INDUSVIEW

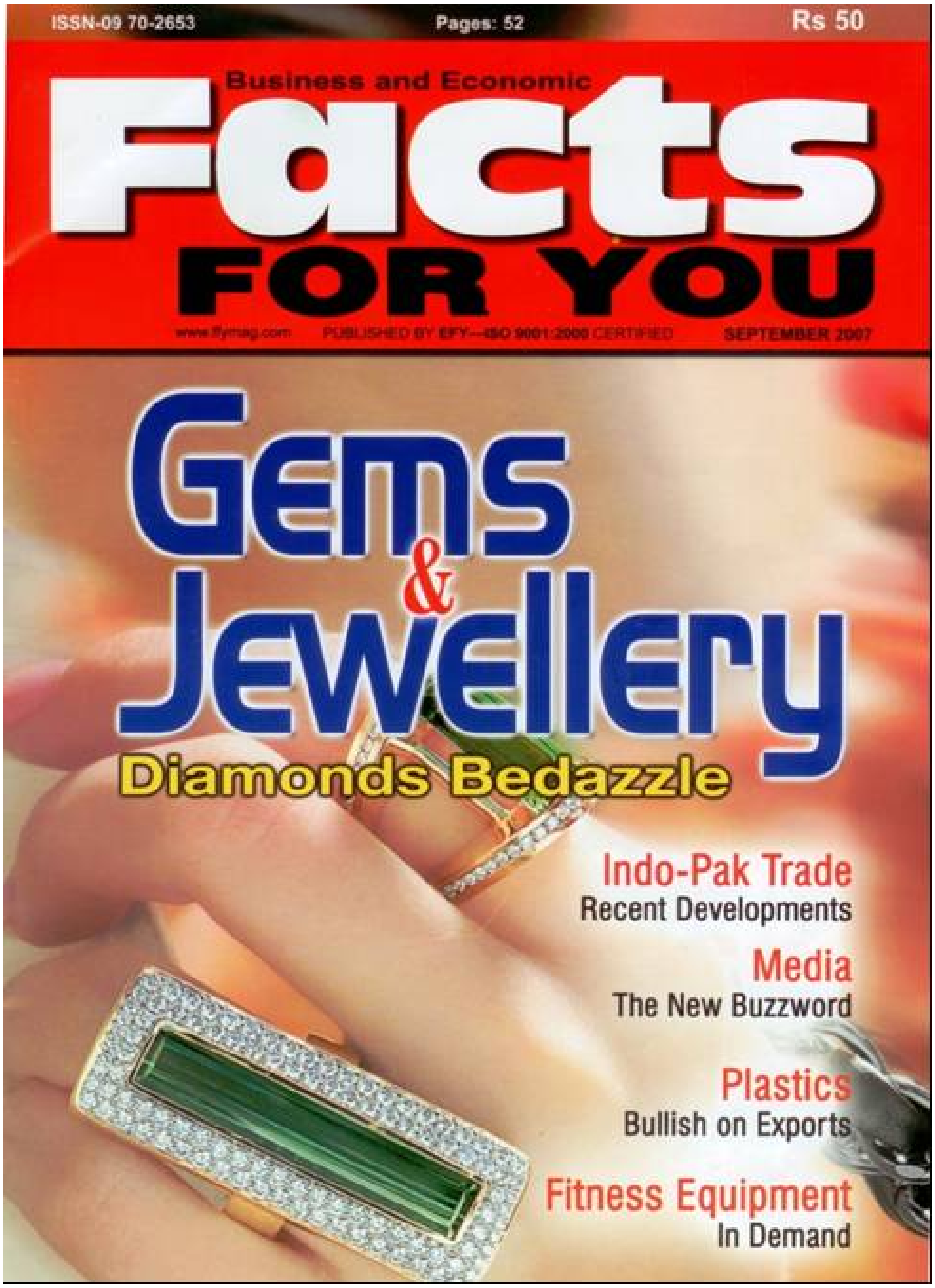
## Media Monitor

**Publication** : Facts For You

**Nature:** General Interest Monthly Magazine

**Date** : September, 2007

**Readership** : 15,000



# MEDIA IS THE NEW BUZZWORD

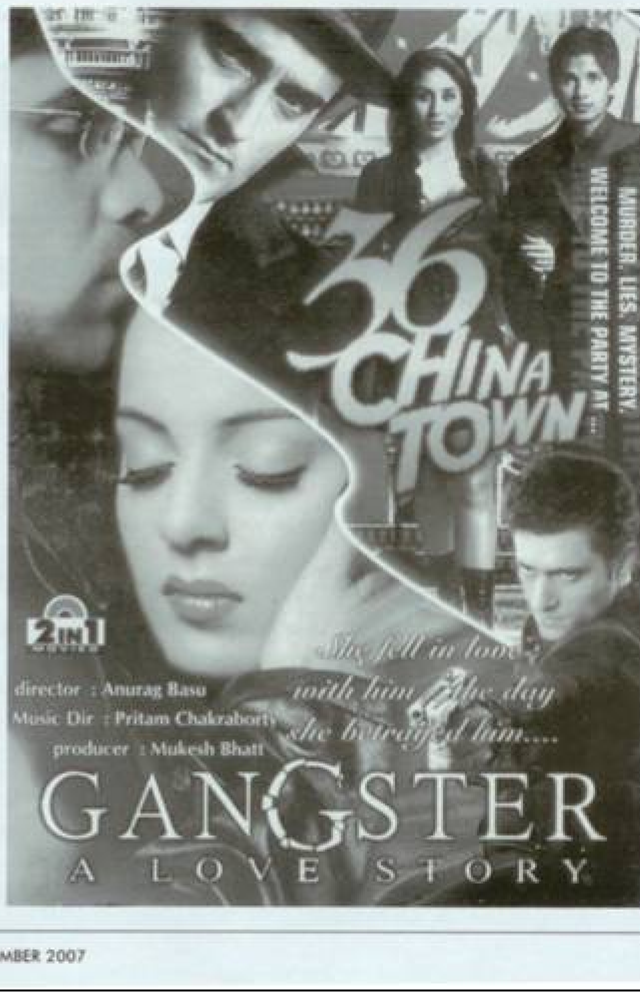
**The growth potential of Indian media has grabbed the attention of many big corporates.**

Ever since the government of India eased the regulatory regime and allowed foreign direct investments (FDI) in the Indian Media, it is attracting much attention and serious efforts from all stakeholders, domestic and foreign investors.

The Indian media industry including entertainment is poised to grow at 19 per cent compound annual growth rate (CAGR) to reach $18.82 billion (Rs 83,740 crore) by the year 2010 from its present size of $7.93 billion (Rs 35,300 crore). Television is projected to grow at a rate of 24 per cent whereas radio will lead the pack with 32 per cent CAGR. These were the outcome of a report jointly prepared by the Federation of Indian Chambers of Commerce and Industry (FICCI), the apex industry body that represents over 1500 corporates and over 500 chambers of commerce and business associations, and the international consulting firm PricewaterhouseCoopers (PwC).

The FICCI-PwC report on media industry cited economic growth, rising income levels, consumerism coupled with technological advancements and policy initiatives taken by the Indian government as the key drivers of growth in the sector.

As a result of new entrants in all segments of the Indian media, it has been forecast that the industry will outperform the economic growth in each year till 2010.




## Ad-spend is bound to increase significantly

Consider the Indian advertising spends in terms of percentage of GDP—it is just 0.34 per cent compared to 0.98 per cent in other developed and developing countries. While the low ad-spend is no doubt a challenge before the entertainment and media industry, it also throws open immense potential for growth. The report says that if India has to reach the global average, the advertising revenues will have to be at least doubled from the current level of around $2.97 billion (Rs 132 billion).

## New players in the game

The most encouraging aspect for Indian media is that the growth potential of this sector has grabbed the attention of many big corporates.

The FICCI-PwC report highlights the fact that the year 2005 was marked by the entry of new players across all segments of the industry. The most prominent entry was that of the Reliance Anil Dhirubhai Ambani Enterprises

(ADAE) Group, one of India's largest diversified business conglomerates, in both the film entertainment and radio segments.

## Television: $3.33 billion in 2005, $9.59 billion by 2010

Subscription revenue is projected to be the main driving force for the Indian television industry over the next three years. The report forecasts that subscription revenues will go up manifold for two reasons: increased subscription rates and the growth in the number of pay-TV homes. Rapidly growing economy and increase in disposable income will drive the rural and urban areas to buy more television sets and subscribe for the pay services. In urban areas people will tend to buy another set for their homes. New distribution systems like DTH and IPTV will also increase the subscriber base and accelerate the growth of subscription revenues.

The report projects that the size of the Indian television industry will be $9.59 billion (Rs 42,700 crore) by 2010 compared to $3.33 billion (Rs 14,800 crore) in 2005.

## Print media: $2.45 billion in 2005, $4.38 billion by 2010

Along with television, print media is also marching ahead. The growth rate here is, however, slower compared to other segments. By 2010, the size of the industry will be $4.38 billion (Rs 19,500 crore) against its size of $2.45 billion (Rs 10,900 crore) in year 2005.


Opening up the print media for foreign investments by the government of India is expected to be a major growth driver for the segment. It is also expected to benefit from the booming Indian economy and growing need for content.

The report says that with the literacy on the rise, more people in rural and urban areas are reading newspapers and magazines now. Besides that, the global investor community too is keenly interested in India. All these factors lead to demand for more content from India. Foreign media too is evincing interest in investing in Indian publications.

**Market Size of Media**

| Segment | Market size in 2005 | | Estimated size by 2010 | | CAGR |
|---|---|---|---|---|---|
| | ($ bn) | (Rs crore) | ($ bn) | (Rs crore) | (per cent) |
| Television | 3.33 | 14,800 | 9.59 | 42,700 | 24% |
| Print | 2.45 | 10,900 | 4.38 | 19,500 | 12% |
| Film | 1.53 | 6,800 | 3.44 | 15,300 | 18% |
| Live entertainment | 0.18 | 800 | 0.40 | 1,800 | 18% |
| Out of home advertising | 0.20 | 900 | 0.39 | 1,750 | 14% |
| Music | 0.16 | 700 | 0.17 | 740 | 1% |
| Radio | 0.07 | 300 | 0.27 | 1,200 | 32% |
| Internet advertising | 0.02 | 100 | 0.17 | 750 | 50% |
| **Total** | **7.94** | **35,300** | **18.81** | **83,740** | **19%** |

## Filmed entertainment: $1.53 billion in 2005, $3.44 billion by 2010

The Indian film industry is benefiting from the recent transformations brought about by technology in all spheres of the industry—film production, exhibition and marketing. The industry is increasingly getting more corporatised.

Several film production, distribution and exhibition companies are entering the capital market with initial public offerings. More theatres across the country are getting upgraded to multiplexes. Initiatives to set up more digital cinema halls in the country are already underway. This will not only improve the quality of prints and thereby make film viewing a more pleasurable experience, but also reduce piracy of prints.

MARKET SURVEY

The FICCI-PwC report estimates that the segment would grow at a CAGR of 18 per cent to reach $3.44 billion (Rs 15,300 crore) from the level of $1.53 billion (Rs 6800 crore) in 2005.

## Live entertainment: $180 million in 2005, $404 million by 2010

This segment of the entertainment industry, also known as event management, is benefiting from the growing number of corporate awards, television and sports events. The report estimates that the segment will grow to $404 million (Rs 1800 crore) by 2010 from the level of $180 million (Rs 800 crore) in 2005, registering a CAGR of 18 per cent.

## Out of home advertising: $202 million in 2005, $393 million by 2010

The market of outdoor media sites in India is rather unorganised. The sites are predominantly owned or operated by small, local players who directly market them to advertisers and advertising agencies.

However, this segment too is witnessing a sea change with technological innovations. The segment is expected to grow at a CAGR of 14 per cent to reach $393 million (Rs 1750 crore) mark from the level of $202 million (Rs 900 crore) in 2005, says the report.

### India Media At A Glance

1. Indian media to grow to more than double in five years from 2005; $18.82 billion in 2010 vs $7.93 billion in 2005

2. Internet advertising, radio and television to outpace rest of the industry, with growth rates of 50 per cent, 32 per cent and 24 per cent, respectively

3. Global investors evincing keen interest in investing in Indian publications

4. Corporate majors such as Anil Dhirubhai Ambani Enterprises entering the sector

5. DTH and IPTV to increase subscriber base and accelerate growth of subscription revenues


## Music: $157 million in 2005, $166 million by 2010

The trends in the Indian music industry are no different from the global music industry. Plagued by piracy, the music industry has been showing very sluggish growth in the physical format over the last few years, both in India and globally. However, 'mobile music' and 'licensed digital distribution' services are projected to fuel the recovery of the music industry the world over. Despite this single positive factor, the segment is expected to remain stagnant, registering only 1 per cent CAGR to reach $166 million (Rs 740 crore) by 2010 from $157 million (Rs 700 crore) in 2005.

## Radio: $67.4 million in 2005, $269.7 million by 2010

Radio is soon catching-up albeit in new form and this segment leads the media pack in terms of growth potential.

The market of FM radio has seen some major changes recently. The government of India announced three key policy initiatives which are driving growth in this sector—migration to a revenue share regime from the fixed licence fee, allowing foreign investment into the segment and opening of new licenses to private players. The government put 338 licences on the block in 91 big and small cities. Of these, 280 bids were successful for a total sum of $205 million (Rs 907 crore) of one-time entry fee.

The report says that this deluge of radio stations will result in rising need for content and professionals. The total market of radio in India is estimated to grow at a CAGR of 32 per cent to reach 269.7 million (Rs 1200 crore) by 2010 compared to $67.4 million (Rs 300 crore) in 2005.

## Internet advertising: $22.5 million in 2005, $168.5 million by 2010

An estimated 28 million Indians are currently hooked on to the Internet. This rising number is leading to the growth of Internet advertising, which stood at approximately $22.5 million (Rs 100 crore) in 2005. With broadband becoming increasingly popular, this segment is expected to grow by leaps and bounds to reach $168.5 million (Rs 750 crore) by 2010.

*Courtesy: IndusView Advisors Private Limited*