

## **INDIA- CONTENT, DISTRIBUTION MARKET AND DIGITALISATION**

### **Market Potential and Growth:**

- ***India will remain a leading pay-TV market in Asia with superior growth prospects, indicating huge upside for the future. At the same time, growing costs, competition and regulation present near-term risks.***
- ***Media Partners Asia (MPA) perceives the pay-TV market growing from 82 million homes at the end of 2007 to 137 million by 2012 and approx. 164 million by 2017. This means that pay-TV penetration could climb from 64% in 2007 to 82% by 2012 and 85% by 2017. By 2017 cable will have 67% of TV homes; DTH, 17%; and IPTV, 1%.***
- ***MPA projections indicate that the total market for digital pay-TV will grow from 4 million subscribers in 2007 to reach 38.2 million by 2012 and 57 million by 2017. This means that 30% of television homes in India will have digital TV by 2017, with 55% still on analog.***

### **Back ground of the main TV Distribution Platform;**

The Indian Cable Television is 25 years old. Cable TV's first major break came in 1991 when, for the first time, the Gulf War was telecast live by CNN in India.

In the first few years, all the channels were Free-to-Air (FTA). In the year 1994 some of the foreign channels began encrypting their channels even though they were FTA, making it imperative for a cable operator to obtain permission from the FTA Broadcaster and thus by the Integrated Receiver Decoder (IRD) was able to access the FTA product and relay it to his customer. This was quickly followed up by the first pay channel in India in 1995 viz. Star Movies, which was introduced at a price of Re.1/-.

The major difference between the growth of Pay TV in India and abroad is that the broadcasters encrypted their channels right from 1994 even when they were FTA and thus had no difficulty in switching over to Pay TV regime when market conditions enabled them to do so.

### **Present Size of the Cable Industry:**

As per a recent Telecom Regulatory Authority of India (TRAI) report, the Cable Industry has grown from 0.4 million cable homes in January 1992 to 78 million cable homes in December 2007. Further, from approximately 20 pay channels in 1995, today there are approximately 405 television channels with 125 pay TV channels included therein. There are another 130 channels awaiting downlinking approval before starting their transmission.

Against the present size of the cable market at approximately 78 million homes, it is estimated by Media Partners Asia Ltd.'s (MPA) report on Asia

Pacific Pay-TV and Broadband Markets 2008 that India has approximately 225 million households. Approximately 128 million households have television, of which 78 million households receive cable television service. Thus 61% of the total television households in India get cable television feed. Apart from 78 million cable television customers there are approximately 6 million DTH customers.

TRAI estimates the current size of the television market at Rs. 230 billion and quotes that the Ministry of Information & Broadcasting working group estimates that there are 30,000 Cable TV operators registered in India, with another 30,000 who are not registered. These 60,000 cable operators broadcast over 439 cable and satellite and satellite channels including 370 channels with downlinking permission and the rest being local cable TV channels which do not require registration.

Of the 78 million cable TV homes, there are over 3 million digital cable TV customers inclusive of 1.3 million CAS (Cable Conditional Access-Digital) customers.

In the light of above and keeping in mind the current estimates for the near future, it is expected that the digital TV market in India will be the second highest to China and by 2013 approximately 40.8 million customers in India will be in a position to receive digital transmission.

While there are varying estimates that who will capture the digital arena in the next five years, it is quite clear that there will be an even battle between the digital cable and DTH while IPTV will begin to make its mark in a couple of years.

### **Our Group's Media company- IndusInd Media and**

### **Communications Limited (IMCL): Incablenet**



IndusInd Media and Communications Limited (IMCL) is a public limited company incorporated under the provisions of Companies Act of India, 1956. IMCL has a first move advantage in Cable TV business being one of the first companies to pioneer the Multi Service Operator (MSO) business. IMCL has a reach of approximately **6 million cable homes** and has over **6000 kms of Hybrid Fibre optic cable** which is 80 % two way enabled to the nodes. IMCL presently **provides 250 channels in its digital Cable** networks (including 29 Radio/Audio Channels), which is currently the maximum channels provided in any distribution platform in India.

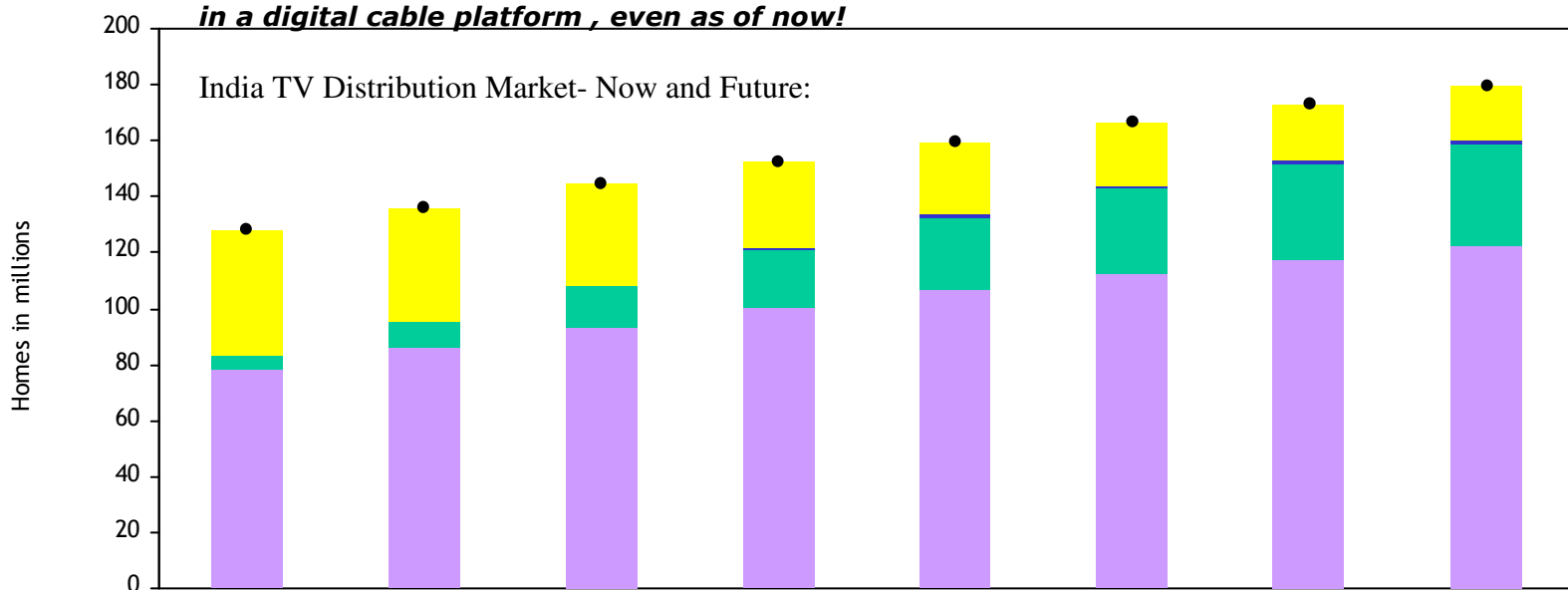
**Around 24 cities of India** are covered by IMCL with cable networks. IMCL has implemented Conditional Access System (CAS) from Nagravision and has installed set top boxes in excess of

200,000 both in notified areas of conditional Access System and other cities. It has already established 8 digital Head ends in India, covering around 12 cities, including key metro cities. It is India's largest independent Multi System Operator (MSO), with a triple play plan through Cable

IMCL also has a nationwide Internet Service Provider (ISP) license and is an active ISP player in the Indian Market, providing broadband services and bandwidth to both corporate and retail customers.

IMCL also has a content division with a library of around 3000 movies and a cable TV channel 'CVO' which runs in over 50 centres.

**DTH Market in India:** DTH has already 4 major players. Estimated homes reached are around 5 million. Reliance-backed Big TV launched its digital DTH satellite pay-TV platform in August, 2008, targeting a potential 40% share of the Indian DTH pay-TV market over the next 12 months. Reliance's entry into the capital intensive pay-TV sector is significant as it has the resources to fund long term losses and hefty sub acquisition costs (SAC). Dish TV ( Zee Group) continues to grow its top line aggressively but its SAC continues to climb along with losses while the cash burn at Tata Sky, a US\$600 mil. Joint Venture between Tata Group's News Corp. and Temasek is significant. The other upcoming players in the DTH field are – Sun DTH which has the best price options and has a strong presence in southern India, Bharti Airtel who are poised to launch the DTH service by March 2009, and Videocon, also scheduled for a 2009 launch. **However, given the Cable Mass strength with Value for Money (VFM) pricing and convenient door to door services, along with expansion possibilities in Digital Cable, India will primarily remain a Cable TV Country and it will be able to accommodate almost 1000 channels in a digital cable platform, even as of now!**



	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Terrestrial	45.0	40.6	35.9	30.7	26.2	22.7	20.4	19.4
IPTV	0.0	0.1	0.3	0.5	0.8	1.1	1.3	1.5
DTH	4.8	9.8	15.0	20.9	26.1	30.4	33.83	36.2
Cable	78.5	85.8	93.1	100.1	106.6	112.6	117.8	122.2
Total TV Homes	128.3	136.3	144.3	152.2	159.8	166.8	173.3	179.3

### **Pay Channels in INDIA:**

A growth of pay channels in the number of pay channels from 30-35 to the current 125 channels clearly indicate that business prospects of broadcasters are on the rise. In this regard, it will be useful to note that according to MPA 2008 Report India will be second large pay TV market in Asia after China which is currently generating 5.2 billion \$ to grow to 18.5 billion \$ by 2017.

Star Group Asia with 75% of total earnings from Star India is expected to have a turnover of Rs. 800 million upto June 2008 and Zee revenue are forecast at Rs.450 million. It is interesting to note that India ad market for satellite TV advertising is growing at an annual rate of 20% p.a. Broadcasters are expected to increasingly focus on DTH market. MPA perceives that by year 2012 there shall be 25 million DTH customers as against the current 5 million, in India. Compared to this, the total number of digital cable TV customers is expected to be only 22 million.

This means a large number of Cable TV Indian homes will continue to receive analog TV signals. Infact as per MPA the current earnings by the broadcasters in Asia will double from Rs. 10.6 billion in advertising and subscribers revenue to Rs. 20 billion by 2011 and Rs. 28 billion by 2017.

### **Cable TV Digitalization in India:**

Ten large MSOs exist in the market, with three of them - Hathway, WWIL and IMCL (our group company) – having national coverage with a reach of approx. 20 million homes, but limited last mile access means that these three have a combined paying subscriber base of less than 3 million. Other MSOs have emerged with pan-Indian cable ambitions, with the most notable including DEN, Digicable and You Telecom.

In a bid to increase transparency in the distribution chain as well as grow tax revenues, the government has mandated the deployment of Conditional Access Systems (CAS) in various areas.

Indian cable's digital deployment is largely one-way, based on basic STBs costing about US\$50, however, with rapid digitalization; the doors will open for the growth of value-added services such as VOD, PVR and HDTV, for a commercial launch.

India's Broadcast and Cable TV Regulator, Telecom Regulatory Authority of India (TRAI) has listed various measures and recommendations to promote competition and bring transparency in the sector. These include:

- Privatization of terrestrial television broadcasting.
- Extension of cable Conditional Access System (CAS) in the balance three metros of Delhi, Mumbai and Kolkata.

- Digitalization and introduction of voluntary CAS to 55 more cities, including all cities over 1 million population and all State Capitals, in a well-defined time frame.
- Framework for “Head-end in the sky (HITS)” which would enable digitalization of cable transmission with addressability on all India bases in one go.
- Removing bottlenecks of IPTV (already done by Government).
- Promoting mobile TV

### **Our Group’s Plan for Downlinking of Foreign Channels:**

#### **Hinduja Group’s Affiliate Company gets Ministry of Information & Broadcasting, Government of India’s license to downlink foreign TV Channels: ([www.hindujagroup.com](http://www.hindujagroup.com) )**

The Ministry of Information & Broadcasting, Government of India has given the Hinduja Group / Venture’s affiliate Company “Planet E Shop Holdings (India) Ltd., permission to downlink foreign TV Channel(s) and content.

**“Planet E Shop Holdings (India) Limited (PESHIL)”** is the new associate Company of the Media Group of Hinduja, that will take care of the content aggregation, marketing and distribution of foreign television channels and content, based on the downlinking policies of India. The first channel to be distributed is South Korea’s ‘Arirang TV’, a state-owned International English satellite channel. The company has also tied exclusively up with ‘Miracle Net’ Channel for all Indian marketing and distribution.

This content and foreign channel aggregation initiative is part of the Hinduja Group’s / Ventures’ continuous efforts to integrate and strengthen its media business.

Digitalization of the television industry in India is evincing a keen interest among global channels and today more than 100 channels are eyeing the Indian market’s potential revenues through subscription, advertisement and programming contents bouquets.

There are over 380 channels already cleared under uplinking and downlinking policies of the Ministry of I&B in India and over 150 channels awaiting clearances, including 30-40 foreign channels.

Tie-up with an established player like Hinduja Ventures will provide these channels with a readymade distribution platform, while the Indian audiences will benefit from the wide array of global entertainment content, in various bouquet packages.

PESHIL is also in talks with premier channels from Europe, Asia and Middle East for exclusive marketing and distribution tie-ups.

Content from the various foreign channels would be aggregated by PESHIL in India, packaged into an array of bouquets to be distributed to various platforms, including IPTV, DTH, digital cable and even mobile TV, thus enabling more revenue and business options.

**Conclusion:**

India remains a leading market for broadcasting and pay-TV, one that’s especially attractive because of its superior growth prospects. Media consumption is growing rapidly, boosted by rising incomes and literacy. There is a significant scope for market expansion, especially in broadcasting. Only 60% of households have a TV set, advertising rates are low, and consumer spend on pay-TV also remains low.

**Four years hence, India will overtake Japan, Australia, Hong Kong and South Korea – to emerge as the second largest digital cable TV home market (after China) in the Asia-Pacific region, according to reports of independent media research firms, Information, Telecoms and Media group and Media Partners Asia (MPA).**

The competitive and cost pressures are such that only strong incumbents and innovative new entrants are likely to prosper. Both groups, that are the content and delivery platforms, will need to have strong balance sheets and long-term investment commitments.

At the same time, the costs of creating and distributing content are growing significantly for incumbents and new entrants. Higher subscriber acquisition costs and significant capital expenditures have also become the prevailing reality for distribution platforms as they set about driving the rollout of digital pay-TV networks.

**Indian Television Industry- Expected Growth Trends:**

**In Rupees Billion ( 1USD= Rs. 45)**

<b>SECTORS of REVENUE</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>CAGR 2008-12</b>
Television Distribution	75	97	117	136.5	167	204	253	310	380	22.8
Share %	58.3	61.2	61.2	60.4	60.1	60.6	60.4	61.6	63.3	
Television Advertising	48	54.5	66.2	80	100	120	150	175	200	18.9

Share %	<b>37.3</b>	<b>34.4</b>	<b>34.6</b>	<b>35.4</b>	<b>36</b>	<b>35.6</b>	<b>35.8</b>	<b>34.8</b>	<b>33.3</b>	
Television Content	<b>5.7</b>	<b>7</b>	<b>8</b>	<b>9.4</b>	<b>11</b>	<b>12.8</b>	<b>16</b>	<b>18</b>	<b>20</b>	<b>16.1</b>
Share %	<b>4.4</b>	<b>4.4</b>	<b>4.2</b>	<b>4.2</b>	<b>4</b>	<b>3.8</b>	<b>3.8</b>	<b>3.6</b>	<b>3.3</b>	
<b>TOTAL</b>	<b>128.7</b>	<b>159</b>	<b>191</b>	<b>226</b>	<b>278</b>	<b>337</b>	<b>419</b>	<b>503</b>	<b>600</b>	<b>21.2</b>

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