

# ANNUAL REPORT

2010 - 2011



INDIA'S No.1 NEWS NETWORK

आज तक

तेज

दिल्ली  
भारतक

HEADLINES  
TODAY

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**BOARD OF DIRECTORS**

Aroon Purie, Chairman & Managing Director

Koel Purie Rinchet, Whole Time Director

Anil Mehra

Anil Vig

Rakesh Kumar Malhotra

Rajeev Thakore

Ashok Kapur

**Audit Committee**

Rakesh Kumar Malhotra, Chairman

Anil Mehra

Rajeev Thakore

**Chief Executive Officer**

G. Krishnan

**GM (Legal & F & A) & Company Secretary**

Puneet Jain

**Auditors**

Price Waterhouse

Chartered Accountants

New Delhi

**Bankers**

Canara Bank

ICICI Bank Limited

**Registered Office**

Videocon Tower

E-1, Jhandewalan Extn.

New Delhi - 110 055

**Registrar & Transfer Agents**

MCS Limited

F- 65, Okhla Industrial Area

Phase-I, New Delhi-110 020

## DIRECTORS' REPORT

### TO THE MEMBERS

Your Directors are pleased to present the Twelfth Annual Report together with the Audited Statement of Accounts of the Company for the financial year ended 31<sup>st</sup> March 2011.

### 1. Financial Results

The financial results of the Company for the year ended 31<sup>st</sup> March 2011 are summarized below for your consideration.

(Rs. in Crores)

Particulars	Year Ended 31 <sup>st</sup> Mar '11	Year Ended 31 <sup>st</sup> Mar '10
Income from operations	293.26	284.82
Other income	9.54	23.10
<b>Profit before Finance, Charges, Amortization, Depreciation and Tax</b>	<b>35.40</b>	<b>75.13</b>
Finance Charges (Including Interest)	0.95	7.05
Depreciation	16.01	21.10
<b>Profit before tax</b>	<b>18.45</b>	<b>46.98</b>
Provision for Tax	6.03	16.12
<b>Net Profit</b>	<b>12.42</b>	<b>30.86</b>
Balance amount brought forward	155.10	134.30
Profit Available for appropriation	167.52	165.17
Transferred to General Reserve	0.65	5.00
Proposed Dividend	4.46	4.33
Corporate Dividend Tax	0.72	0.74
<b>Balance Carried forward</b>	<b>161.68</b>	<b>155.10</b>

### 2. Performance

During the financial year under review, your Company's revenue from operations has been Rs.293.26 Crores compared to Rs. 284.82 Crores last year. Profit after tax was lower at Rs.12.42 Crores compared to Rs. 30.86 Crores last year.

Your company's business model is such that it mainly depends on Ad Revenues. Your Company due to its Channel's impeccable reputation and leadership position of the flagship channel "AAJ TAK", and confidence reposed by its viewers and clients managed to achieve a reasonably satisfactory performance.

In recognition of its leadership position, your Company's Channels have been conferred with the following prestigious awards:

### News Television Awards 2011

- Best Crime Show (Hindi) – Vardaat (Aaj Tak)
- Best Entertainment Show (Hindi) – Bheja Fry (Tez)
- Best Promo – Raksha Bandhan (Dilli Aaj Tak)
- Best Investigative Feature – Honour Killers in Uniform (Headlines Today)
- Best Prime Time Newscast – HT questions Journalist Ethics

### Laadli Media Awards 2011

- Best News Feature - Branded a Witch, Hunted for Life (Headlines Today)

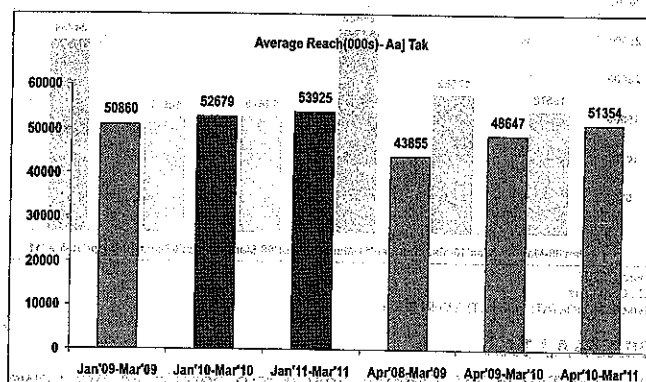
### Indian Television Academy Award 2010

- Best Hindi News Channel – Aaj Tak

### AAJ TAK

Aaj Tak continued to maintain its leadership position for the 10<sup>th</sup> consecutive year despite intense competition in the Hindi news genre. Viewers reposed confidence in Aaj Tak for the 10th consecutive year due to its editorial excellence, fair and unbiased reporting, launch of new innovative News shows catering to different segments of society and a motivated team of well-qualified professionals.

In spite of intense competition and a cluttered news space, Aaj Tak continues to dominate by being the channel of choice during key events. Whether it's a national or an international event, the credibility of Aaj Tak is unmatched.



Source: TAM  
TQ: CS 4+ Yrs  
Market: All India (AT:TEZ:HLT) & Delhi(DAT)

### HEADLINES TODAY

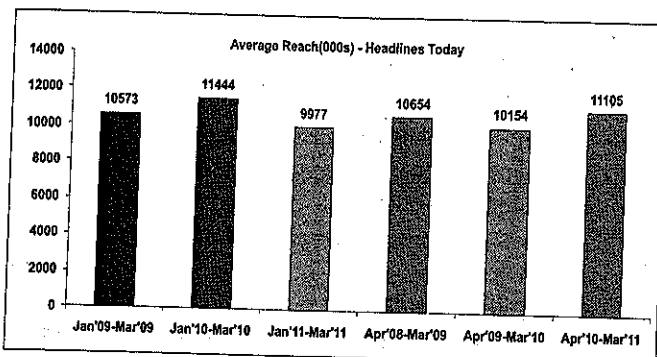
2010-11 was a year of consolidation and perception building for Headlines Today. The past year established Headlines Today as a force when it came to investigative and incisive news reporting.

Headlines Today have led from the front breaking stories of national and international importance.

Headlines Today Reach has grown to 11.1 million in 2010-11 as compared to 10.15 million in 2009-10.



## T.V. Today Network Limited

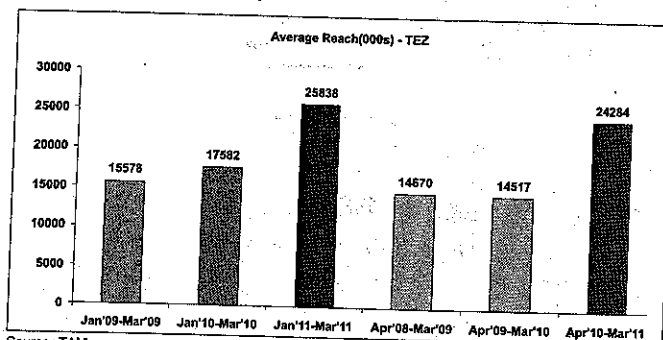


(Source: TAM  
TG: CS 4+ Yrs  
Market: All India (AT; TEZ; HLT) & Delhi (DAT))

### TEZ

Tez was launched to cater to those viewers who have little time and want condensed news in quickest possible way, mostly in the target group of male, 25-44 years; Tez retained its ratings over the preceding year with both reach and time spent also going up considerably

In the full year of operation ended March 31, 2011, "Tez" had reached 24.28 Million viewers as compared to 14.51 million last year. During the quarter January-March 2011, the reach of "Tez" was 25.83 million compared to 17.58 million during the same quarter last year.

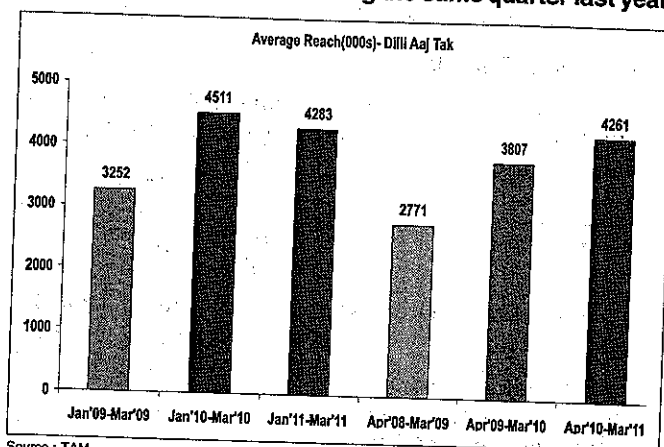


(Source: TAM  
TG: CS 4+ Yrs  
Market: All India (AT; TEZ; HLT) & Delhi (DAT))

### DILLI AAJ TAK

Dilli Aaj Tak is TV Today's only metro centric 24 hrs news channel. In the course of its five year journey so far since the launch in 2006, the channel has not only redefined local news coverage but also acted as an objective & positive catalyst in bringing out changes that affect the lives of people of Delhi & NCR. The channel's news radar has always picked issues ranging from daily water-power crisis to local body polls, assembly & parliament elections & very big events like commonwealth games & their impact on overall capital canvas. Through its performance year after year it has carved a niche when compared with national broadcasters. It has truly lived its catch line "Aap Ka Shahr Aap Tak" by consolidating its connect with viewers by raising their issues, their problems through live & interactive programming & emerging as an aggressive & unbiased campaigner for a decent life in a metropolitan space like Delhi.

The channel has a news-you-can-use format, and has been No.1 in Delhi since the date of its launch in Delhi with an average viewership of 4.26 million in 2010-11 as compared to 3.80 million in 2009-10. During the quarter January-March 2011, the reach of "Dilli Aaj Tak" was 4.28 million compared to 4.51 million during the same quarter last year.



(Source: TAM  
TG: CS 4+ Yrs  
Market: All India (AT; TEZ; HLT) & Delhi (DAT))

### 3. Dividend

Your directors are pleased to recommend for your consideration and approval payment of dividend @ 15% amounting to Rs. 0.75 per equity share of Rs. 5/- each for the financial year 2010-11. Total amount of dividend outgo for the financial year shall be Rs. 5.18 Crores (including Corporate Dividend Tax amounting to Rs. 0.72 Crores).

### 4. Deposits

During the year, your Company has not accepted/renewed deposits from the Public within the meaning of Section 58A, 58AA and other relevant provisions of the Companies Act, 1956, if any.

### 5. Directors

In accordance with the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of your Company, Mr. Anil Mehra and Mr. Rajeev Thakore, Directors, liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. Your directors recommend re-appointment of Mr. Anil Mehra and Mr. Rajeev Thakore as Directors on the Board of the Company.

### 6. Director's Responsibility Statement

As stipulated in Section 217(2AA) of the Companies Act, 1956, your Directors' subscribe to Directors' Responsibility Statement and confirm that:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- they had selected such accounting policies and applied them consistently and made judgement and

estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2010-11 and of the profit of the company for that period;

they had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

the annual accounts had been prepared on a going concern basis.

## **7. Subsidiary Company**

The Audited Statement of Accounts, alongwith the report of the Board of Directors and the Auditor's Report pursuant to Section 212 of the Companies Act, 1956 of the wholly owned subsidiary Company, TV Today Network (Business) Limited, for the year ended on 31<sup>st</sup> March 2011 is annexed.

## **8. Consolidated Accounts**

In accordance with the requirement of Accounting Standard 21 of the Institute of Chartered Accountants of India to present consolidated accounts, your Company, in compliance with the said requirement has prepared the consolidated Accounts which is annexed herewith.

## **9. Investments**

Your Company has made a strategic investment in Mail Today Newspapers Pvt. Ltd for which it has acquired some stake amounting to Rs. 45.50 Crore during the year ended March 31, 2011. This investment is towards considering a foray into the Print Media utilizing the synergies of content and brand. The same has been further elaborated in Note no. 11 of the Financial statement which is self explanatory.

## **10. Auditors**

The statutory auditors of your Company M/s Price Waterhouse, Chartered Accountants holds office up to the conclusion of the forthcoming Annual General Meeting and have offered themselves for re-appointment. They have confirmed that, if re-appointed, their appointment would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956. Your directors recommend their re-appointment as Statutory Auditors of the Company.

## **11. Auditor's Report**

There are no qualifications of the Auditors on the Accounts of the Company for the financial year ended 31<sup>st</sup> March 2011 requiring further comment from the Board of Directors.

## **12. Corporate Governance**

In accordance with Clause 49 of the listing agreement, your Company has ensured continued compliance of Corporate Governance requirements during the financial

year. Your Company lays strong emphasis on transparency, disclosure and independent supervision to increase various stakeholders' value.

The report on Corporate Governance for the financial year 2010-11 is given as a separate section titled "Report on Corporate Governance" and Certificate of Company Secretary in Practice as required under the revised Clause 49 of the listing agreement is appended herewith which forms part of this Annual Report.

## **13. Employees Stock Option Plan**

Human Resource is the key to the success of any organization. The Company has always valued its human resources and has tried to adopt the best HR practices. To retain and nurture well-performing employees who are contributing to the growth of the Company, your Company introduced stock option plan (ESOP) for its employees and Directors in 2006. The disclosures in compliance with clause 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (as amended) are set out in the Annexure appended herewith.

A certificate from Statutory Auditors, with regard to the implementation of the Company Employees' Stock Option Scheme, would be placed before the shareholders in the next Annual General Meeting, and a copy of the same shall be available for inspection at the registered office of the Company.

## **14. Management Discussion and Analysis**

Separate report on Management Discussion & Analysis is appended herewith.

## **15. The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.**

In terms of the requirement of clause (e) of sub-section (1) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars with respect to "Conservation of Energy, Technology Absorption and foreign exchange earnings and outgo" are given as under:

(a) Conservation of Energy	: Not Applicable
(b) Technology Absorption	: Not Applicable
(c) Transaction in Foreign Currency :	
i) Value of Imports	: Rs. 21,134,543
(CIF basis)	
ii) Expenditure in foreign currency (Accrued basis)	
(a) Traveling Expenses	: Rs. 14,338,051
(b) Production Cost	: Rs. 96,010,286
(c) Repair and Maintenance	: Rs. 3,026,682
(d) Others	: Rs. 15,876,959
(d) Income in foreign currency	: Rs. 82,547,314
(Accrued basis)	



## T.V. Today Network Limited

### 16. Particulars of Employees

Particulars of Employees as required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 (as amended) is annexed hereto and forms part of this report.

### 17. Acknowledgement

Your Directors place on record their deep appreciation of the contribution made by all section of employees with dedication, commitment and team effort which helped your Company in achieving the performance during the year despite stiff competition from the existing as well as new players in the news and current affairs genre.

Your Directors also acknowledge with thanks the support given by the Central Government, bankers, shareholders and investors at large and look forward to their continued support.

**For and on behalf of the Board of Directors**

Place : New Delhi

Date : May 30<sup>th</sup>, 2011

Sd/-

**Anil Mehra**  
Director

Sd/-

**Aroon Purie**  
Chairman &  
Managing Director

**Note:** As per the provisions of Section 219(1) (b) (iv) of the Companies Act, 1956, read with amended Clause 32 of the Listing Agreement with the Stock Exchanges, the Annual Report is being sent to all shareholders of the Company excluding Particulars of Employees under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Company's New Delhi office at Videocon Tower, E-1, Jhandewalan Extension Delhi-110 055.



## INFORMATION REGARDING THE EMPLOYEES STOCK OPTION PLAN (As on March 31, 2011)

Sl. No.	Particulars	First Grant	Second Grant	Third Grant	Fourth Grant	Fifth Grant	Sixth Grant	Seventh Grant
I	Date of Grant	December 01, 2006	March 01, 2007	December 01, 2007	June 24, 2008	April 05, 2010	May 20, 2010	September 30, 2010
II	Market value on date of grant of the underlying equity shares	Rs. 74.35	Rs. 134.85	Rs. 152.75	Rs. 93.15	Rs. 113.90	Rs. 102.85	Rs. 85.15
III	Exercise Price (50% of options) (Balance 50% of options)*	Rs. 74.35 Rs. 44.35	Rs. 134.85 Rs. 104.85	Rs. 152.75 Rs. 122.75	Rs. 93.15 Rs. 63.15	Rs. 113.90 Rs. 83.90	Rs. 102.85 Rs. 72.85	Rs. 85.15 Rs. 55.15
IV	Vesting Period	4 years	4 years	4 years	4 years	4 years	4 years	4 years
a	Options Granted (NET OF OPTIONS CANCELLED)	1,90,500	55,000	15,000	104,000	21,500	37,500	200,000
b	Pricing Formula	50% of options are granted at the market price and balance 50% of the options at a discount to the market price. Discount shall vary from Rs. 0 to Rs. 30/- depending upon the meeting of the performance criteria by the employee from year to year.						
c	Option Vested	45,500	NIL	NIL	NIL	NIL	NIL	NIL
d	Option Exercised	45,500	NIL	NIL	NIL	NIL	NIL	NIL
e	Number of shares arising as a result of exercise of option	45,500	NIL	NIL	NIL	NIL	NIL	NIL
f	Option Lapsed	NIL	NIL	NIL	NIL	NIL	NIL	NIL
g	Variation of terms of options	NA	NA	NA	NA	NA	NA	NA
h	Money realized by exercise of options	27,22,925	NA	NA	NA	NA	NA	NA
i	Total number of options in force	1,45,000	55,000	15,000	1,04,000	21,500	37,500	2,00,000
j	Employee-wise details of options granted to i) Senior Management Personnel	<ol style="list-style-type: none"> <li>1. Q.W Naqvi - News Director - 45,000 options</li> <li>2. Rajnish Rikhy - Senior VP-Ad Sales - 45,000 options</li> <li>3. Sanjay Jain - VP Finance - 3,000 options (resigned)</li> <li>4. Rinku Paul - GM - Ad Sales - 15,000 options</li> <li>5. Nikita Tulsian - GM Ad Sales - 15,000 options</li> <li>6. Satyaky Chowdhury - GM Ad Sales - 15,000 options</li> <li>7. Rehan Kidwai-VP-Operations - 15,000 options</li> <li>8. Prince Sharma - VP Technology - 22,500 options</li> <li>9. Amitabh - Executive Prod - 15,000 options</li> <li>10. Rajmohan Nair - VP Network - 45,000 options</li> <li>11. Bijo - GM Ad Sales - 10,000 options</li> <li>12. Shailesh Kumar - Executive Prod - 15,000 options</li> <li>13. Rahul Kanwal - Executive Producer - 15,000 options</li> <li>14. Denzil O'Connell - Associate Exec Prod - 9,000 options</li> <li>15. Ritul Joshi - Deputy Editor - 7,500 options</li> <li>16. Sonia Singh - Senior Special Correspondent - 7,500 options</li> <li>17. Sahil Joshi - Bureau Chief - 7,500 options</li> <li>18. Deepak Sharma - Editor - 7,500 options</li> <li>19. Shams Tahir Khan - Editor - 7,500 options</li> <li>20. Vikrant Gupta- Editor - 7,500 options</li> <li>21. Gautam Roy - Senior Special Correspondent - 7,500 options</li> <li>22. Avantika Singh Associate Senior Producer - 7,500 options</li> <li>23. Samip Rajguru Senior Special Correspondent - 5,000 options</li> <li>24. Sanjiv Chauhan - Special Correspondent - 5,000 options</li> <li>25. Prateek Trivedi, Special Correspondent - 5,000 options</li> <li>26. Nida Khan - Associate Senior Producer - 5,000 options</li> </ol>						





## T.V. Today Network Limited

		27. Mandeep Bevil - Associate Executive Producer - 9,000 options 28. Manish Dubey - Editor - 7,500 options 29. Ruchika Tomar - Principal Correspondent - 5,000 options 30. Ajay Kumar - Executive Producer - 15,000 options 31. Abhisar - Deputy Editor - 7,500 options 32. Poonam Sharma - Deputy Editor - 7,500 options 33. Gaurav Sawant - Associate Editor - 7,500 options 34. G. Krishnan - Chief Executive Officer - 100,000 options 35. Anil Mehra - Director - 100,000 options (Out of above, 45,500 options have been exercised as mentioned under Sl. No. d)						
	ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year;	None.						
	iii) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of the grant.	None.						
k	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with accounting Standard (AS) 20 'Earning Per Share'.	Rs. 2.15						
l	In case, the employees compensation cost is calculated on the basis of intrinsic value of stock option, the difference between the employees compensation of the stock option cost based on intrinsic value of the stock and the employees compensation of the stock option cost based fair value, and the impact of this difference on profits and on EPS of the Company.	The Company has used intrinsic value method for calculating the employee compensation cost with respect to the Stock Options. If the employee compensation cost for the ESOP had been determined in a manner consistent with the fair value approach the Stock Option compensation expenses would have been higher by Rs. 3.58 million. Consequently, the profit would have been Rs. 120.62 million instead of the current profit of Rs. 124.19 million and the EPS of the Company would have been (Rs. 2.09) instead of (Rs. 2.15).						
m	For options whose exercise price either equals or exceeds or is less than the market price of the stock the following are disclosed separately: a) <b>Weighted average exercise price</b> i) when the exercise price is equal to market price ii) when the exercise price is less than market price b) <b>Weighted average fair value</b> i) when the exercise price is equal to market price ii) when the exercise price is less than market price	Rs. 89.58	Rs. 75.10	Rs. 56.79	Rs. 63.16			
n	A description of the method and significant assumptions used during the year to estimate the fair value of options, including the following weighted-average information: i) risk-free interest rate; ii) expected life; iii) expected volatility; iv) expected dividends; and v) the price the underlying shares in the market at the time of option grant.	7.35%	7.87%	8.07%	8.83%	8.09%	7.94%	8.10%
		10 years	10 years	10 years	10 years	10 years	10 years	10 years
		48.28%	55.44%	51.27%	58.35%	54.44%	52.40%	43.13%
		1.01%	0.56%	0.49 %	0.83 %	0.66%	0.74%	0.89%
		74.35	134.85	152.75	93.15	113.90	102.85	85.15

\* Maximum discount of Rs. 30/- which may vary between Rs. 0 to Rs. 30/- based on the employees performance.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE AND DEVELOPMENTS

The Indian Entertainment and media industry (E & M), which was reeling under slow growth has bounced back in 2010 registering a growth rate of 11 percent compared to a mere 1.4 percent in 2009. This growth was primarily driven by the resurgence of media spends by advertisers across media platforms. The overall size of the Media and Entertainment industry grew from INR 58700 crore in 2009 to INR 65200 crore in 2010, registering an overall growth of 11 percent. Backed by positive industry sentiments and growing media consumption, the industry is estimated to achieve growth of 13 percent in 2011 to touch INR 73800 crore. The growth is projected to grow at a CAGR of 14 to reach INR 127500 crore by 2015 according to a latest FICCI KPMG report. The contribution of advertising revenue to overall industry pie is expected to increase from 38 percent in 2007 to 42 percent in 2012.

The contribution of television to the overall industry has risen at a CAGR of 12% and the same is expected to grow at a CAGR of 15% in the next 5 years. Out of the total industry size of INR 65200 crore in 2010, television size was INR 29700 crore which accounts for 45.55 percent of the total industry size. Overall the television industry grew from INR 25700 crore in 2009 to INR 29700 crore in 2010 recording a growth of 15 percent compared to 7 percent last year. It is expected to reach a size of INR 63000 crore in the next five years i.e. by 2015 at a CAGR of 17 percent. The total number of TV households grew from 129 million in 2009 to 138 million by the end of 2010 showing an increase of 7 percent. The C&S households increased from 95 million in 2009 to 108 million in 2010. The number of television channel increased from 461 in 2009 to 550 by August, 2010.

The private FM Radio industry registered robust growth of around 24 percent during the year after recovering from the impact of economic slowdown. Industry growth was driven largely by volumes. The industry is expected to grow at CAGR of 20 percent over the next five years.

### INDUSTRY GROWTH – FUNDAMENTAL DRIVERS

The key growth drivers which have enabled the sector to grow are:

- **Digitization** – Digitization has added value to the industry as it provides better quality transmission with the possibility of interactive and value added services. DTH was one of the biggest contributors to the digitization story as it displayed rapid growth to reach 28 million gross subscribers by the end of 2010 registering robust growth of 75 percent in net subscriber base over 2009, by adding 12 million subscribers. With the regulatory push on digitization, increasing mobile and broadband penetration and ongoing 3G rollouts, the market for digital distribution platform is only expected to grow.

- **Regional Channels** - Backed by the increasing purchasing power across tier 2 and tier 3 cities, regional media consumption is expected to continue to rise. With regional channels gaining momentum and emerging as complimentary media propositions, the growth in advertising revenues is expected to come from increase in ad rates being commanded by these channels. In 2010, of total ad volumes, on television, 53 percent was on regional channels as opposed to national channels, growing from 47 percent in 2009.

### Focus on profitable growth

Indian M & E companies implemented cost reduction strategies to weather the economic slowdown of 2008-2009. While industry projections look optimistic, increasing competition is creating greater pressure on margins. In order to sustain profitable growth, several cost control initiatives implemented during the slowdown have continued to prevail despite the industry resuming its double digit growth rate.

### Increasing Media penetration and per capita consumption

With increase in per capita consumption, discretionary spends are expected to grow and entertainment and leisure platforms are likely to be beneficiaries of this trend. Moreover as metros and tier 1 markets get saturated, media companies are looking to penetrate the tier 2 and tier 3 towns and rural markets.

### Growing importance of new Media

The past decade marked the convergence of media and technology of user generated content and social media have changed the way the media is consumed. These changes in the media are being driven by factors such as content pull from telecom services providers due to 3G launch, emerging gaming platforms and innovation in technological devices such as tablets. New media is bringing about a revolution by merging the functionalities for customer end terminal devices like T.V., PCs, mobile phone etc. This creates new and exciting methods of monetizing content and attracting new media consumers. Recently launched I-pad has the potential of becoming a delivery platform for news and entertainment content in the future. Launch of HD channels and its packaged sales by some DTH operators is another example of monetization through new media.

### Growing importance of pay markets

Traditionally, advertising revenues have had a strong hold in the M&E industry, but increasingly, subscription revenues are becoming important with consumers paying for media services. The media business models in India are undergoing a change with audiences becoming more willing to pay for content and value added services. Technology has brought about convenience and offers superior quality to consumers who are responding positively. The growth in ticket prices of movies at multiplexes, increasing number of Pay T.V. Subscribers, increasing penetration of DTH with its user-friendly interface and technology, and introduction of Value Added Services