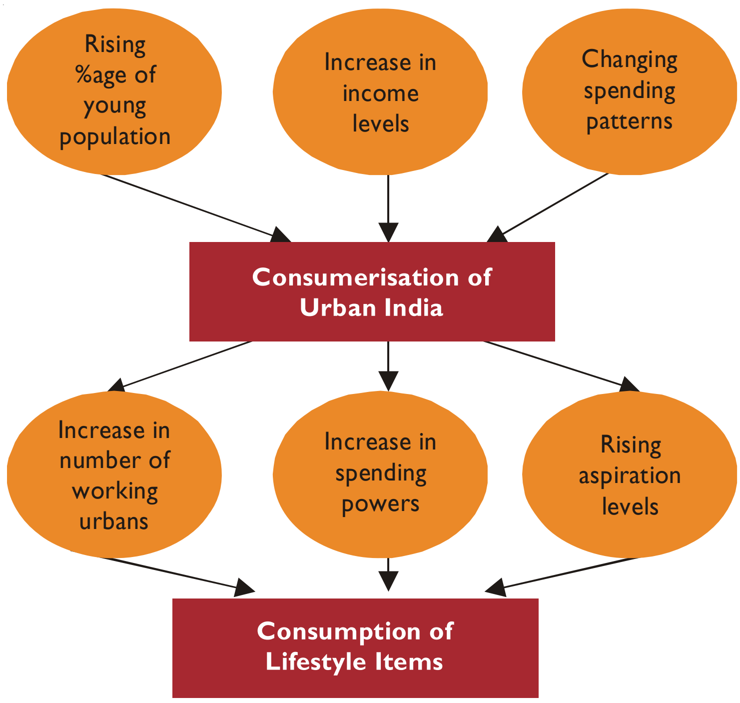
A report by PricewaterhouseCoopers Pvt. Ltd. for IBEF

Market Overview

India today is a major emerging global market. During the financial year 2004-05, India's GDP grew at an estimated 6.9 per cent on top of a growth of 8.2 per cent in the previous year making it one of the best performing economies in the world. Over the next 2-3 years, India is predicted to maintain a growth rate of 7-8 per cent. The BRIC report by Goldman Sachs predicts that India's economy will become the third largest in the world by 2032, ranking just after the US and China.

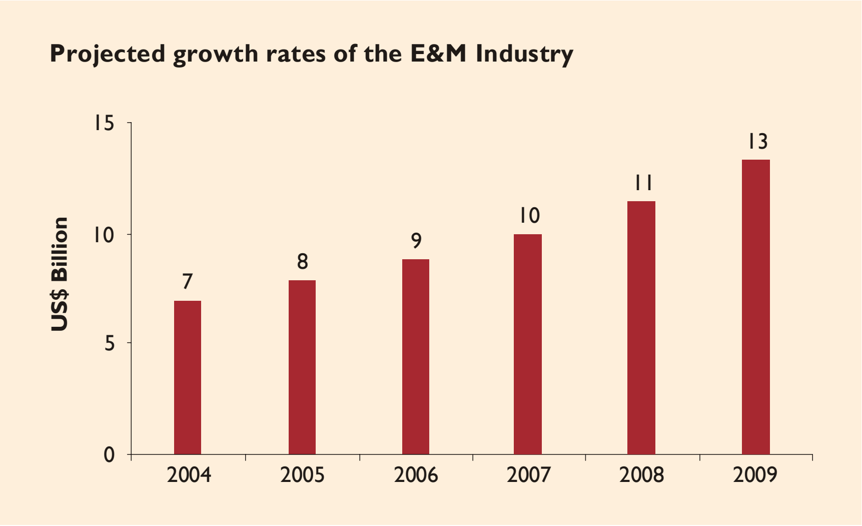
Indian Entertainment and Media Industry

The Indian Entertainment and Media Industry has out-performed the Indian economy and is one of the fastest growing sectors in India. It is rising on the back of economic growth and rising income levels that India has been experiencing in the past years. This is significantly benefiting the entertainment and media industry in India as this is a cyclically sensitive industry and it grows faster when the economy is expanding. An added boost to the entertainment and media industry in India is from the demographic point of view where the consumer spending is rising due to increasing disposable incomes on account of sustained growth in income levels and reduction of personal income tax over the last decade.

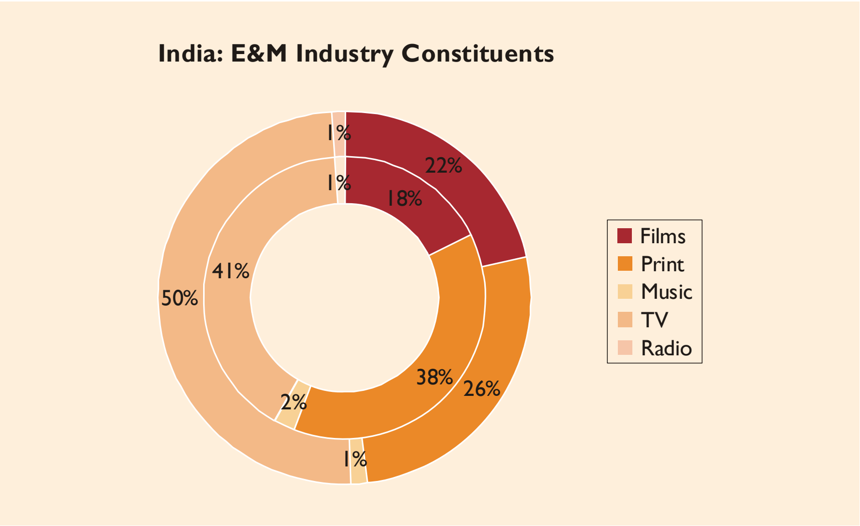


Source: Lifestyle Consumption by Edelweiss Securities Private Limited-2005

The current size of the industry as a whole is estimated at US$ 7 billion in 2004 and is expected to grow at a CAGR of 14 per cent to US$ 13 billion by 2009. The Filmed Entertainment and Television segment dominate the industry followed by the Print, Radio and the Music segments.

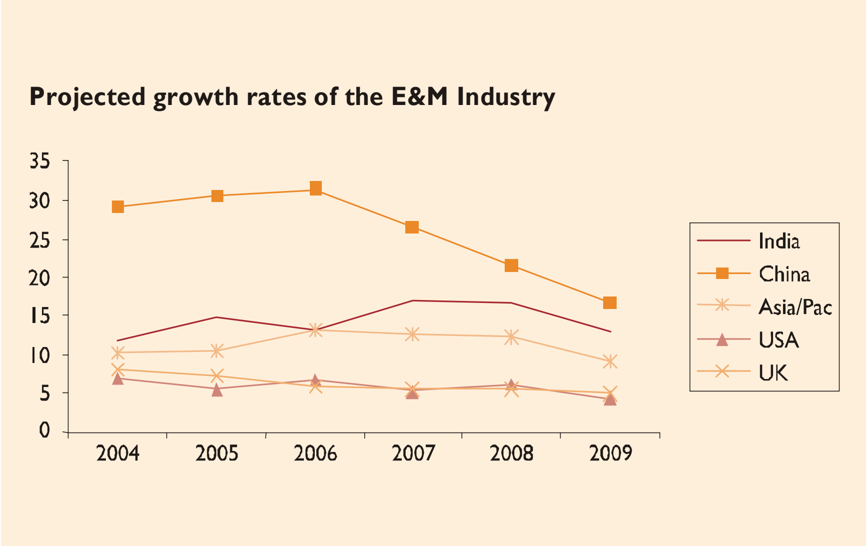


Source: PricewaterhouseCoopers Global Entertainment & Media Outlook 2005-2009



Source: PricewaterhouseCoopers' Global Entertainment & Media Outlook 2005-2009

Inner circle represents shares in 2004 and outer circle represents projected shares in 2009



Source: PricewaterhouseCoopers' Global Entertainment & Media Outlook 2005-2009

Other than the demographic and economic impetus provided by the Indian economy that is helping the entertainment and media industry to grow at this rapid face, there are several other factors, which are contributing to this high growth rate. Some of these are:

Low Media Penetration in lower socio-economic classes

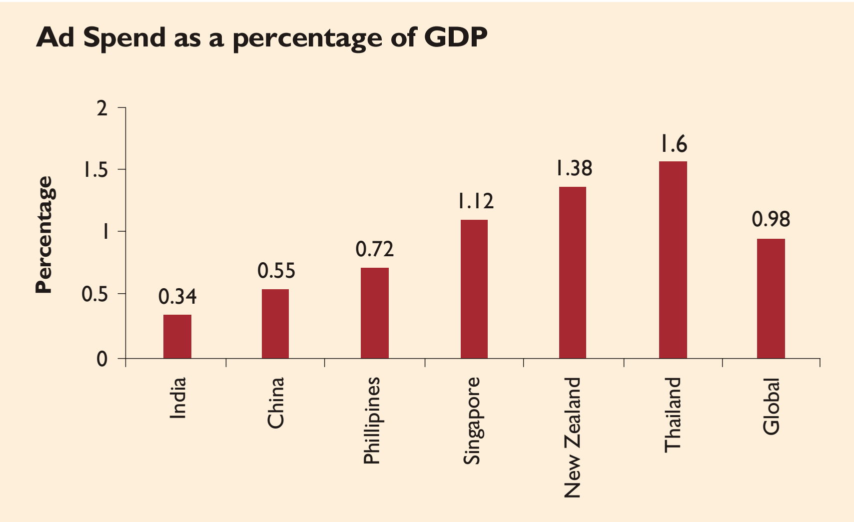
Table below gives the media penetration in various segments of the E&M Industry today. As would be evident, the media penetration is varied across segments and across the socio-economic classes. A common factor, however, across the segments is the fact that though the media penetration is lower in lower socio-economic classes, in terms of absolute numbers, the penetration is much higher in these classes. Hence, efforts to increase the penetration even slightly in these lower socio-economic classes are likely to delivery much higher results simply due to the higher numbers.

SEC	Print Media		TV		Satellite TV		Radio		Films	
	Reach in millions	Reach in %age	Reach in millions	Reach in %age	Reach in millions	Reach in %age	Reach in millions	Reach in %age	Reach in millions	Reach in %age
A1	7	95%	8	96%	7	84%	3	37%	2	30%
A2	14	90%	15	95%	12	78%	5	30%	4	25%
B1,B2	32	81%	36	91%	27	67%	10	25%	8	19%
C	34	70%	42	86%	29	59%	11	23%	9	18%
D	29	53%	43	78%	27	49%	11	20%	10	17%
E1,E2	21	30%	45	65%	65	38%	11	16%	11	15%

Source: IRS 2005, Round 2 as quoted in Jagran Prakashan Draft Red Herring Prospectus filed with SEBI on December 5, 2005

Low Ad Spends

Indian Advertising spends as a percentage of GDP is only 0.34 per cent, which is way below the percentages for both developed and developing countries. This provides an immense potential for growth in since advertising revenues are key to every segment in the Indian entertainment and media industry. Even if India were to reach the global average, the advertising revenues generated would almost be equal to the current advertising revenues, which are estimated at about US$ 2.5 billion for 2005 fiscal.



Source: Advertising Expenditure Forecasts October 2004 by Zenith Optimedia as quoted in Entertainment Network Limited Draft Red Herring Prospectus filed with SEBI on November 11, 2005

Foreign Direct Investment (FDI)

Today India has probably one of the most open liberal investment regimes among the emerging economies with a conducive FDI environment. The entertainment and media industry has significantly benefited from this liberal regime and most segments of the entertainment and media industry today allow foreign investment. Recently FDI was permitted in the two important sectors of Print Media and Radio. Films, Television and other segments are already open to foreign investment.

In the print media segment, 100 per cent FDI is now allowed for non-news publications and 26 per cent FDI is allowed for news publications. Printing of facsimile editions of foreign journals are now also allowed in India. This policy is helping the foreign journals save significant costs of distribution them to service the Indian market audiences more effectively.

The FM radio sector too was opened for foreign investment recently with 20 per cent FDI being allowed. The FM radio sector itself has expanded by opening 330 licences for private investment, which currently is underway. As a result, the radio sector is expanding rapidly with forecasted growth rates of 22 per cent per annum.

Recent select illustrations of Strategic Foreign Investments in the Indian Entertainment & Media Industry

** Indicates cases where investment was a consequence of opening of FDI in that particular segment

Foreign Investor	Indian Entity	Segment	Nature of Investment	Reason
Virgin Radio Asia segment	HT Media	FM Radio	Equity Stake**	• Entry into the FM Radio
Financial Times (Pearson Group)	Business Standard	Newspaper Publishing- Print Media	Equity Stake**	• Expansion and strengthening of operations
Independent News & Media, UK	Jagran Prakashan	Newspaper Publishing- Print Media	Equity Stake**	• Expansion and strengthening of operations
T Rowe Price International	Mid-day Multimedia	Newspaper Publishing- Print Media	Equity Stake**	• Expansion and strengthening of operations
AMP Hendersen, UK	HT Media	Newspaper Publishing- Print Media	Equity Stake**	• Expansion and strengthening of operations
Bear Stearns	Adlabs Films	Film Production and Exhibition	Equity Stak	• Expansion of operations
3i (UK Based private equity FTSE 100 company)	Nimbus Communications	Television and Films	Equity Stake	• Expansion and strengthening of operations
Americorp Ventures, Mauritius	Nimbus Communications	Television and Films	Equity Stake	• Expansion and strengthening of operations
Americorp Ventures, Mauritius	Asianet Communications	Television Broadcasting	Equity Stake	• Expansion and strengthening of operations
Dubai-based NRI Group	Yantra Media	Television content provider in South India	Equity Stake	• Expansion and strengthening operations in South India and entry into Hindi television content market
New Vernon Bharat, Mauritius-based	Jagran TV	Television production and broadcasting	Equity Stake**	• Expansion and strengthening of operations
Reuters, UK	Times Global Broadcasting	Television production and broadcasting	Equity Stake**	• Expansion and strengthening of operations

Source: PricewaterhouseCoopers research

Summary of Guidelines for FDI in the Indian Entertainment and Media Industry

Advertising	FDI is permitted upto 100 per cent through the automatic route
Films	FDI in all film-related activities such as film financing, production, distribution, exhibition, marketing etc. is permitted upto 100 per cent for all companies under the automatic route.
TV Software	100 per cent FDI permitted subject to:
production	• All future laws on broadcasting and no claim of privilege or protection by virtue of approval accorded. • Not undertaking any broadcasting from Indian soil without Government approval
Cable Networks	FDI limit upto 49 per cent inclusive of both FDI and Portfolio Investment. Companies with a minimum 51 per cent paid up share capital held by Indian citizens are eligible for providing cable TV services under the Cable Television Network Rules, 1994.
Direct-to-home	Maximum 49 per cent foreign equity including FDI/ NRI/FII. Within the foreign equity, FDI component should not exceed 20 per cent.
FM Radio*	Total foreign investment including FDI by OCB/NRI/ PIO etc., portfolio investments by FIIs (within limits prescribed by RBI) and borrowings, if these carry conversion options, is permitted to the extent of not more than 20 per cent of the paid up equity in the entity holding a permission for a radio channel subject to the following conditions: • One Indian individual or company owns more than 50 per cent of the paid-up equity excluding the equity held by banks and other lending institutions • The majority shareholder exercises management control over the applicant company • Has only resident Indians as directors on the Board • All key executive officers of the applicant entity are resident Indians
Print	FDI upto 100 per cent is permitted in publishing/ printing scientific and technical magazines, periodicals and journals. In the news and current affairs category, for instance newspapers, FDI has been allowed upto 26 per cent subject to certain conditions: • The largest shareholder must hold at least 51 per cent equity • Three-fourth (3/4) of directors and all executive and editorial staff have to be resident Indians.

*Source: PricewaterhouseCoopers' Destination India August 2005 amended for FM Radio**

Filmed Entertainment

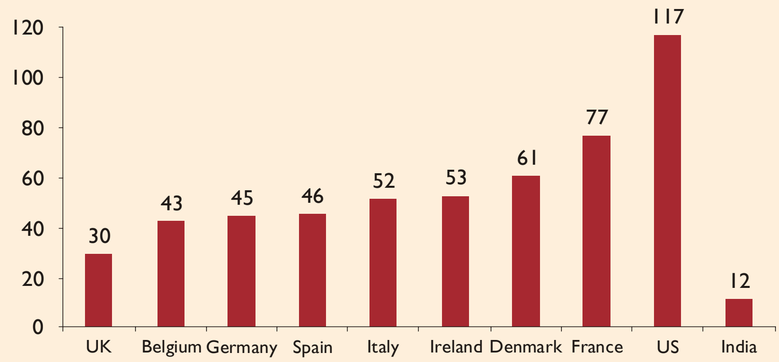
With over three billion admissions per annum, India is clearly the leader in the Global Filmed Entertainment segment. The immense popularity of films as a source of entertainment and the vast cultural diversity of the Indian population has been instrumental in making India also the largest producer of films in the world. With a strong appetite for movies and an upward migration of household incomes in India, this segment brings out several business opportunities in this segment, some of which are described briefly below:

Film Exhibition business

- The Indian film industry realises about 85 per cent of its revenues from box office collections as compared with the US film industry where the box office sales account for only 27 per cent of the revenues. Though the number of admissions is the highest in the world, when one compares the number of screens available for India's population, the average is relatively low as compared with other countries (refer to chart). With around 12,000 theatres in the country that are mostly single-screen, the average screen density works out to be only 12 screens per a million population. In contrast, the US average is about 117 screens (per million population) and the UK at 30 screens (per million population). Even if a gap of just 8 screen average (as per the UNESCO Report of 2001, quoted in the CII-KPMG Report 2005) is considered, there is a potential demand of about 8,000 additional screens in the country.

  Realising the potential of this demand, several players in the film exhibition business in the country are looking to raise funds from various sources to capture a pie of the potential market. Though more than 200 additional screens are slated to commence operations in 2006 alone, there is still a large untapped opportunity in this sector.

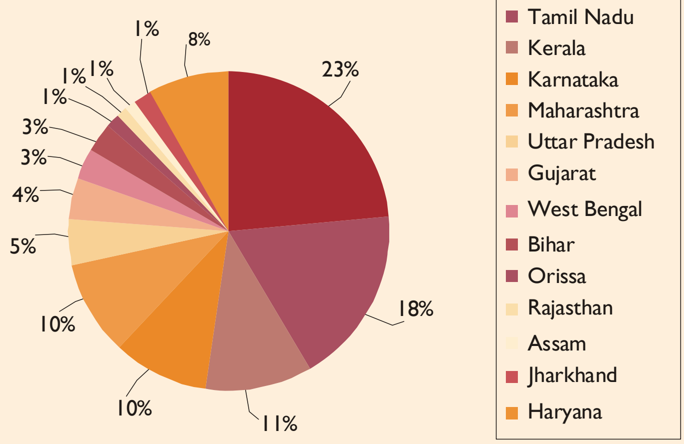
Screens per million population



Source: UNESCO Report 2001 as quoted in CII-KPMG Report 2005

- Most of the theatres in India are single-screen theatres and not the highest quality, which has resulted in lower occupancy rates and lower ticket prices. This provided an opportunity for companies to take over such theatres on lease/contract basis (most of such theatres are owned by individuals who are running into losses and hence are willing to enter into such contracts) for up-gradation or conversion to multiplexes. Such up-gradation and conversions to multiplexes is resulting in higher occupancy rates and thereby the opportunity for exhibitors to charge higher ticket prices. This growth of the multiplexes has resulted in the average ticket prices to rise as high as US$ 1.7 from a low of US$ 33 cents. Further, average occupancy levels have also steadily risen resulting in higher box office collections. Such companies also retain the right to monitor the ticket collections and having retained a share are able to recover their investments faster than if they opted to set-up a new theatre.
- Further, about 60 per cent of the theatres in the country are situated in the four Indian southern states of Andhra Pradesh, Tamil Nadu, Kerala and Karnataka (refer to chart) servicing only 22 per cent of the Indian population. As a result of this regional disparity, there is a latent demand to launch theatres in other states of India.

Spread of theatres in India



Source: FICCI-PricewaterhouseCoopers Report- Indian Entertainment Industry: An Unfolding Opportunity

Proposed Additional Screens

PVR Limited, India's leading film exhibitor with 39 screens is planning a public issue to raise funds of over US$ 31 million to launch around 50 additional screens over the next three years. The Company has an investment of US$ 7.3 million by ICICI Venture Funds Management Company, one of the largest private equity funds in India.

Inox Leisure Limited, another of India's leading film exhibitor with 32 screens is also planning a public issue to raise funds of over US$ 24 million to launch 48 additional screens over the next three years.

Essel Group, having four core business interest of which media and entertainment forming a significant part, is planning an outlay of 140 screens in 35 locations by the second quarter of 2008.

• International Films in India

International films (primarily English, Hollywood) have a strong market share in most developed countries around the world (refer to table). However in India, the share of foreign films as compared with the gross box office collections of all films is relatively small at around 5-10 per cent. One of the reasons for this low share is that the number of international releases in India in 2004 was just 80 films as compared to the local films releases, which were over 900 in 2004. Further, of the total gross box office collections of International films which has grown over 33 per cent in the last four years, 40 per cent of such collections are contributed by such international films dubbed in local Indian languages.

Share of Foreign Films in Gross Box Office Collections (2004)

Country	Share
USA	< 5%
UK	> 95%
Australia	99%
Netherlands	91%
Russia	88%
Italy	79%
Germany	76%
Japan	63%
Hong Kong	54%
South Korea	40%

Source: Yes Bank Report- Bollywood: Emerging Business Trends & Growth Drivers 2005

Further, if one were to compare the gross collections of the Top 10 International films with the Top 10 Hindi mainstream films in 2004, the popularity of some of these films is equal if not more than the average gross collection of a Hindi mainstream film in India.

Thus, distribution of international films and more so the dubbed versions in local Indian languages is a huge potential for international players to tap into. Some of the International Distributors such as Sony Pictures Releasing of India and Warner Brothers have already made headway in this regard.

Rank	International Films-2004		Local Films-2004	
	Name	Collections (US$ mn)	Name	Collections (US$ mn)
1	Spiderman 2*	7.5	Veer-Zara	12.4
2	Anacondas	4.8	Main Hoon Na	10.8
3	Van Helsing	2.4	Mujhse Shaadi Karoge	9.5
4	Harry Potter 3	2.1	Dhoom	9.1
5	Day After Tomorrow	1.9	Khakee	8.6

* *Dubbed in 3 local Indian languages*

Source: FICCI-PricewaterhouseCoopers Report- Indian Entertainment Industry: An Unfolding Opportunity

Digital Cinemas

India is on the verge of becoming the largest digital theatre country in the world - a revolutionary opportunity waiting to be tapped by potential investors.

For a country as large as India, film distribution and exhibition is a completely different ball game. Today around 12,000 theatres in the country are being serviced by around 300 celluloid prints released for a mainstream commercial film. As these prints are insufficient, they are first released in 'A' class cities and thereafter re-circulated to the 'B' and 'C' class cities in the country. After having run for a couple of weeks in 'A' class cities, the quality of such prints deteriorates considerably. This impacts the occupancy rates in the already run-down theatres and also the ticket prices. Further, during the period when the new releases are running in the 'A' class cities, pirated copies from these celluloid prints are developed to cater to such audiences in the 'B' and 'C' class cities.

But all this is now set to change. Theatres across the country are now going digital thanks to the pioneering initiatives by companies such as Mukta Adlabs and few others. Such companies are now taking control over these run-down theatres in 'B' and 'C' class cities and up-grading them to a digital theatre. The costs of upgrading to a digital theatre costs is estimated at about US$ 22 thousand per theatre, which requires the installation of a digital projector and server to run the digital prints. As a result of such digitalisation, such theatres are able to obtain prints at the same time that the film is released. This coupled with superior quality is resulting in higher occupancy rates and higher ticket prices. As most companies are working on a revenue-share basis, the break-even time for such projects is estimated to be less than two years.

Theatre-owners too have no reasons for complaints. Companies installing the digital projection companies often take up the burden of capital expenditure in return for a share in the box office collections. As a result of the digital projection system, the quality of the films being screened has shot up significantly impacting the occupancy rates, which have been reported to increase to almost 50 per cent in some of these large-seating single screen theatres. Since the films are screened at the same time the films is released nation-wide, theatre owners now have the wherewithal to charge higher ticket prices as well.

Film processing companies are also gearing up to cater to this potential demand of churning out digital prints. The cost of producing a digital film is estimated to be a fourth of the cost of a celluloid print- hence the film producer too is excited as now he is able to generate a much larger number of prints than earlier. This not only helps in a larger release of his film but more significantly able to curb the menace of piracy which was depleting his box office collections by almost 90 per cent.

If one were to aggregate the number of theatres that are planned for the digital conversion, this would aggregate to about 10 per cent of the theatres in the country today. Hence, the balance 90 per cent of the theatres is waiting to be digitalized!

Print Media

Indian print media has evolved through a series of revolutionary events. This has rendered the market highly fragmented with approx. 1900 news publications for a circulation figure of just 200 million. The segment hence provides for several opportunities as listed below:

• Tapping the reading population

As per the latest readership survey NRS 2005, the reach of the print media (dailies and magazines combined), as a proportion of the reading population (i.e. 15 years and above) is only 27 per cent. The global average readership is estimated to be over 50 per cent. This highlights the significant potential of the print media market in India.

Further, as literacy (as measured in the NRS) grows by nearly eight points and even higher in the rural areas, the potential of the print media assumes a significant proportion. This can be illustrated from the fact that one of the reasons that Dainik Jagran, India's leading daily has been able to retain its leadership position for the last three years is because the number of literates in Uttar Pradesh, Bihar and Jharkhand (strong Dainik Jagran markets) has grown explosively.

Time spent on reading has also gone up quite significantly from an average of about 30 minutes daily to around 39 minutes daily over the last three years, further contributing to this growth potential.

• Build a pan-India presence

Due to low levels of literacy and India's marked regional diversity, the print media segment is characterized by a large number of players dominating specific geographies (See Table below). Vernacular news dailies thus dominate the market with a 49 per cent share. Regional dominance is not just typical of only vernacular papers- even English news dailies have managed to gain dominance only in specific pockets. As a result, there are hardly any players with a pan-India presence.

Publication	Language	Dominance in
Dainik Jagran	Hindi	Central and North India
Dainik Baskar	Hindi	Rajasthan
Eanadu	Telugu	Andhra Pradesh
Hindustan	Hindi	North India
Amar Ujala	Hindi	Uttar Pradesh, Uttaranchal
Daily Thanthi	Tamil	Tamil Nadu
Lokmat	Marathi	Vidarbha (Maharashtra)
Rajasthan Patrika	Hindi	Rajasthan
Anand Bazaar Patrika	Bengali	West Bengal
Malayalam Manorama	Malayala,	Kerela
DNA	English	Mumbai

Source: SSKI and PricewaterhouseCoopers Research

• Leveraging a fragmented market

The print media market today is highly fragmented with most publishers being family owned. These publishers hence had low access to capital and information and thus concentrated only in the geographical location in which they were the leaders.

However this trend is now changing and publishers are looking to expand their market though both organic and inorganic routes. With an added push of foreign investment being allowed in the print media segment, this segment thus offers significant investment opportunities.

Examples of small regional players opening up to new markets include:

Company	Jagran Prakashan
Established	1942
Original Titles	Dainik Jagran, single edition
Ownership	100 per cent by Promoter Family
First opened up	Year 2000 by local acquisition and then strategic investment of 26 per cent in June 2005 by Independent News & Media PLC
Titles today	28 editions of Dainik Jagran
Reasons	Foreign investment permitted and looking for diversification
Ownership today	Proposed public issue

Company	Deccan Chronicle Holdings
Established	1938
Original Titles	Deccan Chronicle, Hyderabad edition; Andhra Bhoomi, Weekly Magazine
Ownership	100 per cent by Promoter Family
First opened up	Year 2003 by way of corporatisation and then a Public Issue in 2004
Titles today	7 editions of Deccan Chronilce
Ownership today	22 per cent by public; balance by the Promoter Family

Television

Television has dominated the entertainment and media industry and continues to have the potential to do so even in the future. With over 200 million homes, television today reaches to over 100 million homes. With an average household-size of 4-5, advertisers simply cannot get over the potential to reach over 500 million eyeballs.

The potential of the industry just seems to get better even with the current statistics. Television homes are growing at a staggering rate of 4 per cent per annum - it is no wonder that today in India, the number of television homes far exceed the number of telephone-connected homes. The growth in the appetite of television homes to get a cable connection is ever-increasing with the changing demographics and economic status in not just the 'A' class cities but also the 'B' and 'C' class cities. In fact, most growth in the Cable and Satellite (C&S) connected homes is now likely to emerge from these segments, which till date were privy only to the channels provided by the State Broadcaster. With a current base of about 61 million C&S homes, the growth projected in these homes is about 8-10 per cent. This is inspite of the fact that most C&S homes today are in the analog mode and the potential of the Digital C&S services is still in its nascent stage.

These staggering statistics give rise to immense number of opportunities, some of which are described below:

- ### Demand for content

  Today, there are over 300 channels, which are beamed into the Indian skies and most of such channels are available to all C&S connected homes. However, this has not discouraged the investor who still believes that there is room for more, keeping in consideration the potential to reach the large number of eyeballs, which no other medium can capture. As a result, around 50 new channels are being added each year. This has given rise to the serious demand for content for these 24-hour channels. Television broadcasting companies are continually scouting for content software companies and due to this imbalance, the programming costs are rising in an un-proportionate manner. This is a potential opportunity which still needs to be tapped to its fullest.

  Regional programming is another segment, which needs to be evaluated closely for the opportunities that it presents. Most of the content on satellite channels today is either in Hindi or English. When all channels of Star TV went into exclusive Hindi programming two years back, the demand for local language content was proved beyond doubt. This aspect now needs to dwell further into vernacular languages and not just the southern languages where companies have already started their investments.

Dubbed Foreign Content is yet another genre where content is limited. If one were to analyse the Top 10 movies in 2004 that were shown on television, three amongst those were English movies dubbed in Hindi. Further, most satellite channels that have foreign content have dubbed their progammes in Hindi. Examples of these include:

- Both channels of Disney (The Walt Disney Group) in India only show dubbed Hindi programming on a 24-hour basis
- On weekends, the programming of a leading Hindi Film Channel include only dubbed Hollywood films
- ESPN-Star Sports, the leading sports channel in India has a dual Hindi feed to tap the local markets

Balaji Telefilms

Balaji is the leading producer of content in Indian television segment with the maximum number of programs in the Top 50 programs of the week for the last four years. Based on the potential for television content, Star TV had picked up a 26 per cent stake in the company in early 2005.

• Niche Channels

With the influx of general entertainment, movie and news channels, television broadcasters are losing their audiences to their competition. Thus when one looks at the viewership ratings of the three main general entertainment channels in India, these do not vary significantly over a period.

Investors hence now need to look at developing targeted niche channels as in the case of most matured television markets in the world. Though some channels in the genre of lifestyle and music have been launched, these are still a handful and thus there still is potential in this area. For example, India could do with a dedicated 'food' channel or a 'women' channel as in the US. Certain niche channels for genres of English Business News and Sports are doing very well in India, which gives the impetus for broadcasters to explore content for such niche channels.

Demand for consumer-end premises equipment- Set-Top-Boxes (STBs)

Digitalisation is making a quite revolution in the country today. Though the Government is carefully treading the path of addressing 'addressability', the players themselves are adopting a voluntary approach to digitalisation. Several large cable distribution companies (one of which has a 26 per cent stake from Star TV) are taking a voluntary approach to adopt addressability due to the following factors:

- Having made large investments a couple of years back in STBs and head-end equipments in anticipation of the of the mandatory Conditional Access order, these cable companies are now giving away such STBs free to consumers. The underlying assumption there being that when addressability will be made mandatory, such cable companies would have already garnered a significant market share.
- Further, with a confirmed threat from the DTH players, which is likely to take a share of their customers especially in the up-market segments, cable companies are looking to invest large sums in the STBs to retain their customers. Having learnt that the DTH players plan to subsidize the consumer-end premises equipment in order to gain a market share from the existing cable homes, the cable operators are left with not much choice.
- Players in the broadband space are also making headway and thus cable operators cannot ignore competition from this segment.
- Consumers especially in the higher social-strata are also preferring to opt for addressable systems in view of quality of signals received and a larger number of channels, which the current analog cable connections are unable to provide.
- As a result, cable companies now are left with no option but to entice their customers. Subsidizing STBs to the consumers is one of the ways that the cable companies are looking to adopt.

Further, the broadcast and cable services regulator TRAI has also recommended a mandatory digitalisation plan for the top 35 cities (by population) in the country by 2010. These 35 cities have a high penetration of television homes and equally high penetration of C&S homes. An analysis of theses 35 cities brings out an estimated 20 million homes which have a cable connection. Even if 10 per cent of these C&S homes voluntary opt for STBs, there is a clear unserviced demand of 2 million STBs. Assuming a selling price of US$ 66 per box, the estimated size of this market is atleast US$ 130 million. Currently, there are few local manufacturers and hence there is a dependence on the international markets for the same. Similar is the demand for head-end equipments for which there are currently no local manufacturers.

Radio

Radio, which till a couple of years back, was in the privy domain of the State Broadcaster, has now been opened up to private investment. This sector has become the hottest sector for investments amongst the entertainment and media industry due to the following reasons:

- As many as 338 FM Radio licences are now available for bidding for the private players. These cover about 91 cities, most of which till now were being serviced only by the State Broadcaster.
- The Government has allowed FDI upto 20 per cent in the sector, which was not allowed previously.
- The Government has moved to a low revenue-share regime in contrast to the earlier fixed license fee regime, which was hurting the industry badly.

These three measures by the Government have thrown open several opportunities in the sector, which is poised to grow at 22 per cent per annum:

• Investments required

The opening of 338 licences for which bidding will commence soon has given rise to the need for funding and operating these licences. As many as 101 companies have expressed their interest in the segment, most of which are currently not in the business of running and operating a radio station.

This has brought about a need not just for financial investments but also technical and operating experience. As most of the existing players are themselves bidding for additional licences, there is a demand from the new players, who are proposing to enter this space, for technical and financial expertise to run a radio business and thus are looking out to international market for the same.

• Content boost

The opening of new radio channels is also providing a boost to creative content companies to spring into action. Assuming an average requirement of about 5000 content hours per annum per radio channel, one can clearly see the potential for content in the additional 338 channels that being launched in the country.

Further, radio as a medium also has the potential to tap into local markets, which earlier was being serviced only by the print media. Though 'hit music' continues to be the preferred genre of content on radio, radio companies are not afraid to try out new creative formats, even though news is not permitted.

- ## Potential to reach local markets

Out of the 338 channels that are up for bidding in the second phase of FM Radio expansion, only 22 channels are in the four metro cities, which have a flavour of a private radio broadcast. The balance 316 channels in 87 cities until now had access only to the radio services offered by the State Broadcaster.

When the first FM licences were available in the four metros, there was a dramatic change in lifestyles in theses cities where people actually went back to radio listening itself! Thus, listenership of radio grew from an almost zero base to about 70 per cent today. Since listenership is directly linked to the advertising revenues of these radio stations, advertisers are looking forward to tap this local audience base and radio companies in turn to target growth from such niche-advertising revenues.

Further, as compared to television commercials, radio commercials are relatively very economical to make. Because of this, advertisers are able to make multiple creatives to suit different cities, different day-parts and different brand objectives.

Road Ahead

With a host of factors contributing to the double-digit growth of the industry and an added easing of the foreign investment norms, the E&M Industry in India thus is a sunrise opportunity that presents significant avenues for investment.

CONTACT FOR INFORMATION

Information on the market and opportunities for investment in the entertainment and media sector in India can be obtained from the Confederation of Indian Industry (CII), which works with the objective of creating a symbiotic interface between industry, government and domestic and international investors.

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The India Brand Equity Foundation is a public-private partnership between the Ministry of Commerce and Industry, Government of India and the Confederation of Indian Industry. The Foundation's primary objective is to build positive economic perceptions of India globally.

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