

# INFORMATION MEMORANDUM

Diversification and Expansion Plans of

**Malar  Publications Ltd**



## **Prepared & compiled by**

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## **MALAR'S DIVERSIFICATION & EXPANSION PROJECTS**

### **INFORMATION MEMORANDUM**

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## SUMMARY

### 1. Promoters:

Malar Publication Limited (Malar) is part of the Publication family promoted by Shri.Si.Pa.Aditanar. Shri. Si. Pa. Aditanar founded Daily Thanthi in the year 1942 which is the No.1 morning daily Tamil newspaper. Shri.Shivanthi Adityan son of Shri.Si.Pa.Aditanar took over the affairs of the business and expanded further. The family publishes and prints Daily Thanthi, Maalai Malar, Gokulam Kathir, Rani Muthu and Rani Weekly. Mr.Balasubramanian Adityan, grand son of Shri.Si.Pa.Aditanar is the Managing Director of Malar.

### 2. History & Background

Malar was incorporated on 22<sup>nd</sup> February 1979 as a Private Limited company. Malar took over the business of printing and publishing Maalai Malar and currently Malar has printing and publishing facilities at eight locations in Tamilnadu and Pondicherry.

Effective from 1<sup>st</sup> April 2005 Malar has taken over the business of Printing from Rani Printer (P) Ltd, cable distribution & TV content programming from Air Media Network (P) Ltd, printing and publishing of Newspaper Maalai Murasu from Nellai Murasu (P) Ltd and marketing of advertisement space from Sovereign Media Markets (P) Ltd.

### 3. Industry:

Price Water House Coopers survey estimates that the newspaper market in India will grow at a CAGR of 6.9% per annum as against global CAGR of 2.7%. With the change in FM licensing policy to revenue share any new entrant will have tremendous advantage viz-a-viz an existing player. Average advertising spend on Radio in India is only 2.9% compared to 10% in U.S.A. Therefore great opportunities exist in advertising in Radio.

### 4. Business:

Malar Prints and publishes 'Maalai Malar' the No.1 evening newspaper in India and has 8 editions and Gokulam Kathir – a tamil monthly magazine. Malar prints special supplements for Daily Thanthi, magazines – Rani Muthu and Rani weekly – apart from undertaking third party printing jobs. Malar broadcasts through cable AMN TV in 15 centres in Tamilnadu having a combined viewership of 9 million people. Malar has a media marketing division which markets advertising space for Daily Thanthi, Maalai Malar, Gokulam Kathir, Rani Muthu and Rani Weekly.

### 5. Diversification Plans:

1. Malar is establishing FM broadcasting centres at Chennai, Madurai, Coimbatore, Trichy, Tirunelveli, Tuticorin and Pondicherry at an out lay of Rs.620 million. Malar acquired the 7 licences and paid OTEF of Rs.243 million which is 20% lower than average OTEF and over 50% lower than the highest OTEF in all 7 centres put together.

2. Malar plans to upgrade printing facilities at an outlay of Rs.100 million.

### Strategy:

Malar already prints and publishes Maalai Malar from six centres where it is proposed to start FM Broadcasting. Maalai Malar enjoys patronization from a mix of national as well as local advertisers. Malar will capitalize on the same patronage for its FM radio business.

### Financials:

The revenue for year ended 31<sup>st</sup> March 2006 is expected to be Rs.273 million, PAT of Rs.23.46 million on a paid up capital of Rs.85 million.

### Issue of Fresh Capital:

Malar proposes to issue new shares at a premium shortly.

## CAPITAL STRUCTURE

Sl. No.	Particular	Amount (Rs.in millions)
<b>A. Authorised Capital</b>		
	30,000,000 Equity Shares of Rs.10 each	300.00
<b>B. Issued Capital</b>		
	8,500,000 Equity Shares of Rs.10 each	85.00
<b>C. Present Issue</b>		
	* Equity Shares of Rs.10 each out of which	*
i)	* Equity Shares of Rs.10 each for FDI/ Private Placement	
ii)	* Equity Shares of Rs.10 each to Public	
<b>D. Post Issue Capital</b>		
	* Equity Shares of Rs.10 each	*

## PROJECT COST & MEANS OF FINANCING

### Project Cost

Sl.No.	Cost	Rs.in Millions
01.	FM Radio	620.00
02.	Printing facilities	100.00
03.	General Purpose	*
04.	Issue related expenses	*
		*

### Means of Financing:

Sl.No.	Cost	Rs.in Millions
01.	Issue of * Shares @ * aggregating	*
02.	Bank Loan	100.00
		*

**FM Radio:** Malar is establishing FM broadcasting centres at Chennai, Madurai, Coimbatore, Trichy, Tirunelveli, Tuticorin & Pondicherry. Malar appointed an independent consultant M/s.Technomedia Solutions Pvt Ltd (Technomedia) to carry out Technical and feed forward study. Based on the suggestions of Technomedia, Malar will establish programme originating centres at Chennai, Coimbatore, Madurai & Trichy. While the Chennai programme will be transmitted by the Chennai FM transmitter, the Coimbatore and Madurai programmes will be transmitted by their respective transmitters, the programme originated in Trichy Studio will be relayed by the transmitters at Pondicherry, Tuticorin and Tirunelveli, in addition to its own transmitter. Apart from relaying the Trichy programme the above 3 centres will have its original programme for short duration occasionally along with insertion of local advertisements.

The following table summaries the fund required for FM Radio

Expenditure	Rs. in millions
One time entry fee (OTEF)	243.00
Capital Expenditure (CAPEX)	377.00
Total	620.00

### Printing Facility:

Malar plans to upgrade printing facilities in line with competition to maintain competitive edge. It is planning to modernize the printing division by augmenting colour printing facilities at an outlay of Rs.100 millions.

### General Corporate Purpose:

Malar plans to utilize the balance net proceeds towards general corporate purpose.

### Issue related Expenses:

This includes payments of fee to Lead Managers, Underwriters, Selling Commission, Advertisement & Marketing expenses, Printing and Stationery and other incidental expenses.

## BASIS OF ISSUE PRICE

### Justification of Premium:

#### Qualitative Factors external to the Company:

1. Price Water House Coopers survey estimates that the newspaper market in India will grow at a CAGR of 6.9% per annum as against global CAGR of 2.7%
2. With the change in FM licensing policy to revenue share any new entrant will have tremendous advantage viz-a-viz an existing player. Average advertising spend on Radio in India is only 2.9% compared to 10% in U.S.A. Therefore great opportunities exist in advertising in Radio.
3. The appetite of Media stock with investor in India is quite high. The industry composite average for Entertainment / media software sector is at a PE multiple of 39.1.

#### Newsprint and Media Players – Stock Market Performance:

The table below highlights Key Financials pertaining to select newspaper, FM and TV broadcasting companies in India.

#### Key Financial Indicators - Select News Paper/TV/FM Companies

	Year Ended YY-MM	Sales Rs. in mil	Net Profit Rs. in mil	Equity Capital Rs.in mil.	Book Value Rs.	EPS 2005-06 Rs.	Price As on 20.02.06 Rs.	P/E/Ratio
Mid-Day Multimedia	05-03	1024.00	63.00	447.50	23.00	1.40	85	49.30
Navneet Publications	05-03	2745.00	308.00	190.60	91.00	15.20	292	15.60
Sandesh	05-03	7065.00	61.00	76.10	186.80	8.00	134	20.80
HT Media	05-03	6276.00	273.00	468.40	135.20	7.10	476	49.60
Deccan Chronicle	05-03	1657.00	324.00	412.30	64.30	7.70	438	28.70
Entertainment Network	05-03	749.00	-	463.60	32.00	-	247	-
TV-18	05-03	815.00	196.00	210.40	86.10	9.10	512	42.20
TV-Today	05-03	1391.00	165.00	290.00	35.60	2.70	89	22.00
NDTV	05-03	1529.00	292.00	243.20	31.30	4.70	216	45.95
Zee Telefilms	05-03	6473.00	1685.00	412.50	51.80	3.90	168	54.00
Industry Composite average Entertainment/Media Software								39.10

Source : Capital market dated Feb 27 – March 12 2006

#### Factors internal to the Company:

- Malar Publication Limited is part of Publication Group founded by Shri.Si.Pa.Aditanar in 1942.
- Malar Publication prints & publishes the No.1 Tamil evening newspaper Maalai Malar and monthly magazine Gokulam Kathir.
- Malar Publication has extensive integrated printing facilities and brings out magazines like Rani Weekly, Rani Muthu and Special supplements for Daily Thanthi - the No.1 Tamil morning newspaper.

- Malar Publications has a division to market advertising space of Daily Thanthi, Maalai Malar, Rani Weekly, Rani Muthu and Gokulam Kathir.
- Malar Publication owns AMN TV which has a consolidated viewership of 9 million people.
- Malar is capitalizing on its experience of Broadcasting FM Radio in association with AIR and is getting geared to set up FM broadcasting in 7 centres.

**Quantitative Factors:**

- Consistent profit making track record.
- Current EPS of Rs.2.76 on a capital base of Rs.85.00 million.
- Geared to return better results from FM operation as compared to competition as its bid is 20% lower than average bid and over 50% lower than highest bid resulting in a saving of Rs.47.5 million to Rs.127.7 million in all 7 centres put together.

## FINANCIAL STATEMENTS

### SUMMARY OF PROFIT AND LOSS ACCOUNT

(Rs.in million)

PARTICULARS	31.03.06(E)	31.01.2006	31.03.2005	31.03.2004	31.03.2003	31.03.2002
<b>INCOME</b>						
Sales Revenue	55.95	46.62	49.91	43.93	49.24	55.88
Advertisement Revenue	144.07	120.06	77.10	80.26	71.25	59.46
Retainer Fee	16.50	13.75	0.00	0.00	0.00	0.00
Printing Revenue	37.02	30.85	0.00	0.00	0.00	0.00
Interest Received	1.29	1.08	0.63	0.39	0.46	0.43
Other income	18.23	15.19	10.25	7.56	7.74	7.25
	<b>273.06</b>	<b>227.55</b>	<b>137.89</b>	<b>132.14</b>	<b>128.69</b>	<b>123.01</b>
<b>EXPENDITURE</b>						
Raw Material Consumed	12.57	10.48	0.00	0.00	0.00	0.00
Establishment Expenses	63.67	53.06	35.10	38.91	32.15	30.51
Administrative & other Expenses	149.01	12.41	89.96	85.10	80.20	80.87
Financial expenses	4.24	3.53	1.52	0.89	0.61	1.17
	229.49	191.24	126.59	124.90	112.97	112.54
Profit before Extraordinary item	<b>43.57</b>	<b>36.31</b>	<b>11.30</b>	<b>7.24</b>	<b>15.72</b>	<b>10.46</b>
IR & WB arrears					15.35	
Profit before depreciation	<b>43.57</b>	<b>36.31</b>	<b>11.30</b>	<b>7.24</b>	<b>0.37</b>	<b>10.46</b>
Depreciation	8.21	6.84	3.23	2.60	3.17	3.82
Profit before tax	35.36	29.47	8.07	4.63	-2.80	6.64
Provision for Taxation	11.90	9.92	3.00	0.60		3.40
<b>Profit after Tax</b>	<b>23.46</b>	<b>19.55</b>	<b>5.07</b>	<b>4.03</b>	<b>-2.80</b>	<b>3.24</b>
<b>EPS</b>	<b>2.76</b>	<b>2.30</b>	<b>105.96</b>	<b>84.29</b>	<b>-58.47</b>	<b>67.70</b>

**MALAR PUBLICATIONS LIMITED**
**SUMMARY OF ASSETS AND LIABILITIES**

(Rs.in Million)

Particulars	31.03.06(E)	31.01.06	31.03.05	31.03.04	31.03.03	31.03.02
<b>a) FIXED ASSETS</b>						
Gross block	52.79	52.79	37.11	33.58	29.93	26.52
Less: Depreciation	8.21	6.84	3.23	2.60	3.17	3.82
Net block	<b>44.58</b>	<b>45.95</b>	<b>33.88</b>	<b>30.98</b>	<b>26.76</b>	<b>22.70</b>
<b>b) INVESTMENTS</b>	<b>17.30</b>	<b>17.30</b>	<b>8.34</b>	<b>5.68</b>	<b>5.58</b>	<b>5.16</b>
<b>c) CURRENT ASSETS, LOANS &amp; ADVANCES</b>						
Sundry Debtors	43.78	42.93	9.02	15.02	20.60	11.70
Inventory	6.93	6.79	0.66	4.15	1.38	2.64
Cash & Bank Balances	7.78	7.41	2.24	1.28	1.02	0.55
Other Current Assets	118.54	107.38	36.99	10.51	10.03	15.59
	<b>177.03</b>	<b>164.51</b>	<b>48.91</b>	<b>30.96</b>	<b>33.04</b>	<b>30.47</b>
<b>d) Preliminary Expenses</b>	<b>1.52</b>	<b>1.52</b>				
<b>Assets (a+b+c+d)</b>	<b>240.43</b>	<b>229.28</b>	<b>91.14</b>	<b>67.62</b>	<b>65.38</b>	<b>58.32</b>
<b>E) liabilities and Provisions</b>						
SECURED LOANS	9.56	9.10	24.77	11.74	3.59	3.73
UNSECURED LOANS	52.73	50.23	20.30	12.19	10.19	9.99
CURRENT LIABILITIES	47.02	42.74	18.63	18.91	29.92	22.97
	<b>109.31</b>	<b>102.07</b>	<b>63.70</b>	<b>42.83</b>	<b>43.70</b>	<b>36.69</b>
<b>ADJUSTED NETWORK (a+b+c+d)-E</b>	<b>131.12</b>	<b>127.21</b>	<b>27.44</b>	<b>24.78</b>	<b>21.68</b>	<b>21.63</b>
REPRESENTED BY						
SHARE CAPITAL	85.00	85.00	4.79	4.79	4.79	4.79
RESERVES & SURPLUS	46.12	42.21	22.66	20.00	16.90	16.84
<b>ADJUSTED NETWORK</b>	<b>131.12</b>	<b>127.21</b>	<b>27.44</b>	<b>24.78</b>	<b>21.68</b>	<b>21.63</b>

## INDUSTRY

### 1. Global Entertainment and Media outlook:

#### a) Global Overview:

Price water house coopers in the Global Entertainment and Media outlook 2005-2009 have identified key trends and developments which will affect the industry and have related them to spending forecast.

The entertainment and media industry is in its strongest position since 2000. Economic conditions have improved and advertising is on the upswing. Asia Pacific was the fastest growing region and it is expected to retain that position in the next five years. Broadband Internet access will be a major catalyst of growth in all regions.

#### b) Global Entertainment and Media market by region:

The entertainment and media industry in United States, EMEA, Asia/Pacific, Latin America, and Canada will increase from US\$ 1.3 trillion in 2004 to US\$ 1.8 trillion in 2009 growing at a compound annual rate of 7.3%. Spending in Asia/Pacific will average 11.6% annual growth, the highest of any region, increasing from US\$ 250 billion in 2004 to US\$ 432 billion in 2009.

Global Entertainment and Media Market by Region (US\$ millions)

Region	2000	2001	2002	2003	2004P	2005	2006	2007	2008	2009	2005-09 CAGR
United States	445,063	446,271	467,014	490,986	524,777	554,266	591,218	622,459	660,234	690,110	
% Change	9.9	0.3	4.6	5.1	6.9	5.6	6.7	5.3	6.1	4.5	5.6
EMEA	338,730	353,592	370,993	388,792	417,476	446,934	481,084	509,562	543,264	572,231	
% Change	9.8	4.4	4.9	4.8	7.4	7.1	7.6	5.9	6.6	5.3	6.5
Asia/Pacific	193,555	200,714	211,239	226,290	249,756	276,399	312,916	352,147	394,983	431,817	
% Change	10.4	3.7	5.2	7.1	10.4	10.7	13.2	12.5	12.2	9.3	11.6
Latin America	28,449	28,703	27,777	29,077	31,527	33,882	37,084	39,958	43,467	46,671	
% Change	8.1	0.9	-3.2	4.7	8.4	7.5	9.5	7.7	8.8	7.4	8.2
Canada	21,730	22,855	24,384	25,894	27,598	29,020	31,437	33,367	35,270	36,989	
% Change	9.4	5.2	6.7	6.2	6.6	5.2	8.3	6.1	5.7	4.9	6.0
Total	1,027,527	1,052,135	1,101,407	1,161,039	1,251,134	1,340,501	1,453,739	1,557,493	1,677,218	1,777,818	
	9.9	2.4	4.7	5.4	7.8	7.1	8.4	7.1	7.7	6.0	7.3

Sources: Price Water House Coopers LLP, Wilkofsky Gruen Associates

#### c) Developing Countries:

Developing countries in Asia, Eastern Europe, and Latin America have been growing at a rapid and sustained pace in recent years. Strong demand for raw materials, metals, and commodities, as well as for finished products exported by developing countries, is fueling economic growth. Low U.S. interest rates have reduced debt service costs for a number of borrowing countries, which has freed up resources for more-productive uses. Because developing countries are generally operating well below their economic potential, the use of available but underutilized resources can produce high real growth. The high levels of growth potential in developing countries attract international investors, who provide capital to enable growth to occur.

**Index of Entertainment and Media Growth (2004 = 100)**

Year	Developed Countries	Developing Countries
2004	100	100
2005	108	120
2006	112	140
2007	120	165
2008	125	190
2009	130	220

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Faster real economic growth will translate into faster growth in entertainment and media spending because when the economy is expanding, incomes rise, consumers have more money to spend, and those consumers spend more on entertainment and media. Advertisers also spend more because there is a greater return on the advertising investment in the form of rising sales.

**d) GDP Growth Rate:**

Asia Pacific will continue to lead in GDP growth rate even though the region may find it difficult to grow at phenomenal rate beyond 2008.

**Nominal GDP Growth (%)**

Region	2000	2001	2002	2003	2004P	2005	2006	2007	2008	2009	2005-09 CAGR
United States	5.9	3.2	3.5	4.9	6.6	5.5	5.0	5.0	4.5	4.5	4.9
EMEA	6.3	3.9	4.1	4.5	4.4	4.5	4.7	5.2	5.6	5.6	5.1
Asia/Pacific	3.9	2.2	2.4	3.9	7.1	7.4	7.4	7.2	6.8	6.6	7.1
Latin America	12.1	-3.5	-13.0	2.1	5.1	5.8	6.1	5.7	5.4	5.1	5.6
Canada	9.5	3.0	4.3	5.2	5.1	5.4	5.2	5.0	4.7	4.5	5.0
Total	5.9	2.8	2.6	4.4	5.8	5.6	5.6	5.7	5.5	5.5	5.6

Sources: Price Water House Coopers LLP, Wilkofsky Gruen Associates World Bank

## 2. Global Entertainment and Media Market by Segment:

### Global Entertainment and Media Market by Segment (US\$ Millions)

Segment	2000	2001	2002	2003	2004P	2005	2006	2007	2008	2009	2005-09 CAGR
Filmed Entertainment	57,649	64,359	71,965	77,924	84,195	90,609	97,162	104,094	111,661	118,890	
% Change	11.1	11.6	11.8	8.3	8	7.6	7.2	7.1	7.3	6.5	7.1
TV Networks/ Broadcast & Cable	125,722	126,614	131,017	139,133	152,064	160,941	172,646	181,239	195,470	203,805	
% Change	11.3	0.7	3.5	6.2	9.3	5.8	7.3	5	7.9	4.3	6
TV Distribution: Station, Cable & Satellite	109,401	113,778	124,099	133,248	146,323	157,556	170,771	182,041	197,341	209,570	
% Change	13.9	4	9.1	7.4	9.8	7.7	8.4	6.6	8.4	6.2	1.4
Recorded Music	40,023	38,799	37,149	35,704	37,753	39,525	42,934	47,253	51,877	56,337	
% Change	-1.5	-3.1	-4.3	-3.9	5.7	5.2	8.1	10.1	9.8	8.6	8.3
Radio/Out-of-home Advertising	56,197	54,892	56,448	58,493	61,046	64,291	67,643	71,073	74,684	78,198	
% Change	8.9	-2.3	2.8	3.6	4.4	5.3	5.2	5.1	5.1	4.7	5.1
Internet Advertising & Access pending	53,671	70,376	86,588	107,548	132,063	160,895	192,724	226,064	258,899	288,757	
% Change	67.2	31.1	23	24.2	22.8	21.8	19.8	17.3	14.5	11.5	16.9
Video Games	18,084	19,119	21,582	22,873	25,406	27,529	34,349	43,723	49,762	54,605	
% Change	-1.7	6.2	12.4	6	11.1	8.4	24.8	27.3	13.8	9.7	16.5
Business Information	71,078	70,895	70,072	70,354	73,386	77,275	81,404	85,636	89,934	94,233	
% Change	7.4	-0.3	-1.2	0.4	4.3	5.3	5.3	5.2	5	4.8	5.1
Magazine Publishing	89,745	85,274	83,364	84,165	87,287	91,241	95,100	98,855	102,671	106,509	
% Change	6.8	-5	-2.2	1	3.7	4.5	4.2	3.9	3.9	3.7	4.1
Newspaper Publishing	172,891	166,069	163,815	165,792	171,369	176,859	182,861	188,891	195,164	201,515	
% Change	5.6	-3.9	-1.4	1.2	3.4	3.2	3.4	3.3	3.3	3.3	3.3
Book Publishing	101,762	101,956	103,652	105,89	107,471	110,800	114,386	118,486	122,818	127,281	
% Change	4.9	0.2	1.7	2.2	1.5	3.1	3.2	3.6	3.7	3.6	3.4
Theme Parks & Amusement Parks	18,476	19,109	20,102	20,593	21,482	22,470	23,621	24,603	25,666	26,768	
% C hange	5.5	3.4	5.2	2.4	4.3	4.6	5.1	4.2	4.3	4.3	4.5
Casino Gaming	48,788	53,070	57,264	62,446	68,504	74,291	80,329	86,541	93,303	100,272	
% Change	8.3	8.8	7.9	9	9.7	8.4	8.1	7.7	7.8	7.5	7.9
Sports	64,04	67,745	74,290	76,876	82,785	86,019	97,809	98,994	107,967	111,077	
% Change	10.9	5.8	9.7	3.5	7.7	3.9	13.7	1.2	9.1	2.9	6.1
Total	1,027,527	1,052,135	1,101,407	1,161,039	1,251,134	1,340,501	1,453,739	1,557,493	1,677,218	1,777,818	
% Change	9.9	2.4	4.7	5.4	7.8	7.1	8.4	7.1	7.7	6	7.3

Sources: Price Water House Coopers LLP, Wilkofsky Gruen Associates

The above table shows the actual results and forecast spending for each of the 14 entertainment and media segments. Internet Advertising will grow at a phenomenal 16.9% CAGR from 2005 to 2009.

### a) Television Network

The TV network market improved in 2004, with a 9.3 percent increase, the largest growth since 2000. TV networks benefited from an improved economy and from the summer Olympics in Athens and Euro 2004. Digital television will add to the number of outlets and fuel multichannel advertising, which will be the principal driver, although a generally favourable economic outlook will sustain growth in terrestrial advertising. Public TV license fees in EMEA and Asia/Pacific will continue to be slow-growing components of the market. It is projected that spending will increase at a 6.0 percent rate compounded annually to \$204 billion in 2009 from \$152 billion in 2004.

#### Television Network Market

(US\$ millions)

Region	2000	2001	2002	2003	2004P	2005	2006	2007	2008	2009	2005-09 CAGR
United States	40,424	40,850	44,072	48,020	53,732	57,272	61,501	64,824	69,884	73,183	
% Change	17.3	1.1	7.9	9	11.9	6.6	7.4	5.4	7.8	4.7	6.4
EMEA	48,589	49,040	49,632	51,392	54,793	57,550	61,007	63,506	66,677	69,210	
% Change	8.6	0.9	1.2	3.5	6.6	5	6	4.1	5	3.8	4.8
Asia/Pacific	29,738	29,811	30,374	32,221	35,296	37,350	40,466	42,768	47,792	49,843	
% Change	7.9	0.2	1.9	6.1	9.5	5.8	8.3	5.7	11.7	4.3	7.1
Latin America	4,424	4,158	4,036	4,360	4,929	5,254	5,953	6,217	6,995	7,248	
% Change	16.7	-6	-2.9	8	13.1	6.6	13.3	4.4	12.5	3.6	8.0
Canada	2,547	2,755	2,903	3,140	3,314	3,515	3,719	3,924	4,122	4,321	
% Change	7.1	8.2	5.4	8.2	5.5	6.1	5.8	5.5	5	4.8	5.4
Total	125,722	126,614	131,017	139,133	152,064	160,941	172,646	181,239	195,470	203,805	
% Change	11.3	0.7	3.5	6.2	9.3	5.8	7.3	5	7.9	4.3	6.0

Sources: Price Water House Coopers LLP, Wilkofsky Gruen Associates

### b) Radio/Out of home advertising market

The radio and out-of-home advertising market rose 4.4 percent in 2004 to \$61 billion. New digital stations contributed to radio growth, while new billboard technologies fueled out-of-home spending. Digital broadcasting will enhance radio spending during the next five years, and radio's broad reach and low prices will continue to make it attractive to advertisers. New billboard technologies will continue to boost out-of-home advertising, and improved audience measurement in the U.S will contribute to out-of-home growth. Satellite radio subscriptions are expanding in the United States, but slow-growing public radio license fees will hold down overall growth in EMEA and Asia/Pacific. It is projected that the radio/out-of/home advertising market will increase to \$78 billion in 2009, a 5.1 percent compound annual increase from \$ 61 billion in 2004.

## Radio/Out-of-home Advertising Market

(US\$ millions)

Region	2000	2001	2002	2003	2004P	2005	2006	2007	2008	2009	2005-09 CAGR
United States	24,530	23,055	24,133	24,730	25,745	27,318	29,151	31,050	33,142	35,167	
% Change	11.3	-6	4.7	2.5	4.1	6.1	6.7	6.5	6.7	6.1	6.4
EMEA	19,944	20,182	20,614	21,403	22,364	23,496	24,421	25,361	26,279	27,158	
% Change	9.3	1.2	2.1	3.8	4.5	5.1	3.9	3.8	3.6	3.3	4.0
Asia/Pacific	9,727	9,744	9,827	10,068	10,490	10,875	11,315	11,750	12,196	12,639	
% Change	3	0.2	0.9	2.5	4.2	3.7	4	3.8	3.8	3.6	3.8
Latin America	1,015	879	825	1,158	1,248	1,334	1,416	1,498	1,581	1,665	
% Change	6.8	-13.4	-6.1	40.4	7.8	6.9	6.1	5.8	5.5	5.3	5.9
Canada	981	1,032	1,049	1,134	1,191	1,268	1,340	1,414	1,486	1,560	
% Change	5.6	5.2	1.6	8.1	5.7	5.8	5.7	5.5	5.1	5	5.4
Total	56,197	54,892	56,448	58,493	61,046	64,291	67,643	71,073	74,684	78,198	
% Change	8.9	-2.3	2.8	3.6	4.4	5.3	5.2	5.1	5.1	4.7	5.1

Sources: Price Water House Coopers LLP, Wilkofsky Gruen Associates

**c) Magazine Publishing**

Magazine publishing increased 3.7 percent in 2004-its best performance since 2000 – helped by a pickup in advertising and new titles. Emerging affluence in a number of countries in EMEA and Asia/Pacific will benefit magazines because of magazines' ability to target upscale readers. New genres serving unmet needs will also expand the market, as will free titles in some countries. Increased investment, better audience research, and improved distribution will contribute to circulation growth. Publishers have generally become more optimistic about magazine prospects as the ad market has turned around. It is projected that magazine publishing will expand at a 4.1 percent compound annual rate to \$ 107 billion in 2009 from \$ 87 billion in 2004.

## Magazine Publishing Market

(US\$ millions)

Region	2000	2001	2002	2003	2004P	2005	2006	2007	2008	2009	2005-09 CAGR
United States	36,577	32,432	31,182	31,741	32,992	34,913	36,527	38,083	39,680	41,283	
% Change	6.7	-11.3	-3.9	1.8	3.9	5.8	4.6	4.3	4.2	4	4.6
EMEA	38,841	38,661	38,150	38,180	39,640	41,169	42,810	44,377	45,967	47,565	
% Change	7.4	-0.5	-1.3	0.1	3.8	3.9	4	3.7	3.6	3.5	3.7
Asia/Pacific	11,367	11,244	11,209	11,327	11,656	12,051	12,527	13,024	13,521	14,019	
% Change	5.6	-1.1	-0.3	1.1	2.9	3.4	3.9	4	3.8	3.7	3.8
Latin America	1,800	1,784	1,694	1,770	1,832	1,905	1,995	2,095	2,193	2,293	
% Change	3.6	-0.9	-5	4.5	3.5	4	4.7	5	4.7	4.6	4.6
Canada	1,160	1,153	1,129	1,147	1,167	1,203	1,241	1,276	1,310	1,349	
% Change	5.9	-0.6	-2.1	1.6	1.7	3.1	3.2	2.8	2.7	3	2.9
Total	89,745	85,274	83,364	84,165	87,287	91,241	95,100	98,855	102,671	106,509	
% Change	6.8	-5.0	-2.2	1.5	3.7	4.5	4.2	3.9	3.9	3.7	4.1

Sources: Price Water House Coopers LLP, Wilkofsky Gruen Associates

### 3. Global Entertainment and Media Spending in Asia Pacific

The entertainment and media market in Asia/Pacific rose 10.4 percent in 2004, matching the 10.4 percent increase in 2000. Internet, casino gaming, TV distribution, and video games each posted double-digit gains. Penetration growth fueled the Internet and TV distribution markets. It is projected that Asia/Pacific will be the fastest-growing region during the next five years. The PRC will lead the way, with compound annual growth of 25.2 percent, followed by Pakistan, with 20.5 percent – from a very low base – and India, with 14.9 percent. The region's compound annual growth rate excluding Japan will be 15.1 percent.

#### (i) Entertainment & Media Market (US\$ millions)

Asia/Pacific	2000	2001	2002	2003	2004P	2005	2006	2007	2008	2009	2005-09 CAGR
Filmed Entertainment	12,341	13,196	13,722	14,503	15,378	16,196	16,974	17,869	18,991	20,120	
% Change	6.2	6.9	4	5.7	6	5.3	4.8	5.3	6.3	5.9	5.5
TV Networks/ Broadcast & Cable	29,738	29,811	30,374	32,221	35,296	37,35	40,466	42,768	47,792	49,843	
% Change	7.9	0.2	1.9	6.1	9.5	5.8	8.3	5.7	11.7	4.3	7.1
TV Distribution: Station, Cable & Satellite	9,907	10,739	11,949	13,763	15,988	18,246	20,970	23,835	26,964	29,853	
% Change	22.6	8.4	11.3	15.2	16.2	14.1	14.9	13.7	13.1	10.7	13.3
Recorded Music	8,660	8,247	8,112	8,159	8,917	9,533	10,490	11,912	13,297	14,726	
% Change	-4.4	-4.8	-1.6	0.6	9.3	6.9	10	13.6	11.6	10.7	10.6
Radio/Out-Of-home Advertising	9,727	9,744	9,827	10,068	10,490	10,875	11,315	11,750	12,196	12,639	
% Change	3	0.2	0.9	2.5	4.2	3.7	4	3.8	3.8	3.6	3.8
Internet Advertising & Access pending	12,730	17,070	23,126	30,849	39,923	54,064	72,471	93,275	113,885	132,804	
% Change	134.5	34.1	35.5	33.4	29.4	35.4	34.0	28.7	22.1	16.6	27.2
Video Games	7,353	7,725	8,448	8,978	10,086	11,108	14,053	17,974	20,657	23,087	
% Change	0	5.1	9.4	6.3	12.3	10.1	26.5	27.9	14.9	11.8	18
Business Information	6,301	6,494	6,341	6,350	6,563	6,899	7,303	7,737	8,181	8,625	
% Change	5.3	3.1	-2.4	0.1	3.4	5.1	5.9	5.9	5.7	5.4	5.6
Magazine Publishing	11,367	11,244	11,209	11,327	11,656	12,051	12,527	13,024	13,521	14,019	
% Change	5.6	-1.1	-0.3	1.1	2.9	3.4	3.9	4.6	3.8	3.7	3.8
Newspaper Publishing	43,491	43,220	42,686	43,987	46,117	47,657	49,540	51,408	53,344	55,314	
% Change	6.5	-0.6	-1.2	3	4.8	3.3	4	3.8	3.8	3.7	3.7
Book Publishing	21,342	21,238	21,142	20,943	21,653	22,351	23,481	24,560	25,876	27,250	
% Change	4.8	-0.5	-0.5	-0.9	3.4	3.2	5.1	4.6	5.4	5.3	4.7
Theme Parks & Amusement Parks	5,006	5,530	5,943	5,976	6,143	6,493	7,005	7,296	7,681	8,087	
% change	5.7	10.5	7.5	0.6	2.8	5.7	7.9	4.2	5.3	5.3	5.7
Casino Gaming	4,831	5,547	6,064	7,193	8,835	10,033	11,668	13,578	15,866	18,486	
% Change	16.1	14.8	9.3	18.6	22.8	13.6	16.3	16.4	16.9	16.5	15.9
Sports	10,761	10,909	12,296	11,973	12,711	13,543	14,653	15,161	16,732	16,964	
% change	7.8	1.4	12.7	-2.6	6.2	6.5	8.2	3.5	10.4	1.4	5.9
Total	193,555	200,714	211,239	226,290	249,756	276,399	312,916	352,147	394,983	431,817	
% Change	10.4	3.7	5.2	7.1	10.4	10.7	13.2	12.5	12.2	9.3	11.6

Sources: Price Water House Coopers LLP, Wilkofsky Gruen Associates

#### 4. Advertising Spending (US\$ millions)

Advertising rose 9.5 percent in 2004, led by double-digit increases in Internet advertising and TV networks. Newspapers rose by 8.8 percent, and each of the remaining segments also improved. The increase in 2004 was the largest since 2000. No segment grew by less than 4 percent, and out-of-home and magazines were the only segments to each grow by less than 5 percent.

The healthy economic outlook will propel advertising by 7.0 percent compounded annually. The Internet will continue to be the fastest-growing category, rising at a 17.1 percent compound annual rate, driven by increased online penetration and an expanding broadband market. TV networks will grow by 8.1 percent compounded annually, with a double-digit spike in 2008 associated with the Olympics in Beijing. Asia/Pacific will continue to have the fastest-growing newspaper advertising market in the world – 5.9 percent compounded annually – buoyed by large increases in the PRC. Annual gains ranging from 4.0 percent to 4.8 percent are expected for radio, out-of-home, and magazines.

Advertising in Asia/Pacific will increase from \$67 billion in 2004 to \$95 billion in 2009.

Advertising

(US\$ Millions)

Asia/Pacific	2000	2001	2002	2003	2004P	2005	2006	2007	2008	2009	2005-09 CAGR
TV Networks/ Broadcast & Cable	24,191	24,149	24,594	26,314	29,265	31,184	34,175	36,348	41,247	43,170	
% Change	10.7	-0.2	1.8	7	11.2	6.6	9.6	6.4	13.5	4.7	8.1
Radio	3,120	3,123	3,089	3,160	3,339	3,481	3,664	3,850	4,037	4,220	
% Change	6.6	0.1	-1.1	2.3	5.7	4.3	5.3	5.1	4.9	4.5	4.8
Out-Of-home	4,229	4,194	4,262	4,376	4,564	4,750	4,955	5,149	5,353	5,559	
% Change	3.7	-0.8	1.6	2.7	4.3	4.1	4.3	3.9	4	3.8	4.0
Internet	888	981	1,162	1,679	2,175	2,650	3,170	3,736	4,294	4,787	
% Change	203.1	10.5	18.5	44.5	29.5	21.8	19.6	17.9	14.9	11.5	17.1
Magazine	5,871	5,709	5,660	5,799	6,077	6,350	6,651	6,960	7,268	7,577	
% Change	8.1	-2.8	-0.9	2.5	4.8	4.5	4.7	4.6	4.4	4.3	4.5
Newspaper	20,650	20,148	19,381	20,218	21,990	23,174	24,675	26,150	27,673	29,226	
% Change	11	-2.4	-3.8	4.3	8.8	5.4	6.5	6	5.8	5.6	5.9
Total	58,953	58,304	58,148	61,546	67,410	71,589	77,290	82,193	89,872	94,539	
% Change	10.9	-1.1	-0.3	5.8	9.5	6.2	8.5	6.3	9.3	5.2	7.0

Sources: Price Water House Coopers LLP, Wilkofsky Gruen Associates

## 5. Country Spending

Entertainment and Media Market

(US\$ Millions)

Asia Pacific	2000	2001	2002	2003	2004P	2005	2006	2007	2008	2009
Australia	13,916	13,800	14,100	15,120	16,408	17,559	18,847	19,986	21,208	22,226
China	18,657	21,878	27,992	35,965	46,407	60,620	79,702	100,566	122,396	143,039
Hong Kong	3,049	3,206	3,260	3,419	3,778	4,124	4,460	4,721	5,011	5,260
India	6,145	6,799	7,420	8,081	9,046	10,389	11,763	13,757	16,049	18,139
Indonesia	1,695	1,890	2,157	2,452	3,118	3,319	3,871	4,341	4,872	5,355
Japan	88,034	88,261	86,435	87,921	91,573	94,988	99,373	103,330	108,610	111,777
Malaysia	1,709	1,844	2,058	2,293	2,539	2,754	3,033	3,329	3,660	3,983
New Zealand	2,467	2,550	2,708	2,937	3,137	3,304	3,497	3,684	3,916	4,114
Pakistan	503	525	570	649	780	910	1,127	1,447	1,770	1,980
Philippines	1,200	1,248	1,270	1,357	1,468	1,622	1,777	1,989	2,263	2,501
Singapore	1,276	1,295	1,359	1,410	1,514	1,587	1,683	1,798	1,933	2,074
South Korea	15,291	15,875	17,368	18,729	19,633	20,299	21,553	22,780	24,257	25,275
Taiwan	7,826	8,242	8,432	8,973	9,595	10,180	10,759	11,263	11,916	12,523
Thailand	2,365	2,635	2,824	2,983	3,280	3,517	3,886	4,288	4,735	5,126
<b>Country Sub-Total</b>	164,133	170,048	177,953	192,289	212,276	235,252	265,281	297,279	332,596	363,372
Regional Spending	29,422	30,666	33,286	34,001	37,480	41,147	47,635	54,868	62,387	68,445
<b>Total</b>	193555	200714	211239	226290	249756	276399	312916	352147	394983	431817

Sources: Price Water House Coopers LLP, Wilkofsky Gruen Associates World Bank

Advertisement spending in India will grow from US\$ 9,046 millions in 2004 to US\$ 18,139 million in 2009.

### 6. Conclusion:

Pricewaterhousecooper's Global Entertainment and media outlook 2005-2009 clearly indicates that Asia/Pacific region will witness the highest growth in media spending in the world. India along with China & Japan will contribute to this growth.

## 2. General Outlook of Print Media, FM Broadcasting Industry.

### A. Media and Entertainment Industry –Recent Developments.

Media and Entertainment Industry has been growing in a big way in the last two years - Possibly due to the technological revolution in the electronics and telecommunication sphere. With income levels and savings potential growing up, Newspaper Industry, Television Broadcasting Industry, Radio, FM and Music Industry have been growing up at a fast pace. Each of these industries has launched innovative programmes to cater to varying demands.

- Satellite Radio Transmission is being offered by a large number of channels - each channel focusing on select music segment.
- Internet revolution has added to the glamour where under a number of entertainment programmes – Music, Cinema, Multimedia Messaging – can now be downloaded for the benefit of Internet browsing viewers.

- The latest to join the media revolution is I-pod.
- In the Indian scene, innovations are brought in the Newsprint Media and these have already stepped up the Readership base.
- Quite a number of new TV Channels have been launched – each focusing on certain special area trying to attract the targeted TV Viewing population.
- The latest to happen in the media space in the Indian scene is in the area of privatization of FM Radio. The listenership base of FM Radio is bound to compete effectively with conventional radio space, in view of its rich content.

**DTH Broadcasting:** A recent development in the TV broadcasting scene is the entry of Direct-To-Home (DTH) broadcasting. Two broadcasters have already launched the service in the past two years and are claiming 3.46 million subscribers – more than 5% of all cable television viewing in India.

**FM Broadcasting:** Besides TV Broadcasting and newspapers' upsurge in the media sector, FM companies are making a major breakthrough consequent to recent changes made by the Govt pertaining to Licensing policy

#### **Pod casting - the next generation Radio.**

Pod casting is the latest in on- the-go, on demand technology. It became popular in late 2004, mainly due to direct downloading of audio on to the portable players or the personal computers. Radio stations all over the world –Australia, Belgium, Canada, Denmark, Italy, Norway, Spain, Sweden, UK, USA,- have adopted Pod casting. BBC and National Radio (Australia) are the biggest Podcasters. The word Podcasting – is the combination of broadcasting and Ipod. It is the method of publishing via Internet, allowing users to subscribe to a feed of new files usually MP3s. With pod casting one can listen to Radio Programmes or events whenever and whatever one chooses to. Podcasts are MP3 audio files that are automatically downloaded to one's personal computer and then transferred to an Ipod or other MP3 Player using a Pod cast application.

A research Report by TDG suggests that between 2004 and 2010, the use of Podcasting among US consumers will enjoy a compounded annual growth rate of 101% from 0.8 million to 56.8 million in 2010.

As of today there is no law to govern as to how to use copyrighted material in Podcasting and it is a matter of time that laws would be framed.

It would take sometime for the media companies in India to get into this new emerging opportunity of bringing in Pod casting to the reach of households.

#### **B. Circulation, Advertising Income, Readership/Viewership:**

The advertising income, circulation of Newspapers/magazine, readership/viewership has been increasing in all parts of the World. As per Zenith optimedia the advertising income is poised to grow from US\$ 403,663 million in 2005 to US\$ 478,943 million in 2008. During the last 40 years there has been an increase of over 5 times in the number of dailies between 1962 and 2002. More number of people are spending higher time either reading newspaper, listening to radio or watching TV.

**Circulation**

Year	No. of Dailies	Circulation 1 day In '000
1962	236	5,505
1972	286	8,610
1982	482	14,711
1992	839	23,241
2002	914	25,133

Source: Price Water House Coopers  
Global Media and Entertainment  
Outlook – 2004-2008

The circulation figure has gone up from 5505K in 1962 to 25133K in 2002. The No. of dailies has gone up from 236 in 1962 to 914 in 2002. As per Price Waterhouse Coopers Report on 'Global media and entertainment outlook 2004-2008' the average advertisement income to circulation income ratio for the year 2003 was estimated at 55% - 45%.

**Advertising Income:**

The world advertising income is forecasted to grow 18.64% from 2005 to 2008. The Asia Pacific region will see a higher growth of 23.42% from 2005 to 2008. India will be among the top ten contributors to annual advertising expenditure growth 2004 to 2008. India's advertising expenditure which is 0.8% of sector in 2004 will grow to 1.1% of sector in 2008 whereas USA's will go down from 42.7% of sector in 2004 to 40.8% of sector in 2008. Traditionally advertisement expenditure will continue tracking or exceeding world economy. Brazil, Russia, India, Indonesia and China which represents 8% of global advertising will contribute 33% of growth in 2008. However the Indian advertising spend is only 0.34% of GDP compared to 0.98% of the world offering tremendous potential for growth. As of 2004 media spend in India for print was 46.3%, for TV – 43.7%, for Radio – 2.9%, Cinema – 0.6%, outdoor 6% and internet 0.3%. The media spend on radio increased from 2.5% in 2000 to 2.9% in 2004 still lagging far behind other developed countries again offering tremendous potential for growth.

- i) Top ten contributors to annual advertising expenditure growth 2004-2008  
US\$ million, current prices

	Contribution US\$m	% of sector 2004	% of sector 2008
USA	29,814	42.7	40.8
China	7,890	2.2	3.5
Russia	5,362	1.0	2.0
Japan	5,213	10.7	9.7
Brazil	4,671	1.2	2.0
UK	3,909	5.5	5.2
Indonesia	3,108	0.7	1.2
India	2,211	0.8	1.1
Saudi Arabia/Pan Arab	2,068	0.7	1.0
Spain	1,908	2.0	2.0

Source: Zenith Optimedia

(ii) Adspend by medium 2004-2008

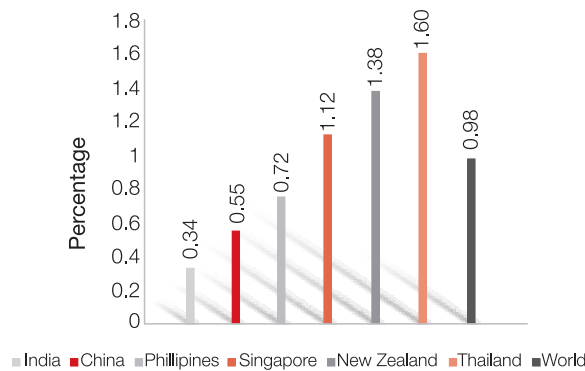
US\$ million, current prices

	2004	2005	2006	2007	2008
Television	141,510	146,827	155,659	165,768	176,069
Newspapers	113,729	118,107	122,559	127,058	131,724
Magazines	51,227	52,739	55,069	57,802	60,569
Radio	32,714	33,631	34,941	36,422	38,134
Outdoor	21,892	23,231	24,916	26,948	29,289
Internet	14,093	18,147	22,433	26,406	29,902
Cinema	1,517	1,656	1,794	1,934	2,094
<b>Total</b>	<b>376,683</b>	<b>394,338</b>	<b>417,371</b>	<b>441,337</b>	<b>467,781</b>

Source: Zenith Optimedia

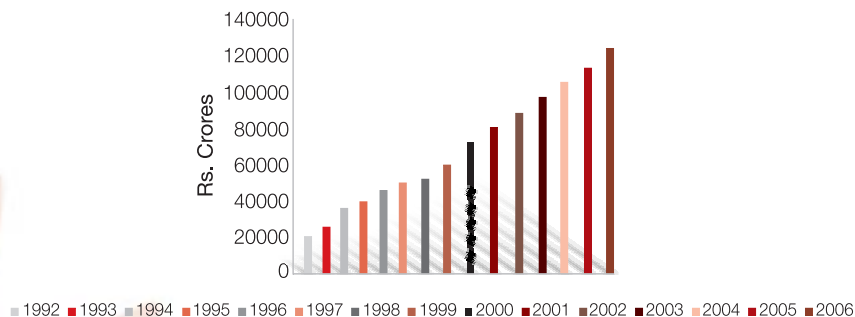
(iii) The Indian advertising spends as a percentage of GDP is 0.34%, which lags behind other developed and developing countries.

Ad Spend as % of GDP



Source: Advertising Expenditure forecast – 2004 – Zenith Optimedia

Indian Ad Industry - Trend in Gross Advertising Spend (1992 - 2006)



Source: Advertising Expenditure forecast – 2004 – Zenith Optimedia

**(v) Segment of Advertising Spends**

The five key industry segments comprise print, television, radio, cinema, and outdoor. These different segments within the industry are at varying stages of growth and corporatization.

Media Spends as % of Total Ad Spend						
	Print	TV	Radio	Cinema	Outdoor	Internet
2000	49.0%	39.3%	2.5%	0.5%	8.4%	0.3%
2001	48.4%	40.6%	2.7%	0.4%	7.5%	0.4%
2002	47.2%	41.9%	2.9%	0.7%	7.0%	0.4%
2003	46.6%	43.0%	2.9%	0.7%	6.5%	0.4%
2004	46.3%	43.7%	2.9%	0.6%	6.0%	0.3%

Source : Advertising Expenditure Forecasts, October 2004 by Zenith Optimedia

**C. Readership/Viewership**

**(i) NRS Survey 2002**

The National Readership Survey 2002 Report highlights the role of print media, television and radio in reaching the consuming class classified under six socio economic classification in Rural India.. The figures given below indicate percentage reach of each medium in the respective socio economic classification. The analysis shows that the television and print media is becoming more prominent in reaching the consuming class.

SEC Classification	Print %	Television %	Satellite Television %	Radio %	Cinema %
A1	88	93	62	29	20
A2	80	89	54	27	21
B1/B2	69	85	45	27	21
C	54	77	34	26	20
D	35	63	23	24	21
E	18	45	13	19	20

Source: NRS 2002

**(ii) NRS Survey 2003/ Hansa Research 2005.**

The National Readership Survey 2003 reports that 53.4% of population watch TV at least once a week, 21.5% of population listen to Radio at least once a week and 24.5% of population read newspapers. The number of readers as per NRS Survey 2003 is 186.93 million but Hansa Research puts that figure higher at 252 million. Even taking the lower figures presented by NRS 2003 there is very high readership for Newspapers, Viewership for TV and listenership for Radio in India..

**a) Summary of Media penetration as per NRS 2003-All India:**

**Readership in thousand**

Media Reach	Readership / Viewership	% of population
Press ( Any Publication- AIR )	186,933	24.5
TV ( At least once a week )	407,845	53.4
Radio (At least once a week )	164,022	21.5

NRS 2003 All Indian (Adults)

**b) Indian Media Key Data**

On Weekday		2000	2001	2002	2003-04	2005
<b>Media</b>						
Press	No.of Readers (in mn)	232	233	231	252	360
	Time spent*	32	31	30	29	35
TV	No.of Viewers (in mn)	333	243	350	370	386
	Time spent*	113.9	110.4	112.4	107.9	106.4
Radio	No.of Listeners (in mn)	122	105	101	138	153
	Time spent*	64	63	66	80	80
Internet	No.of Users (In mn)	3	5	8	12	12
	Time spent*	65	65	66	58	30

*\*measures in minutes for weekdays, sample comprises All India audience aged over 12*

Source : Hansa Research

\* Source : Business World 05.09.2005

**3. NEWSPAPER INDUSTRY OUTLOOK:**

**A. NEWSPAPER INDUSTRY GLOBAL SCENARIO**

The Media and entertainment industry in Asia Pacific region is headed for a sizable growth . As per Price Water House Coopers Report on Global Media and Entertainment Outlook 2005-2007, the industry is on the up move following three years of sluggish growth in reaction to economic weakness and terrorism. Spending in the Asia Pacific region is estimated to have an average 11.6%annual growth - the highest of any global region. India and the People's Republic of China are considered to be the principal growth catalysts in the Asia/Pacific region and economic expansion in these two countries is growing at a record pace.

Entertainment and Media Industry normally grows faster than other sectors, as income Levels grows, more funds get allocated to leisure and entertainment by the households once the basic necessities are met with. With more resources at their disposal, the younger population pushes growth drivers in the media industry- TV, Newspapers and Magazines, Radio, Internet etc. The perceived threat from the Internet revolution no more is reckoned as a threat to newspaper industry. The readers continue to prefer and patronize the newspapers and magazines they have all along been accustomed to. The saying-Reading habits die hard- continues to be valid.

The Newspaper Publishing Industry has certain characteristics.:

- Management Control: The newspaper industry is largely family owned. Only recently where the newspaper companies have gone public and even in these cases the majority stake continues to be with the families.
- Newspapers serve as a major advt. Media: With growing levels of literacy and income levels, newspaper circulation has been growing up. These factors trigger the interests of advertisers to allocate a larger portion to the news media. Newspapers attract readers across all segments. Consequently advertisers prefer news media while allocating ad spending.

**Newspaper Market Size:**

The Price Water house Coopers Survey has estimated the newspaper market in Asia/Pacific at US\$ 41.4 billion in 2003 and it is estimated that the market will grow at a CAGR of 2.7%p.a. for next five years to reach US\$ 47.3 billion in 2008. Similarly the size of the Indian newspaper market is estimated at US\$ 1.7 billion in 2003 and it is estimated that the market will grow at a CAGR of 6.9%p.a. for next five years to reach US\$ 2.4 billion in 2008. Summary of the historical and projected growth is as follows:

US\$ Million

Particulars	1999	2000	2001	2002	2003*	2004	2005	2006	2007	2008
<b>1. Advertising Market</b>										
India	583	686	774	768	954	1050	1147	1243	1339	1436
Asia Pacific	17492	19454	19008	18291	19334	20109	21041	22095	23121	24153
<b>2. Circulation Spending</b>										
India	512	585	590	625	767	819	860	902	934	968
Asia Pacific	20674	21311	21550	21744	22081	22120	22238	22455	22762	23162
<b>3. Total</b>										
India	1095	1271	1364	1393	1721	1869	2007	2145	2273	2404
Asia/ Pacific	38166	40765	40558	40035	41415	42229	43279	44550	45883	47315

Source : PricewaterhouseCoopers Global entertainment and Media Outlook 2004-08

\* estimated

The size of media industry in India as a portion of the GDP is estimated at 0.7% and is lower than most of the developed and developing nations. The size of media industry as a proportion of GDP for some of the other countries was estimated at 2.7% for the United States of America; 2.0% for Brazil; 1.3% for Thailand; and 1.15% for South Africa. Similarly a study by world advertising trends on the comparison of advertising expenditure to GDP reveals that advertisement expenditure to GDP ratio in India is 0.34%. The same ratio for some of the other countries was estimated at 1.6% for Brazil; 1.35% for the United States of America; 1.1% for the United Kingdom; 0.9% for Germany; 0.9% for Thailand; and 0.7% for Indonesia.

**B. NEWSPAPER INDUSTRY: INDIA SCENARIO.**

**History and Background:** The Indian Print media has grown over a period triggered by the revolutionary independence struggle and the era thereafter, which assured freedom of press within a broad frame work. The Indian market is fragmented with over 1600 news publications clocking a circulation figure of over 200 millions. Considering the geographical diversity with multifarious languages prevalent at these locations, regional/ vernacular news daily and publications dominate the market place with over 45% of market share. Regional concentration is not only peculiar to regional language dailies but also to English dailies dominating in one or more local segments in each area.

**Regional dailies –dominant share in each region.**

Consequent to technological changes in printing technology and revolutionary changes in communication the newspaper industry has made rapid strides since 1950s. The industry has been fragmented with English as also vernacular dailies focusing and dominating in each region.- regional papers like Daily Thanthi in Tamilnadu, Gujarat Samachar in Gujarat, Dainik Bhaskar in Rajasthan dominate the local territories.

A select list of dailies dominating at select specific geographical locations is given hereunder:

Players dominating specific Geography:

S.No.	Readership of Top 10 Newspapers (Urban+Rural)	Language	Region	In Millions
1	Dainik Jagran	Hindi	Central and North India	19.17
2	Dainik Bhaskar	Hindi	Rajasthan and Central India	15.09
3	Daily Thanthi	Tamil	Tamilnadu	10.56
4	Amar Ujaala	Hindi	Uttar Pradesh, Uttaranchal	9.85
5	Malayalam Manorama	Malayalam	Kerala	9.43
6	Hindustan	Hindi	New Delhi & North India	9.00
7	D.Lokmat	Marathi	Vidarbha (Maharashtra)	8.87
8	Enaadu	Telugu	Andhra Pradesh	8.78
9	Mathru Boomi	Malayalam	Kerala	8.04
10	Times of India	English	All India	7.29

IRS 2005-R2

Since 1990s the newspaper industry is looking for opportunities to grow beyond their Territories with Times of India's entry into certain newer territories and Hindustan Times and Deccan Chronicle making a debut in other locations. The government of India has imposed restrictions on foreign investment in the newspaper industry keeping in view national security considerations.

#### Features governing Indian Newspapers

- In each State of India vernacular newspapers outperform English dailies in circulation. Vernacular dailies like Daily Thanthi, Maalai Malar, Dinamani have a large circulation in Tamilnadu, Gujarat Samachar in Gujarat, Dainik Bhaskar in Rajasthan, Eanadu in Andhra and Malayala Manorama in Kerala are notable examples. Further each State, has at least one or more English dailies dominating the scene, mainly because of the scope of coverage of regional / local news.
- All India Companies and MNCs allocate a major share of their ad spending to English dailies –both All India and regional- and a portion to regional /vernacular newspapers. Midcap companies and companies having products of local patronization spend a very large portion of their ad spending in Vernacular dailies and regional English dailies.
- Newspapers in general keep the cover price of the dailies at below cost and advertisement revenue subsidizes the loss. Bulk of the income comes from advertisement revenue.
- In terms advertisement recall value, newspapers win over TV Media as the newspapers meet the target audience and the content of advertisement is comprehensive, brief and meets the requirements of the end user.
- Quite a number of newspapers have leanings towards political parties. Those dailies which are neutral, have balanced views with good editorial content have maintained their market share. Factors like accuracy of news, special supplements on popular news segments count for the continued patronage of dailies.
- Regional/Vernacular dailies have developed an excellent distribution network capability so as to ensure a large market share.

**Indian Newspaper Industry – Future outlook**

The Price Waterhouse Coopers Survey has estimated the newspaper market in Asia/Pacific at US\$ 43.98 billion in 2003 and it is estimated that the market will grow at a CAGR of 3.7% p.a. for next five years to reach US\$ 53.34 billion in 2008. Similarly the size of the Indian newspaper market is estimated at US\$ 1.7 billion in 2003 and it is estimated that the market will grow at a CAGR of 6.9% p.a. for next five years to reach US\$ 2.4 billion in 2008.

The growth in readership has been faster than the growth in literacy during the last few years. The literacy levels in India increased from 57.9% in 1999 to 65.4% in 2002, whereas the readership base has increased from 163 million to 180 million during the same period. The major contributors to growth in readership are from the English, Hindi, Tamil and Malayalam languages.

Government of India's move on liberalization has brought in global MNCs setting up their operations in India. Privatisation in services sector has brought in a sea change in the Indian economy. Consumer habits are changing and new innovative products are placed in departmental stores. All these factors will contribute to stepping of the advt revenues of the media industry. Players in news media and TV channels would thus stand to gain. Print media industry is poised for excellent growth. .

**Regional Dailies and the Advt Revenue sharing:**

An important feature of Indian Newspaper industry is that the regional vernacular dailies have a dominant presence. The Advertisement revenue constitutes significant major revenue for the newspapers. The alternate media like television and Internet in India has been gaining importance considering the specific advantages enjoyed by them over print media.

The Regional News papers have been dominating local market place despite constant threats from all India players to penetrate into their areas but with very little success. As has been in the global scenario, readers in India are normally wedded to a particular news paper and rarely switch over to another news daily even if specific incentive are offered by the new entrant. Advertisers recognize the importance of regional dailies while allocating the advt spending.

**Revenue Streams:**

The main revenues come from circulation revenue and revenues from sale of advertisement space. The latter contributes over 55% of the revenue stream. Normally the cover price of the news daily is less than the cost per copy and in many cases represents one third the cost of production per copy. All India circulation of news paper aggregates to around 200 million copies per day and is less than 20% of India's Population. With literacy level growing at a large pace, at least another 300 million copies per day could be expected to be sold. As the readership figures grow up, advertisement revenues would also go up but may not be directly proportional thereto. It is seen that print media accounts for around 46% of the advertisement expenditure in India as compared to 43% globally. Advertisement spending in India is around 0.34% of GDP as against 0.55% in China and 1.35% in the U.S. Assuming India catches up with other countries, advertisement revenues in print media would register a 10.3% compound annual growth rate (CAGR) over the next 10 years.

Table : Advertising Revenue Potential :-

Advertising Revenues	2005	2014E
Advertising spend / GDP in India	0.34	0.54
Contribution of print media	46	43
GDP (indexed : FY05=100)	100	179
Ad revenues for print media indexed	0.16	0.42
<b>10-year CAGR</b>		<b>10.3%</b>

**C. NEWSPRINT INDUSTRY – TAMILNADU SCENARIO:**

The Newspaper Industry in Tamilnadu is not that fragmented as is the case in pan India. The literacy level in Tamilnadu is high and the lifestyle prevalent has its background to the cultural ethos of the State. The Political parties have their own news daily to air their views. Over 75% of the population read, write and speak Tamil. Accordingly the newspaper Industry in Tamilnadu is structured with regional vernacular dailies dominating the scene.

In case of regional tamil dailies, **Daily Thanthi**, the morning Tamil Daily enjoys the pivotal No.1 position as the largest circulated Tamil news daily. The other players include Dhinamalar, enjoying a lesser share of market segment. In so far as the evening Tamil dailies are concerned, **Maalai Malar** enjoys the No.1 position with others far behind in circulation. As in the case of Tamil dailies, Tamil Magazines also enjoy a large circulation. Malar Group publishes Rani Muthu, Rani Weekly and Gokulam Kathir.

In case of English dailies “The Hindu” continues to enjoy a dominant place, ahead of Indian Express and the latest new entrant Deccan Chronicle.

**Circulation and related information**

The Newspaper media continue to attract large share of advertisement revenues. There are two readership surveys conducted in India viz. National Readership Surveys (NRS) and Indian Readership survey (IRS). The NRS is commissioned jointly by the Audit Bureau of Circulation, Advertising Agencies Association of Indian representing advertisers, and the Indian Newspaper Society, representing media owners. The survey measures readership – circulation times eyeballs – a more reliable benchmark for advertisers than simple circulation numbers. The NRS is controlled by three bodies representing the Audit Bureau of Circulation, the newspaper companies, advertising agencies and advertisers. It is conducted by AC Nielsen, IMRB, TNS-Mode, and ORG-Marg. The circulation details of the Tamil and English Newspaper Dailies and Tamil Magazines in Tamilnadu are as follows:

**Circulation Details of Newspapers & Magazines in Tamilnadu of Members of**

**Indian Newspaper Society for the year 2004**

	<b>Name</b>	<b>Frequency</b>	<b>Circulation</b>
<b>A</b>	<b>Dailies</b>		<b>No of Copies</b>
	<b>1.Tamil</b>		
1	Daily Thanthi	Morning	714910
2	Dinakaran	Morning	300088
3	Dinamalar	Morning	561649
4	Dinamani	Morning	139046
5	Malai Sudar	Evening	16039
6	Malai Murasu	Evening	10265
7	DhinaMuasu	Evening	24225
8	Maalai Malar **	Evening	68000
	<b>2.English Dailies</b>		
1	News Today	Evening	30092
2	The Hindu	Morning	981563
3	The New Indian Express	Morning	230201

B	Tamil Magazines		
1	Ananda Vikatan	Weekly	308722
2	Kumudam	Weekly	385925
3	Rani Weekly	Weekly	189049
4	Junior Vikatan	Weekly	189906
5	Devi Weekly	Weekly	69343
6	Kalki	Weekly	42063
7	Kungumam	Weekly	60074
8	Tamilan Express	Weekly	12779
9	Thuklak	Weekly	
10	Rani Muthu	Fortnightly	59123
11	Cinema Express	Fortnightly	22809
12	Ambulimama	Monthly	28000
13	Mangaiyar Malar	Monthly	207209
14	Valar Thoyil	Monthly	17165

Source: IRS Database Criteria applied: # IRS 2004

\*\* (Maalai Malar figures Source: as per Company)

**Leading news dailies of Tamilnadu. –Circulation. and Readership Profile.**

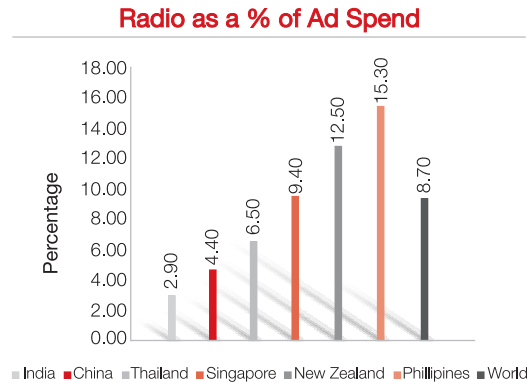
Besides Maalai Malar there are over four Tamil Dailies published in Tamilnadu. These are – **Dina Thanthi, Dinamalar, Dinamani, and Dinakaran.** Recently Sun Group has launched an evening tabloid daily – **Tamil Murasu.** The circulation details of the main dailies – morning and evening are given below:

	DAILY THANTHI	DINAKARAN	DINAMALAR	DINAMANI	MALAIMALAR
Sample	3399	481	1935	460	514
Est. Individuals ('000s)	10558	1535	5075	1220	1400
<b>Sex</b>					
Male	8700	1345	3968	946	1253
Female	1858	190	1106	274	147
<b>Age Group</b>					
12-14 Years	604	63	269	73	68
15-19 Years	1423	155	584	103	118
20-29 Years	2997	372	1351	288	328
30-39 Years	2407	380	1188	231	402
40-49 Years	1487	230	794	211	201
50 Years+	1640	335	891	315	284
<b>Education</b>					
Illiterate	-	-	-	-	-
Literate but no formal schooling	42	2	12	2	-
School-up to 4 <sup>th</sup> Standard	440	102	139	42	38
School-5th to 9th Standard	4209	561	1620	363	550
SSC/HSC	4006	607	2018	394	514
Some college (incl.Diploma) but not graduate	666	113	415	158	93
Graduate-General	1015	113	656	172	152
Graduate-Professional	99	7	55	44	12
Post-Graduates	81	30	161	46	40
<b>Working Status</b>					
Not Working	1619	212	813	190	165
Student	1385	148	710	158	131
Retired	258	55	199	82	69
Working part-time (<20hrs/week)	122	17	55	17	21
Working full-time (>20hrs/week)	7149	1102	3288	772	1008
Student Working part-time (<20hrs/week)	7	-	2	-	-
Student working full-time (20hrs/week or longer)	1	-	1	1	-
Seasonal part-time worker (<20hrs/week)	-	-	-	-	-
Seasonal full-time worker (20hrs week or longer)	17	1	6	-	6

## 4. FM BROADCASTING INDUSTRY:

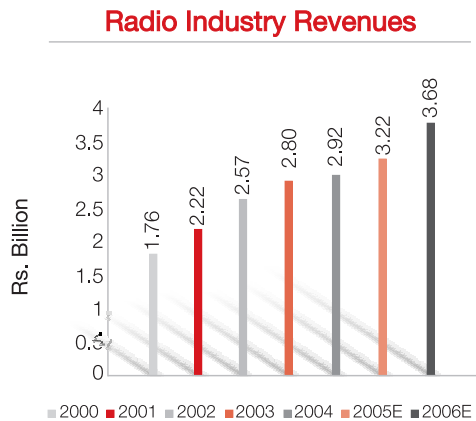
### A. GLOBAL SCENARIO:

Radio advertising is a low cost solution for local advertisements across the world. It offers tremendous reach, can build loyalty through interactive programmes, offers possibilities of contents change, can be addressed in different languages, and can be shrewdly used by advertisers as prime time for Radio is different from TV. With more and more people spending greater amount of time in traveling Radio is poised for better growth.



In advanced countries Radio ad spends are over 6% and the world average is 8.70%. The average advertisement spending on Radio in India is at 2.9% of the total ad spend. It is expected that the ad spend on FM would pick up significantly now that FM broadcasting would be available at over 90 cities.

### B. INDIA SCENARIO:



Recognizing the potential during the year 2000, Government had opened up FM Broadcasting to the private sector at 40 centres providing for a license fee under an open action bid system. The experience of the private FM players has not been very encouraging as all of them have been reporting losses due to a very high licence fee. Out of the 40 centers opened for private FM broadcasting only 21 stations are currently operating. With this background, and in response to the representation from the Industry, the Government has now revised the Policy in July 2005.

Under the old policy framework, all private FM players suffered due to high licence fees. The FM radio industries' loss in 2003-2004 stood at approximately Rs.122 Crores, of which, 108 crores were attributed to licence fees. Out of the 40 cities that were bid for in May 2000, it is seen that only 21 stations in 12 cities still continue, and all of them are reporting losses according to the report from Price Waterhouse Coopers.

The table below indicates the prominent players currently operating in various cities.

**Licence Holders under Phase I FM Broadcasting Policy**

FM Station	Locations	Company	Group
Radio Mirchi	Mumbai, Delhi, Kolkatta, Chennai, Indore, Pune Ahmedabad	Entertainment Network	Times of India
Radio City	Mumbai, Delhi, Kolkatta, Bangalore, Lucknow	Music Broadcast	GW Capital
Suryan	Chennai, Coimbatore, Tirunelveli	Sun TV	Sun
Visakha	Visakhapatnam	Udaya TV	Sun
Red	Mumbai, Delhi	Radio Today (Mumbai)	India Today
Go	Mumbai	Red Mid Day (West)	Mid-day Multimedia
Amar	Kolkata	Hitz FM	Hitz FM Radio
Power	Kolkata	India FM	India FM

India is witnessing a second radio revolution after the Government of India started opening up the sky. Government of India, Ministry of Information and Broadcasting notified vide notification dated 13<sup>th</sup> July'05 expressing their intention to establish FM Radio Stations for 338 Channels at 91 Stations all over the Country. These stations have been categorized as Category A+ (4 Nos.), Category A (9 Nos.), Category B (17 Nos.) Category C (48 Nos.) & Category D (13 Nos.). These 338 channels are to be allocated in the 91 stations across the Country. The Government of India has also given the parameters for transmission in the respective categories which includes ERP of the transmitter, Antenna height, etc. Also it has been made mandatory to use the exiting Prasar Bharati Transmitting Infrastructure for transmission system by the private Broadcasters.

Subsequently to the above notification, the Government of India, Ministry of Information and Broadcasting vide their Tender No.212/14/2005-M invited pre-qualification bids for expansion of Radio FM Broadcasting services through private agencies. The last date of the submission of application was 11<sup>th</sup> November 2005 for pre qualification, 6<sup>th</sup> January 2006 for financial bids (Category A+ & Category A) and 13<sup>th</sup> February 2006 for other categories of South region.

**Tamilnadu Scenario.**

FM channels in Tamilnadu have become popular. All India Radio started relaying programmes in two FM channels and the programmes were focused to attract connoisseurs of music – both Indian classical and Western as also Current News. The quality of transmission in FM channels is very good and these channels became very popular. When FM broadcasting was opened to Private broadcasters Tamilnadu got the benefit of 2 more private FM channels.

The FM Channels currently operating in Tamilnadu are:

- FM Rainbow, Chennai
- FM Gold (Chennai and Trichy)
- Radio Mirchi, Chennai
- Suryan FM, Chennai

The programmes in the last two channels (Private channels) are oriented to Film related programmes/Film Music (Tamil and English). Both the channels have recruited high profile VJs who conduct the programmes. These channels are not authorized to relay News and Current affairs. The Programmes in the first two channels (owned by Govt) are oriented to meet the tastes of all age groups with programmes in Classical music-both western and Indian, Listeners' Choice (Film music) and above all News and Current affairs at periodic rests.

**FM Channels in Tamilnadu - a Comparative Table is given below:**

Sl. No	Channel Name	Content Focus	Ad Revenue % of Time Sales	Remarks
1	All India Radio FM Rainbow	Devotional Songs/ Talks Live Chats Film Songs Tidbits for viewers Carnatic Music	40%	<b>Target Audience</b> Mixed Group 1. AIR Brand Value 2. Goodwil among Musicians 3. Loyal Audience 4. Dssatisfaction about conservative announcers 5. Announcers/Hosts cannot chat like Radio Jockeys on competitor channels
2	All India Radio FM Gold	Devotional Songs/ Music Carnatic Music Concerts	30%	<b>Target Audience</b> Middle Aged&Old 1. AIR Brand Value 2. Goodwil among Musicians 3. Only selective audience
3	Radio Mirchi	Film Songs Live Chats Pop Songs	50%	<b>Target Audience</b> Educated/Yuppy Youth 1. Innovative Concepts to attract listeners 2. Top Rated Radio Jockeys 3. Interactive programs on specific topics
4	Suryan	Film Songs Live Chats	50%	<b>Target Audience: Youth</b> 1. Mass Audience 2. Long winding chats
5	KL Radio	Devotional Songs		
6	World Space Satellite Radio Service	Film Songs Classical Music Total 39 stations	10%	<b>Target Audience: Youth</b> Limited Audience due to special equipment required Audience not enough to attract Advertisers Programming is not attractive
7	<b>Proposed Channel</b> Malar Publications Radio	Film Songs Live Chats Pop Songs Informative Programs Interactive Talks		<b>Target Audience</b> 1. Composite – Youth & Women Folk 2. Mixed Audience in semi-urban and rural areas 3. Innovative Programming 4. Popular Radio Jockeys 5. Interactive Talks

**Satellite Radio Channels In Tamilnadu.**

There are two satellite FM channels relaying their programmes in Tamilnadu. These are:

- World Space Satellite Radio Channel relaying programmes under 40 stations including 24 hours of Rock, International Pop, Jazz, Film hit songs, classical and Hindustani music, etc.
- Shruti – a FM Music Channel focusing classical music.

The satellite FM channels call for investment towards buying the Music System and payment of a recurring quarterly subscription. Accordingly the Satellite FM Music Channels are still to take off in a big way in Tamilnadu. World Space would be spending US\$ 10 millions on advertising to popularize its Radio services in India.

## MARKET POTENTIAL

### Market Potential in Tamilnadu - An Analysis

#### Research Findings

**Demography Profile:** In the background of Malar wanting to expand, modernize the printing and publishing facilities, launch FM Radio a proper study of market potential in State of Tamilnadu is important and critical. Attempt has been made to ascertain if Tamilnadu offers potential for advertisement revenue in Print and Radio Media.

While drawing up media planning prior to launch of any new plans/projects/products in a territory one has to look at the demography of the place which will be its battleground. One has to look at factors like-Is the population growth in line with All India? Is the literacy level comparing well with other States of India? Etc.

The Table highlights some of the positive parameters of Tamilnadu.

#### Demography Data - All India and State of Tamilnadu

<b>1 Demography</b>			
1	Area (Sq.kms) (2001 Census)	3166285	130058
2	No of Districts	593	30
	No of New Districts	127	9
3	Total No. Towns & under UAs	4378	668
	Total No. Urban agglomerations	383	27
4	Population in 000's	1027015	62111
	Decennial Growth of Population(%) 1991-2001	21	11
	Density(persons per Sq.km)	<b>324</b>	<b>478</b>
5	Average size of urban households(1997-98)	<b>5.37</b>	<b>4.78</b>
6	Average size of rural households(1997-98)	<b>5.68</b>	<b>4.51</b>
<b>2 Population Classification(2001)</b>			
1	Urban	285354.95	27241
	Male	52.61%	50.51
	Female	47.39	49.49
2	Rural	741660.29	34869
	Male	51.39%	50.21
	Female	48.61%	49.79
3	Total Male	51.73%	50.34
	Total Female	48.27%	49.66
<b>3 Urban Classification(2001)</b>			
1	Metros-Population above 1000000	37.90%	33.28
2	Town Class I Population 500000 to 999999	9.45%	7.85
3	Town Class I A Population 100000 to 499999	21.33%	15.22
4	Town Class II Population 50000 to 99999	9.65%	11.64
5	Town Class III Population 20000 to 49999	12.23%	12.21
6	Town Class IV Population less than 20000	9.43%	19.81
7	Total	100.00%	100%

<b>4 Literacy Level(2001)</b>			
1	No of Literates	566703	40624
2	Urban	200031	20056
	Male	56.81%	54.31
	Female	43.19%	45.69
3	Rural	366671	20569
	Male	61.71%	58.12
	Female	38.29%	41.88
4	Total Male	59.98%	56.24
	Total Female	40.02%	43.76
<b>5 Working Population(2001)</b>			
1	No of workers in 000's	402512	27811
2	Urban in 000's	91857	10239
	Male	83	75.75
	Female	16.98	24.25
3	Rural in 000;s	310655	17572
	Male	64.12	59.17
	Female	35.88	40.83
4	Total Male	68.44	65.27
	Total Female	31.56	34.73
<b>6 GDP &amp; per capita income at Current Prices(1998=99)</b>			
1	Gross Domestic Product in Crores	1758276	105256
2	Per Capita income in Rs	<b>14712</b>	<b>17525</b>
6	Average monthly per capita consumption (1999-00)		
	Urban in Rs	<b>879</b>	<b>1047</b>

Source: R.K.Swamy BBDO Guide to Urban Markets.

On all key relevant factors for growth of Media Industry -Literacy levels, Working Population size, Per Capita Income, Average Monthly Per Capita Consumption-Tamilnadu is well positioned.

**Market Intensity, Market Potential and Market Exposure:**

In today's changing Economic Scenario, one always looks for information for selection of markets which offer maximum potential and cost efficiency for launching various products, The brand owners would launch their products in potential locations and use advertising medium (i.e.,) Television, Radio, Newspaper based on Media Exposure in those location. The R.K Swamy BBDO Guide to Urban Markets, contains information to aid market strategy development. The study conducted in this regard presents data of All India, based on information collected from top 784 towns with a population of over 50,000 in 21 States and 3 Union Territories. The indices are computed for each town, after considering four relevant factors – Means (reflecting the prosperity of the town), Consumption (reflecting the consumption pattern), Consumer Awareness (represented by five indicators, in terms of per capita exposure to - Readership of print medium, Cinema Hall capacity, Viewer ship of Television, listenership of Radio, Female literacy) and Market Support (in terms of per capita employment) to facilitate marketing activity. The indices computed are

- Market Intensity Index (MII) – a measure of the concentration of the purchasing power, based on per capita value and taking All India MII Index at 100.

- Market potential value, designed to aid market planning after adjusting per capita market potential with reference to the town population and the index so arrived, keeping the index for Greater Mumbai as 1000, Mumbai being the city with a maximum market potential and consequently all other market potentials are related to that potential.
- Market Exposure Index (MEI) computed based on market exposure at town levels to print media, Television Media, Radio and Cinema Media. The highlights are

As per census of India 2001 the population of India has been reported at 1027 million, with the population of Tamilnadu at 62.11 million.

### Market Potential (MPV) Tamilnadu

It is observed that in terms of Market Potential (MPV) Tamilnadu enjoys the 2<sup>nd</sup> Rank next only to Maharashtra. Other 3 States in South India – Andhra Pradesh, Karnataka and Kerala also enjoy a high MPV as could be seen from the Table below:

Rank	States and Union Territory	No. of Cities	MPV%	Popn.%
1	Maharashtra	73	19.68	16.05
2	Tamilnadu	74	9.06	8.39
3	West Bengal	43	9.01	8.96
4	Delhi	1	8.65	5.80
5	Uttar Pradesh	106	8.09	11.28
6	Gujarat	56	7.80	7.39
7	Andhra Pradesh'	82	7.52	8.29
8	Karnataka'	51	5.78	6.24
9	Madhya Pradesh	52	4.14	4.95
10	Rajasthan	46	3.43	4.26
11	Punjab	33	3.18	2.80
12	Kerala'	28	3.17	3.00
	All other 12 States	139	10.49	12.59
	All India	784	100.00	100.00

Further it is seen from the BBDO report that the cities selected by Malar Group for FM broadcasting enjoy high ranking in terms of market potential. The current branches of the News Print operations are also located in these high-ranking towns. The table below indicates market potential available in the towns of Tamilnadu based on MPV Ranking.

**Cities in Tamilnadu in descending order of MPV**

State Rank by MPV	Town	Grade	All India Rank	MPV	Popn. '000	Share in MPV	State % Popn
1	Chennai	AA	4	362.84	6424.62	43.88	34.69
2	Coimbatore	A	16	71.19	1146.03	8.61	7.81
3	Madurai	A	24	50.26	1194.67	6.08	6.45
4	Salem	B	41	33.14	748.51	4.01	4.04
5	Tiruchirappalli	B	42	32.85	847.13	3.97	4.57
6	Tiruppur	B	56	24.04	542.79	2.91	2.93
7	Tirunelveli	B	79	16.26	431.60	1.97	2.33
8	Erode	B	81	16.03	391.17	1.94	2.11
9	Vellore	B	98	13.26	388.21	1.60	2.1
10	Thoothukkudi	C	134	8.74	242.86	1.06	1.31
11	Thanjavur	C	160	7.24	215.73	0.88	1.16
12	Nagercoil	C	168	6.84	208.15	0.83	1.12

RK Swamy BBDO Guide to Urban Markets

It is observed that the Top 12 cities of Tamilnadu enjoy a high All India Ranking in terms of MPV.

**Media Exposure Index**

The study reveals that the cities currently focused by Maalai Malar Group enjoy a high Media Exposure Index, which reveals exposure at City level to Print, Television, Radio and Cinema.

State Rank by MPV	City	Grade	MEI	TV	Radio	Cinema	Print Media	Female Literacy%
1	Chennai	AA	115.32	110.49	203.75	103.86	114.30	76.94
2	Coimbatore	A	114.42	109.01	156.47	125.14	118.32	81.15
3	Madurai	A	113.00	109.63	191.24	164.09	106.74	82.08
4	Salem	B	105.53	109.24	121.31	233.78	89.34	70.71
5	Tiruchirappalli	B	107.51	105.10	145.61	134.43	105.68	87.95
6	Tiruppur	B	107.49	117.61	159.06	34.51	88.62	75.20
7	Tirunelveli	B	108.97	114.21	173.30	101.21	93.03	80.57
8	Erode	B	108.34	116.36	164.38	134.17	86.47	72.86
9	Vellore	B	108.98	112.48	180.57	179.60	90.37	77.52
10	Thoothukkudi	C	112.39	112.38	180.71	241.33	96.63	87.03
11	Thanjavur	C	113.28	111.23	186.56	312.61	96.12	83.80
12	Nagercoil	C	99.67	91.22	144.56	217.60	101.86	91.16

RK Swamy BBDO Guide to Urban Markets

The MEI index of each city has been evaluated keeping All India Index at 100. All the cities indicated above enjoy a high index.

**Cities in descending order of Market Intensity Index (MII)**

State Rank by MPV	City	Grade	All India Rank		MII	MPV	Popn.'000
			MII	MPV			
1	Chennai	AA	7	4	136.50	362.84	6424.62
2	Coimbatore	A	18	16	119.00	71.19	1446.03
3	Valparai	C	23	262	115.69	4.55	94.96
4	Tiruppur	B	43	56	107.03	24.04	542.79
5	Salem	B	44	41	107.02	33.14	748.51
6	Sivakasi	C	58	227	101.68	5.10	121.31
7	Madurai	A	59	24	101.68	50.26	1194.67
8	Erode	B	69	81	99.04	16.03	391.17
9	Karur	C	82	187	96.82	6.13	153.12
10	Aruppukkottai	C	83	345	96.64	3.36	84.00
11	Bhavani	C	88	283	96.40	4.16	104.29
12	Tiruchirappalli	B	107	42	93.72	32.85	847.13
13	Puliyankudi	C	114	523	92.40	2.30	60.14
14	Tirunelveli	B	121	79	91.07	16.26	431.60

*RK Swamy BBDO Guide to Urban Markets*

**Conclusion:** Malar's foray into FM business will be at 7 locations including Pondicherry, a state of Union Territory. The Centers chosen for FM are at Chennai, Coimbatore, Madurai, Trichy, Tirunelveli, and Tuticorin. All these centers have a good listening population. These centers are ranked within 134 out of 784 centres considered in the aforesaid study. The tables given above indicate popularity of these locations.

A critical review of the aforesaid data reveals that Tamilnadu with its diverse cultural background and a large population offers a tremendous scope for market penetration and entry by players in the Media Industry – whether it be Radio FM Broadcasting or the Print Media as there is tremendous potential to attract brand owners to advertise their products using Radio and Print Media.

Malar Group with its past experience in these areas, has excellent opportunities to make their diversifications profitable.

## BUSINESS

### OVERVIEW

Malar was incorporated as a Private Limited Company in 1979 and “Maalai Malar” the Tamil Evening Daily printed and published from Coimbatore since 1977 came under its control and management. Malar has made rapid strides in publishing by expanding its operations into eight editions within a short span of time. Malar is also a forerunner in adapting the latest technologies in acquiring, editing, composing and printing the news. The printing facilities are comparable to the best in the industry.

When internet services gained popularity among the public Malar launched “Maalaimalar.com” the website of the newspaper in the year 2000.

It introduced SMS service in association with SIFY in 2005 to deliver content over mobile phone to cash in on the market potential of mobile phone based content delivery.

### GEOGRAPHICAL AREA OF OPERATION

Malar has its offices and printing facilities in Chennai, Madurai, Trichi, Coimbatore, Salem, Erode and Nagercoil in Tamil Nadu and Pondicherry. Malar prints and publishes “Maalai Malar” from these places.

The marketing offices are located in Chennai, Mumbai, New Delhi, Kolkata, Bangalore, Hyderabad, Pune and Ahmedabad for space selling.

Maalai Malar commenced editions in Coimbatore in 1977, in Salem in 1979, in Pondicherry in 1982, in Chennai in 1983, in Madurai in 1985, in Trichy in 1985, in Nagercoil in 1989, in Erode in 1991.

### CONTENT

Malar has gained a high degree of acceptance by being totally plugged into the pulse of the people. Maalai Malar gives balanced coverage of Politics, Trade and Commerce, Film and TV industry, Crime, Health and Education, with an exclusive coverage supplement on Women, Children and Students always living up to the readers' expectations.

Maalai Malar publishes three weekly color supplements in 16 pages booklet titled “Mahalir Malar” on Fridays focused on women, “Thenmalar” on Saturdays with a focus on film and entertainment and “Jothida Malar” on Sundays an insight into the world of Astrology.

### MAN POWER

Malar has an excellent team of dedicated journalists, stringers, freelance writers, technicians and marketing staff working with utmost care to build the brand image of the newspaper “Maalai Malar”

The departmentwise break up of the man power are:

1. Journalists, Stringers, Freelance Writers	400
2. Technicians	200
3. Marketing	150
4. Administration	190

## **COMPETITIVE STRENGTH**

Malar's evening Tamil Daily Maalai Malar's competitive strength can be gauged from its consistent readership. Maalai Malar has a consistent track record of being the largest circulated Tamil evening daily for the last few years.

Year	Copies/day
2001	80098
2002	69377
2003	70393
2004	75342
2005	72045

The readership of Maalaimalar has increased to 1.4 millions (as per the latest Indian Readership Survey Round II, 2005) from 0.98 million in 2001 (as per Indian Readership Survey Round I 2001).

With this strength of captive readers Malar has been focusing its time and energy to improve its lay out and look by adapting innovative ideas.

The asset of Malar is its committed workforce most of whom have been hand picked and trained in all the departments. Most of the employees have been with the company for a long time contributing to the growth of the company ever since its inception.

## **COMPETITION**

Occupying the proudest position as India's No.1 Evening Daily for the last few years Maalai Malar doesn't have a competitor on the same scale. Yet Maalai Malar is always prepared to face the competitors by investing in valuable human resources and latest printing facilities.

The main competitor to watch out is "Tamil Murasu" and Malar is gearing up to match them by constantly improving the content, lay out and printing quality, so as to stay ahead of the competitors.

## **STRATEGY FOR THE FUTURE**

The company has plans to create good infrastructure for multi-colour printing and to reduce the process time for faster printing. This will greatly enhance Malar's prospects to bring out new editions.

## **(I) AMN TV - CABLE TELEVISION CHANNEL**

### **Overview**

AMN TV, the cable TV arm of Malar is broadcasted from 15 centres in Tamil Nadu and Pondicherry since its inception in 2002. AMN TV's primary objective is to reflect what happens in the local community and in addition provide them wholesome entertainment some of which is produced by the local AMN TV. The people from the local community get a chance to participate in the programmes and express their opinions or show their talents. Thus AMN TV is positioned as a neighborhood TV channel serving the local population with News and Entertainment Programmes broadcasted for 18 hours daily from morning 6 O'clock to Midnight.

AMN TV is the only professionally run cable TV channel having a large presence in Tamil Nadu and Pondicherry.

### **Geographical Area of Operation**

AMN TV has its local TV centres at Chennai, Chengalpattu, Dharmapuri, Pollachi, Karur, Dindigal, Thanjavur, Perambalur, Nagapattinam, Tirunelveli, Tuticorin, Tiruchendur, Kovilpatti and Tenkasi in Tamil Nadu and Pondicherry. The channel is available for about a radius of more than 10 KMs from these places. The combined viewership of AMN TV is estimated to be about 9 millions.

### **Target Audience**

AMN TV targets the family audience as a whole but caters to a specific group at different time bands during the day.

6:00 AM –	8:00 AM –	Family Audience particularly elderly people.
8:00 AM –	9:00 AM –	Youth
9:00 AM –	1:00 PM –	Women
1:00 PM –	6:00 PM –	Family Audience
6:00 PM –	7:00 PM –	Children/Youth
7:00 PM –	12:00 AM–	Family

### **Programming**

AMN TV transmits wholesome entertainment programmes with Feature Films, Film Songs, TV serials, Music Shows, Live Inter-active Chat shows via telephones and Live telecasts of local festivals & events. News programmes focusing on local events and happenings are telecast daily three times. Religious programmes and Devotional Music are also telecast daily.

AMN TV has acquired so far cable TV rights for 1500 Tamil Movies for a period of 5 to 10 years.

### **Man Power**

AMN TV is the only cable TV channel with organizational structure with separate Editorial, Marketing and Technical personnel under a Manager who reports to the Head Of AMN TV on all matters. The total strength of all employees in AMN TV is 180.

### **Competitive Strength**

AMN TV has an edge over other channels including Terrestrial and Satellite TV channels by breaking local news stories much ahead of others. The ability to provide Live/Deferred Live telecasts of local festivals/events has earned AMN TV a good reputation in all the centres. Also with innovative programmes to mark special occasions and festivals AMN TV has scored over other TV channels in the area and has become the most popular TV channel identifying itself with the audience's interests and tastes.

AMN TV has well built separate studio facilities for News and Entertainment programmes in the centres to produce programmes using the local talent.

### **Competition**

In most of the places where AMN TV is operating the number of channels operating in competition to Malar are not constant as some of them don't stay on for long. AMN TV is the only channel having a proper organizational set up with trained human resources.

### **Strategy for the Future**

It is proposed to upgrade the equipment used for production and transmission of programmes and modernize all the centres with automation of all operations to improve the quality of programmes and transmission. The duration of locally produced programmes will be increased to generate more revenue from all the centres.

## **(II) PRINTING DIVISION**

Rani Printers was initially started in 1970 with a single colour offset machine to print in house magazines and had expanded its business with imported modern five sheet fed offset, one heatset offset and seven web offset printing machines capable of undertaking multicolour printing. Malar prints Gokulam kathir, a monthly magazine for women, supplements to Daily Thanthi, Maalai Malar newspapers, Rani Weekly, Ranimuthu and calenders. Besides Malar undertakes printing jobs for outside clients.

### **Geographical Area of Operation**

Malar has its printing facilities in Chennai, Tirunelveli, Madurai, Coimbatore and Trichy. The printing jobs for clients outside Chennai are undertaken in addition to the printing of in house newspapers and magazines.

### **Manpower**

The total number of employees is 99 which includes technical personnel.

### **Competitive Strength**

Although the facilities are fully utilized for publishing the sister concerns' publications, Malar regularly gets repeat orders for printing from outside clients. Malar is able to attract steadily a number of orders due to its excellent client relationship offering quality services built over the last 25 years..

### **Competition**

Malar is not facing a stiff competition in terms of the scale of operations, volume of business and printing equipment. However the company is always capable of facing the competition drawing from its rich experience.

### **Strategy for the future**

Malar proposes to acquire four colour offset printing machines to maximize the revenue.

## **(III) MARKETING OF ADVERTISING SPACE:**

Malar draws up sales and marketing strategies for selling advertising space for Daily Thanthi and Maalai Malar newspapers and Rani group of publications. Malar is also selling the time slots for AMN TV, other TV channels and also for programmes broadcasted on Doordarshan and All India Radio.

### **Geographical Area of Operation**

Malar has marketing offices in Mumbai, Delhi, Kolkatta, Hyderabad, Bangalore, Pune and Ahmedabad outside Tamil Nadu. In Tamil Nadu, Malar has its marketing staff both full time and part time in all district headquarters.

### **Manpower**

Malar has 40 marketing staff at its head quarters in Chennai and 100 marketing staff outside Chennai and Tamil Nadu.

#### (IV) FM RADIO:

Malar commissioned M/s.Technomedia Solution Pvt Ltd to carry out a Feed forward and Technical study to enable it to take a decision on diversification to FM broadcasting field. After careful study of the potential available Malar decided to enter the bid. Malar's application cleared the pre qualification requirements which led it to enter the financial bid. Malar was successful in all the seven centres that it bid and its bid was lowest in 4 centres, the total bid amount for 7 centre was almost 20% lower than the average bid amount and over 50% lower than the highest bid amount.

City	Malar's Bid (In Rs.)	Highest Bid (In Rs.)	Average Bid (In Rs.)	Lowest Bid (In Rs.)
Coimbatore	61,200,000	67,300,000	63,833,333	61,200,000
Madurai	44,100,000	63,000,000	55,704,000	4,41,00,000
Pondicherry	20,700,000	40,100,000	28,636,997	20,700,000
Trichy	31,500,000	50,000,500	40,750,250	31,500,000
Tirunelveli	12,600,000	12,600,000	10,467,050	7,100,000
Tuticorin	9,900,000	15,000,500	10,000,467	5,100,000
Chennai	63,000,000	122,700,000	81,133,982	50,003,000
<b>Total</b>	<b>243,000,000</b>	<b>370,701,000</b>	<b>290,526,079</b>	<b>219,703,000</b>

#### Feed Forward Study:

Technomedia to carries out feed forward study for obtaining relevant data on listener ship profile and advertisement revenue that could be generated for FM Radio in Chennai, Coimbatore, Madurai, Trichy, Tirunelveli, Tuticorin and Pondicherry. The objective of the study were

1. To understand the demography of listeners in all 7 centres.
2. To understand the Radio and FM Radio density in the coverage area.
3. To get an idea of the programmes liked by the listeners through the radio
4. To plot the most favoured programme format and time slot.
5. To make a rough assessment of local advertiser willing to advertise in the New FM station.

#### Methodology:

Keeping in mind the objective of the study, a field survey was carried out in urban, semi urban areas of all seven centres during November, December 2005. Two distinct research tools were designed for data collection.

A questionnaire with open and closed ended questions and semi structured interview schedule.

The questionnaires were specially designed for this purpose and series of discussions were held in September, and October 2005 with different expert groups. The questionnaires were printed both in English and Tamil.

The semi structured interview schedule was constructed with the aim of in depth understanding of the respondents, about the media exposure, reading, listening and viewing habits, reacting to FM broadcasts, time slots, their needs and suggestions, and other diagnostic information to their need with regard to commercial private FM in all seven centres.

The second questionnaire was to understand the advertisers mind, needs and preferences. An attempt was made to estimate the local ad potential. Extrapolation technique was used to predict the total advertisement potential in all seven centres for FM radio.

In all a sample of 1000 radio household and 100 advertisers were interviewed in each of the seven centres.

## **Data Analysis:**

### **Programme Preference of Listeners:**

- 71% wanted more FM stations.
- 52% wanted more music in the mornings followed by soundtrack of films, chat shows etc.
- Soundtracks come as first preference in the afternoon followed by music, chat shows and sports.
- Soundtracks, music, chat shows and sports are the preferences in the evening.
- Weather, traffic, sports, career information and railway train timings are the preferred information that the listener expects.
- 60% would like to listen to sponsored programmes.

### **Ad-preference of Listeners:**

- Consumer durables, textiles, medicine and jewellery ads are the expectation of the listener.
- 39% would like the advertisements to be restricted to 5 mts but 32% would like it to be not more than 10 mts per hour.

## **Advertisers Preference:**

### **Medium of advertising**

- The advertiser's first preference is print, followed by video and hoarding.
- But 4% of those interviewed preferred radio as their first choice which is a good trend.

## **Technical Survey:**

Technomedia to carried out technical survey and the field strength measurements of existing FM Transmitters, examine studio and transmitter infrastructure locations, determine feasibility of Prasar Bharati infrastructure for common antenna system, programme like requirements, make spectrum analysis, find clear channel availability for FM broadcasting including prediction signal coverage area for each of the 7 centres (Chennai, Coimbatore, Madurai, Trichy, Tirunelveli, Pondicherry and Tuticorin) in Tamil Nadu as identified by the Government of India.

## **The objective of the study was**

- To measure AMSL, Geo coordinates of Prasar Bharati site, Topographical details of service area, existing tower height of PBT, existing wireless network in the service area, interference pattern in the service area & spectrum analysis.
- To study the feasibility of Prasar Bharati or otherwise of sharing other infrastructure
- To study the availability of transmitting space near the tower for Malar Publications
- To study how many operators can be provided space near the tower

- In case of sharing with Prasar Bharati is not feasible either technically or physically, alternative suggestions.
- To identify site for Studios.
- To carry out measurements of obstructions in the line of sight from studios to FM transmitter site.
- If intermediate tower is required, to find out Geo coordinates, AMSL and tower height required
- If roof top tower will suffice the purpose, to measure building height, geographical coordinates, location, AMSL & tower height of roof top tower required
- To find out any road to be crossed from studios to the intermediate positions and right of way approval needed from local authorities.
- Availability of lease line
- VSAT feasibility

### **1. Competitive Strength of Malar to Enter FM Radio Business**

Government of India's FM privatization policy offered a great opportunity for Malar to make a foray into FM Radio Broadcasting in a big way. Having produced Radio programmes for broadcasting through AIR's FM channel in Chennai, Malar decided to participate in the bidding and obtained Letter of Intent for starting the FM Radio channels in Chennai, Tiruchi, Madurai, Coimbatore, Tirunelveli, Tuticorin and Pondicherry after successfully winning the bids.

Maalai Malar, the evening daily owned and published by Malar covers current affairs, state and national news and also provides highlights of the important happenings in the entertainment areas especially Tamil Film and Television Industry by allotting exclusive pages. It also provides information relating to other events in the Entertainment industry. This extensive coverage giving unbiased information had helped Malar to develop a good relation ship and respect in the industry. This will be an added advantage for Malar when it starts operating its broadcasting services, as Malar will be able to give better information and varied programmes with the cooperation from the industry. Malar's long term relationship with the Entertainment industry especially the Film and Television industry is a great advantage.

As only entertainment programmes are going to be the driving force for the FM radio channel with target audience covering people from all walks of life, the revenue generation will not be a problem for Malar. With variety of quality entertainment programmes planned featuring the Film personalities and other prominent people from all walks of life getting the targeted audience will not be problem. The real competition will be getting the best cooperation from celebrated Film and TV personalities and the celebrities in fields closely associated with the entertainment industry. Malar's long standing relationship with the Film and TV industry gives it an edge in getting the best possible cooperation from the Film and TV personalities. This is where Malar can score over competition and plan and execute variety of entertainment programmes.

Malar also proposes to hire the popular radio jockeys to reflect the modern way of life that is catching up fast with the younger generation. All the on-air talent would be adapting a presentation style that will attract the largest possible target audience mostly the young generation and also the different categories of people in the society.

Malar proposes to give a mix of programmes to reach different target audience covering all the segments of the society.

Malar would not compromise with quality for any reason and proposes to invest in state-of-the-art production and transmission facilities to produce high quality programmes and broadcast with superb sound quality.

Malar has enough resources to hire highly talented personnel to ensure production of quality programmes and maintain broadcast standards in transmission.

## **2. Strategy that would be adopted to do FM Radio Business**

Since the beginning i.e. from the initial edition of its paper Maalai Malar revenue generation was through multiple advertisers and varied advertiser segments. The paper has a mix of national as well as local advertisers who are patronising Malar for so many years. Malar is confident of capitalizing the same patronage for its new venture FM radio broadcasting also.

Malar has already in place a separate marketing division, which is mainly concentrating on space marketing for print media and electronic media. It has focused teams for corporate accounts and retail accounts. Malar and its associate concerns are well established in the print media and are commanding a better position among the various industrial segments. With Maalai Malar, one of the leading evening daily having 8 editions spread over Tamil Nadu and Pondicherry, the geographical advantage can also be taken by synchronising the operations of both the divisions. Most of the sales are made to agencies that negotiate with Malar for advertising rates. With the existing strong clientele base and the geographical spread all over Tamil Nadu, a combined strategy for the print and electronic media is thought of and will be the basic strategy to reach the targeted revenue levels. With strong media sales team based at Chennai, Mumbai, Bangalore, Delhi, Kolkatta, Hyderabad, Pune, Ahmedabad and other Places space marketing may not be a problem for Malar given its background and standing in the industry.

## **3. Geographical Area of Operation**

The company's decision to start FM Radio channels in Chennai Metro in all the City Corporations in Tamil Nadu and also in Pondicherry was to ensure that the broadcasting reaches the largest urban audience in Tamil Nadu and Pondicherry. The cities for which licenses are obtained cover all the urban population with maximum buying power which is a great boon to the advertisers.

Malar is already publishing Maalai Malar in 6 out of 7 centres where FM radio channels are to be started by the company. The major strength of the company in all these places is its advertising clientele who own large retail businesses and are having long standing relationship. Malar is planning to synchronise its print and media business in all these locations to its advantage. With synergy of operations, it will be advantageous for the advertisers to have a combined ad medium.

## **4. Target Listeners.**

Malar will primarily target students, youth and young working adults. The programming teams primarily will focus on this target audience to develop the content. Additionally, Malar is planning to make out a 'day-part' method for focusing on different segments of listeners. This means that each day will be divided into seven day-parts, which consist of family (7:00am to 11:00am), housewife (11:00am to 2:00pm), youth (2:00pm to 5:00pm), evening drive time (5:00pm to 9:00pm), late evening (9:00pm to 11:00pm), night (11:00pm to 1:00am) and late night (1:00am to 7:00 am). Different target groups will be focused during different day-parts and the programmes will be customized to attract targeted listeners. The programmes may not be a routine one and the same will be modified / fine tuned / upgraded based on the listener's feed back / market analysis.

## **5. Programming**

The key to our programming is "innovation" in presentation using the programmes / content. The style of presentation will vary according to the target audience. But basically the style will be more to attract the listeners and retain them through the programme.

The primary programming focus is on contemporary film music based radio shows. The shows will have package sound recordings of film music with narrations by radio jockeys, who also host interviews with various celebrities and engage in dialog with listeners. The language mix of the music and programs will based on the

understanding of local listener preferences. The radio jockeys will be trained in the local spoken language and the ascent of the local people.

The play list is drawn from a master-list of sound recordings using a research process that is customized and conducted for Malar by IMRB. The research measures the familiarity and popularity of various film songs. This play list is updated weekly for new releases.

Malar also have plans to broadcast interactive shows on certain themes to suit different occasions and festivals. It will also include programmes targeting women and children. Interactive Talk shows featuring various personalities are also to be broadcasted daily.

Besides Malar will broadcast live important events and festivals popular in the region to attract local audience.

Apart from the entertainment programmes there will be some informative and educational programmes for the benefit of students of all levels.

The programmes will offer the audience the variety they are looking for from a radio channel and stay ahead of the competition.

#### **6. Advertising revenue generating strategy**

- attracting new advertisers who may normally not advertise on radio;
- targeting an advertiser's budget meant for on-the-ground activities;
- strengthening the Malar FM
- utilizing the airtime inventory.

#### **7. Competition and how Malar is geared to face it.**

With many channels that are going to be in operation in the coming months, the strategy to be adopted to meet the competition is to give the Malar's channel an Identity. This identity can be achieved by various innovative programmes based on entertainment and others. With established brand name in the print media which is spread all over Tamil Nadu and Pondicherry and a long standing relationship with people from all areas viz business men, industrialists, celebrities, eminent scholars, writers, poets to make a name in the electronic media will not be a problem for Malar. Once a brand identity is established for the FM radio, achieving the targeted business, revenue etc will not be a problem. Malar's advertising sales team has developed strong relationships with advertisers as well as advertising agencies and are focused on understanding their needs to offer customized advertising packages and marketing opportunities. With more than 7 stations that are going to be operational shortly, it will also be possible to have localized advertisement and the same can be designed based on the advertiser's requirements and budget.

The proposed advertising rates will vary based on various factors including the timing of the advertisement during the day, continuity, the size of the contract and the city in which the advertisement will be broadcast. Malar also propose to offer customized deals with incentives to large value customers and advertisements for multiple stations.

More over Malar's OTEF for all 7 centres put together is lower by Rs.47.5 million compared to the average bid amount and lower by Rs.127.7 million compared to the highest bid amount. Therefore Malar will be in a much better position to take on the competition.

## REGULATIONS & POLICIES

### Current Guidelines.

#### Investment Guidelines:

- The Govt of India has allowed 20% foreign direct investment in FM Radio and has shifted to revenue sharing regime from the past system of licence fee structure.
- Foreign funds in Print Media is allowed to the extent of 26%. The revised guidelines permit investments by FIIs, PIOs and NRIs with the overall limit of 26%. On facsimile editions of foreign newspapers, the revised guidelines stipulate that any foreign company owning the original foreign newspaper will be permitted to publish it provided it is incorporated and registered in India and at least three fourths of the directors on its Board and all key executives and editorial staff are resident Indians. Apart from this, the syndication arrangements, which include photographs, cartoons, crossword puzzles and features from foreign publications (content provider) have been hiked from 7.5 % to 20% of the total content

The Table below indicates the sectoral equity limits for investments by FDIs.

**Table 6: Sectoral Equity Caps**

Sector	FDI cap (%)	Activities
Satellite broadcasting	49	TV Channels irrespective of the ownership or management control to uplink from India provided they undertake to comply with the broadcast (programme and advertising) code.
News channels	26	FDI Investment of 26% allowed. The Ministry of I & B has approved FII + FDI limit of 26%. This is yet to be ratified by the Cabinet
Setting up hardware facility, such as uplinking HUB, etc.,	49	Private companies incorporate in India with permissible FII/NRI/OCB/PIO equity within the limits (as in the case of the telecom sector FDI limit upto 49% inclusive of both FDI and portfolio investment) to set up uplinking hub (teleports) for leasing or hiring out their facilities to broadcasters.
Direct-to-home	20	Companies with a maximum of foreign equity including FDI/ NRI/OCB/FII of 49% would be eligible to obtain DTH licence. Within the foreign equity, the FDI component not to exceed 20%.
Cable network	49	Foreign investment allowed up to 49% (inclusive of both FDI and portfolio investment) of the paid-up capital. Companies with minimum 51% of paid-up share capital held by Indian citizens are eligible under the Cable Television Network Rules (1994) to provide cable TV services.



The Government has maintained the ban on news, and current affairs, allocation of multiple licences in the same city and networking of several stations by the same broadcaster.

Some of the key regulations and policies that govern the FM broadcasting industry are discussed below:

#### **The Indian Telegraph Act, 1885**

The Indian Telegraph Act, 1885 (the “Telegraph Act”) is the principal legislation governing radio broadcasting in India. Although the broadcasting industry was not specifically contemplated at the time the Telegraph Act was drafted, courts in India have held that the provisions of the Telegraph Act are also applicable to radio broadcasting. A “telegraph” has been defined as any appliance, instrument, material or apparatus used or capable of use for transmission or reception of signs, signals, images and sounds or intelligence of any nature by wire, visual or other electro-magnetic emissions, radio waves, Hertzian waves, galvanic, electric or magnetic means. The Telegraph Act provides that the Central Government may grant a license, on such conditions and in consideration of such payments as it thinks fit, to any person to establish, maintain or work a telegraph within any part of India.

#### **The Indian Wireless Telegraphy Act, 1933**

The Indian wireless Telegraphy Act, 1933 (the “Wireless Act”) covers all forms of “wireless communication”, which means any transmission, omission or reception of signs, signals, writing, images and sounds, or intelligence of any nature by means of electricity, magnetism, or radio waves or Hertzian waves, without the use of wires or other continuous electrical conductors between the transmitting and the receiving apparatus. The Wireless Act stipulates that no person shall possess wireless telegraphy apparatus without obtaining a license in respect thereof under the Wireless Act. The Wireless Act further provides that the telegraphy authority constituted under the Telegraph Act shall be the authority competent to issue licenses to possess wireless telegraphy apparatus under the Wireless Act, and may issue licenses in such manner, on such conditions and subject to such payments, as may be prescribed.

#### **The Code for Commercial Broadcasting**

The Code for Commercial Broadcasting (the “Code”) has been issued by AIR. According to the terms and conditions of the MIB Licenses issued by the Government during the Phase I Policy and also as stipulated in the Phase II Policy, the Code is applicable to all private FM radio broadcasters, including the Company.

The Code specifies general rules of conduct in advertising on radio and stipulates that any advertisement should conform to the laws of India and should not offend the morality, decency or religious susceptibilities of the population. Further, the Code does not permit any advertisement:

1. which derides any race, caste, colour, creed and nationality;
2. is against any of the directive principles specified under the Constitution of India, or any other provision of the Constitution of India;
3. tends to incite people to crime, cause disorder or violence, or breach law;
4. glorifies violence or obscenity in any way, presents criminality as desirable;
5. adversely affects friendly relations with foreign states;
6. exploits the national emblem, or any part of the Constitution or the person or personality of a national leader or state dignitary; or
7. relates to or promotes cigarettes and tobacco products, liquor, wines and other intoxicants.

**The Prasar Bharati (Broadcasting Corporation of India) Act, 1990**

Pursuant to the enactment of the Prasar Bharati (Broadcasting Corporation of India) Act, 1990 (the “Prasar Bharati Act”), the Prasar Bharati was set up by as a statutory autonomous body on November 23, 1997. The Corporation is the public service broadcaster in India and the primary duty of Prasar Bharati is to organize and conduct public broadcasting to inform, educate and entertain the public and to ensure a balanced development of broadcasting on radio and television. Prasar Bharati is also empowered to manage on behalf of the Central Government the broadcasting of external services and monitoring of broadcasts made by organization outside India.

Prasar Bharati has other objectives, some of which include upholding the unity and integrity of the country and the values enshrined in the Constitution of India, safeguarding the citizen's right to be informed freely, truthfully and objectively on all matters of public interest, national or international, and presenting a fair and balanced flow of information including contrasting views without advocating any opinion or ideology of its own, and providing comprehensive broadcast coverage through the choice of appropriate technology and the best utilization of the broadcast frequencies available and ensuring high quality reception and expanding broadcasting facilities by establishing additional channels of transmission at various levels.

**The Telecom Regulatory Authority Act, 1997**

The Telecom Regulatory Authority Act, 1997 (the “TRAI Act”) was enacted to provide for the establishment of the telecom Regulatory Authority of India and the Telecom Disputes Settlement and Appellate Tribunal and to regulate telecommunication services, adjudicate disputes, dispose off appeals and to protect the interest of service providers and consumers of the telecommunications sector and to promote and ensure orderly growth of the telecommunications sector.

Pursuant to its Notification No.S.O.444(E) dated January 9, 2004, the Government notified broadcasting services as a part of telecommunication service under Section 2(i)(k) of the TRAI Act and hence FM radio broadcasting services were covered by the TRAI Act.

As per the TRAI Act, the TRAI is empowered to make recommendations to the Central Government or any entity empowered under the Telegraph Act to issue licenses in connection with matters such as the need and timing for introduction of new service providers, terms and conditions of licenses issued to service providers and the revocation of licenses for non-compliance with terms and conditions. The functions to be discharged by the TRAI include ensuring compliance with the terms and conditions of licenses, regulate revenue sharing arrangements among service providers and specifying the standards of quality of service to be provided by service providers.

For the effective discharge of its functions, TRAI is empowered to call upon any service provider at any time to furnish in writing such information or explanation as is required or to an investigation into the affairs of any service provider or issue directions in respect thereof.

## **HISTORY & BACKGROUND**

Malar Publications Ltd (Malar) was incorporated on 22<sup>nd</sup> February 1979 as a Private Limited company. Malar took over the business of printing and publishing Maalai Malar from T.R.Balakrishnan. At the time of take over Maalai Malar was being published and printed at Coimbatore and Salem. After the takeover Malar launched the Pondicherry Edition in 1982, Chennai Edition in 1983, Madurai and Trichy Edition in 1985, Nagercoil Edition in 1989 and Erode Edition in 1991. Currently Malar has printing and publishing facilities at eight locations in Tamilnadu and Pondicherry and the evening newspaper is priced at Rs.3/-

Effective from 1<sup>st</sup> April 2005 Malar has taken over the business of Printing & Publishing from Rani Printer (P) Ltd, cable distribution & TV content programming from Air Media Network (P) Ltd, printing and publishing of Newspapers Malai Murasu from Nellai Murasu (P) Ltd and marketing of advertisement space from Sovereign Media Markets (P) Ltd.

### **Registered Office:**

Rani Buildings,  
86, E.V.R.High Road  
Chennai – 60 007  
Ph : + 91 44 2532 1061, 2532 1067, 2532 1184, 25322735  
Fax: + 91 44 2532 2277

### **Branch Offices:**

#### **Ahmedabad**

A/18, Radhaswamy Raw House  
Near Chanakayapuri  
Ghatlodia  
Ahmedabad – 380 061

#### **Erode**

14, Natchiappa Street  
Near Bus Stand,  
Erode – 638 001

#### **Madurai**

12-A, Central Bus  
Stand Road  
Madurai – 625 001

#### **New Delhi**

5/10, INS Building  
Rafi Marg  
New Delhi – 110 001

#### **Salem**

9/A, Omalur Road, Salem – 636 009

#### **Bangalore**

54/1, 70-th Cross, VI Block  
Rajaji Nagar  
Bangalore – 560 010

#### **Hyderabad**

118, Navketan Complex  
Near Clock Tower, S.D.Road  
Secunderabad – 500 003

#### **Mumbai**

207, Dalamal Towers  
211, Free Press Journal Road  
Nariman Point  
Mumbai – 40 021

#### **Pondicherry**

23, Cuddalore Road  
Pondicherry – 605 001

#### **Trichy**

13, Macdonalds Road, Trichy – 620 001

#### **Coimbatore**

766, Avinashi Road  
Coimbatore – 641 018

#### **Kolkata**

P-595, Purnadas Road  
Kolkata – 700 029

#### **Nagercoil**

684, Police Station Road  
Nagercoil – 629 001

#### **Pune**

B/12, 16, Guruganesh Nagar  
No.6, Kothrud,  
Pune – 411 029

## MANAGEMENT

**Management** : Malar Publications Ltd is a long standing organization with over 36 years operations. The company is Board Managed with Mr. S. Balasubramanian Adityan as its Managing Director. The other Directors include C. Kalyanasundaram, and T.Janarthanam. A brief Profile of Sri.S.Balasubramanian Adityan is given as under:

**Sri S. Balasubramanian Adityan**, is the illustrious son of Sri B. Sivanthi Adityan and the Grand son of Sri Si.Pa. Athithanar, Founder of the largest circulating Tamil Daily – DAILY THANTHI. After completing his studies in Montfort at Yercaud and PSG College of Arts and Science at Coimbatore he did his M.S. (Printing Technology) in Rochester University of Technology, USA. He has joined his family business in the year 1990 as the Executive Director of ‘Maalai Malar’, the Evening Tamil Daily. Keeping with the family traditions, he has been showing tremendous interest in Tamil Journalism, and the same has been helping Maalai Malar in a great way. He set up Air Media Network (P) Ltd., (AMN) in September 1993, to exploit the media revolution in Tamilnadu. In 1995, AMN took over an existing cable network sub operator in Chennai and built it up successfully. Initially the main business of AMN was to provide cable connecting to subscribers through the main cable operator. Sri S. Balasubramanian Adityan was involved in producing and marketing teleserials for Doordarsan, and content for Radio FM, Chennai and Tamil satellite channels.. He is an active member in Round Table 123.

### Board of Directors:

Name	Qualification	Age	Experience	Address
C.Kalyana Sundaram (Non-Executive Director)	Inter	67Yrs	30 Yrs, (Director Since 1992)	C/o.87, E.V.K.Sampath Road Chennai – 600 007
T.Janarthanan (Non-Executive Director)	S.S.L.C.	55Yrs	25 Yrs (Director Since March 1994)	C/o.87, E.V.K.Sampath Road Chennai – 600 007
S.Balasubramanian Adityan Managing Director	MS Printing Technology - Rochester University, U.S.A.	40Yrs	15 Yrs	C/o.87, E.V.K.Sampath Road Chennai – 600 007

Mr.Balasubramanian Adityan, Managing Director is assisted by Mr.D.Shankar, Chief Manager, who is supported by Profit Centreheads at the branches at Madurai, Trichy, Coimbatore, Salem, Pondicherry, Erode and Nagercoil.

Broad Base: Malar will shortly broad base the Board of Directors.

### **Organisation Setup:**

Mr. Balasubramanian Adityan is the Managing Director and Chief Executive Officer, working under the guidance and the direction of the Board. A team of Managers assist him - The Editorial Department is centralized. News gathered from U N I and PTI is sent to all Branches from Chennai through modem. Malar publications have a strong team of 327 Reporters spread over India to gather local news. Apart from its own staff reporters the Daily also employs Freelance Reporters to gather news from various locations. Deputy Editors, Chief News Bureaus, Sub-Editors, and Principal correspondents, Special Correspondents, Reporters and Photographers, support the Editor Manager. A Manager in charge of Technical aspects of print business, heads the print operation. Another Manager looks after advertising and marketing. A chief Accountant looks after Finance and Accounts. Malar has 8 branches and the Branch Manager, who reports to Chief Manager at Headquarters, heads each branch.

It is observed that there are over 327 reporters/correspondence and photographers located at various pockets of Tamilnadu. The geographical position of the reporters, the lifeline of the news daily is well positioned to gather news at these locations and passing on the same to the nearest branches/headquarters for incorporation in the daily. Such a large network has helped the Daily to gather News on an on going basis, supplying the feed news on live basis. This constitutes as a major backbone to the daily and the same would serve as a great strength in its diversification programmes.

Malar is in the process of recruiting personnel for FM Radio business.

## **KEY MANAGERIAL PERSONNEL:**

### **Key Personnel of the Group – A Profile:**

The companies under Maalai Malar Group are Board managed. Sri.S.Balasubramanian Adityan is the Managing Director of Malar Publications (P) Ltd. He is also the Group Executive Officer with a title of Executive Director for other companies in the Group. He is assisted by a team of professionals - A brief profile of five of the key management personnel has been given below:

**N.Subramanian** – Chief Operating Officer, a multi-faceted TV Broadcast Professional with nearly 30 years of experience in Television Production, Programming, Operations and Broadcast Management. Mr.N.Subramanian holds a Master Degree in Film and TV from New York University's Tisch School of Arts, New York.

- Worked in Doordarshan and Satellite TV Channels – Vijay TV (now Star Vijay), NEPC, OTV.
- Good experience in Satellite Services Leasing and Broadcast Operations Planning, Developing and Producing TV Shows and series.
- Produced and Directed TV Programs and Documentary Films
- Designing Production and Post-Production Studios.
- Developed quality system procedures for TV channel operations and Management.

**K.R.Skandraaj** – Advertisement Manager – He holds a Post Graduate Diploma in Management from Symbiosis Institute of Management, Pune in 1997.

- A Professional Manager with over 16 years experience in Sales and Marketing/Advertising.
- He has worked earlier in reputed dailies - Deccan Herald, The Hindu, Indian Express.
- He is known for skills in planning and strategic management, with expertise in covering major events and bringing out in new features for achieving excellence.
- He is an active member of Madras Advertising Club and Public Relation Societies of India.

**Mr.Chandra Gopal** – Chief Editor – He has rich experience in the Newsprint Industry having worked at various levels. He has over 30 years of experience in the Industry.

**Mr.D.Shankar** - Chief Manager – Administration - He has been with the group for a long time and has good experience in Administration and other related matters. He is also on the Board of Air Media Networks Pvt. Ltd.

**Mr. Jeba Money**- Branch Manager, located at Tirunelveli takes care of the day to day operations of Nellai Murasu (P) Ltd under the guidance and direction of Shri. S. Balasubramanian Adityan group chief executive.

### **Recruitment of Personnel**

Malar is in the process of recruiting personnel for FM Radio business.

### **Promoters & Background:**

Malar is part of the Publication family promoted by Shri.Si.Pa.Aditanar. Shri.Si.Pa.Aditanar founded Daily Thanthi in the year 1942 which is the No.1 morning daily tamil newspaper. Shri.Shivanthi Adityan son of Shri.Si.Pa.Aditanar took over the affairs of the business and expanded further. The family publishes and prints Daily Thanthi, Maalai Malar, Gokulam Kathir, Rani Muthu and Rani Weekly. Mr.Balasubramanian Adityan, grand son of Shri.Si.Pa.Aditanar is the Managing Director of Malar.