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NAAC ACCREDITED GRADE – 'A'



Topic: Foreign Direct Investment in Indian Media

Course Title: Media Management

Paper: CC-8

Unit: 1&2

Semester: 4

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Foreign Direct Investment in Indian Media

Foreign direct investment or FDI is an investment made by a foreign entity (individual or company) into a business based outside. FDI is characterized by the notion of direct control. It is not merely the transfer of monetary funds; it comes with a lasting interest. This lasting interest is established when the investor gets at least 10 per cent voting power in the business.

Foreign direct investment is, without doubt, a critical driver of economic growth. Although it has more obvious benefits, FDI still comes with its share of disadvantages. Let us outline the boon and bane of foreign direct investment in India.

It is common knowledge that India is one of the fastest growing economies of the world with plenty of development opportunities. Recognizing the tremendous growth potential of the country, the government of India recently amended the FDI policy in order to increase FDI equity inflows. To make India more investor-friendly, the government has undertaken reforms and simplified investing conditions to encourage foreign investment in different sectors such as digital media, contract manufacturing, coal mining, and single brand retail trade.

Investment Opportunities:

Theatre/ Multiplex Infrastructure

Television Segment

Film Entertainment

Animation Segment

Print Media

Mobile Entertainment

Television Software Content

Advertising

Foreign Direct Investment in Indian Media & Entertainment Industries

Foreign Direct Investment- upto 100 percent is allowed in most of the sectors, more specifically,

For Film Industry– Upto 100%

For Radio Industry– Upto 20%

For Print Media

- Upto 74% publishing scientific/technical and specialty magazines/periodicals/journals

- Upto 26% publishing newspapers and periodicals dealing in news

Foreign Direct Investment (FDI) Almost reversing its 1955 cabinet decision barring any foreign investment in media, the Indian Government has thrown open all the splits of media; newspapers, television, advertising, films, radio etc. to foreign investment, though with varying equity caps. For example, it is 26% for news publications and 100 % for non-news publications, 100 % with certain

conditions) for television, 100 % for film production, 100 % for advertising, 20% for radio etc. As a result, by June 03, 2008, the I & B Ministry cleared 17 titles in news and current affairs category, 115 scientific and technical titles and 180 Indian editions of foreign specialty publications for FDI. By the same day, 05 titles in news and current affairs category, 09 scientific and technical titles and 18 Indian editions of foreign specialty publications were under the consideration of the Ministry for the same. Some of the key local groups in whose brands the FDI has been made include Hindustan Times, India Today, Times Group, CNN-IBN, Jagran Prakashan, Business Standard .

Foreign investment in Indian media Post liberalization of 1990s, Indian economy continues to perform strongly and one of the key sectors that benefited from this fast economic growth is the Entertainment & Media (E&M) industry. This is because the industry is a cyclic one that grows faster when the economy is expanding. It also grows faster than the nominal GDP during all phases of economic activity due to its Income elasticity wherein when incomes rise, more resources get spent on leisure and entertainment and less on necessities. Further, consumption spending itself is increasing due to rising disposable incomes on account of sustained growth in income levels, and this also builds the case for a strong bullish growth in the sector. The Media & Entertainment industry in the country estimated at Rs. 1,15,900 crore for 2015-16 as against Rs. 35,300 crore in 2007 is expected to register a Compounded Annual Growth Rate (CAGR) of 13.9 per cent to touch Rs 1,96,400 crore by 2019 wherein digital advertising has emerged to have the highest growth rate of 44.5 per cent during the last year while all other sub-sectors are expected to grow at a CAGR in the range of 8-30 percent. Curiously, the FDI inflow in the media sector from April 2000 to Feb 2015 has been to the tune of Rs 19,197.30 crore

The debate over foreign investment in media in India is as old as the country's independent existence. The subject was discussed in the First Press Commission under the title of "foreign nationals as owners" and the report viewed it with "disfavour". In 1955 the Union Cabinet endorsed this view and decided against any foreign investment in the press. The Second Press Commission also discussed the subject in the context of "foreign money in the Indian press" and recommended "there should be a specific legal provision under which no newspaper undertaking should have any foreign ownership either in the form of shares or in the form of loans.

However, things have changed considerably since then. The country has shifted from a socialistic mode of economy to a liberal economy. The Government has opened up many sectors including core sectors like oil exploration, nuclear energy, deep-sea mining etc. for foreign investment and the country is witnessing massive investment from foreign players. Media in India has grown up considerably in the last about two decades of economic liberalization. Media has been gradually opened up for foreign investment with encouraging results as is evident from various industry reports and surveys from time to time. The Indian Media industry has significantly benefited from the liberal foreign direct investment (FDI) regime and most segments of the E&M industry today allow foreign investment. Now the FDI is even permitted in the two core sectors of the industry as well, print media and radio. Films, advertising, television and other segments are already open to foreign investment to the extent of 100 percent FDI through the automatic route. The print media segment, 100 percent FDI is now allowed for non-news publications and 26 percent FDI is allowed for news and current affairs publications. Printing of facsimile editions of foreign journals is now also allowed in India. This policy is helping foreign journals

save on the cost of distribution while servicing the Indian audiences more effectively. The FM radio sector too is now open for foreign investment with 26 percent FDI being allowed. There are over 250 FM (frequency modulation) radio stations in the country (and the number is likely to cross 1,200 in five years) As a result, the radio sector is expanding rapidly with forecast growth rate of 18.10 percent per annum to capture an expected market of Rs. 3900 crore by 2019. However, all this goes with its own set of guidelines.

As a consequence of the facility of foreign investment in the media industry, it has witnessed increasing fund flows in most of its segments, including print media. Examples include foreign investment in English press such as Hindustan Times, Business Standard and India Today by Henderson Global, Financial Times and Daily Mail respectively. Vernacular media too got its share of foreign investment with a strategic equity investment by Independent News & Media in Dainik Jagran, a leading Hindi newspaper. In the broadcasting sphere, most channels beaming into India (such as Walt Disney, ESPN-Star Sports, Star, Discovery, BBC etc.) established foreign investment subsidiary companies for content development and advertisement of airtime sales.

In the television distribution space arena, foreign investment is being drawn by the larger cable operators referred to as 'multi-system operators (MSO)' such as Hathway and Hinduja. Similarly, in the television content space, the investment in Nimbus Communications by a foreign private equity player is just another example of foreign investment inflow. In fact, till June 03, 2008, the Information & Broadcasting Ministry cleared 17 titles in news and current affairs category for FDI including proposals from « brands like Mid-Day Multimedia Ltd, Business India Publications Ltd, Deccan Chronicle Holdings Ltd, Dhara Prakashan Pvt. Ltd, Writers & Publishers Ltd and DT Media & Entertainment Pvt. Ltd. In the non-news media segment, scientific, technical, specialty magazines, journals or periodicals and Indian editions of foreign specialty publications-which can have FDI to the tune of 100 per cent-the I & B Ministry cleared one hundred fifteen and one hundred eighty proposals respectively till June 03, 2008. Films are getting FDI for its products like Filmfare Classics, Filmfare Star Beauty and Filmfare Star Homes from Worldwide Media Ltd., Infomedia India Ltd and IDG Media Pvt. Ltd. having diluted their stake in Cricinfo Magazine and Indian Channel World are a few cases. Over the last fifteen years, the Entertainment and Media industry has attracted FDI inflow to the tune of Rs 19,197.30 crore from April 2000 to Feb 2015 Some of the larger FDI investments have been in HT Media Ltd, which sold off 24.64 per cent stakes for Rs 193.99 crores, and Jagran Prakashan that offloaded 26 per cent equity for Rs 3.21 crores. Business Standard too sold 13.85 per cent shares to Financial Times for Rs 8.37 crores. The growth of Indian Media & Entertainment industry has been phenomenal and FDI has been a significant contributor in this.

Cosmopolitan, an India Today Group publication is in a content partnership with a US Group, Hearst Corporation. About 20% of Cosmo content comes from it, rest 80% is generated locally. If the FDI norms are relaxed more and more such publishing concerns of international repute would come to India, they contend. But definitely, foreign investment has rejuvenated the media landscape in India. Many brands like The Times, Living Media etc., have gone in for new ventures with the help of FDI to write and consolidate their success stories. Other media giants also, taking full advantage of a booming economy, have established themselves as big players on the media turf of the country.

Current Industry Scenario

India has a large broadcasting and distribution industry, comprising approximately 900 satellite TV channels, 6,000 Multi-system operators, around 60,000 local cable operators, 7 DTH operators and few IPTV service providers.

India has 118,239 registered publications (newspapers and periodicals), close to 2,500 multiplexes and more than 570 mn Internet users – second largest base after China, and is expected to reach out to 640 mn by 2019.

- By 2019, digital advertising is projected to have the highest CAGR of 30.2%, while all other sub-sectors are expected to grow at a CAGR between 8% and 18%
- By 2020, media market expected to reach \$ 33.7 bn

Up to 100% FDI allowed in Teleports, DTH, Multi-System Operator, cable networks in DAS areas, mobile TV, Headend-in-the-Sky Broadcasting Services

100% FDI is allowed in Publishing/ Printing of scientific and Technical magazines/ Speciality journals/ Periodicals under the government route

For further details, please refer FDI Policy

- 11.8%
Entertainment industry CAGR (2016-21)
- 44.2%
TV industry revenue share
- 38.1%
Advertising revenue share
- 24%
Print media revenue share

The Indian Media & Entertainment industry will touch \$ 34.8 bn by 2021.

The Indian M&E industry is projected to grow at a pace of 14% over the period 2016-2021, outshining the global average of 4.2% CAGR, with advertising revenue expected to increase at a compounded Annual Growth Rate (CAGR) of 15.3% during the same period.

Television is expected to grow at a CAGR of 14.7% over the next five years as both advertisement and subscription revenues are projected to exhibit strong growth at 14.4% and 14.8% respectively.

Print is projected to continue its growth at 7.3%, largely on the back of continued readership growth in vernacular markets and advertisements' confidence in the medium, tier II and tier III cities.

Films segment is expected to bounce back and is forecasted to grow at CAGR of 7.7% as the revenue streams broaden.

Digital advertising is expected to grow at a CAGR of 32% by 2020

Animation and VFX is expected to grow at a CAGR of 20.4% over 2016-2021.

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