FICCI

PRICEWATERHOUSECOOPERS

The
Indian Entertainment & Media Industry
Sustaining Growth
Report 2008

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The Indian Entertainment & Media Industry

Sustaining Growth

Report 2008

Foreword

Welcome to the 2008 edition of the Indian Entertainment and Media (E&M) Industry Report prepared jointly by FICCI and PricewaterhouseCoopers. We take this opportunity to thank PricewaterhouseCoopers, our Knowledge Partners, for having devoted precious time and resources to prepare this report at our behest.

The Indian E&M industry has been growing at a healthy rate in the last few years and the trend is expected to continue for the next few years. This year, certain new segments such as online advertising, gaming, animation, sports entertainment have demonstrated immense growth potential and new digital delivery platforms such as Digital Cinema, Mobile Music etc. are poised to bring in new sources of revenue to the industry. The television industry is witnessing influx of new channels every year with surfacing of niche genre's. The distribution platform is also changing with DTH gaining momentum and IPTV and mobile TV in the foray.

As Indian companies are looking at broadening their horizon in terms of offerings and geographic presence, 'Indian media conglomerates' are coming to the fore. The Indian E&M market is also seeing considerable merger activity as well as interest from the private equity sector as Indian companies seek to take advantage of the profound changes and strong fundamentals that the Indian E&M industry is demonstrating.

The film industry has continued its trend of corporatisation with more than half of the releases last year produced by corporates rather than individuals. Digital cinema is gaining more acceptance. Radio is booming with more than 150 stations across the country and growing at a brisk pace, though facing the challenge of differentiation of content. Print media also continued to flourish, with magazines as the high growth sub segment.

Each chapter also has a section on key international trends in order to provide a global perspective to the various segments within the E&M industry. We thank PricewaterhouseCoopers for drawing the necessary knowledge from their global resources for this endeavor. Their effort to present the content of the report in an interesting, useful and easy-to-read manner will be appreciated not just by the industry people, but the public at large.

FICCI recognizes the valuable inputs provided by members of the Entertainment Committee for their untiring support to the Chamber in various initiatives during the years. and all other associated agencies and industry players who have provided information and support to PricewaterhouseCoopers in preparation of this report.

We would like to thank all the industry players and associated agencies who enthusiastically participated in provided information and support to PricewaterhouseCoopers in preparation of this report, which has acquired the status of

Yash Chopra
Chairman
FICCI Entertainment Committee

Kunal Dasgupta
Co-Chairman
FICCI Entertainment Committee

Preface

March 2008

To our clients and friends both in and beyond the Entertainment and Media (E&M) industry:

We are pleased to welcome you to the 2008 edition of Indian Entertainment and Media Industry: Sustaining Growth. The objective in preparing this report is to identify key trends and developments affecting the E&M industry and relate them to forecasts across the eight major industry segments for the period of 2008-2012. This year, we have introduced 'Sports' chapter in line with the key development in private sports leagues in 2007. The entertainment segment of the animation, gaming and VFX industry has been added in the industry matrix, given its increasing contribution to the E&M industry. Event management is changing its earlier profile by moving to experiential marketing focused primarily on private corporate-sponsored events. As this trend moves away from consumer and advertiser spending, we have excluded this segment from our current analysis.

Our report has been prepared on the basis of information obtained from key industry players, trade associations, government agencies, trade publications, and other industry sources. Based on the information obtained, we analysed the trends in industry performance and identified the factors underlying those trends. We then develop models to quantify the impact of each factor on the industry segment and create a forecast scenario for each such causative factor. Our professional expertise, institutional knowledge and global resources were then applied to review and adjust those values if required. The entire process was then examined for internal consistency and transparency vis-à-vis prevailing industry wisdom.

Overall, we see that the Indian E&M industry continued to enjoy strong growth in 2007. This year's report manifests how the Indian E&M industry is reaching a stage of maturity with technology acting as a major enabler in most segments. The E&M industry is expected to outgrow the Indian economy in every year from now on till 2012. An impressive cumulative annual growth rate (CAGR) of 18 percent is forecasted for the industry over this five year period. This growth rate is due to several positive measures taken by the Government. It has also been boosted by technological advancements, entry of large corporate players who have announced major expansion plans in all segments, an increase in disposable income amongst Indian consumers and several other factors.

It is clearly an exciting time to be part of the ever-expanding entertainment and media industry. All of us at PwC continue to stay on top of new trends and developments that may impact your business now and in the future, and we look forward to working with you and sharing our thoughts with you further.

We appreciate your feedback and ask that you continue to tell us what we can do to make this report more useful to you. If we can be of service to your business in any way, please contact the PricewaterhouseCoopers Entertainment & Media professionals nearest you.

Finally, we thank you for your support and wish you an exciting and rewarding year ahead.

Sincerely,

Deepak Kapoor
Managing Director
PricewaterhouseCoopers Pvt. Ltd.

Timmy S. Kandhari
Executive Director & Leader TICE
practice Technology, Infocomm and
Entertainment & Media
PricewaterhouseCoopers Pvt. Ltd.

Contents

"…IT'S ALL ABOUT CONTENT…"

Michael Eisner, former chairman of Walt Disney at Media and Money conference

“...The connected consumer. There are four major driving forces: Digitization, Convergence, Media Snacking and Social Networking...?

Duncan Wardle, VP Global & WDW Public Relations, speaking at PRSA's International conference on 22 October, 2007

1

Executive Summary

Overview of 2007

Performance of Indian E&M Industry in 2007

The E&M Industry is now in a phase of steady growth ably supported by the stable economic growth in the country. With no suprises, the performance of the indian entertainment & media (E&M) industry has surpassed the performance of the indian economy as well as most other industries in 2007.

In 2007, the E&M industry recorded a growth of 17% over the previous year, higher than the forecasted growth of 15% projected in the previous year. The industry reached an estimated size of Rs. 513 billion in 2007, up from Rs. 438 billion in 2006. In the last four years 2004-2007, the industry recorded a cumulative growth of 19% on an overall basis.

The advertising industry itself recorded a growth of 22% over the previous year and thus contributed an estimated Rs. 196 billion in 2007 as compared with Rs. 161 billion in 2006. In the last four years 2004-2007, the advertising industry recorded a cumulative growth of 20% on an overall basis.

Though different segments of the industry grew at different rates, the highest growth was recorded by the smallest segment in the industry- online advertising. This segment grew by 69% from the previous year, albeit from a low base of Rs. 1.6 billion in 2006 to Rs. 2.7 billion in 2007. Its share in the overall advertising pie grew to 1.4% in 2007, up from 1.0% in 2006. In the last four years 2004-2007, the segment recorded a cumulative growth of 65% on an overall basis.

The next highest growth was recorded by the out-of-home advertising industry (OOH) at 25%- the segment grew to an estimated Rs. 12.5 billion in 2007, up from Rs. 10 billion in 2006. In the last four years 2004-2007, the segment recorded a cumulative growth of 14% on an overall basis.

Radio industry too recorded an impressive performance in 2007, having recorded a growth of 24% over the previous year and is estimated at Rs. 6.2 billion in 2007, up from Rs. 5 billion in 2006. In the last four years 2004-2007, the radio industry recorded the second-highest cumulative growth of 37% on an overall basis after online advertising.

The entertainment portion of the animation, gaming and VFX industry (now included in the overall size of the E&M industry) grew by 24% over the previous year and is estimated at Rs. 13 billion in 2007, up from Rs. 10.5 billion in 2006.

Television industry was the other industry which recorded a growth higher than the overall growth of the industry in 2007, having recorded a growth of 18% over the previous year and is estimated at Rs. 226 billion in 2007, up from a substantially large base of Rs. 191 billion in 2006. In the last four years 2004-2007, the television industry recorded the third-highest cumulative growth of 21% on an overall basis after online advertising and radio.

Print media, the other large traditional media segment other than television and filmed entertainment, recorded a growth of 16% over the previous year and is estimated at Rs. 149 billion in 2007, up from Rs. 128 billion in 2006. In the last four years 2004-2007, the print media industry recorded an impressive growth of 15% on an overall basis, significantly higher than any other country in the world.

Filmed entertainment recorded a steady growth of 14% over the previous year and is estimated at Rs. 96 billion in 2007, up from Rs. 85 billion in 2006. In the last four years 2004-2007, the film industry recorded a cumulative growth of 17% on an overall basis.

Globally, the music industry is under-performing and the trend is similar in India. The overall music industry grew marginally by 1% in 2007 and stands at an estimated Rs. 7.3 billion in 2007. Though digital music has come to the rescue of the Indian music industry, its current small size is unable to make good the decline in the physical music sales, which saw a decline of 2% over the previous year.

Indian Entertainment & Media Industry

Rs. billion	2004	2005	2006	2007e	CAGR 2004-07
Television	**128.7**	**158.5**	**191.2**	**225.9**	
% Change		23%	21%	18%	19%
Filmed Entertainment	**59.9**	**68.1**	**84.5**	**96.0**	
% Change		14%	24%	14%	14%
Print Media	**97.8**	**109.5**	**128.0**	**149.0**	
% Change		12%	17%	16%	15%
Radio	**2.4**	**3.2**	**5.0**	**6.2**	
% Change		33%	56%	24%	37%
Music	**6.7**	**7.0**	**7.2**	**7.3**	
% Change		4%	3%	1%	3%
Animation, Gaming & VFX	**-**	-	**10.5**	**13.0**	**-**
% Change				24%	
Out-of-home advertising	**8.5**	**9.0**	**10.0**	**12.5**	
% Change		6%	11%	25%	14%
Online advertising	**0.6**	**1.0**	**1.6**	**2.7**	**65%**
% Change		67%	60%	69%	
Total E&M Industry	**304.6**	**356.3**	**438.0**	**512.6**	**19%**
% Change		17%	23%	17%	

Indian Advertising Industry

Rs. billion	2004	2005	2006	2007e	CAGR 2004-07
Television Advertising	**48.0**	**54.5**	**66.2**	**80.0**	
% Change		14%	21%	21%	20%
% Share	*42%*	*42%*	*41%*	*41%*	*-1%*
Print Advertising	**54.4**	**62.7**	**78.0**	**94.0**	
% Change		15%	24%	21%	20%
% Share	*48%*	*48%*	*49%*	*48%*	*0%*
Radio Advertising	**2.4**	**3.2**	**5.0**	**6.2**	
% Change		33%	56%	24%	37%
% Share	*2.1%*	*2.5%*	*3.1%*	*3.2%*	*14%*
Out-of-home Advertising	**8.5**	**9.0**	**10.0**	**12.5**	
% Change		6%	11%	25%	14%
% Share	*7.5%*	*6.9%*	*6.2%*	*6.4%*	*-5%*
Online Advertising	**0.6**	**1.0**	**1.6**	**2.7**	
% Change		67%	60%	69%	65%
% Share	*0.5%*	*0.8%*	*1.0%*	*1.4%*	*38%*
Total Advertising	**113.9**	**130.4**	**160.8**	**196.4**	
% Change		14%	23%	22%	20%

Key Trends in Media Consumption - 2007

Growth in media audience

As per the data released in IRS 2007, in the last four years, India's population has grown by 92 million individuals i.e. a growth of 12.5%. Of this, the media audience has increased by 86 million individuals i.e. a growth of 18.4%. High growth in television- cable and satellite subscribers and FM radio listeners is driving the growth in media audience as per the research carried out.

Rural is the new urban

As per IRS 2007, the country is witnessing higher growth in literacy rates, better growth in females working and moving towards smaller household sizes. Further, rapid urbanisation is concurrently escalating the working population along with growth in the extreme ends of the strata- SEC A as well as Sec E.

Media Audience -All India

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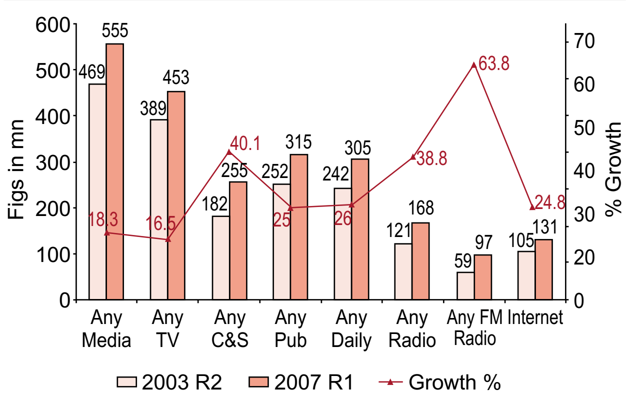

Growth in Media: Gender

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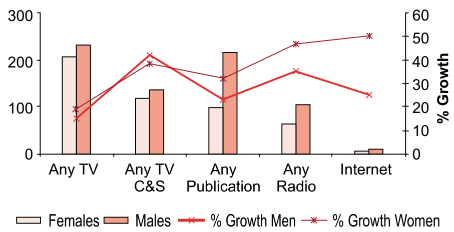

Growth of Media: Pop strata

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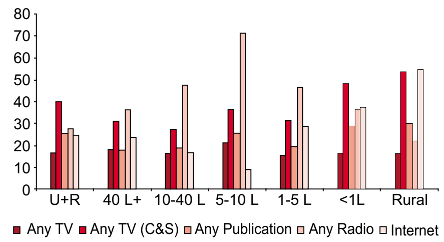

Growth in Media: Urban SEC

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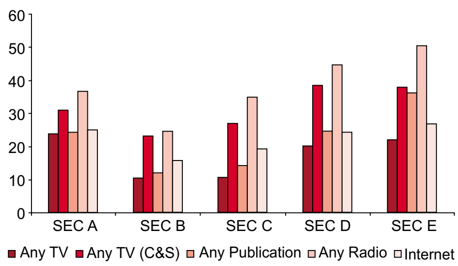

Key Trends in 2007

Television Industry

Launch of new TV channels

The year 2007, as in the previous 3 years, saw several new channels launched. However, what was unique in 2007 was the launch of two new 'General Entertainment channels' (GEC) – INX Group's *9X* and NDTV Group's *NDTV Imagine* in a space has been dominated by three incumbent channels Star Plus, Zee TV and Sony for several years. Both these channels were launched by ex-executives of Star Plus and their respective teams

Implementation of CAS in select areas

On January 1, 2007, mandatory Conditional Access (CAS) was introduced in India, starting with select regions in the top 3 metros of India- Delhi, Mumbai and Kolkata. Chennai was the only other metro city where CAS was previously present. As this was a new development for India, the implementation of this limited CAS came along with several safeguards by the Government so as to protect the interests of the Indian consumers.

As of December 31, 2007, there were only 503,233 Set-Top-Boxes (STBs) installed in these three CAS areas, a number marginally higher to the number reported last year as at February 15, 2007 of 466,000 STBs. On a 3-city total basis, this amounts to an adoption rate of under 30%. The highest adoption rate was seen in Mumbai at 40%.

Television advertising

General entertainment channels recorded the maximum launch of new programmes in 2007 to hold on its viewers, followed by news channels. Among all brands advertised on television during the year, half of them were new brands. The number of advertisers on TV grew by 29% in a span of five years from 2003 to 2007. The number of brands advertised by these advertisers grew by 23% in 2007 as compared to the year 2003. The average number of advertisements per day on a channel in 2007 increased by 50% as compared to 2003

Increased investments in the sector

As in the previous year, the television segment saw the maximum number of investments and alliances both from financial standpoint as well as from the strategic point. Some of the strategic alliances in 2007 include NBC Universal picking up a 25% stake in NDTV, Viacom and Network18 joint-venture for launching television channels and foraying into film production and Turner forming a joint venture with Miditech to launch television channels.

Digitalization of delivery platforms

Digitalization is setting in the Indian television distribution network. 2007 witnessed an increasing penetration of DTH with average 3.5 million subscribers, though the adoption of CAS was slower than expected. Clarity was brought in on IPTV regulations and this will pave way for both cable operators and telcos to foray into IPTV without the need of any additional licenses. Public broadcaster Doordarshan launched its Mobile TV pilot with handset major Nokia in early 2007. There have also been numerous initiatives by television broadcasters in bringing various types of re-purposed television content on the mobile handsets- these include Star TV's launch of *PLUS* application, Essel Group's DMCL (Digital Media Convergence Ltd) collaboration with BSNL to launch a Mobile TV application *ISEE* and others.

Key Trends in 2007

Filmed Entertainment

Emerging revenue streams

Emergence of various revenue streams beyond traditional box office is changing the face of the Indian filmed entertainment industry. This trend is not only de-risking the business of film-making but also making it attractive for Indian corporates and Hollywood studios.

Home Video rights is becoming a sizeable chunk of revenue for film producers with the rise in disposable incomes, increased affordability of DVD players and home theatre systems and shorter-release windows. Further, the entry of players such as Moser Baer have changed the entire model prevalent for last several years from rental to a sell-through. Incumbent players like Shemaroo and T-Series are following suit .

Television rights has emerged as a significant source of additional revenue for film producers in India. With the growing number of television channels in the country, the demand for quality content has risen significantly and films form an integral part of. Further, with shorter release windows, the revenues earned from sale of television rights for single telecast has increased significantly, especially since in non-metros where quality theatres are not present and the pirated home videos available are not of good quality. Home Video players like Moser Baer are also acquiring IP rights for several films. Depending upon the performance of the film on the home video platform, they are then selling the rights to TV Broadcasters. Television distributors too are planning tie-ups with film producers to obtain satellite rights for their upcoming films for their video-on-demand and pay-per-view services. The only challenge for the film producer remains whether to sell the rights before or after the release of the films

Re-make rights

With the recent trends of re-make films such as *Don*, *Sholay*, *Umraoo Jaan* etc. sale of re-make rights has also emerged as another revenue revenue-earning opportunity for film-rights owners.

Movie merchandise

Movie merchandise is also significantly gaining importance such as accessories, apparel, stationery, toys books, crockery etc., though this trend has been seen more for animation films as against live action films in 2007.

Internet rights

With growing internet penetration, few trends were seen for the Indian market as well. For instance, Yash Raj Films for its film *Chak De India* sold the online rights to Tata Indicom for full movie downloads for its broadband subscribers in India giving rise to a new revenue source in internet rights.

Digital Cinema

Spearheading this digital revolution in India today are primarily two companies- UFO Moviez and Real Image. Most multiplex chains too have started their digital cinema operations such as Essel Group's E-City, PVR Talkies, Pyramid Saimira, Adlabs, Inox, Shringar and others. UFO Moviez has digitized over 1,000 screens till date and Real Image has done around 400 screens.

Key Trends in 2007

Print Media Industry

Launch of new magazine titles

Print media industry in 2007 was dominated with the launch of several magazines titles. As per the Ministry of Information and Broadcasting, upto 2007, permissions have been granted to 107 magazines for their launch in India. Some of the key magazine launched in 2007 include the Indian edition of *Vogue* which was launched by Condé Nast with Living Media as its distributor. The opening issue of *Vogue* had nearly 400 pages, including 168 ad pages and is priced at Rs. 100. The magazine industry saw various other magazines being launched, especially in the lifestyle genres such as *FHM,* a men's lifestyle magazine, *Dare*, by Cybermedia aimed at budding entrepreneurs, *Time Out- Delhi & Mumbai* by Paprika Media, *Brides Now* by Ogaan Publications and several others.

Launch of new newspaper editions

Several new editions of newspapers too were launched in 2007. The most prominent development in 2007 was the tie-up between the rivals Hindustan Times from HT Media Ltd and The Times of India from Bennett, Coleman & Company Ltd (BCCL) to launch *MetroNow,* a city-daily as a 50:50 joint venture. HT Media Ltd, the publisher of the Hindustan Times launched *Mint*, a business newspaper produced in partnership with The Wall Street Journal with Delhi, Mumbai and Bangalore editions. Times of India launched a Gujarati edition of the *Economic Times*, a business newspaper and *Bangalore Mirror*, a daily for Bangalore.

Alliances in the sector

There were significant alliances in the print media sector in 2007, especially in the e-publishing sector, notable of those were:

- TV-18's acquisition of a 40% stake in Infomedia, a company with business operations pan across business directories, B2B and B2C magazine publishing and publishing outsourcing, thereby gaining entry into the publishing outsourcing market but also the distribution and printing facility of Infomedia.

- Emap Publishing, a subsidiary of Emap Plc which is a multiplatform media group with a portfolio of over 200 brands, has entered in an alliance with Mumbai- based Next Gen Publishing Ltd. Next Gen Publishing Ltd . It publishes special interest titles including Car, Bike and Forbes Yellow Pages.

Digitalisation initiatives

In 2007, most Indian print publishers had forayed into the online space- be it their e-versions of the newspaper and magazine, or making available their classified sections like jobs, matrimony and homes on the online platform. Hindi daily Dainik Jagran tied up with Yahoo! to launch a co-branded Hindi portal. Times Internet Ltd, the Internet venture of Bennett Coleman and Company Ltd launched mobile versions (mPapers) of their flagship dailies, Times of India and Economic Times named *TOIMOBILE* and *ETMOBILE*

Key Trends in 2007

Radio industry

The Indian radio industry was revolutionalized when the Phase-II was introduced by the Government in July 2005. In this phase 337 channels were put on bid encompassing 91 cities. Letters of Indent (LOI) were issued to 245 channels and approximately 150 channels have become operational till 2007. In June 2007, the Government invited bids for 93 vacant slots and four new channels in Dehradun. As of January 2008, the bids are under examination and the process of allotment of these channels is yet to commence. These are likely to be auctioned along with the other frequencies in Phase III.

Phase-III being planned

Phase-III plans have been drawn up which recommend additional 560 radio stations in the next five years. This will take the total number of private FM radio stations in India to over 800. Radio regulator TRAI has recommended to Government for allowing news on radio and increasing the foreign investment limits amongst other provisions. These recommendations are expected to make radio more favourable with advertisers. Other issues under consideration include allowing networking, reduction of license fee in certain areas, tradability of licenses, multiple channel ownership in a city etc.

Radio audience measurement

One of the key developments in 2007 was the advent of Radio Audience Measurement (RAM) – a radio measurement system which along with TAM media and a few broadcasters took the lead to introduce. Other than RAM, ILT (Indian Listenership Track) from MRUC (Media Research Users Council) has been the other audience measurement tool.

Internet Radio

In 2007, WorldSpace Satellite Radio and MSN India launched Internet radio services in India targeted primarily targetted towards the NRIs. Tata Teleservices too announced that it will be offering Internet radio services with its Tata Indicom mobile phone service for 41 international and domestic radio stations. Such services are currently available on the Motorazr V3C, Samsung Wideo and Motorola World Phone handsets.

Out-Of-Home (OOH)

Digital LED screens

LED (light emitting diode) display boards or screens are being considered as the next step in outdoor advertising in India. The two key reasons for the same are firstly, regular hoardings, though attractive, do not always catch attention of vehicle drivers and pedestrians and secondly, the cost-effectiveness and scalability are the advantages of this technology over other billboards. LED screens are 50% cheaper than LCD ones, consume less power and have a longer life

Increased investments

Several investment deals dominated the OOH segment in 2007. Notable amongst those was the investment from Goldman Sachs and Lehman Brothers in Times Innovative Media Ltd. Delhi based Live Media was funded by Draper Fisher Jurvetson who deploy screens where audiences sit for more than 20 minutes such as restaurant chains like McDonald's, Costa Coffee, TGIF etc. Matrix Partners India funded vJive, an out-of-home media and digital signage network owned by Digital Music India Pvt Ltd. Sequoia Capital India has reportedly invested in an in-store media company Digital Signage Networks.

Entry of new players

Radio player Big 92.7 FM, a Reliance ADAG company in 2007 forayed into out-of-home advertising with the launch of *Big Street*. The new division has acquired the advertising rights for displays at stations in the Delhi Metro Rail Corporation. Sam Balsara, Chairman of Madison Communications, has launched an independent, second outdoor agency, *Platinum Outdoor* in 2007.

Key Trends in 2007

Animation, Gaming and VFX

Slate of animation films in 2007

One of the most notable developments of the year 2007 was the slate of animation films for the domestic market that were produced or announced for production. It is estimated that at least 15 such animation films are currently in various stages of production.

- The biggest animation film release in 2007 was the mythological sequel *Hanuman Returns*.
- Adlabs alongwith Ocher Studios is producing a high-end CGI animation film titled *Sultan* on Indian superstar Rajnikanth.
- Yashraj Films Ltd in 2007 announced an alliance with The Walt Disney Studios first animation film in India *Roadside Romeo* slated for release in June 2008.
- UTV has also announced plans for four domestic animation productions: *Arjun*, directed by Arnab Chaudhry, a blend of 2D and CD slated for release in 2009, *Dream Blanket,* directed by Ice Age animator Simi Nallaseth and *Alibaba, Chinku and the 40 Thieves* directed by Soumitra Ranade and *Krishna* directed by Rakeysh Mehra.
- Shemaroo is expected to release *Ghatothkach*, its second animation film after *Bal Ganesh* in 2008.
- Govind Nihalani is reportedly working on *Kamlu*, his first animation film and has also announced three other animation projects after that
- The Indian Film Company (IFC) in 2007 announced their plans for collaboration with Richard Branson & Shekhar Kapoor's Virgin Comics to make three horror animation movies.
- Maya Entertainment and 2nZ Animation announced the production of a 2D animation feature titled *Toonpur Ka Superhero* starring Kajol and Ajay Devgan directed by Kireet Khurana.

Increased investments

Eyeing the significant growth potential in 2007 the segment saw several investment deals, which included:

- DQ Entertainment Ltd, one of India's leading animation and game art/ FMV groups raised funds to the tune of USD 56 million through its listing on AIM, London Stock Exchange (LSE) in December 2007.
- IDG Ventures India and Bodhi Investment LLC invested in Mumbai based Online Multiplayer Games company Kreeda Games India in 2007.
- Games2win (g2w) India raised approximately USD 5 million from two leading venture capital firms - Clearstone and SVB Financial Group.
- Prime Focus became one of the first studios in India to expand internationally. In 2007, it acquired two north American companies Post Logic Studios and Frantic Films VFX investing over Rs. 1.7 billion and thus adding new facilities in Los Angeles, New York, Vancouver and Winnipeg aiming to become the leading visual effects and post-production service provider in each local market.
- Leading Hindi film production house B.R Films picked a majority stake in Mumbai based animation firm Pix-n-Trix.

Key strategic alliances in gaming segment

- Indiagames formed a unique partnership with Microsoft Entertainment & Devices Division for its gaming and digital entertainment system, the Xbox 360. The collaboration with Microsoft, called Indiagames Games-on-Demand, will entail a host of co-branded gaming tournaments, as well as building vibrant gaming communities across India.
- Zapak's is planning to collaborate with a Chinese partner for launching an MMOG in the casual gaming segment.
- FXLabs Studios, India's leading developer of video games, entered into an agreement to acquire IMT, Inc., a US-based company that owns one of the world's largest online casual games portals, Knibble.com.

Key Trends in 2007

Online advertising

Online advertising is one of the upcoming and growing segments in Indian advertisement industry.

- From the perspective of internet usage, urban Indian population forms the relevant mass. As most of the content available over the internet is in English, familiarity with English acts as a major factor driving Internet usage. India being a home for 22-odd regional languages, internet is largely limited to those familiar with English. This opens an opportunity for vernacular content to increase and thus tap the non-English speaking literate people.
- Exposure to PC usage acts as another factor limiting the growth of Internet users in India. A significant increase is expected in internet penetration due to increasing focus on literacy, PC education and vernacular content in the coming years.
- PC literacy in India has shown a steady year on year growth since 2004. Various initiatives taken by GOI and other private players along with the growth of IT/ITES industry in India have contributed to a rocketing 300% growth over 2000 and 10% growth over last year. More and more people are now experiencing Internet. 70% of the people who know computer have used Internet in their life- it shows that people are becoming aware of the internet and are moving ahead to experience it.

Applications used on internet

The exposure to internet over the years has made people switch to internet for performing even their routine tasks. Utility services such as, bill payments, ticketing, banking which were earlier done manually are now preferred over the internet. Continuous improvement in email features has led to a bullish journey of email which was earlier on a declining trend. Further to this, the popularity of entertainment activities like online gaming, video downloads has increased the share of entertainment segment in the main applications used. Niche websites like matrimony, news, jobs etc have still a longer way to go as content on these sites is largely limited to English. The user base of these sites is expected to increase once content becomes available in other Indian languages.

Applications used vary across demographics

Online application providers have understood the diversity of content sought among demographics. To tap the potential market of young India they are targeting school going kids at their nascent stage. They are exposing them to the latest technology so that they become habitual to Internet usage and would be proactive in driving web 2.0 in the future. Further actions are required to keep the older men and non-working women hooked on to the Internet.

Time spent on internet

Internet is slowly entering into the lives of people and people are somewhat getting addicted to it. Two thirds of Internet users are using Internet at-least 2-3 times a week. Thus, Internet is expanding not only in reach but also in terms of the number of interactions. This is also seen in the decrease in the number of users who are accessing Internet less than 2-3 times a month. Given the entry of many new users into the market, it is sometime before we can see increasing stickiness. It is creditable we are able to keep similar stickiness despite the constant flow of new users.

Key Trends in 2007

Music

Mobile music

Mobile music has emerged as the most prominent segment in the Indian music industry and over the last 3-4 years has become a significant revenue-earning opportunity. A large part of the growth of mobile music market in India is due to the flourishing mobile phone business India with cell phone ownership exceeding 230 million by end-2007. Further, mobile service providers are discovering the importance of mobile music as a value added service and the impetus of their marketing is shifting from SMS related services to mobile music services.

Most mobile operators are betting bet on the growth and importance of mobile music in their range of value-added services. Some of the initiatives in 2007 include:

- Most of the major handset makers have tie-ups with music content sites such as *Soundbuzz.com* and *OnMobile.com* as well as revenue-sharing deals with local telcos and music companies.
- Nokia has set up college sponsorship deals and collaborated with music companies to buy the rights for free downloadable songs on some of their handsets to encourage the use of digital music. Some of Nokia's N-series handsets, with a 3,000 song capacity, offer 100 preloaded songs for free.
- Sony Ericsson is working and promoting its personal digital assistant phones with MP3 players and the popular Walkman phone line. Sony has also expanded its chain of Expression Stores, which feature phones and music download stations.
- Motorola acquired Soundbuzz, a privately held pan-Asian music provider. The acquisition of Soundbuzz will allow Motorola to expand the service beyond China, into India.

Sports

Entry of private sports leagues- Cricket

India is not a major sporting country. However, there is only one sport where India stands out both in terms of achievements at an international level, grassroots participation and in terms of spectator and viewer interest: CRICKET.

Indian cricket is no 1 in the world in terms of number of players and currently holder of the Twenty-20 World Cup Championship that it won in South Africa.

Though the culture of private sports leagues has taken baby steps in India with the launch of Premier Hockey League (PHL) in 2005, a collaboration of the National Hockey Federation and India's leading sports broadcaster ESPN Star Sports, in 2007, it took a big leap with the launch of IPL (Indian Premier League) by the Board of Cricket Control of India (BCCI) and Indian Cricket League (ICL) by India's leading media conglomerate Essel Group.

Not only did BCCI set up IPL directly in competition with ICL, it studded it with three times the prize money, an 'official' status that allows IPL players to play international cricket, and forward linkage with a Twenty20 Champions League. Importantly, its franchise model pits one club against another and is more market-friendly than ICL's single employer model, which requires distribution of employees into separate teams to devise a contest.

Key Trends in 2007

Emergence of Media Conglomerates

Continuing with the trend of the previous years, the emergence of media conglomerates further intensified in 2007. Several media groups expanded beyond their traditional domains to leverage on the synergies of advertising, thus aiming to have a presence across all segments of the Indian E&M industry. Some of the notable developments include:

Network18

Network18 is one of India's leading full play media conglomerates with interests in television, internet, filmed entertainment, mobile content and allied businesses. Through its holding in TV18, a listed company, Network18 operates two business news television channels - CNBC TV18 and CNBC Awaaz. It also runs an internet company Web18 and is a real time news terminal provider Newswire18. Through its holding in Global Broadcast News, Network18 operates in the general news and entertainment space with general news channels CNN-IBN and IBN7. Network18 also holds the Group's online & on-air retail venture, Homeshop18.

In 2007, Network18 announced a joint venture with Viacom called Viacom18 to operate the channels earlier managed by MTV India. It also formed Studio18 for its filmed entertainment operations and has announced plans to launch a Hindi general entertainment channel. In 2007, the Group also announced its print foray with the acquisition of strategic control of Infomedia, a joint venture with Jagran Prakashan to launch a Hindi business paper and a strategic alliance with Forbes to launch a business magazine in India.

Pyramid Saimira

In 2007, Pyramid Saimira, a leading film company announced the acquisition of Aurona Technologies, which marked its arby in the animation & gaming segment. This will help the group, which has access to a huge content library to cross-exploit the content properties. The group also announced plans for creating a vertical on post production / animation / gaming.

UTV Group

UTV's range of businesses include film production, film distribution, television production and broadcasting, animation and allied businesses.

In 2007, UTV attained the financial closure for its majority investment in Indiagames by which it forayed into the gaming segment. In 2007 Walt Disney increased their investment in the company to 32.1% The company in 2007 launched two youth-entertainment channels through the Bindass brand, a World movie channel and announced the launch of a Hindi movie cannel. In 2007, the company also forayed into the Telegu Film Industry by signing on Telegu superstar Mahesh Babu for two movies, acquired distribution rights for his next film *Atithi* and signed two-movie co-production deal with Indira Productions. In 2007, UTV, through its movie production brand *SpotBoy* and *Virgin Comics* announced a production relationship to create four original superhero franchises to be leveraged across publishing, film, animation and gaming.

NDTV Group

NDTV, another integrated media company till last year was dominant in the news broadcasting space. In 2007 it entered the non-news segment through its subsidiary, NDTV Networks with genre diversification. The company launched a general entertainment channel *NDTV Imagine,* a lifestyle channel *NDTV Good Times* and a city-central channel *NDTV Metronation.* The company also forayed into several business diversifications such as convergence, media software, labs, emerging markets business and media process outsourcing. Last year, the company also picked a minority stake in a radio company.

Star Group

Other than planning five more television channels in the niche/ regional space, in 2007 Star Group has announced plans to foray into filmed entertainment with its sister company Fox, New Media (MySpace, Fox Interactive Media) and Internet.

Select listed E&M Companies data

Company Name	Revenue FY07 (Rs Mn)	Revenue Growth %	EBITDA FY07 (Rs Mn)	EBITDA Growth %	Market Cap- Jan 08	Share Price Jan 7,2008 (Rs Mn)
Adlabs Films	3,316	197%	2,018	314%	75,760	1,758
TV 18	1,939	53%	579	2%	64,245	554
UTV Software	1,524	13%	300	185%	21,303	931
Prime Focus	551	38%	370	40%	18,224	1,432
Pyramid Saimira	1,643	3193%	199	1274%	14,345	507
Inox Leisure	1,530	43%	455	20%	14,048	228
BAG Films	441	4%	99	22%	9,098	97
PVR	1,986	54%	338	72%	7,954	346
Asthvinayak	967	142%	167	716%	5,191	230

Key Trends in 2007

Increased foreign investments in the sector

In 2007, foreign investments in the E&M sector reached a record high of USD 211 million, approximately Rs. 8.5 billion. This was seen as result of the extremely high number of investment deals announced in 2006 and the years before.

However, as compared to the overall receipts of foreign investment in the country, these receipts were a mere 1.5% of the total receipts in 2007.

Select foreign investment receipts in 2007

	Indian Company	Foreign Investor	FDI (USD million)	FDI (Rs. million)
1	**Tata-Sky**	Baytree Investments (Mauritius) Pte Ltd; Network Digital Distribution Services FZ	56.60	2,290.86
2	**United Home Entertainment Ltd.**	Walt Disney Company	40.23	1,619.79
3	**Times Global Broadcasting**	Reuters Singapore Pte Ltd.	21.91	885.64
4	**Broadcast Initiatives**	Various entities	10.35	421.91
5	**UTV Software**	Various entities	7.47	295.05
6	**Blue Bird**	Various entities	7.01	282.90
7	**Integrid Media**	ILabs Investment Funds LLC	4.53	178.71
8	**K Sera Sera**	Various Mauritius entities	3.40	138.57
9	**Out-of-home Media**	Digittal Ad	3.19	128.90
10	**Shree Asthavinayak**	Various entities	3.54	144.56
11	**News Outdoor India**	News Out of Home, BV, Netherlands	1.34	54.18
12	**Cinemeta Entertainment**	Ratnam Sudesh Iyer, Singapore	0.24	9.90

Source: DIPP, Government of India; Jan 2007-Nov 2007

Key Trends in 2007

Significant alliances and investments

The E&M industry saw several deals in 2007 across various segments. As the case last year the television segment generated the most interest among investors

Investor- Name	Target- Name/Alliance Partner	Target -Segment	Stake	Estimated deal value
George Soros	Reliance Entertainment Ltd.	Internet, new media, film entertainment and television broadcasting	3%	Rs. 4 billion (USD 100 million)
Goldman Sachs and Lehman Brothers.	Innovative Media Ltd (TIM), the out of home media subsidiary of Entertainment Network India Ltd (ENIL)	Out-of-home Media	8.28% each	Rs 2 billion (USD 50 million)
Temasek Holdings via Dunearn Investments, New Silk Route, New Vernon, Kotak and SREI Group	INX Media	Television Broadcasting	NA	Rs 11 billion (USD 259 million)
Mayfield Fund alongwith Yahoo! and Canaan Partners	Consim Info Pvt. Ltd, formerly known as BharatMatrimony Group	Online portal in the matrimony and classified business	NA	Rs. 470 million (USD 11.75 million)
TV 18	Infomedia	Business directories, B2B and B2C magazine publishing and publishing outsourcing	NA	NA
Clearstone and SVB Financial Group	Games2Win	Gaming	NA	Rs. 200 million (USD 5 million)
South Asia Entertainment Holdings Ltd. (a group company of Astro All Asia Networks Plc)	Sun Direct TV	DTH	20%	Rs.7 billion (USD 175 million)
Prime Focus group	Frantic Films VFX and Post Logic Studios	NA	NA	Rs.1,720 million (USD 43 million)

Key Trends in 2007

Convergence

In 2007, the trend of convergence between the E&M industry and the telecom industry continued.

The most notable of these trends were witnessed in the music segment. Most mobile operators are betting bet on the growth and importance of mobile music in their range of value-added services. Some of the initiatives in 2007 include:

- Most of the major handset makers have tie-ups with music content sites such as *Soundbuzz.com* and *OnMobile.com* as well as revenue-sharing deals with local telcos and music companies.
- Nokia has set up college sponsorship deals and collaborated with music companies to buy the rights for free downloadable songs on some of their handsets to encourage the use of digital music. Some of Nokia's N-series handsets, with a 3,000 song capacity, offer 100 preloaded songs for free.
- Sony Ericsson is working and promoting its personal digital assistant phones with MP3 players and the popular Walkman phone line. Around 35 per cent of their Indian handset products feature downloadable music applications and the best-selling Walkman phone accounts for 65 per cent of total revenues. Sony has also expanded its chain of Expression Stores, which feature phones and music download stations.
- Motorola acquired Soundbuzz, a privately held pan-Asian music provider founded by Sudhanshu Sarronwala. Motorola has been delivering mobile music to consumers with its carrier customers in China, Hong Kong and Taiwan through its Motomusic service. The acquisition of Soundbuzz will allow Motorola to expand the service beyond China, into India, Australia and New Zealand.

In 2007, most Indian print publishers too forayed into the online space- be it their e-versions of the newspaper and magazine, or making available their classified sections like jobs, matrimony and homes on the online platform. Though most print publishers believe that internet is not just an extension of newspapers- the key lies in getting content beyond news, but without loosing focus on the main medium. Hindi daily Dainik Jagran tied up with Yahoo! to launch a co-branded Hindi portal. Times Internet Ltd, the Internet venture of Bennett Coleman and Company Ltd launched mobile versions (mPapers) of their flagship dailies, Times of India and Economic Times named *TOIMOBILE* and *ETMOBILE*.

In the filmed entertainment segment, convergence initiatives were largely limited to mobile and online ticketing and that too in the urban multiplexes only. Several multiplex owners claimed that in these multiplexes, the revenues from mobile and online ticketing had reached 10% of the total ticket revenues. Home video market, too saw convergence trends in 2007 where Indian consumers were able to order home video DVDs and VCDs through the online platform. Moser Baer, BigFlicks, a Reliance ADA group company and others started offerng these services in 2007.

There were numerous initiatives by television broadcasters too in bringing various types of re-purposed television content on the mobile handsets:

- Star Mobile Entertainment, a division of Star India, announced the launch of its mobile application *PLUS* on Sony Ericssion handsets.
- Essel Group's DMCL (Digital Media Convergence Ltd) in collaboration with BSNL launched a mobile TV application *ISEE*.
- NDTV launched its online and mobile portal from its division NDTV Convergence titled *Mobile.NDTV. com* which enables mobile users to view NDTV content on their mobile handsets.

Television Industry in 2007

Performance of Indian Television Industry in 2007

Indian Television Industry has grown at a healthy rate of 21% over the last four years, having grown by 13% in 2007 over the previous year. The Indian Television Industry stands at Rs. 226 billion in 2007 having grown from Rs. 191 billion in 2006.

Television distribution industry in 2007 contributed 60% of the television industry's revenues; its share in the television industry having increased by two percentage points in the last four years from 58% in 2004. The television distribution industry has also achieved the highest growth rate of 22% in the last four years as compared with the other segments in the television. In 2007, it stands at an estimated Rs. 136 billion up from Rs. 117 billion in 2006.

The television advertising industry has grown by 19% over the last four years, however, has lost its share by 1% in the advertising pie in the same period. In 2007, television advertising industry contributes 35% of the television industry's revenues as compared with 37% in 2004. In 2007, it stands at an estimated Rs. 80 billion up from Rs. 66 billion in 2006.

Television content segment has maintained a steady and healthy growth rate of 18% over the last four years and achieved a similar growth rate from the previous year. It's share in the television industry too has not changed materially and stands at 4% in 2007. In 2007, it stands at an estimated Rs. 9.4 billion up from Rs. 8 billion in 2006.

Share of the television distribution industry has been the highest at 22% in the overall growth rate of 21% achieved by the television industry in the last four years. The growth in the television industry has been contributed by 14% increase in the subscription (pay) TV homes and 7% growth in the subscription spending by these homes.

Television advertising industry has contributed 19% of the growth in the overall growth rate of 21% achieved by the television industry in the last four years. This high growth rate has been achieved by the television advertising industry primarily on account of growth of the overall advertising industry, which in turn has benefited significantly from the surging growth in the Indian economy.

Television content industry has contributed 18% of the growth in the overall growth rate of 21% achieved by the television industry in the last four years, though its share is limited to 4%. Growth achieved by the television content industry is on account of significant increases in the number of television channels in India. In addition, this growth has necessitated the need for differentiation and hence higher emphasis is being placed on the quality of television content being produced.

Indian Television Industry

Rs. billion	2004	2005	2006	2007e	CAGR 2004-07
Television Distribution % Change	**75.0**	**97.0** 29%	**117.0** 21%	**136.5** 17%	22%
Television Advertising % Change	**48.0**	**54.5** 14%	**66.2** 21%	**80.0** 21%	19%
Television content % Change	**5.7**	**7.0** 23%	**8.0** 14%	**9.4** 18%	18%
Total **% Change**	**128.7**	**158.5** 23%	**191.2** 21%	**226.0** 18%	21%

Million	2004	2005	2006	2007e	CAGR 2004-07
TV households % Change	**102.0**	**109.0** 7%	**112.0** 3%	**115.0** 3%	4%
Pay TV households % Change	**50.0**	**62.0** 24%	**70.0** 13%	**74.0** 5%	14%
Cable TV households % Change	**50.0**	**61.0** 22%	**68.0** 11%	**70.0** 3%	12%
DTH households % Change	**0.1**	**1.0** 900%	**2.0** 100%	**3.5** 75%	227%

Penetration (%)	2004	2005	2006	2007e	CAGR 2004-07
TV households % Change	**57.0**	**59.0** 4%	**59.0** 0%	**59.0** 0%	1%
Pay TV households % Change	**49.0**	**57.0** 16%	**63.0** 10%	**64.0** 2%	9%
Cable TV households % Change	**49.0**	**56.0** 14%	**61.0** 8%	**61.0** 0%	7%
DTH households % Change	**0.0**	**1.0** 836%	**2.0** 95%	**3.0** 70%	214%

Outlook for Television Industry

Outlook for the 5 year period 2008-2012

The Indian television industry is projected to grow by 22% over the next five years, projected to reach an estimated Rs. 600 billion in 2012 from the present estimate of Rs. 226 billion in 2007.

A shift is projected within the relative shares of the television distribution and television advertising industry over the next five years by 2-3%. Hence, television distribution is projected to garner a share of 63% in 2012, up from 60% in 2007; on the other hand, television advertising industry is projected to command a share of 33% in 2012, having decreased from a present share of 35% in 2007. The relative share of the television content industry is expected to remain the same at 3-4%, though in respect to quantum growth, the television content industry is expected to grow by 16% over the next five years.

Television distribution industry is expected to reach Rs. 380 billion in 2012 from the current estimated size of Rs. 136 billion in 2007, which translates into a growth of 23% on cumulative basis over the next five years. The growth in the television distribution industry is expected to be contributed by both subscription spending by Pay TV subscribers as well as growth in the Pay TV homes, though the former is likely to have an edge.

Television advertising industry is expected to reach Rs. 200 billion in 2012 from the current estimated size of Rs. 80 billion in 2007, which translates into a growth of 20% on cumulative basis over the next five years. The television advertising industry is largely expected to benefit from the growth in the overall advertising industry in the country.

Television content industry is projected to maintain a healthy growth rate of 16% over the next five years and is expected to reach Rs. 20 billion in 2012 from its present size of Rs. 9.4 billion, fuelled largely by the exponential increase in the number of television channels in the country. With growing number of mass and niche channels in the country, television fragmentation is expected to further intensify, which will result in greater need for quality content and hence will benefit the television content industry.

The growth in the television distribution industry is expected to be contributed by both subscription spending by pay TV subscribers as well as growth in the pay TV homes. The pay TV homes are projected to increase from 74 million in 2007 to 115 million in 2012. Currently, cable TV homes command a penetration of 95% of the pay TV homes in 2007. This is projected to come down to 78% by 2012, largely in favour of the emerging DTH homes. Cable homes are thus projected to increase from 70 million in 2007 to 90 million by 2012 taking their penetration up from 61% of the television homes in 2007 to 68% in 2012. This growth is projected to be largely from semi-urban and rural areas. DTH homes are projected to increase from 4 million in 2007 to 25 million by 2012 thus increasing their penetration from a low 3% of the television homes in 2007 to 19% in 2012. Television homes are projected to increase from 115 million in 2007 to 132 million by 2012 at a growth rate of 3% over the next five years.

Indian Television Industry

Rs. billion	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
Television Distribution % Change	75.0	97.0 29%	117.0 21%	136.5 17%	167.0 22%	204.0 22%	253.0 24%	310.0 23%	380.0 23%	23%
Television Advertising % Change	48.0	54.5 14%	66.2 21%	80.0 21%	100.0 25%	120.0 20%	150.0 25%	175.0 17%	200.0 14%	20%
Television content % Change	5.7	7.0 23%	8.0 14%	9.4 18%	11.0 17%	12.8 16%	16.0 25%	18.0 13%	20.0 11%	16%
Total **% Change**	128.7	158.5 23%	191.2 21%	225.9 18%	278.0 23%	336.8 21%	419.0 24%	503.0 20%	600.0 19%	22%

million	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
TV households % Change	102.0	109.0 7%	112.0 3%	115.0 3%	119.0 3%	123.0 3%	128.0 4%	130.0 2%	132.0 2%	3%
Pay TV households % Change	50.0	62.0 24%	70.0 13%	74.0 5%	79.0 7%	85.0 8%	91.0 7%	103.0 13%	115.0 12%	9%
Cable TV households % Change	50.0	61.0 22%	68.0 11%	70.0 3%	71.0 1%	73.0 3%	76.0 4%	83.0 9%	90.0 8%	5%
DTH households % Change	0.1	1.0 900%	2.0 100%	3.5 75%	8.0 129%	12.0 50%	15.0 25%	20.0 33%	25.0 25%	48%

Penetration (%)	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
TV households % Change	57.0	59.0 4%	59.0 0%	59.0 0%	60.0 1%	60.0 1%	61.0 2%	61.0 1%	62.0 1%	1%
Pay TV households % Change	49.0	57.0 16%	63.0 10%	64.0 2%	66.0 4%	69.0 4%	71.0 3%	79.0 11%	87.0 10%	6%
Cable TV households % Change	49.0	56.0 14%	61.0 8%	61.0 0%	60.0 -2%	59.0 -1%	59.0 0%	64.0 8%	68.0 7%	2%
DTH households % Change	0.0	1.0 836%	2.0 95%	3.0 70%	7.0 121%	10.0 45%	12.0 20%	15.0 31%	19.0 23%	44%

Filmed Entertainment in 2007

Performance of Indian film industry in 2007

The Indian film industry has been performing exceedingly well in the past four years, having grown by 17% in the period 2004-2007. In 2007 the Indian film industry registered a growth of 14% over the previous year, marginally lower than the forecasted growth of 15%. On an overall basis, the Indian film industry stood at Rs. 96 billion 2007, up from Rs. 85 billion in 2006.

Domestic box office collections continues to be the largest contributor to the revenues of the industry at 74%, though this share has reduced in the last four years by 4%. Domestic box office collections are estimated at Rs. 72 billion 2007, up from Rs. 64 billion in 2006, translating into a growth of 12% from the previous year.

Overseas collections is steadily becoming an important component and continues to be the second largest contributor to the revenues of the industry at 9% with an incremental change in the last four years. In 2007, the overseas collections are estimated at Rs. 8.5 billion 2007, up from Rs. 7 billion in 2006, translating into a growth of 21% from the previous year.

Home video market has also witnessed dynamic changes in the last four years, having achieved a growth rate of 30% over the period 2004-2007. Its contribution stands at 8% in 2007 of the overall film industry revenues, up from 6% in 2004. In 2007, the home video market is estimated at Rs. 7.5 billion 2007, up from Rs. 6.5 billion in 2006, translating into a growth of 15% from the previous year.

Ancillary revenues too are becoming increasingly important in the overall pie of the film industry. These comprise of revenues from sale of television rights, internet download rights, mobile rights, re-make rights, in-film placements, on-screen advertisements, brand placements etc.

Due to the vast and varied segments comprising the ancillary revenues and the evolving nature of the same, on an overall basis, the ancillary revenues are estimated to command an equal share as that of overseas collections and the higher than the home video segment. Ancillary revenues are estimated to have grown by 19% over the last four years and 21% in the last year itself. In 2007, on an overall basis, the ancillary revenues are estimated to be Rs. 8.5 billion, up from Rs. 7 billion in 2006.

Rs billion	2004	2005	2006	2007e	CAGR 2004-07
Film Industry	**59.9**	**68.1**	**84.5**	**96.0**	
% growth		14%	24%	14%	17%
Box office-Domestic	**46.5**	**52.8**	**64.0**	**71.5**	
% growth		14%	21%	12%	15%
Box office-Overseas	**5.0**	**5.7**	**7.0**	**8.5**	
% growth		13%	24%	21%	19%
Home Video	**3.4**	**4.0**	**6.5**	**7.5**	
% growth		18%	63%	15%	30%
Ancillary revenues	**5.0**	**5.7**	**7.0**	**8.5**	
% growth		13%	24%	21%	19%

Outlook for Filmed Entertainment Industry

Outlook for the 5 year period 2008-2012

The Indian film industry is projected to grow by 13% over the next five years, reaching to Rs. 176 billion in 2012 from the present Rs. 96 billion in 2007, nearly double its present size.

The relative shares of the film industry are expected to shift marginally from the traditional revenues to the new emerging revenues. The share of the domestic box office is projected to reduce to 70% in 2012, primarily in favour of overseas and ancillary revenues.

The domestic box office segment is expected to grow at 11% cumulatively over the next five years to reach an estimated Rs. 123 billion in 2012 from the present size of Rs. 72 billion. Increases in the average ticket prices will be the primary contributor to this growth, estimated to increase from an all-India average of Rs. 22 in 2007 to Rs. 35 in 2012. The number of admissions is projected to rise marginally from the current high base of 3.25 billion tickets sold in 2007 to an estimated 3.5 billion in 2012.

The overseas collections are estimated to grow cumulatively at 19% over the next 5 years to reach Rs. 20 billion in 2012 from a current size of Rs. 8.5 bission in 2007. On a per film average basis, the share from overseas collections is expected to increase to 16% per film in 2012 from 12% in 2007. There are several growth drivers for this segment- from increased marketing and selling efforts internationally, growing popularity of Indian films overseas and beyond the Indian Diaspora, several films with themes/locations/stories based on Indian Diaspora, increased number of prints and a significantly more organised distribution plan.

The home video market is expected to significantly shift in the next five years given the developments in 2007. Though an overall growth of 15% is projected over the next five years, in line with the previous years, the current rental-market domination is projected to significantly reduce to 25% in 2012 from 80% in 2007 in favour of the sell-through market.

The penetration of home video subscribers is expected to increase from 10% of the pay-TV homes in 2007 to 25% in 2012. This translates into an addition of 41 million subscribers over the next five year period. 75% of these subscribers are estimated to be from the sell-through segment.

Though the home video subscribers are expected to increase in the next five years, the sell-through prices expected to decline over the forecast period from a current average of Rs. 90 in 2007 to Rs. 50 in 2012. The average rental price of Rs. 50 is expected to decline only marginally.

The home video market is thus projected to double its size to Rs. 15 billion in 2012 from the current Rs. 7.5 billion in 2007, translating into a cumulative growth of 15% over the five-year forecast period.

The ancillary revenues comprising of revenues from sale of television rights, internet download rights, mobile rights, re-make rights, in-film placements, on-screen advertisements, brand placements etc. will on an overall basis grow by 16% over the next five years to reach an estimated Rs. 18 billion in 2012 from Rs. 8.5 billion in 2007.

Indian Film Industry

Rs billion	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
Film Industry	**59.9**	**68.1**	**84.5**	**96.0**	**110.8**	**123.8**	**141.0**	**165.0**	**175.5**	
% growth		14%	24%	14%	15%	12%	14%	17%	6%	13%
Box office-Domestic	**46.5**	**52.8**	**64.0**	**71.5**	**82.5**	**90.5**	**102.0**	**119.0**	**122.5**	
% growth		14%	21%	12%	15%	10%	13%	17%	3%	11%
Box office-Overseas	**5.0**	**5.7**	**7.0**	**8.5**	**10.0**	**12.5**	**15.0**	**18.0**	**20.0**	
% growth		13%	24%	21%	18%	25%	20%	20%	11%	19%
Home Video	**3.4**	**4.0**	**6.5**	**7.5**	**8.3**	**9.3**	**11.0**	**13.0**	**15.0**	
% growth		18%	63%	15%	11%	12%	18%	18%	15%	15%
Ancillary revenues	**5.0**	**5.7**	**7.0**	**8.5**	**10.0**	**11.5**	**13.0**	**15.0**	**18.0**	
% growth		13%	24%	21%	18%	15%	13%	15%	20%	16%

Print Media in 2007

Performance of Indian Print Media in 2007

In 2007, the Indian print media industry recorded a growth of 16% over the previous year, well in line with the forecasted growth of similar rate. Newspaper publishing, which constitutes 87% of the segment grew at 17%, in 2007 whereas the magazine publishing, which contributes the balance 13% of the segment grew at a marginally lower rate of 15%. On an overall basis, the print media industry stood at Rs. 149 billion 2007, up from Rs. 128 billion in 2006.

The newspaper advertising segment, which constitutes 62% of the segment grew by 21% in 2007 over 2006 and stood at an estimated Rs. 80 billion in 2007. Circulation revenues grew by 10% in 2007 over 2006 and stood at an estimated Rs. 50 billion in 2007. The growth in circulation was contributed more by increase in the number of units circulated, estimated at 83 million in 2007, up from 79 million in 2006. There was marginal growth recorded in the circulation price in 2007 at 4% from 2006. The average circulation price increased by an estimated 10 paise to reach Rs. 1.70 per unit in 2007.

The size of the magazine publishing industry was estimated at Rs. 19 billion in 2007 which grew from Rs. 16.5 billion in 2006, registering a growth of 15%. The magazine advertising segment, which constitutes 74% of the segment grew by 17% in 2007 over 2006 and stood at an estimated Rs. 14 billion in 2007. The growth in circulation was contributed by a significant 8% increase in the average cover price, which stands at an estimated Rs. 14 per copy in 2007. There was marginal growth recorded in the magazine circulation units in 2007 at 3% from 2006, which stood at an estimated 359 million in 2007.

Rs billion	2004	2005	2006	2007e	CAGR 2004-07
Print Advertising	**54.4**	**62.7**	**78.0**	**94.0**	
% Change		15%	24%	21%	20%
Print Circulation	**43.4**	**46.8**	**50.0**	**55.0**	
% Change		8%	7%	10%	8%
Total	**97.8**	**109.5**	**128.0**	**149.0**	
% Change		12%	17%	16%	15%

Rs billion	2004	2005	2006	2007e	CAGR 2004-07
Newspaper Publishing	**86.0**	**96.0**	**111.5**	**130.0**	
% Change		12%	16%	17%	15%
Magazine Publishing	**11.8**	**13.5**	**16.5**	**19.0**	
% Change		14%	22%	15%	17%
Total	**97.8**	**109.5**	**128.0**	**149.0**	
% Change		12%	17%	16%	15%

Outlook for Print Media Industry

Outlook for the 5 year period 2008-2012

The Indian print media industry is projected to grow by 14% over the next five years, reaching to Rs. 281 billion in 2012 from the present Rs. 149 billion in 2007.

The relative shares of newspaper publishing an magazine publishing is not expected to changes significantly and are expected to remain the same at 86% in favour of newspaper publishing. Magazine publishing is expected to grow at higher rate of 15% as compared with newspaper publishing, albeit newspaper publishing expected to grow from a substantially higher base.

Newspaper publishing market is expected to reach Rs. 243 billion in 2012 from the current estimated size of Rs. 130 billion in 2007. Within the newspaper publishing, the advertising segment is projected to grow at a higher rate of 16% as compared with the circulation revenues of 8%. The newspaper advertising segment is expected to reach Rs. 170 billion in 2012 from the current size of Rs. 80 billion. Circulation revenues of the newspaper industry are expected to grow to Rs. 73 billion in 2012 from the current size of Rs. 50 billion in 2007

Magazine publishing market is expected to reach Rs. 38 billion in 2012 from the current estimated size of Rs. 19 billion in 2007. In Newspaper publishing and magazine publishing, the advertising segment is projected to grow at a higher rate of 16% as compared with the circulation revenues of 10%. The magazine advertising segment is expected to reach Rs. 30 billion in 2012 from the current size of Rs. 14 billion. Circulation revenues of the magazine industry are expected to grow to Rs. 8 billion in 2012 from the current size of Rs. 5 billion in 2007.

On an overall basis, the print media advertising segment is projected to grow at 16% over the next five years, reaching to Rs. 200 billion in 2012 from the present Rs. 94 billion in 2007, nearly double its present size.

On the other hand, print media circulation segment is projected to grow at a relatively slower rate of 8% over the next five years, reaching to Rs. 81 billion in 2012 from the present Rs. 55 billion in 2007.

Indian Print Media Industry

Rs billion	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
Newspaper Publishing	**86.0**	**96.0**	**111.5**	**130.0**	**148.0**	**169.0**	**195.0**	**219.0**	**243.0**	
% Change		12%	16%	17%	14%	14%	15%	12%	11%	13%
Magazine Publishing	**11.8**	**13.5**	**16.5**	**19.0**	**21.5**	**25.0**	**28.7**	**32.5**	**38.0**	
% Change		14%	22%	15%	13%	16%	15%	13%	15%	15%
Total Print Industry	**97.8**	**109.5**	**128.0**	**149.0**	**169.5**	**194.0**	**223.7**	**251.5**	**281.0**	
% Change		12%	17%	16%	14%	14%	15%	12%	12%	14%

Rs billion	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
Advertising Revenues	**54.4**	**62.7**	**78.0**	**94.0**	**111.0**	**129.0**	**152.0**	**175.0**	**200.0**	
% Change		15%	24%	21%	18%	16%	18%	15%	18%	16%
Circulation Revenues	**43.4**	**46.8**	**50.0**	**55.0**	**58.5**	**65.0**	**71.7**	**76.5**	**81.0**	
% Change		8%	7%	10%	6%	11%	10%	7%	9%	8%
Total	**97.8**	**109.5**	**128.0**	**149.0**	**169.5**	**194.0**	**223.7**	**251.5**	**281.0**	
% Change		12%	17%	16%	14%	14%	15%	12%	12%	14%

Radio Industry

Performance of Indian Radio advertising industry in 2007

In 2007, the Indian radio advertising industry recorded a growth of 24% over the previous year, marginally lower than the forecasted growth of 30%. Over the last 4 years from 2004-07, the Indian radio industry has grown by 37%. The radio advertising industry stood at Rs. 6.2 billion 2007, up from Rs. 5 billion in 2006.

Approximately 60% of the revenues of the radio advertising industry comes from the private FM broadcasters and the balance from the State broadcaster All India Radio (AIR).

In terms of share of ad pie, radio industry has been able to increase its share to 3.2% in 2007, up from 3.1% in 2006, thus increasing its share cumulatively by 14% in the last 4 years.

Outlook for the 5 year period 2008-2012

The Indian radio advertising industry is projected to grow by 24% over the next five years, reaching to Rs. 18 billion in 2012 from the present Rs. 6.2 billion in 2007, nearly 3 times its present size.

In terms of share of ad pie, it is projected that the radio advertising industry will be able to increase its share from 3.2% in 2007 to 4% in the next five years.

Rs billion	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
Radio Advertising % Change	**2.4**	**3.2** 33%	**5.0** 56%	**6.2** 24%	**8.0** 29%	**10.0** 25%	**12.0** 20%	**15.0** 25%	**18.0** 20%	24%
Radio Advertising **Radio share in ad pie**	**2.1%**	**2.5%**	**3.1%**	**3.2%**	**3.3%**	**3.6%**	**3.5%**	**3.8%**	**4.0%**	**4.7%**

Animation, Gaming & VFX Industry

Performance of the industry in 2007

The entertainment segment of the Indian animation industry in 2007 stands at an estimated Rs. 13 billion. The industry grew by 24% from the previous year 2006 when the recorded revenues were Rs. 10.5 billion.

The gaming industry, on the other hand, grew at a higher rate of 32% over the previous year and stands at an estimated Rs. 2.7 billion in 2007, up from Rs. 2.05 billion in 2006.

The global animation industry is offering a major chunk of business in animation to India to cut cost and increase their profits. Pioneered by the Indian advertising industry, animation in India has been adding creativity to ad-commercials and special effects to Bollywood films. The Indian animation market is growing and serves the content for both domestic as well as international clients. Bollywood movies have begun to realize the potential of the animation segment and have high hopes for higher rate of return for their investments on the animation films. Moreover, the growth of gaming industry will also come through animation. Within animation, the entertainment segment will continue to remain the major contributor, accounting for nearly three-fourth of the total market through the forecast period.

Outlook for the 5-year period 2008-12

The gaming industry is projected to dominate the industry over the next five years. The Indian gaming industry is projected to grow from an estimated size of Rs. 2.7 billion in 2007 to an estimated Rs. 14 billion by 2012, translating into a cumulative growth of 39% over the next five years.

Mobile gaming will dominate the segment with over 71 % share, driven by the growth in the high-end segment of the mobile users, the need for valuable content by mobile operators and the availability of 3G spectrum that enables easy of play. Online gaming will be the next highest growth segment, fuelled by the growth of internet users and especially of the target segment of 15-34 years. Console gaming is expected to grow by 18%, over one next 5 years driven by falling cost of console prices and availability of local games.

The animation industry will continue to maintain its growth pace and is projected to increase to Rs. 40 billion in 2012 from its current size of Rs. 13 billion. Domestic demand will create the fillip in its growth as well as contribution from international co-productions, especially in the television segment.

Rs billion	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
Animation	**10.5**	**13.0**	**15.6**	**20.5**	**25.0**	**30.0**	**40.0**	
% Change		24%	20%	31%	22%	20%	33%	25%
Total Gaming	**2.05**	**2.7**	**4.0**	**5.45**	**7.4**	**9.65**	**14.0**	
% Change		32%	48%	36%	36%	30%	45%	39%
Mobile gaming	**1.0**	**1.5**	**2.5**	**3.0**	**4.5**	**6.0**	**10.0**	
% Change		50%	67%	20%	50%	33%	67%	46%
Online gaming	**0.20**	**0.25**	**0.40**	**1.00**	**1.20**	**1.40**	**1.60**	
% Change		25%	60%	150%	20%	17%	14%	45%
Console gaming	**0.60**	**0.65**	**0.70**	**0.90**	**1.00**	**1.40**	**1.50**	
% Change		8%	8%	29%	11%	40%	7%	18%
PC gaming	**0.25**	**0.30**	**0.40**	**0.55**	**0.70**	**0.85**	**0.90**	
% Change		20%	33%	38%	27%	21%	6%	25%

Online Advertising

Online Advertising

Online advertising is one of the upcoming and growing segments in Indian advertisement industry. It achieved the highest growth in 2007 as compared with all other segments of the E&M industry at 69%. Over the last four years 2004-07, internet advertising recorded a growth of 65%. In 2007, the segment reached an estimated Rs. 2.7 billion, up from Rs. 1.6 billion in 2006.

Given the trends of increased internet usage, as detailed further in the chapter, internet advertising is projected to grow by 32% over the next five years and reach an estimated Rs. 11 billion in 2012 from the present Rs. 2.7 billion in 2007. The share of the internet advertising too is projected to grow from 1.4% in 2007 to 2.4% in 2012 of the overall advertising pie.

Rs billion	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
Online Advertising	**0.6**	**1.0**	**1.6**	**2.7**	**4.2**	**6.0**	**8.2**	**9.5**	**11.0**	
% Change		67%	60%	69%	56%	43%	37%	16%	16%	32%
Online Advertising Share in Advertsing Pie	**0.5%**	**0.8%**	**1.0%**	**1.4%**	**1.8%**	**2.1%**	**2.4%**	**2.4%**	**2.4%**	**12.1%**

Out-of-home advertising

Performance in 2007

The OOH media has been performing extremely well in the last four years having grown by 14% cumulatively. The OOH media registered a growth of 25% in the year 2007 and stands at an estimated Rs. 12.5 billion in 2007, up from Rs. 10 billion in 2006. Its share in the overall ad pie too has increased marginally to 6.4% in 2007, up from 6.2% in 2006.

Given the several growth drivers, the OOH industry is projected to grow by 14% cumulatively over the next five years to an estimated Rs. 24 billion in 2012

Rs billion	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
Out-of-home Industry % Change		**8.5** 6%	**9.0** 11%	**10.0** 25%	**12.5** 16%	**14.5** 14%	**16.5** 15%	**19.0** 13%	**21.5** 12%	**24.0** 14%
Out-of-home Industry Share in Advertising Pie	**7.5%**	**6.9%**	**6.2%**	**6.4%**	**6.1%**	**5.9%**	**5.6%**	**5.4%**	**5.3%**	**-3.6%**

Music Industry

Performance in 2007

Globally, the music industry is on a decline and the trend in similar in India. However, the relative shares of its two key constituents i.e. physical sales and digital music is changing drastically, and again, similar trends are seen in India too. Though in 2007, the music industry on an overall basis manifested a marginal growth in the relative shares of physical sales dropped and were taken up by digital music.

One of the key reasons seen for this change is the changing consumption patterns of consumers and changing distribution scenario of the music industry. Indian music industry has been largely dominated by its films and that phenomenon has not changed. However, with the exponential growth of the radio industry in India, most consumers prefer listening music on the radio. Though this has impacted the physical sales of music cassettes and CDs, on an overall basis, the number of units sold has not changed. It is estimated that the number of units sold increased marginally in 2007 from 175 million in 2006 to estimated 176 million which are retailed largely in the tier-2 and tier-3 towns. As a result, the overall average price per unit has declined marginally by 2-3% in the previous year, and this has resulted in a decline of the physical music industry in 2007, estimated at Rs. 6.5 billion, down from Rs. 6.6 billion in 2006.

Digital music, on the other hand, has shown significant growth and has reported growth of 33% over the previous year. However, considering its small base, its increase has not impacted the overall music industry numbers. Mobile music continues to dominate digital music in India and commands a share of 88% in the digital music segment and 10% on an overall basis.

Online music has not shown any significant growth owing not just to a low internet usage but more due to availability of free digital music.

Outlook for the 5-year 2008-2012

The key growth driver for the music industry over the next five years will be digital music, though its share in the overall music pie is projected to be not more than 31% by 2012. Physical sales will continue to dominate the industry simply by the sheer volumes of units being sold and decreasing prices for the same.

Within digital music, mobile music will continue to maintain its dominance but will loose some share to online music based on the projected increase of paying-internet users and extremely consumer-friendly pricing structures. Mobile music will also benefit from better revenue-shares in their favour from the mobile operators.

Rs billion	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
Music Industry	6.7	7.0	7.2	7.3	7.3	7.3	7.5	7.7	8.0	
% Change		4%	3%	1%	0%	0%	3%	3%	4%	2%
Physical sales	6.7	6.5	6.6	6.5	6.3	6.1	6.0	5.7	5.5	
% Change		-3%	2%	-2%	-3%	-3%	-2%	-5%	-4%	-3%
Digital Music		0.5	0.6	0.8	1.0	1.2	1.5	2.0	2.5	
% Change			20%	33%	25%	20%	25%	33%	25%	26%

Sports

Entry of private sports leagues- Cricket

India is not a major sporting country. However, there is only one sport where India stands out both in terms of achievements at an international level, grassroots participation and in terms of spectator and viewer interest: CRICKET.

Indian cricket is no 1 in the world in terms of number of players and currently holder of the Twenty-20 World Cup Championship that it won in South Africa.

Though the culture of private sports leagues has taken baby steps in India with the launch of Premier Hockey League (PHL) in 2005, a collaboration of the National Hockey Federation and India's leading sports broadcaster ESPN Star Sports, in 2007, it took a big leap with the launch of IPL (Indian Premier League) by the Board of Cricket Control of India (BCCI) and Indian Cricket League (ICL) by India's leading media conglomerate Essel Group.

Not only did BCCI set up IPL directly in competition with ICL, it studded it with three times the prize money, an 'official' status that allows IPL players to play international cricket, and forward linkage with a Twenty20 Champions League. Importantly, its franchise model pits one club against another and is more market-friendly than ICL's single employer model, which requires distribution of employees into separate teams to devise a contest.

Key International Trends in 2006

Performance in 2006

The global E&M industry grew by 7.2 percent in 2006 up from 6.2 percent in 2005. Double-digit growth in internet, video games and sports, as well as high-single-digit increases in TV distribution and casino and other regulated gaming contributed to the improvement.

Rising broadband penetration fuelled the Internet market; the introduction of new video game platforms boosted spending on video game software; spending associated with major international events contributed to growth in sports; increased subscription household penetration expanded TV distribution; and new resort casinos propelled casino and other regulated gaming. These five segments accounted for 70 percent of global E&M growth in 2006.

Business information rose 6.9 percent, in part reflecting demand for information related to investment opportunities in BRIC and to increased merger and acquisition activity.

The remaining segments rose by less than 5 percent.

Global Entertainment and Media Market by Segment (US$ Million)

Segment	2002	2003	2004	2005	2006p	2007	2008	2009	2010	2011	2007-11 CAGR
Filmed Entetainment	70,699	75,436	91,009	79,923	91,239	84,291	89,110	92,645	97,910	103,263	
% Change	11.6	6.8	7.3	-2.6	2.9	3.9	4.5	5.1	5.6	5.6	4.9
TV Networks: Broadcast and Cable	130,190	138,339	152,397	161,934	171,976	191,404	195,237	204,630	217,793	229,335	
% Change	4.5	6.3	10.2	6.3	6.2	5.5	7.6	4.9	6.4	4.8	5.8
TV Distribution	116,056	124,936	137,906	146,925	160,643	172,346	189,525	206,744	229,114	250,745	
% Change	9.6	7.7	10.4	6.5	9.4	7.3	10.0	9.1	10.9	9.4	9.3
Recorded Music	36,993	34,793	35,491	35,859	36,078	35,617	36,432	37,699	39,098	40,497	
% Change	-4.9	-5.9	2.0	1.0	0.6	-1.3	2.3	3.5	3.7	3.4	2.3
Radio/Out-of-Home Advertising	59,201	59,992	62,994	66,242	69,217	72,599	76,522	90,695	94,964	99,211	
% Change	2.7	2.7	5.2	5.2	4.5	4.9	5.4	5.5	5.3	5.0	5.2
Video Games	21,991	23,304	26,334	27,655	31,629	37,469	41,458	44,226	46,720	49,877	
% Change	9.1	6.5	13.0	5.1	14.3	19.5	10.5	6.7	5.6	4.6	9.1
Business Information	70,417	70,700	73,892	79,153	83,519	89,093	94,688	100,175	105,580	110,962	
% Change	-1.1	0.4	4.5	5.9	6.9	6.7	6.3	5.9	5.4	5.1	5.8
Magazine Publishing	89,954	90,974	94,341	90,138	100,722	109,361	106,532	109,982	113,647	117,223	
% Change	-2.5	1.1	3.9	4.0	2.6	2.6	3.1	3.2	3.3	3.1	2.1
Newspaper Publishing	164,318	167,540	173,398	177,852	191,043	193,207	187,191	197,141	195,888	200,722	
% Change	-1.1	2.0	3.5	2.6	1.9	1.2	2.2	2.1	2.5	2.5	2.1
Book Publishing	110,367	112,771	114,345	119,354	121,395	127,144	180,066	135,022	139,791	144,604	
% Change	1.5	2.2	1.4	4.4	1.7	4.7	2.3	3.9	3.5	3.5	3.6
Theme Parks and Amusement Parks	19,776	20,264	21,148	21,829	22,769	29,900	24,909	26,041	27,259	29,499	
% Change	5.2	2.5	4.4	3.2	4.3	4.5	4.7	4.5	4.7	4.5	4.6
Casino and Other Regulated Gaming	65,938	73,197	83,690	93,631	101,609	108,709	117,426	124,488	134,967	144,044	
% Change	9.7	11.0	14.3	11.9	9.5	7.0	9.0	6.0	9.3	6.8	7.2
Sports	73,522	76,257	92,271	95,991	96,144	99,429	109,106	110,933	121,962	123,969	
% Change	9.4	3.7	7.9	4.4	12.0	3.4	9.7	1.6	10.0	1.6	5.2
Total	1,104,697	1,161,258	1,257,520	1,335,699	1,432,395	1,525,172	1,635,299	1,732,066	1,950,507	1,956,067	
% Change	4.4	5.1	9.3	6.2	7.2	6.5	7.2	5.9	6.9	5.7	6.4

Source: PwC Global Entertainment and Media Outlook

Key International Trends in 2006

Industry size and expected growth

We project the entertainment and media industry in the United States, EMEA, Asia Pacific, Latin America, and Canada will increase from $1.4 trillion in 2006 to $2 trillion in 2011, growing at a compound annual rate of 6.4 percent. The United States will expand at a 5.3 percent compound annual rate—slowest of the five regions, rising from $582 billion in 2006 to $754 billion in 2011. EMEA will increase from $473 billion in 2006 to $617 billion in 2011, growing at 5.5 percent compounded annually. Spending in Asia Pacific will average 9.6 percent annual growth—the highest of all of the regions, increasing from $297 billion in 2006 to $470 billion in 2011. Excluding Japan, which will experience relatively slower growth, Asia Pacific will grow at a 12.9 percent compound annual rate. The PRC will pass Japan in 2009 to become the largest territory in Asia Pacific.

The market in Latin America will total $68 billion in 2011, up from $44 billion in 2006, advancing at a compound annual rate of 8.9 percent. In Canada, spending will increase from $36 billion in 2006 to $47 billion in 2011, for an average annual gain of 5.6 percent. In total, compared with the past five years—when growth averaged 6.2 percent compounded annually—the 6.4 percent projected advance will represent a modest improvement. The projected increase, however, will be slower than the 7.2 percent compound annual growth during 2004-06.

Global Entertainment and Media Market by Region (US$ Million)

Region	2002	2003	2004	2005	2006p	2007	2008	2009	2010	2011	2007-11 CAGR
United States	464,592	488,156	525,231	550,027	582,448	612,163	648,948	680,713	720,203	754,209	
% Change	4.7	5.1	7.6	4.7	5.9	5.1	6.0	4.9	5.8	4.7	5.3
EMEA	369,840	386,241	416,125	442,434	473,040	499,106	528,754	556,368	591,023	616,918	
% Change	4.3	4.4	7.7	6.3	6.9	5.5	5.9	5.2	6.2	4.4	5.5
Asia Pacific	210,824	224,612	248,357	270,089	296,982	327,694	364,314	394,841	431,446	470,408	
% Change	4.6	6.5	10.6	8.8	10.0	10.3	11.2	8.4	9.3	9.0	9.6
Latin America	31,088	32,012	35,474	39,671	44,228	48,375	53,028	57,669	63,113	67,732	
% Change	-3.4	3.0	10.8	11.8	11.5	9.4	9.6	8.8	9.4	7.3	8.9
Canada	28,343	30,237	32,333	33,468	35,697	37,834	40,239	42,475	44,722	46,800	
% Change	6.7	6.7	6.9	3.5	6.7	6.0	6.4	5.6	5.3	4.6	5.6
Total	1,104,687	1,161,258	1,257,520	1,335,689	1,432,395	1,525,172	1,635,283	1,732,066	1,850507	1,956,067	
% Change	4.4	5.1	8.3	6.2	7.2	6.5	7.2	5.9	6.8	5.7	6.4

Source: PwC Global Entertainment and Media Outlook

Key International Trends in 2006

Global Advertising Industry

We project global advertising will increase at a 5.4 percent compound annual rate during the 2007–2011 period, rising to $531 billion in 2011 from $407 billion in 2006. The market is characterized by spikes occurring during even years related to advertising associated with the Olympic Games and in 2010 with the FIFA World Cup. We do not expect growth in any of the forecast years to match the 8.3 percent increase during 2004. At the same time, in no forecast year will the market be as weak as it was during 2002–03. Internet advertising has grown at annual rates in excess of 30 percent during each of the past three years, and we expect the Internet to remain the fastest-growing advertising medium, with a projected 18.3 percent compound annual increase to $73 billion in 2011. The Internet will constitute 14 percent of global advertising in 2011 compared with less than 3 percent in 2002.

Out-of-home will be the second-fastest-growing advertising medium, with a projected 6.5 percent compound annual increase. Digital billboards are expanding the effective inventory by allowing the same display to be sold to multiple advertisers.

Television will expand at a 5.1 percent compound annual rate, boosted by advertising on new channels supported by expanding digital platforms. Advertising associated with the Beijing Summer Olympics in 2008 will generate an 8.8 percent increase that year. The 2010 FIFA World Cup in South Africa and the Winter Olympics in Vancouver, Canada, will also attract incremental advertising. Television is the largest advertising medium, at $154 billion in 2006, and will rise to a projected $197 billion in 2011. Radio, magazines, and newspapers will each grow by less than 4 percent annually, losing share during the next five years.

Global Advertising (US$ Million)

Segment	2002	2003	2004	2005	2006p	2007	2008	2009	2010	2011	2007-11 CAGR
Television	119,877	125,805	139,169	144,049	153,504	159,552	173,582	178,336	190,330	196,852	
% Change	4.1	4.9	10.6	3.5	6.6	3.9	8.8	2.7	6.7	3.4	5.1
Internet	9,047	11,588	16,451	22,917	31,593	40,558	49,501	57,719	65,585	73,096	
% Change	-8.3	28.1	42.0	39.3	37.9	28.4	22.0	16.6	13.6	11.5	18.3
Magazines	46,007	46,697	48,999	51,377	53,066	54,748	56,784	59,048	61,531	63,939	
% Change	-5.4	1.5	4.9	4.9	3.3	3.2	3.7	4.0	4.2	3.9	3.8
Newspapers	102,506	105,025	110,119	113,626	116,280	117,878	121,209	124,482	128,556	132,693	
% Change	-2.6	2.5	4.9	3.2	2.3	1.4	2.8	2.7	3.3	3.2	2.7
Radio	29,023	29,671	31,001	31,711	32,382	33,262	34,355	35,643	37,177	38,815	
% Change	3.9	2.2	4.5	2.3	2.1	2.7	3.3	3.7	4.3	4.4	3.7
Out-of-Home	18,565	19,270	20,508	21,912	23,296	24,825	26,658	28,381	30,099	31,871	
% Change	0.7	3.8	6.4	6.8	6.3	6.6	7.4	6.5	6.1	5.9	6.5
Total	325,025	336,840	364,706	383,565	407,457	427,473	458,014	478,784	507,728	530,966	
% Change	-0.1	3.6	8.3	5.2	6.2	4.9	7.1	4.5	6.0	4.6	5.4

Source: PwC Global Entertainment and Media Outlook

Key International Trends in 2007

E&M Market in BRIC

The BRIC countries are generating excitement because of their expanding economies and surging E&M markets. Nominal growth in gross domestic product (GDP) in the each of the four BRIC countries rose at double-digit and high-single-digit rates during 2003–05 and continued to expand at double-digit rates in India and the PRC in 2006. Even though economic growth in Brazil and Russia is slowing, the large increases during the prior three years created an emerging and rapidly expanding middle class. In the process, discretionary income has grown, and pent-up demand for entertainment and media was unleashed, leading to large increases in spending. Consequently, even though GDP in both countries will grow more slowly during the next five years compared with the past few years, E&M spending will continue to post large gains in all four countries. India and the PRC had the fastest-growing economies of the BRIC countries in 2006. India rose 14.3 percent, and the PRC, 11.6 percent. We expect continued double-digit compound annual increases in these two countries during the next five years. For the BRIC countries as a group, growth will average 9.3 percent compounded annually. That expansion will be nearly twice the 4.9 percent projected annual GDP increase in the rest of the world.

Economic expansion is generating large increases in E&M spending. During the past five years, E&M spending in the BRIC countries rose at double-digit annual rates. In 2006, BRIC E&M spending increased by 17.0 percent, while the rest of the world grew by 6.4 percent. Led by India and the PRC, E&M spending in BRIC will continue to grow at double-digit annual rates during the next five years. India is projected to increase at an 18.5 percent compound annual rate, and 16.8 percent annual growth is expected for the PRC, with mid- to high-single-digit gains in Brazil and Russia. Casino closings in Russia will lead to a $2-billion drop in spending in 2009. Excluding casinos, Russia will grow by 12.8 percent in 2009. BRIC as a group will increase at a 14.7 percent compound annual rate. That gain will be nearly three times the projected 5.5 percent compound annual increase for the rest of the world. BRIC will account for 24 percent of global E&M growth during the next five years.

E&M Market in BRIC (US$ Million)

BRIC	2002	2003	2004	2005	2006p	2007	2008	2009	2010	2011	2007-11 CAGR
Brazil	11,947	12,355	13,834	15,761	17,615	19,314	21,272	23,098	25,309	27,256	
% Change	-1.6	3.4	12.0	13.9	11.8	9.6	10.1	8.6	9.6	7.7	9.1
Russia	7,978	10,644	14,999	18,629	19,958	21,114	22,890	23,408	25,723	27,851	
% Change	30.5	33.4	40.9	24.2	7.1	5.8	8.4	2.3	9.9	8.3	6.9
India	7,425	8,104	8,969	10,107	11,590	13,616	16,218	19,324	23,213	27,089	
% Change	10.2	9.1	10.7	12.7	14.7	17.5	19.1	19.2	20.1	16.7	18.5
China	31,426	38,805	50,616	63,953	77,776	95,529	115,187	131,961	149,836	169,309	
% Change	22.9	23.5	30.4	26.3	21.6	22.8	20.6	14.6	13.5	13.0	16.8
BRIC Total	58,776	69,908	88,418	108,450	126,939	149,573	175,567	197,791	224,081	251,505	
% Change	16.2	18.9	26.5	22.7	17.0	17.8	17.4	12.7	13.3	12.2	14.7
Rest of World	1,045,911	1,091,350	1,169,102	1,227,239	1,305,456	1,375,599	1,459,716	1,534,275	1,626,426	1,704,562	
% Change	3.8	4.3	7.1	5.0	6.4	5.4	6.1	5.1	6.0	4.8	5.5
Global Total	1,104,687	1,161,258	1,257,520	1,335,689	1,432,395	1,525,172	1,635,283	1,732,066	1,850,507	1,956,067	
% Change	4.4	5.1	8.3	6.2	7.2	6.5	7.2	5.9	6.8	5.7	6.4

Source: PwC Global Entertainment and Media Outlook

Key Themes for 2008 - 2012

Migration to digital formats

Globally, the migration to digital formats is accelerating and this trends is likely to emerge in India too. Distribution of entertainment and media content over digital and mobile platforms—online digital streaming, digital movie/TV downloads, video-on-demand, music downloaded from the Internet, music downloaded to wireless phones, online advertising, online video games, wireless video games, and online gaming is likely to rise significantly in the next five years.

As a result of this migration, digital and mobile spending streams will compete with physical home video sell-through and rental, physical recorded music sales, physical purchases of magazines and newspapers. Additionally, traditional TV, radio, magazine, and newspaper advertising will compete with Internet advertising.

On the other hand, there will be revenue streams that will not directly be affected by digital distribution, which includes box office spending, TV subscriptions, console and PC video games, out-of-home advertising and sports.

Consolidation and integration

Consumer migration to digital formats will lead to change on the part of content providers, of which one change will be the increased interest in consolidation. With content now being distributed on multiple platforms, content producers/providers, distributors, and technology companies will be looking to expand their presence among the proliferating channels, resulting in an increase in merger and acquisition (M&A) activity. Companies will be forming alliances and joint ventures to better take advantage of and serve the needs of the changing environment. Broadcasters will be creating strategic alliances with digital networking companies and teaming up with Internet companies and wireless providers to stream programming both over the Internet and to mobile devices. Publishers and search engine companies will work together to share content and sell advertising in both print and digital formats. Technology companies will create alliances to support the expansion of digital and mobile distribution of content.

Intellectual property

Digital distribution will dramatically change the landscape for management of intellectual property. The cost of copying and distributing entertainment and media will plummet, while the quality of copied product will often be indistinguishable from the original. The result will be that consumers can more readily acquire quality product without paying for it. Such illegal copying will affect virtually all segments of entertainment and media, with recorded music, filmed entertainment, and TV distribution affected the most. Content owners will need to act fast to adopt digital media commercial distribution such as by introducing licensed digital services that give consumers the opportunity to acquire product in digital formats through legitimate channels. While such initiatives may not eliminate or even reduce piracy, they will allow consumers and end users to acquire content legitimately and the intellectual property owners to share in the increased demand by consumers for digital content.

Key Themes for 2008 - 2012

Continued content fragmentation

A by-product of the growing digital media marketplace is that distribution costs are declining. Such lower costs reduce barriers to entry and make the market potentially more competitive. The Internet is becoming an entertainment centre for social networking and a distribution channel to access entertainment content, as well as a source of information and communication. As the Internet becomes a central aspect in more consumers' lives, advertisers are following. Web sites featuring user-generated content (UGC) will become more popular and further fragmenting the market. UGC sites will begin to attract more advertising and hence compete with traditional television advertising. At the same time, UGC sites will foster interest in television programs provided by the networks. Discussion of characters and plot lines, as well as leaks of future episodes, sustains interest in programs, as does fan fiction. New business models will thus emerge that will deal with increased fragmentation. In some cases, networks will partner with web sites to provide content and share advertising. In other cases, networks will limit access to content.

Media consumption will grow

The consumption of media is coalescing on three hardware platforms—the television set, wireless mobile devices and the computer, each of which now has multiple E&M uses. The computer is used for accessing the Internet, and it has become a medium on which to play video games, purchase music, download movies and order movies online for delivery by mail, download TV shows, purchase magazines in physical formats and buy and read electronic newspapers and magazines. Wireless handsets are no longer simply voice communication devices. They are now used for listening to music, playing games, watching television and accessing the Internet. They also have other, non-E&M functions, including taking pictures and videos, and sending text and instant messages.

The use of the television set for multiple purposes is not new. In addition to watching television, TVs have long been used for watching movies that were separately purchased or rented in the home video market and for playing video games. The TV is now also being used to access programming on demand and to watch content that was downloaded from the Internet.

Content consumed on these convergent platforms—which consist of home video, TV networks, TV distribution, digital music downloads, mobile music, Internet advertising and online gaming will represent a significant component of the future E&M market.

Outlook for the 5 year period 2008-2012

The Indian E&M is estimated at Rs. 513 billion in 2007, is projected to grow at 18% CAGR for the next 5 years to reach Rs. 1.157 trillion in 2012.

Television is projected to continue to be the major contributor to the overall industry revenue pie and is estimated to grow at healthy rate of 22% cumulatively over the next 5 years, from an estimated Rs. 226 billion in 2007, the overall television industry is projected to reach Rs. 600 billion by 2012 Television distribution is projected to garner a share of 63% in 2012, up from 60% in 2007; on the other hand, television advertising industry is projected to command a share of 33% in 2012, having decreased from a present share of 35%. The relative share of the television content industry is expected to reduced to 3% though in respect to quantum growth, the television content industry is expected to grow by 16% over the next five years.

The Indian film industry is projected to grow by 13% over the next five years, reaching to Rs. 176 billion in 2012 from the present Rs. 96 billion in 2007, nearly double its present size. The relative shares of the film industry are expected to shift marginally from the traditional revenues to the new emerging revenues. The share of the domestic box office is projected to reduce to 70% in 2012, primarily in favour of overseas and ancillary revenues.

The Indian print media industry is projected to grow by 14% over the next five years, reaching to Rs. 281 billion in 2012 from the present Rs. 149 billion in 2007. The relative shares of newspaper publishing an magazine publishing is not expected to changes significantly and are expected to remain the same at 86% in favour of newspaper publishing. Magazine publishing is expected to grow at higher rate of 15% as compared with newspaper publishing, albeit newspaper publishing expected to grow from a substantially higher base.

The Indian radio advertising industry is projected to grow by 24% over the next five years, reaching to Rs. 18 billion in 2012 from the present Rs. 6.2 billion in 2007, nearly 3 times its present size. In terms of share of ad pie, it is projected that the radio advertising industry will be able to increase its share from 3.2% in 2007 to 4% in the next five years.

The animation industry will continue to maintain its growth pace and is projected to increase to Rs. 40 billion in 2012 from its current size of Rs. 13 billion. Domestic demand will create the fillip in its growth as well as contribution from international co-productions, especially in the television segment.

The gaming industry is projected to dominate the segment over the next five years. The Indian gaming industry is projected to grow from an estimated size of Rs. 2.7 billion in 2007 to an estimated Rs. 14 billion by 2012, translating into a cumulative growth of 39% over the next five years. Mobile gaming will dominate the segment with over 70 % share, driven by the growth in the high-end segment of the mobile users, the need for valuable content by mobile operators and the availability of 3G spectrum that enables easy of play. Online gaming will be the next highest growth segment, fuelled by the growth of internet users and especially of the target segment of 15-34 years. Console gaming is expected to grow by 18%, driven by falling cost of console prices and availability of local games.

Given the trends of increased internet usage, as detailed further in the chapter, online advertising is projected to grow by 32% over the next five years and reach an estimated Rs. 11 billion in 2012 from the present Rs. 2.7 billion in 2007. The share of the online advertising too is projected to grow from 1.4% in 2007 to 2.4% in 2012 of the overall advertising pie.

The estimated size of the OOH industry was at Rs 12.5 billion in 2007 which is projected to become twice its current size in 2012 to Rs 24 billion. Its share in the total ad pie is expected to go down marginally by 3.6 % over the next 5 years from a current level of 6.4% in 2007 to 5.3% in 2012.

The key growth driver for the music industry over the next five years will be digital music, though its share in the overall music pie is projected to be not more than 31% by 2012. Physical sales will continue to dominate the industry simply by the sheer volumes of units being sold and decreasing prices for the same. Within digital music, mobile music will continue to maintain its dominance but will loose some share to online music based on the projected increase of paying-internet users and extremely consumer-friendly pricing structures. Mobile music will also benefit from better revenue-shares in their favour from the mobile operators.

Outlook for the 5-year period 2008-2012

Indian Entertainment & Media Industry

Rs billion	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
Television	**128.7**	**158.5**	**191.2**	**225.9**	**278.0**	**336.8**	**419.0**	**503.0**	**600.0**	
% Change		23%	21%	18%	23%	21%	24%	20%	19%	22%
Filmed Entertainment	**59.9**	**68.1**	**84.5**	**96.0**	**110.8**	**123.75**	**141.0**	**165.0**	**175.5**	
% Change		14%	24%	14%	15%	12%	14%	17%	6%	13%
Print	**97.8**	**109.5**	**128.0**	**149.0**	**169.5**	**194.0**	**223.7**	**251.5**	**281.0**	
% Change		12%	17%	16%	14%	14%	15%	12%	12%	14%
Radio	**2.4**	**3.2**	**5.0**	**6.2**	**8.0**	**10.0**	**12.0**	**15.0**	**18.0**	
% Change		33%	56%	24%	29%	25%	20%	25%	20%	24%
Music	**6.7**	**7.0**	**7.2**	**7.3**	**7.3**	**7.3**	**7.5**	**7.7**	**8.0**	
% Change		4%	3%	1%	0%	0%	3%	3%	4%	2%
Animation, Gaming & VFX	**-**	**-**	**10.5**	**13.0**	**15.6**	**20.5**	**25.0**	**30.0**	**40.0**	
% Change				24%	20%	31%	22%	20%	33%	25%
Out-of-home		**8.5**	**9.0**	**10.0**	**12.5**	**14.5**	**16.5**	**19.0**	**21.5**	**24.0**
% Change		6%	11%	25%	16%	14%	15%	13%	12%	14%
Online advertising	**0.6**	**1.0**	**1.6**	**2.7**	**4.2**	**6.0**	**8.2**	**9.5**	**11.0**	
% Change		67%	60%	69%	56%	43%	37%	16%	16%	32%
Total E&M	**304.6**	**356.3**	**438**	**512.6**	**607.9**	**714.9**	**855.4**	**1,003.2**	**1,157.5**	
% Change		17%	23%	17%	19%	18%	20%	17%	15%	18%

Outlook for the 5-year period 2008-2012

Indian Advertising Industry

Rs billion	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f	CAGR 2008-12
Television Advertising	**48.0**	**54.5**	**66.2**	**80.0**	**100.0**	**120.0**	**150.0**	**175.0**	**200.0**	
% Change		14%	21%	21%	25%	20%	25%	17%	14%	20%
% Share	*42%*	*42%*	*41%*	*41%*	*42%*	*43%*	*25%*	*44%*	*44%*	*2%*
Print Advertising	**54.4**	**62.7**	**78.0**	**94.0**	**111.0**	**129.0**	**152.0**	**175.0**	**200.0**	
% Change		15%	24%	21%	18%	16%	18%	15%	14%	16%
% Share	*48%*	*48%*	*49%*	*48%*	*46%*	*46%*	*45%*	*44%*	*44%*	*-2%*
Radio Advertising	**2.4**	**3.2**	**5.0**	**6.2**	**8.0**	**10.0**	**12.0**	**15.0**	**18.0**	
% Change		33%	56%	24%	29%	25%	20%	25%	20%	24%
% Share	*2.1%*	*2.5%*	*3.1%*	*3.2%*	*3.3%*	*3.6%*	*3.5%*	*3.8%*	*4.0%*	*4.7%*
Out-of-home Advertising	**8.5**	**9.0**	**10.0**	**12.5**	**16.5**	**16.5**	**19.0**	**21.5**	**24.0**	
% Change		6%	11%	25%	16%	14%	15%	13%	12%	14%
% Share	*7.5%*	*11%*	*6.2%*	*6.4%*	*6.1%*	*5.9%*	*5.6%*	*5.4%*	*5.3%*	*-3.6%*
Online Advertising	**0.6**	**1.0**	**1.6**	**2.7**	**4.2**	**6.0**	**8.2**	**9.5**	**11.0**	
% Change		67%	60%	69%	56%	43%	37%	16%	16%	32%
% Share	*0.5%*	*0.8%*	*1.0%*	*1.4%*	*1.8%*	*2.1%*	*2.4%*	*2.4%*	*2.4%*	*12.1%*
Total Advertising	**113.9**	**130.4**	**160.8**	**196.4**	**239.2**	**281.5**	**341.2**	**396.0**	**453.0**	
% Change		14%	23%	22%	22%	18%	21%	16%	14%	18%

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We would like to extend our sincere gratitude to each person individually for the guidance and support provided by all industry personnel who we have interacted with over the last four years. However, the list of such people has become so large over the years that it has become impossible for us to capture their names and their respective organizations. Further, several players have shared with us their business related critical information in confidence and have requested us to maintain their privacy. We respect their preference in this regard.

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FICCI

Amita Sarkar

FICCI Federation House
Tansen Marg
New Delhi 110 001
India
Tel: [91] (11) 2331 6527
Fax: [91] (11) 2332 0714
E-mail: frames@ficci.com

About FICCI

Federation of Indian Chambers of Commerce and Industry (FICCI) was set up in 1927 to further the interests of the Indian business community. Today, with a membership of over 500 Chambers of Commerce, Trade Associations and Industry bodies, FICCI is a spokesperson for over 250,000 business units - small, medium and large - employing around 20 million people. FICCI also has direct memberships of about 2,000 companies from private, public and multinational sectors.

FICCI's expert committees and task forces, headed by leading industrialists, regularly meet to discuss the current issues like entertainment, agriculture, banking and finance, consumer durables, ecology and environment, education, energy, foreign trade, industry, information technology, internal trade, taxation and corporate laws. These interactions facilitate flow of investment to the country, help promote international trade and provide inputs for evolving and shaping government policies in different areas to make them conducive to rapid growth of the economy.

The FICCI Entertainment Committee has made significant progress in giving a shape and vision to the Entertainment Industry of India. It has been able to bring in its fold all segments of the industry and project a united face of the industry. The committee has successfully lobbied for several concessions for the Entertainment sector since its inception and has become the most important voice of the entire entertainment industry.

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Timmy S. Kandhari
PricewaterhouseCoopers Pvt. Ltd.
252, Veer Savarkar Marg
Shivaji Park, Dadar
Mumbai- 400 028
India
Telephone: [91] (22) 6669 1579
Fax: [91] (22) 6654 7800
E-mail: timmy.s.kandhari@in.pwc.com

Smita Jha
PricewaterhouseCoopers Pvt. Ltd.
Building 8, Tower B, 8th Floor
DLF Cyber City
Gurgaon- 122 002
India
Telephone: [91] (124) 4620 111
Fax: [91] (124) 4620 620
E-mail: smita.jha@in.pwc.com

Offices in India

Bangalore
PricewaterhouseCoopers Pvt. Ltd.
14th Floor “C” Wing,
Mittal Tower,
47/6 MG Road,
Bangalore 560001
Telephone: [91] (80) 2559 1941,
25593429

Bhubaneshwar
PricewaterhouseCoopers Pvt. Ltd.
IDCOL House,
Sardar Patel Bhawan Block III,
Ground Floor, Unit 2,
Bhubaneswar 751009
Telephone: [91] (674) 2532 459, 2530 370
Fax: [91] (674) 2531 674

Kolkata
PricewaterhouseCoopers Pvt. Ltd.
Plot No Y 14, Block EP Sec- V,
Salt Lake Electronic Complex,
Kolkata 700 091
Telephone: [91] (33) 2357 7200/ 9100
Fax: [91] (33) 2357- 3394/95

New Delhi
PricewaterhouseCoopers Pvt. Ltd.
PwC Centre, Saidulajab,
Opposite D- Block Saket,
Mehrauli Badarpur Road,
New Delhi 110 030
Telephone: [91] (11) 4125 0000
Fax: [91] (11) 4125 0250

Pune
PricewaterhouseCoopers Pvt. Ltd.
305-307, Century Arcade,
243-244, B/2 Narangi Baug Road,
Off Bund Garden Road,
Pune 411 001
Telephone: [91] (20) 2612 3787/ 2612 3271
Fax: [91] (20) 2612 1131

Chennai
PricewaterhouseCoopers Pvt. Ltd.
PwC Centre,
32, Khader Nawaz Khan Road,
Nungambakkam,
Chennai 600 006
Telephone: [91] (44) 5228 5000
Fax: [91] (44) 5228 5100

Hyderabad
PricewaterhouseCoopers Pvt. Ltd.
6-3-550, IIIrd Floor, L. B. Bhavan,
Somajiguda,
Hyderabad 500 082
Telephone: [91] (40) 5551 1011- 13,
2330 1364/65
Fax: [91] (40) 2332 6117

Mumbai
PricewaterhouseCoopers Pvt. Ltd
252 Veer Savarkar Marg,
Shivaji Park, Dadar,
Mumbai 400 028
Telephone: [91] (022) 5669 1500
Fax: [91] (022) 6654 7804/05

Gurgaon
PricewaterhouseCoopers Pvt. Ltd.
Building 8, Tower B, 8th Floor
DLF Cyber City
Gurgaon- 122 002
Telephone: [91] (124) 4620 000
Fax: [91] (124) 4620 620