CREDIT SUISSE

SECTOR REVIEW

1 December 2006
Global
Entertainment

Equity Research

OVERWEIGHT

Opportunities for Hollywood in Bollywood

India Media and Entertainment Tour

- **India is the one of the four BRIC countries where we believe there is significant revenue and profit opportunity for global media companies over the near to intermediate term (the four are Brazil, India, China and Russia). Each of the four "emerging growth" markets may hold significant long term opportunity for global media but we believe that the opportunities to distribute content and leverage a traditional advertising and subscription revenue model are now in place in India. It is poised to continue rapid growth for several years as the multi channel TV business is evolving toward a digital platform that will expand the market as well as the ability for content providers to actually get paid.**
- **News Corp, Disney and Sony are best positioned among the biggest global media companies to capitalize on opportunities in India. This is due in part to their existing operations and in the case of Disney also due to recent acquisitions. This list could expand significantly, and Viacom, Time Warner and Discovery are already on the ground. We expect most if not all of the major media companies to establish "a play on India" at some point. Cable networks, syndicated TV shows and film production as well as Internet and mobile content will be the main products sold into India - many of these businesses are already established, as this report details. There is a large local media infrastructure in the country as well, with many publicly traded companies - though market cap size is a fraction of the US based companies. We would expect consolidation opportunities in country for the global media companies and Disney has been active in this regard lately.**
- **The lack of physical infrastructure in India is striking – a fact noted by many we met as an impediment of sorts to building businesses in the country. Rather than a conclusion this is an issue that will evolve over time, and the entrepreneurial spirit and democratic/capitalist society should eventually override the physical infrastructure limitations. We believe there are major opportunities emerging in India and hope this report will help to highlight that potential.**

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Executive Summary

Recently we visited key media and entertainment companies in India to assess the growth opportunities for the global entertainment companies under our coverage. We return enthusiastic about the growth potential of the media and retail markets given strong economic growth, accelerating GDP per capita, a vibrant consumer environment, a transition to digital cable and satellite, and a relatively benign regulatory environment.

News Corp/STAR TV

News Corp's STAR TV is the market leader in television broadcasting in India. While the environment is clearly becoming more competitive and fragmented, the migration of the multichannel TV market to digital and therefore a more typical pay-tv model, should support a significant expansion in subscription revenue. STAR India is estimated to contribute around $125m EBIT to NWS in FY07F. The additional subscriber revenue should come at no additional cost. Over the next five years we expect EBIT growth of around 180% and for STAR India's contribution to expand from less than 3% to 5% of NWS' EBIT. NWS is rated OUTPERFORM with a target price of $26.00.

Disney

Disney's entry into the Indian market is multi-faceted, in television broadcasting, consumer products, books, magazines and home entertainment. The infrastructure challenges in India mean that a park is unlikely to be considered for a decade. However the broadcasting business has rapidly achieved dominance in the kids space, and should benefit from growing market share of advertising, as well as the shift to digital which should support subscription revenue growth. The opportunity for consumer products should also be significant. The Indian retail market is at the cusp of a rapid transformation with the number of shopping malls forecast to expand from 4 in 2003 to 600 by 2010F and foreign ownership rules are expected to ease progressively. India looks to be an important contributor to the expansion of Disney's global footprint. DIS is rated OUTPERFORM with a target price of $41.00.

Sony

Sony Entertainment Television (SET) is one of the longest established broadcasters in the Indian market in a majority owned joint venture with Indian partners. Restructuring options may provide the opportunity for greater financial transparency of the business. Sony is rated OUTPERFORM with a target price of ¥7500/$64.00.

India vs China

We visited China last year for a similar fact-finding mission. While the Chinese economy and advertising spend is considerably larger than that of India, and GDP per capita is over 2.5 times greater, foreign media companies are achieving ad revenues in India more than double those in China due to the more favorable regulatory regime. In the entertainment sphere, box office revenues in India are almost six times those of China, reflecting the vibrant film production market and a culture of cinema visitation. Over the past two years the stock markets of both countries have been strong but the Indian stock market has outperformed.

Advertising revenue

The Indian advertising market is enjoying double digit growth supported by the emergence of a consumer market and the introduction of new product categories. Telecommunications has become a major advertiser as the Indian mobile market expands by 5m handsets a month. Finance has become a new category, and the availability of consumer credit is supporting growth in auto advertising. The massive expansion in the organized retail market anticipated over the next five years should support the emergence of another important new category.

Subscription revenue

Subscription revenue is widely expected to grow even faster than advertising, supported by government mandated transition to conditional access in cable and the emergence of a Direct-To-Home (DTH) Satellite industry. A transition to digital provides a solution to the perennial underdeclaration of subscribers which has negatively affected broadcasters for years. Broadcasters' share of subscription revenue is expected to expand from 18% to 33% over the next four years. The cable industry is expected to experience considerable consolidation as mom-and-pop Last Mile Operators sell out to Multi-System Operators (MSOs) due to an inability to fund digital upgrades.

Retail Market

India's retail market is among the least organized in the world, historically held back by government concerns about creating unemployment among the country's 12m individual traders. A gradual process of liberalization is underway, with domestic players entering the retail market with major investment plans. The number of shopping malls is expected to expand from 4 in 2003 to 600 in 2010 and the number of hypermarkets from 2 to 1000 over the same timeframe. Foreign ownership limits restrict overseas retailers to 51% ownership of single category outlets but gradual deregulation is anticipated.

New Platforms

Broadband is unlikely to emerge as a mass platform for the foreseeable future due to difficulties associated with last mile access. However India's mobile market is booming with 112m mobile phone subscribers, growing at the rate of 5m a month. By 2010, Credit Suisse telecoms team expects a total of 392m mobile phone users. Current revenue opportunities revolve around SMS and audio clips from TV episodes. As the mobile platform becomes increasingly sophisticated there should be opportunities for broadcasters to exploit their video content further.

Filmed Entertainment markets

The Indian market is experiencing a significant corporatization of the film production and exhibition industries. A more professional production environment is opening up opportunities for co-productions with Hollywood producers and opportunities for outsourcing are also being explored. . In exhibition, the construction of multiplexes is allowing considerable increases in ticket prices. The prospects for the home entertainment market are less clear, with low hardware costs potentially offset by the wide availability of content on satellite TV. Opportunities for exploitation of Indian content to the Indian diaspora in overseas markets is a common theme.

India and China – similarities and differences

India and China are both markets that entertainment conglomerates are looking to for growth. We compare below the opportunities we see emerging in both countries.

The economy

The Chinese economy is considerably larger than that of India, with a GDP per capita over 2.5 times greater. Credit Suisse economists forecast robust economic growth for both markets in 2007F. Foreign Direct Investment in India is very small relative to China; growth rates, however are expected to be considerably stronger in India.

Figure 1: **Comparison of Indian and Chinese Economic Statistics**

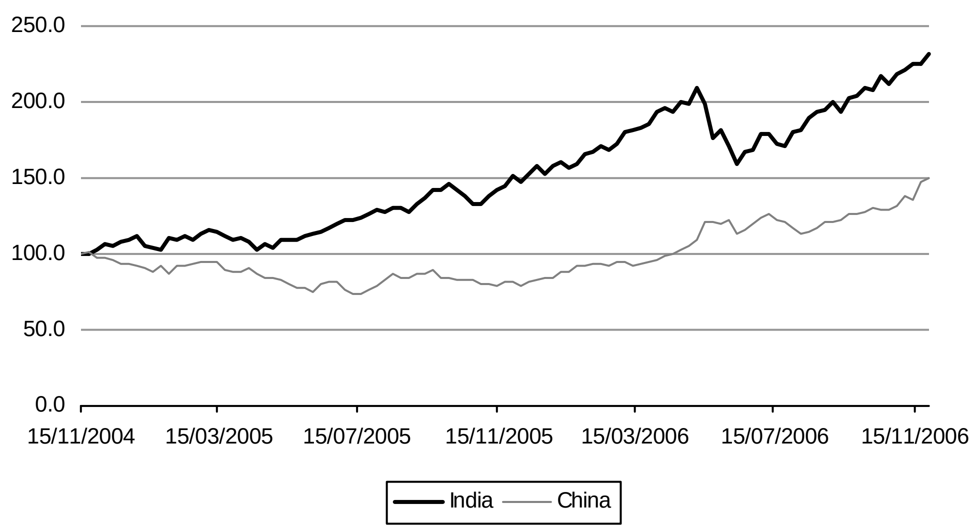
	China	India
Population (M)	1,308	1,117
2005 GDP (USDbn)	2,234	725
GDP per capita	1,709	649
2006F GDP Growth (real)	10.5%	8.5%
2007F GDP Growth (real)	9.5%	8.5%
Foreign Direct Investment (2005)	67.8	5.0
% change 2006F	-30.7%	50.0%
% change 2007F	-19.1%	20.0%

Source: Reserve Bank of India, CEIC, National Bureau of Statistics, Credit Suisse estimates

The stock market

Stock market performance from both countries has been very strong over a two year time frame, but India has significantly outperformed the Chinese market.

Exhibit 2: **Stock market performance - India vs China**



Source: Bloomberg

Media and Advertising

The advertising market in China is significantly larger than that in India, mirroring its larger economic base. However as a proportion of GDP the markets are very similar, with television attracting a comparable proportion of the advertising pie.

Figure 3: **Comparison of Indian and Chinese Advertising Statistics**

	China	India
2005 Ad Spend (USDm)	9,677	3,428
2005 TV Ad Spend (USDm)	4,292	1,531
Ad Spend % GDP	0.43%	0.47%
TV Share of Ad Pie	44.4%	44.7%

Source: Zenith, Credit Suisse estimates

The major regulatory differences as they apply to foreign media companies operating in both countries is starkly reflected in Figure 4 with foreign companies achieving a mere 6% share of the TV ad pie in China compared with over 30% in India. Additionally, while government owned entities achieve 94% of the ad pie in China, the state broadcaster achieves only 9% in India.

Figure 4: **Comparison of Foreign Share of TV Advertising**

2005	China	India
TV ad revenues - foreigners	229	470
Total TV market (net of comms)	3,649	1,301
Foreign as % total	6.3%	36.1%

Source: Company data, Zenith, Credit Suisse estimates

While the regulatory regime in India is sensitive to foreign ownership of news, restricting ownership of TV news channels, newspapers and radio to 26%, there are no foreign ownership restrictions on entertainment channels. By contrast, the Chinese regulatory regime remains very closed, restricting foreign broadcasters to operating in Guangdong Province and to hotels and foreign compounds.

As highlighted in Figure 5 below, the penetration of television sets differs markedly between China and India, reflecting the differences in GDP per capita outlined earlier. While virtually every household in China has a TV set, only a little over half of Indian households are in the same position. The penetration of multichannel, however, is high in India, at 60% compared with the 30% in China.

There are significant differences between the markets are they relate to subscription revenues. While both markets are low ARPU markets, and beset by piracy and underreporting issues, Indian broadcasters are able to achieve a modest share of subscription revenues. Looking forward we see a significant opportunity for an expansion in the size of the subscription market in India, supported by the diversity of content available.

Figure 5: Comparison of Indian and Chinese Subscription Markets

	China	India
Total Households (M)	340	214
TV Households (M)	334	113
Cable TV Households (M)	100	68
TV Households as % of Total Households	98.2%	52.8%
Cable Households as % of TV Households	29.9%	60.2%
Monthly ARPU (USD)	$2	$4
Total Subscription Revenues (USDm)	$2,400	$2,020
Subscription Revenues to Content (USDm)	$0	$359

Source: Company data, KPMG, Credit Suisse estimates

Filmed Entertainment

Despite the small size of the economy relative to China, the Indian box office is considerably larger than that of China. The movie-going tradition is clearly more established, and piracy levels are lower.

Figure 6: Theatrical box office - India and China
in millions, unless otherwise stated

2005	China	India
Box office revenues	200	1511

Source: Industry estimates, PriceWaterhouseCoopersCompany data, Credit Suisse estimates

Listed Indian Media Companies

As highlighted in Figure 7 below, the market capitalization of Indian media companies is relatively small, with Zee TV by far the largest company, followed by Sun TV. Zee is also the best performing stock in the listed sector year to dated, closely followed by Television Eighteen.

Figure 7: Indian Listed Media Stocks

Company	Activity	Stock Code	Market Cap US$M	2006 YTD Performance
Adlabs Films	Film processing, cinemas	ADLF	383.8	26.5%
Balaji	Programming	BLJT	212.8	1.3%
Deccan Chronicle	Newspapers	DECH	610.2	110.3%
Entertainment Network	Radio	NENIL	261.4	-7.3%
HT Media	Newspapers/Magazines	HTML	809.9	75.7%
Inox Leisure	Cinemas	INOL	229.3	-8.6%
Jagran Prakashan	Newspapers	JAGP	384.3	31.2%
Mid-day Multimedia	Newspapers, radio, internet	MIDM	46.8	-49.5%
Navneet Publications	Books	NPI	114.8	-15.9%
New Delhi TV	TV Broadcasting	NDTV	316.7	15.6%
PVR Ltd	Cinemas	PVRL	127.8	-15.8%
Sahara One	TV Broadcasting, Film	SIMCL	134.5	18.0%
Saregama India	Film, DVD, CD distribution	NGCOI	72.9	-2.1%
Sun TV	TV Broadcasting	SUNTV	2,282.4	11.7%
TV Today Network	TV Broadcasting	TVTN	95.7	-21.0%
Television Eighteen	TV Broadcasting	NTLEI	421.0	129.9%
UTV Software	TV Broadcasting, Film	UTVSOF	129.8	43.1%
Zee TV	TV Broadcasting, cable, DTH	Z	3,495.5	131.3%

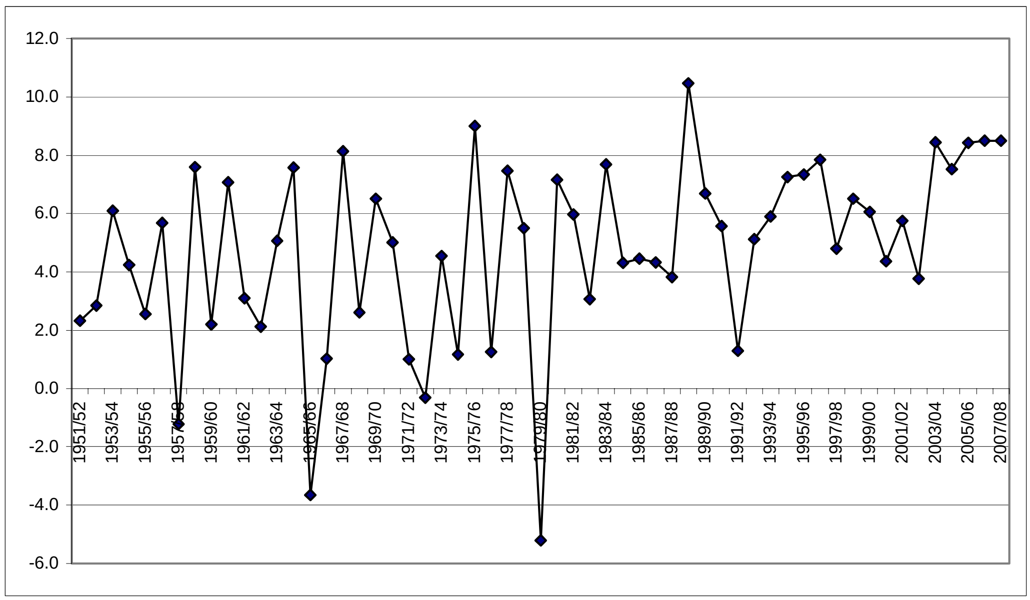
Source: Bloomberg, Credit Suisse estimates

The Indian Consumer Boom

The Economy

Between Independence in 1947 and the early 1990s, India was a highly regulated socialist democracy, with a centralized government and a significant level of government controlled enterprises resulting in erratic economic growth. The current Prime Minister, Dr Manmohan Singh held the position of Finance Minister from 1991-1996 and is credited with launching the process of economic liberalization. The Y2K scare of 1999 was a boom for India's nascent IT industry, kick starting a boom in global demand for outsourcing. After decades of an unstable growth environment, India's economy has begun to grow strongly. Credit Suisse estimates 8.5% real GDP growth over the next two years.

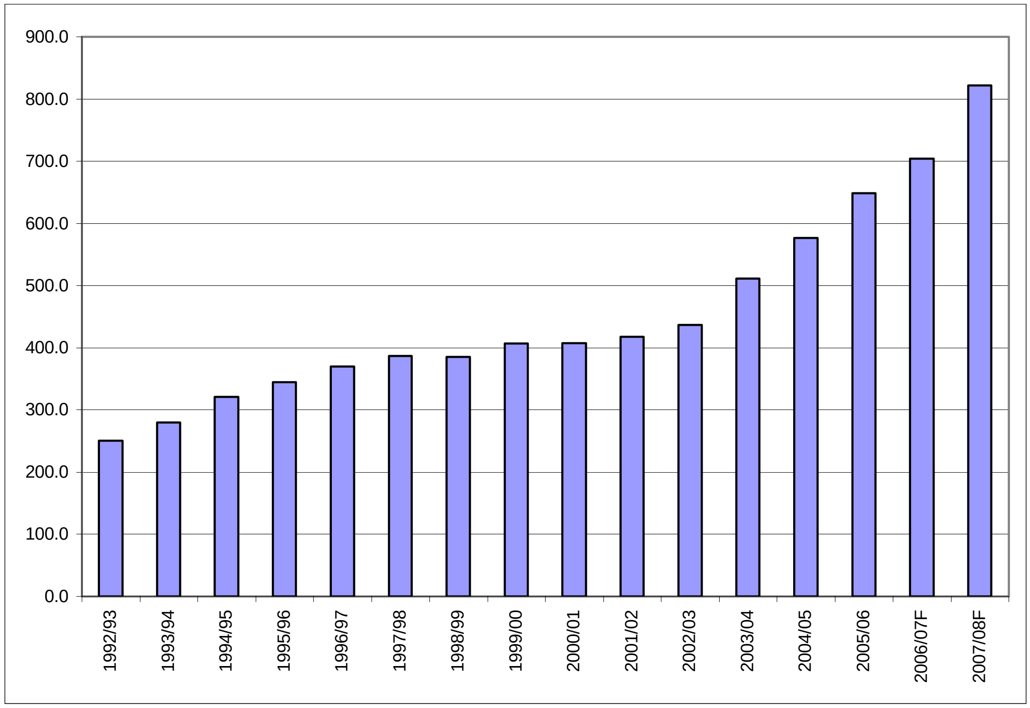
Figure 8: India Real GDP Growth Rate History and Forecasts



Source: Reserve Bank of India, Credit Suisse estimates

As highlighted in Figure 9 below, from a very low base, Indian GDP per capita doubled between 1994 and 2004 and is forecast to grow an additional 62% by 2008.

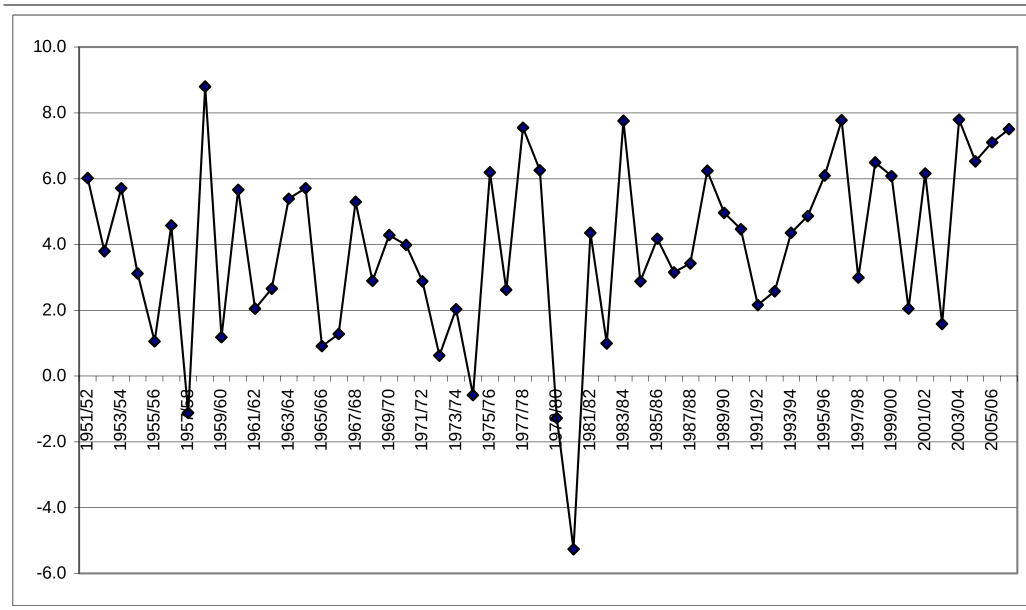
Figure 9: Indian GDP per Capita (US$)



Source: Reserve Bank of India, Credit Suisse estimates

Along with new employment prospects, the availability of consumer credit has been a major contributor to the consumer boom being enjoyed in India. Interest rates have fallen, consumer credit has become far more readily available, and changes in consumer attitudes towards borrowing have been an important factor. These are some of the factors supporting Credit Suisse optimistic forecasts for private consumption.

Figure 10: Indian Private Consumption



Source: Reserve Bank of India, Credit Suisse estimates

Advertising

As highlighted in Figure 11 below, the Indian media market is experiencing significant growth in advertising expenditure, fuelled by strong GDP growth and growth in private consumption.

Figure 11: **India Market Advertising Expenditure**

in local currency at current prices (Rupees million)						
Newspapers	**Magazines**	**TV**	**Radio**	**Cinema**	**Outdoor**	**Internet**
19,950	-	9,800	913	110	2,150	0
24,500	-	11,200	1,000	90	2,300	0
27,950	-	15,520	1,100	100	2,600	0
32,396	-	19,724	1,119	104	2,908	0
26,360	-	21,358	998	217	4,732	0
29,796	-	23,765	1,470	245	4,900	50
35,064	-	28,098	1,800	350	6,000	250
32,281	7,576	33,400	2,250	310	6,200	350
34,964	7,161	37,408	2,588	600	6,225	350
52,717	6,922	41,897	2,846	650	6,300	350
59,222	5,249	60,658	2,360	3,540	8,850	420
66,968	6,036	72,252	3,300	2,640	9,500	1,070
79,150	6,700	82,903	3,700	2,900	10,500	1,500
91,016	7,410	93,680	5,500	3,250	12,000	2,500
102,848	8,150	106,795	8,000	4,000	13,500	3,800
Year-on-year % change at current prices						
22.8	-	14.3	9.5	-18.2	7.0	-
14.1	-	38.6	10.0	11.1	13.0	-
15.9	-	27.1	1.7	4.0	11.8	-
-18.6	-	8.3	-10.8	108.7	62.7	-
13.0	-	11.3	47.3	12.9	3.6	-
17.7	-	18.2	22.4	42.9	22.4	400.0
-7.9	-	18.9	25.0	-11.4	3.3	40.0
8.3	-5.5	12.0	15.0	93.5	0.4	0.0
50.8	-3.3	12.0	10.0	8.3	1.2	0.0
12.3	-24.2	44.8	-17.1	444.6	40.5	20.0
13.1	15.0	19.1	39.8	-25.4	7.3	154.8
18.2	11.0	14.7	12.1	9.8	10.5	40.2
15.0	10.6	13.0	48.6	12.1	14.3	66.7
13.0	10.0	14.0	45.5	23.1	12.5	52.0

Source: Zenith

The emergence of a vibrant television sector over the past 15 years has supported a shift in advertising market share from newspapers to television. Forward estimates suggest a stabilization of shares, however, as growing literacy rates provide a support to newspaper readership not found in other parts of the world. Radio’s growth in advertising market share (from a small base) is supported by the issuance of new licenses as the government moves to privatize the sector.

Figure 12: Indian Advertising Market Share by Medium

	Total	Newspapers	Magazines	TV	Radio	Cinema	Outdoor	Internet
1994	100%	61%		30%	3%	0%	7%	0%
1995	100%	63%		29%	3%	0%	6%	0%
1996	100%	59%		33%	2%	0%	6%	0%
1997	100%	58%		35%	2%	0%	5%	0%
1998	100%	49%		40%	2%	0%	9%	0%
1999	100%	49%		39%	2%	0%	8%	0%
2000	100%	49%		39%	3%	0%	8%	0%
2001	100%	39%	9%	41%	3%	0%	8%	0%
2002	100%	39%	8%	42%	3%	1%	7%	0%
2003	100%	47%	6%	38%	3%	1%	6%	0%
2004	100%	42%	4%	43%	2%	3%	6%	0%
2005	100%	41%	4%	45%	2%	2%	6%	1%
2006	100%	42%	4%	44%	2%	2%	6%	1%
2007	100%	42%	3%	44%	3%	2%	6%	1%
2008	100%	42%	3%	43%	3%	2%	5%	2%

Source: Zenith

Historically the major advertising categories have been FMCG-related.

Figure 13: Top 10 Advertisers on Indian Television

1	Hindustan Lever Ltd
2	Paras Pharmaceuticals Ltd
3	Procter & Gamble
4	Reckitt Benckiser (India) Ltd
5	Dabur India Ltd
6	Johnson & Jonson Ltd
7	Pepsi Co
8	Nokia Corporation
9	L'Oreal India Pvt Ltd
10	Colgate Palmolive India Ltd

Source: AdEx India

More recently there are a number of emerging categories that are supporting strong growth. These include telecommunications, finance (credit cards and mutual funds) and autos. Food is also emerging as a category in a market which historically has not had food as a packaged product.

The next major area of advertising growth is expected to come from the retail sector as deregulation allows major expansion by local and foreign retailers.

The Retail Market

Historically the Indian government has been opposed to opening up the Indian retail market to foreigners for fear of creating unemployment among the country’s estimated 12m individual traders. The Indian retail market has been one of the most closed and unorganized in the world as a consequence of this attitude.

Figure 14: Asian Retail Markets

	Traditional	Organized
India	98%	2%
China	80%	20%
South Korea	85%	15%
Indonesia	75%	25%
Phillippines	65%	35%
Thailand	60%	40%
Malaysia	50%	50%

Source: Crisil

Current regulations prohibit foreign multi-brand retailers from operating directly in India, and can only franchise to a local operator or adopt a technical transfer or co-operation agreement, or go with the wholesale model. In January 2006 regulations were eased for single-brand retail with 51% foreign ownership permitted. This liberalization has eased the way for Disney to enter the consumer products market in India. The issue of further deregulation is hotly debated, with calls for a staged deregulation. The expectation is that this process will occur once domestic retailers have had the opportunity to establish themselves.

The Indian retail market is already in the process of significant change with major investment underway by local groups. Indian conglomerate Reliance has formed Reliance Retail and is reportedly targeting 1000 stores across 10 states by March 2007 and 4000 by 2010. Formats include hypermarkets, supermarkets, discount stores, department stores, convenience and specialty stores at an investment in excess of $5bn. In the past few days Bharti Enterprises announced a joint venture with Wal-Mart with several hundred stores targeted across the country. . A decade ago there was not a single shopping mall in India. There are now over 100 malls in major cities, with over 400 new malls expected to be built over the next four years. Industry estimates are for organized retailing to expand at 40% CAGR over the medium term. The Indian press (Business Times, Business Standard) has suggested a total investment in the retail sector in excess of $400bn by 2011, most of it in hypermarket and supermarket formats.

Exhibit 15: Indian Retail Market Snapshot

YE Dec	2003	2006F	2010F
Retail Industry Size (US$bn)	186	210	276
Organized Retail Industry	1%	4%	10%
Mn Sq Ft in Organized Retail	5	40	120
No. of Malls	4	200	600
No. of Hypermarkets	2	25	1000

Source: KSA Technopak

The Indian television market

Regulation

There are no limits on foreign ownership of television channels in India with the exception of news channels where ownership is restricted to 26%. (Similar restrictions apply to newspapers and radio due to their news component). Foreign ownership of DTH platforms is restricted to 20% direct investment and 49% total foreign investment. Cable operators are permitted to own 20% of DTH systems.

The government has mandated Conditional Access Systems to be introduced initially in certain parts of the metro cities of Delhi, Mumbai and Kolkata and in the entire city of Chennai. While the market begins to migrate from an analogue to a digital market, the government has imposed a subscriber rate freeze to protect consumers. The government limits are Rs 5 per channel and Rs 77 for FTA channels. The intention does not appear to freeze pricing longer term, but to protect consumers in the transition from analog to digital systems. The expectation is that once 5-6m households have converted to digital then pricing caps will be removed.

The cable and satellite markets operate on a “must provide, must carry” basis.

The Market

The Indian television market currently comprises approx. 68m subscribers out of a total of 113m households. The total number of households in India is estimated at 214m. The growth opportunity for television is therefore at multiple levels; the number of television households (currently only 53% of total) should grow rapidly as electricity spreads to rural areas and consumer income grows. Currently TV penetration in rural areas is only 19%. This growth should combine with growth in the number of multichannel households (currently only 60% of TV households).

Figure 16: **Indian Television Industry Snapshot**

No. of Households (M)	214
No. of TV Households (M)	113
No. of Cable/Satellite Households (M)	68
TV HH % Total HH	53%
Cable/Satellite HH % TV HH	60%
TV penetration - urban/semi-urban	64%
TV penetration - rural	19%
Broacasters Revenue Share % total	
Advertising	73%
Subscription	27%

Source: Company data, TRAI, Credit Suisse estimates

Cable television

The three major cable companies are Hathway Cable (26% owned by NWS), Siticable (Zee TV) and Hinduja TMT. These MSOs rely on thousands of last mile operators for delivery of their signal to the home. Underdeclaration is rife, with MSO’s being paid for anywhere between 10% and 20% of homes actually reached. ARPUs are approximately $4.50. The three largest MSOs control less than 15% of the cable market and have the ambition to expand their footprints to consolidate the mom-and-pop regulators which make up the remaining 85%.

Conditional access has been mandated by the government from 1 January 2007, with Phase 1 covering approximately 2.5-3m households out of a total of around 60m cable households in total. Depending on the success of that trial, CAS will be rolled out everywhere. A constraint at this point is the limited supply of boxes. Ahead of this mandatory change, the cable operators are voluntarily converting to digital because of the potential new revenue streams. While analogue is restricted to around 70 channels, the digital platforms are currently offering around 140 channels. The constraints of analogue carriage result in considerable jostling for position among 200 channel providers which pay carriage fees to the MSOs. Capacity constraints are removed with digital. The financial model is as follows: the equipment cost is around $60, which will be provided to customers with a $20 deposit. The MSO retains ownership of the equipment, and the customer pays a rental fee for the equipment. While the financial model is not attractive of itself, the value creation for MSOs arises from addressability and the ability to be paid for all subscribers.

The fragmentation of the cable industry results in significant challenges in rolling out a digital infrastructure. The large cable MSOs with the ability to fund the infrastructure have only minor access to last mile. Last mile operators (estimated at anywhere up to 30,000) have limited capability to fund the rollout of settop boxes due to lack of access to finance. The difficulties in consolidating last mile ownership are high but consolidation appears inevitable, driven by the government mandated transition to CAS and growing competition from DTH. The cable industry is beset by a poor image given inadequate service, and programming interruptions driven by disputes with broadcasters. Most MSOs are targeting consolidation as a growth area; Zee appears to be the most aggressive, targeting 10m LMO connections in 5 years time. The consolidation is likely to be driven by various models including outright sales, the purchase of 51% shareholding and profit share arrangements.

Cable operators act as significant gatekeepers due to current limitations on the number of channels on the analogue platform. Cable networks are paying to achieve carriage and pay for favorable slots given that some households can only receive 30 channels. The difficulties of achieving carriage has resulted in the creation of bouquets to increase the leverage of cable networks (STAR, ZEE and SET). Without these bouquets, a single network operator pays most of its subscription revenues in carriage fees.

The major MSOs are keen to roll out broadband with digital cable as a double play, with broadband ARPUs running at around $11.50 for residential. Penetration, however is very small, and is hampered by low speeds.

DTH Television

Zee's Dish TV launched in the market two years ago, while the Tata-Sky joint venture launched in August 2006. Sun TV is expected to launch a DTH channel at some point in the future with the potential for at least one further player.

Tata Sky (80% Tata, 20% STAR) is using a network of 225 dealers to sell the equipment nationwide. The retail offering is $70 for the box and installation, with a monthly ARPU of $5 for 70 channels. Zee is providing 120 channels for a similar amount. For both platforms, the monthly fee is through a pre-paid card similar to the model applying to the mobile phone industry, and available through approximately 100,000 establishments. TATA is a major mobile phone operator in the Indian market, as well as being the largest private sector conglomerate in India.

To date Zee's DISH TV has achieved 1.6m subscribers and TATA-Sky in the region of 100,000. The current rate of growth for DISH supports growth of 1m subscribers per annum, with breakeven anticipated at around 3.5m subscribers.

The channel offering between Zee and TATA Sky is very similar given the must provide and must carry rules which govern DTH. Consequently the differentiating factor between the platform is not content but technology as well as service (call centers etc). TATA claims a superior set-top box with better Electronic Programming Guide and interactive features such as News Active and Sports Active.

Given the difficulties of addressability in the cable television sector, the expectations of DTH's market share are high. A total addressable market of 13m households is anticipated by 2009/10, of which 70% is expected to be DTH.

The Digital Migration

The incentive for consumers to migrate to digital platforms is the poor quality and poor service levels currently provided by LMOs. Bandwidth constraints mean that only 40 channels look good in analog, whereas on a digital platform 160 channels are of high quality. The digital platform will also offer consumers a degree of certainty – currently bandwidth constraints mean that cable operators are constantly switching channel line-ups depending on which networks are paying for carriage. While consumers will have to make an upfront payment ($20 for cable and $55-$70 for DTH, the average ARPU of Rs 200 ($4.44) is in line with current monthly payments to cable operators.

Advertising

The growth profile of television advertising is outlined in Figure 11 above with double digit growth rates expected to be supported by an expansion in the consuming population and the entry into the market of new products.

The current split between viewership share and advertising share by genres is outlined in Figure 17 below. It highlights certain segments achieving advertising premiums to viewership (Hindi General Entertainment, Infotainment, Music, News and Sports) while others are seeing advertising share at a discount to viewership share (Kids and Other).

Figure 17: TV Viewership and Advertising split by genre

	Viewership	Ad Revenues
English General Entertainment	0.3%	1.1%
Hindi General Entertainment	21.0%	28.0%
Hindi Movies	9.5%	4.9%
Infotainment	1.0%	2.0%
Kids	6.0%	2.0%
Music	1.0%	2.0%
News	4.0%	11.0%
Other	35.0%	23.0%
Regional General Entertainment	18.0%	17.6%
Sports	4.0%	8.6%
Total	**100%**	**100%**

Source: TAM, Metis

Subscription revenue

The current subscription revenue base is approx. $2.4bn, with broadcasters achieving only around 18% share due to underdeclaration.

Figure 18: Indian Subscription Revenues
in millions, unless otherwise stated

YE Dec	2003	2004	2005F	2006F	2007F	2008F	2009F	2010F
Pay TV revenues to broadcasters	269	292	359	426	651	942	1,391	1,839
Distributors' retention	22	67	112	247	359	516	718	920
Last mile operators	1,166	1,301	1,548	1,727	2,019	2,221	2,692	2,826
Total subscription revenues	**1,458**	**1,660**	**2,019**	**2,400**	**3,028**	**3,679**	**4,800**	**5,585**
Share of total								
Broadcasters	18.5%	17.6%	17.8%	17.8%	21.5%	25.6%	29.0%	32.9%
Distributors	1.5%	4.1%	5.6%	10.3%	11.9%	14.0%	15.0%	16.5%
Last mile operators	80.0%	78.4%	76.7%	72.0%	66.7%	60.4%	56.1%	50.6%

Source: KPMG

Most channels are paid on the basis of a subscriber base of 5 million, with the largest, STAR, paid for 10 million. A DTH subscriber base of 5M by 2007 would double the subscriber revenue base for most broadcasters.

Cable Networks

The Indian television market currently has approximately 200 channels, with significant ownership by foreigners. Major channels are summarized in Figure 19 below.

Figure 19: Indian Cable TV Networks

FOREIGN

STAR TV	SONY	DISNEY	VIACOM	TIME WARNER	A&E TV	DISCOVERY
STAR Plus	Sony	Disney Channel	MTV India	CNN	History Channel	Animal Planet
STAR World	Set Max	Toon Disney	Nickelodeon	Cartoon Network		Discovery
STAR Movies	AXN	Hungama		Pogo		
STAR Gold				HBO		
STAR One						
STAR Utsav						
STAR Vijay						
STAR Ananda						
STAR News Hindi						
STAR Sports				**HALLMARK**	**BBC**	**MEDIACORP NEWS**
ESPN				Hallmark Channel	BBC World	Channel NewsAsia
Channel V						
National Geographic						
Adventure 1						

DOMESTIC

SUN NETWORK	ZEE	ETV NETWORK	TELEVISION 18	TAJ TELEVISION	NIMBUS COMMS	NDTV
SunTV	Zee TV	ETV Telugu	Awaaz	TEN Sports	NeoSports	NDTV India
GeminiTV	Zee Cinema	ETV Bangla	CNBC India		NeoSports +	NDTV 24x7
UdayaTV	Zee Music	ETV Marathi				NDTV-Profit
SuryaTV	Zee Sports	ETV Kannada				
KTV	Zee Studio	ETV Urdu				
TejaTV	Zee Café	ETV Madhya Pradesh				
UsheTV	Zee Smile	ETV Oriya		**Nepal1TV**	**SANSKAR**	**SAHARA ONE**
Sun Music	Zee Marathi	ETV Gujarati		Nepali Channel	Sanskar TV	Sahara One
KiranTV	Zee News	ETV Rajasthan				FILMY
AdityaTV		ETV Bihar				
UdayaNews		ETV UP				
SunNews						
TejaNews						
Gemini News			**B4U**	**MAATV**	**INDIA TODAY**	**ETC NETWORKS**
GVC			B4U Movies	MAATV	Aaj Tak	ETC Hindi
Udaya TV			B4U Music			ETC Punjabi
Udaya 2						
Udaya Movies						
Udaya Varthegalu						

Source: Company data, Credit Suisse estimates

Cable networks are provided to cable operators in major bouquets, thereby enhancing the leverage of individual channels. The major bouquets come from Star (all Star channels, Disney and Nimbus), Zee (all Zee channels plus Time Warner), Sony (Sony channels plus Viacom, Discovery, NDTV and TEN Sports).

Ratings and Programming Strategy – General entertainment

The Hindi general entertainment segment is the largest genre for viewership and advertising. The programming challenge for the genre is the necessity of maintaining broad appeal with one television set in a household that likely spans three generations.

Over the past two years there has been significant movement in ratings, with Zee considerably strengthening its market position at the expense of Star, Sony and smaller channels.

Exhibit 20: TV Ratings - Indian Cable Homes (Programs in Top 100)

	Jan 2005	Jan 2006	Nov 2006
Star Plus	52	56	44
Zee TV	0	7	19
Sun TV	32	23	31
Star One	0	1	2
MAX	1	0	2
Sony Entertainment TV	12	1	2
Others	3	12	0
Total	**100**	**100**	**100**

Source: INTAM

Zee's comeback follows a sustained period of weakness and appears to be the result of emulating the STAR strategy of focusing on soaps. STAR has removed *Kaun Banega Crorepati (Who Wants to be a Millionaire)* temporarily from its schedule and has replaced two long running shows, opening up the opportunity for Zee. At the same time, Sony's mass market ratings have weakened considerably as it has sought more attractive niche audiences. Sony's programming strategy has been to focus on a younger, more upscale demographic with a focus on reality programming – the Indian version of Idol, Dancing with the Stars and Big Brother.

Detailed ratings of Top 50 shows from January 2005 and November 2006 show STAR's programs remaining very dominant, but with its share of top 50 shows slipping from 41 to 36 and signs of fragmentation in the absolute size of audiences its top programming attracts. Sony has disappeared from the Top 50 entirely while Zee has gone from 0 to 14 of the top 50 shows.

Exhibit 21: Top 50 Indian Programs (29 cities) - January 2005

No.	Date	Days	Programme	Channel	Time From	Time To	OOOs	TVR
							83340	
							11891	
1	10/01/2005	Mon	KYUNKI SAAS BHI KABHI BA	Star Plus	22:31	23:02	9789	11.75
2	11/01/2005	Tue	KYUNKI SAAS BHI KABHI BA	Star Plus	22:30	22:59	9294	11.15
3	12/01/2005	Wed	KYUNKI SAAS BHI KABHI BA	Star Plus	22:30	23:01	9193	11.03
4	11/01/2005	Tue	KAHAANI GHAR GHAR KI	Star Plus	22:00	22:30	8964	10.76
5	10/01/2005	Mon	KAHAANI GHAR GHAR KI	Star Plus	22:01	22:31	8846	10.61
6	13/01/2005	Thu	KYUNKI SAAS BHI KABHI BA	Star Plus	22:31	23:00	8481	10.18
7	11/01/2005	Tue	KASAUTII ZINDAGII KAY	Star Plus	20:31	21:00	8464	10.16
8	12/01/2005	Wed	KAHAANI GHAR GHAR KI	Star Plus	22:00	22:30	8316	9.98
9	10/01/2005	Mon	KASAUTII ZINDAGII KAY	Star Plus	20:30	21:01	8036	9.64
10	12/01/2005	Wed	KASAUTII ZINDAGII KAY	Star Plus	20:29	20:59	7904	9.48
11	13/01/2005	Thu	KAHAANI GHAR GHAR KI	Star Plus	22:00	22:31	7398	8.88
12	13/01/2005	Thu	KASAUTII ZINDAGII KAY	Star Plus	20:29	20:59	6899	8.28
13	11/01/2005	Tue	KEHTA HAI DIL	Star Plus	21:00	22:00	6247	7.5
14	11/01/2005	Tue	KAHIIN TO HOGA	Star Plus	22:59	23:30	5985	7.18
15	10/01/2005	Mon	KAHIIN TO HOGA	Star Plus	23:02	23:31	5741	6.89
16	13/01/2005	Thu	SAARA AKAASH	Star Plus	20:59	22:00	5641	6.77
17	10/01/2005	Mon	DES MEIN NIKLA HOGA CHAN	Star Plus	21:01	22:01	5597	6.72
18	12/01/2005	Wed	KAHIIN TO HOGA	Star Plus	23:01	23:30	5559	6.67
19	13/01/2005	Thu	KAHIIN TO HOGA	Star Plus	23:01	23:30	5389	6.47
20	12/01/2005	Wed	SANJIVANI	Star Plus	20:59	22:00	4894	5.87
21	14/01/2005	Fri	INDIAN IDOL	Sony Entertainment T	21:29	22:04	3964	4.76
22	13/01/2005	Thu	KUMKUM	Star Plus	13:00	13:30	3505	4.21
23	10/01/2005	Mon	KUMKUM	Star Plus	13:00	13:30	3438	4.13
24	14/01/2005	Fri	C.I.D.	Sony Entertainment T	22:05	22:36	3357	4.03
25	11/01/2005	Tue	KUMKUM	Star Plus	13:00	13:30	3347	4.02
26	13/01/2005	Thu	INDIAN IDOL	Sony Entertainment T	21:30	22:44	3332	4
27	11/01/2005	Tue	DEKHO MAGAR PYAAR SE	Star Plus	20:00	20:30	3336	4
28	12/01/2005	Wed	KUMKUM	Star Plus	12:59	13:29	3276	3.93
29	10/01/2005	Mon	DEKHO MAGAR PYAAR SE	Star Plus	20:00	20:30	3279	3.93
30	14/01/2005	Fri	CRIME PATROL	Sony Entertainment T	22:36	23:07	2840	3.41
31	14/01/2005	Fri	SHARARAT	Star Plus	21:00	21:30	2798	3.36
32	12/01/2005	Wed	DEKHO MAGAR PYAAR SE	Star Plus	20:00	20:28	2748	3.3
33	11/01/2005	Tue	BHABHI	Star Plus	13:30	14:00	2744	3.29
34	12/01/2005	Wed	BHABHI	Star Plus	13:29	14:00	2703	3.24
35	11/01/2005	Tue	KKUSUM	Sony Entertainment T	21:00	21:29	2553	3.06
36	13/01/2005	Thu	KKUSUM	Sony Entertainment T	21:00	21:30	2542	3.05
37	13/01/2005	Thu	BHABHI	Star Plus	13:30	14:00	2524	3.03
38	13/01/2005	Thu	DEKHO MAGAR PYAAR SE	Star Plus	20:00	20:29	2512	3.01
39	12/01/2005	Wed	KESAR	Star Plus	14:00	14:30	2498	3
40	11/01/2005	Tue	KESAR	Star Plus	14:00	14:30	2464	2.96
41	13/01/2005	Thu	KESAR	Star Plus	14:00	14:30	2438	2.92
42	10/01/2005	Mon	BHABHI	Star Plus	13:30	14:00	2406	2.89
43	10/01/2005	Mon	KESAR	Star Plus	14:00	14:30	2369	2.84
44	12/01/2005	Wed	KKUSUM	Sony Entertainment T	20:59	21:28	2321	2.79
45	15/01/2005	Sat	DEVI	Sony Entertainment T	20:00	21:00	2297	2.76
46	11/01/2005	Tue	KAHIIN TO HOGA	Star Plus	15:30	16:00	2233	2.68
47	11/01/2005	Tue	JASSI JAISSI KOI NAHIN	Sony Entertainment T	21:29	21:59	2124	2.55
48	13/01/2005	Thu	KYUNKI SAAS BHI KABHI BA	Star Plus	15:00	15:31	2106	2.53
49	10/01/2005	Mon	KYUNKI SAAS BHI KABHI BA	Star Plus	15:00	15:30	2063	2.48
50	11/01/2005	Tue	KYUNKI SAAS BHI KABHI BA	Star Plus	15:00	15:30	2053	2.46

Source: INTAM

Exhibit 22: Top 50 Indian Programs (29 cities) - November 2006

No.	Date	Days	Programme	Channel	Time From	Time To	OOOs	TVR
							85800	
							10643	
1	9/11/2006	Thu	KYUNKI SAAS BHI KABHI BA	Star Plus	22:28	23:00	6837	7.97
2	7/11/2006	Tue	KYUNKI SAAS BHI KABHI BA	Star Plus	22:30	23:00	6707	7.82
3	8/11/2006	Wed	KYUNKI SAAS BHI KABHI BA	Star Plus	22:31	23:01	6560	7.65
4	6/11/2006	Mon	KYUNKI SAAS BHI KABHI BA	Star Plus	22:30	23:01	5952	6.94
5	10/11/2006	Fri	KASAUTII ZINDAGII KAY	Star Plus	20:29	21:00	5687	6.63
6	10/11/2006	Fri	KYUNKI SAAS BHI KABHI BA	Star Plus	22:32	23:03	5464	6.37
7	8/11/2006	Wed	KAHAANI GHAR GHAR KI	Star Plus	22:00	22:31	5274	6.15
8	9/11/2006	Thu	KAHAANI GHAR GHAR KI	Star Plus	21:58	22:28	5114	5.96
9	9/11/2006	Thu	KASAUTII ZINDAGII KAY	Star Plus	20:27	21:00	4941	5.76
10	7/11/2006	Tue	KAHAANI GHAR GHAR KI	Star Plus	21:58	22:30	4872	5.68
11	6/11/2006	Mon	KAHAANI GHAR GHAR KI	Star Plus	21:59	22:30	4769	5.56
12	8/11/2006	Wed	KASAUTII ZINDAGII KAY	Star Plus	20:29	21:02	4490	5.23
13	7/11/2006	Tue	KAHIIN TO HOGA	Star Plus	23:00	23:30	4091	4.77
14	9/11/2006	Thu	KARAM APNAA APNAA	Star Plus	21:30	21:58	4080	4.76
15	10/11/2006	Fri	BAA BAHOO AUR BABY	Star Plus	21:31	22:32	4057	4.73
16	9/11/2006	Thu	SAATH PHERE	Zee TV	21:31	22:00	4061	4.73
17	7/11/2006	Tue	KASAUTII ZINDAGII KAY	Star Plus	20:29	20:59	4054	4.72
18	5/11/2006	Sun	PRITHVIRAJ CHAUHAN	Star Plus	20:58	21:28	4043	4.71
19	10/11/2006	Fri	PRITHVIRAJ CHAUHAN	Star Plus	21:00	21:31	4017	4.68
20	9/11/2006	Thu	KAHIIN TO HOGA	Star Plus	23:01	23:29	3881	4.52
21	7/11/2006	Tue	SAATH PHERE	Zee TV	21:29	22:00	3819	4.45
22	6/11/2006	Mon	SAATH PHERE	Zee TV	21:29	21:59	3790	4.42
23	10/11/2006	Fri	KAHIIN TO HOGA	Star Plus	23:03	23:33	3778	4.4
24	8/11/2006	Wed	KAHIIN TO HOGA	Star Plus	23:01	23:31	3776	4.4
25	8/11/2006	Wed	SAATH PHERE	Zee TV	21:30	22:00	3721	4.34
26	5/11/2006	Sun	SAIBABA	Star Plus	19:59	20:58	3719	4.34
27	10/11/2006	Fri	SAATH PHERE	Zee TV	21:30	22:00	3677	4.29
28	6/11/2006	Mon	KAHIIN TO HOGA	Star Plus	23:01	23:30	3684	4.29
29	6/11/2006	Mon	KASAUTII ZINDAGII KAY	Star Plus	20:28	20:59	3430	4
30	11/11/2006	Sat	BAA BAHOO AUR BABY	Star Plus	21:29	22:27	3404	3.97
31	8/11/2006	Wed	KARAM APNAA APNAA	Star Plus	21:33	22:00	3357	3.91
32	5/11/2006	Sun	BAA BAHOO AUR BABY	Star Plus	21:28	22:00	3344	3.9
33	11/11/2006	Sat	PRITHVIRAJ CHAUHAN	Star Plus	21:00	21:28	3313	3.86
34	9/11/2006	Thu	KASAMH SE	Zee TV	20:59	21:31	3258	3.8
35	7/11/2006	Tue	KARAM APNAA APNAA	Star Plus	21:30	21:58	3257	3.8
36	8/11/2006	Wed	KASAMH SE	Zee TV	20:59	21:30	3160	3.68
37	8/11/2006	Wed	BANOO MAIN TERI DULHAAN	Zee TV	20:01	20:30	3024	3.52
38	9/11/2006	Thu	VIRASAT	Star Plus	21:00	21:30	3001	3.5
39	9/11/2006	Thu	BANOO MAIN TERI DULHAAN	Zee TV	20:00	20:29	2995	3.49
40	6/11/2006	Mon	KASAMH SE	Zee TV	20:59	21:29	2995	3.49
41	6/11/2006	Mon	KARAM APNAA APNAA	Star Plus	21:30	21:59	2979	3.47
42	10/11/2006	Fri	BANOO MAIN TERI DULHAAN	Zee TV	20:00	20:29	2964	3.46
43	6/11/2006	Mon	BANOO MAIN TERI DULHAAN	Zee TV	20:00	20:29	2951	3.44
44	7/11/2006	Tue	BANOO MAIN TERI DULHAAN	Zee TV	20:00	20:29	2924	3.41
45	7/11/2006	Tue	KASAMH SE	Zee TV	20:59	21:29	2886	3.36
46	9/11/2006	Thu	BHABHI	Star Plus	13:29	14:01	2815	3.28
47	10/11/2006	Fri	THE GREAT IND LAU CHAMPI	Star One	21:00	22:02	2797	3.26
48	6/11/2006	Mon	KUMKUM	Star Plus	12:59	13:30	2799	3.26
49	7/11/2006	Tue	VIRASAT	Star Plus	20:59	21:30	2763	3.22
50	8/11/2006	Wed	BHABHI	Star Plus	13:29	14:00	2722	3.17

Source: INTAM

News

The news category attracts 4% of viewership and 11% share of advertising but is highly competitive with a total of 15 news channels.

Sports

Sport represents approximately 9% of the TV ad pie but key events (World Cup Champions Cup) can boost that share significantly. The sports category is dominated by cricket, and is a fast growing element of the market. Annual advertising revenues run at $125m-150m excluding big events, with the World Cup/Champions League adding approximately $100m. Cricket is the only sport of any significance in the market, with hotly contested. Zee recently acquired Ten Sports which has rights to the Pakistan Cricket Board and Sri Lanka Board and is a bidder for the ICC rights along with Ten, ESPN STAR Sports and Nimbus Communications. Sony dropped out of the bidding (as the incumbent) on fears that the rights costs inflation from the current contract price would be excessive. Sony had 6 years of ICC rights from 2001 to 2007, paying $200m on which it broke even. The $200m rights price compared with $11m in the previous contract. Market expectations currently run to $700-$800m for the next contract. The ICC rights relate to the two World Cups following the 2007 World Cup in the West Indies, three Champions Trophy cups and other events, covering in total 230 days of cricket. ESPN STAR Sports appears unwilling to bid overly aggressively. Some market participants have suggested that at $700-$800m there could be a $200m revenue shortfall. While the rights are unquestionably a huge ratings winner their ratings impact is limited to the duration of the game. Their value as franchise creating opportunity is likely limited by the “must provide, must carry” rules which see the sport on every platform.

New genres

The crowded nature of the cable network market means there are few genres that are not already exploited. A key area of investment is likely to be regional language channels to serve the approximately 40% of the population that does not speak Hindi. An interesting opportunity may exist longer term for a shopping channel. Currently those that exist are not dedicated and are of poor quality.

International

Zee TV has been the pioneer of expansion into overseas markets to take advantage of the Indian diaspora. STAR and other broadcasters are focusing on similar strategies targeting new distribution platforms such as broadband and VOD offerings.

Internet

Internet penetration is growing rapidly but off a very small base, with broadband hampered by slow speeds. While India has one of the biggest fibre optic networks in the world, the last mile remains the same issue for broadband as it is for cable. Most players see broadband opportunities as being at least 10 years away, with mobile platforms far more immediate and compelling.

Mobile

India has 112m mobile phone subscribers growing at 5m a month. Credit Suisse estimates close to 400m mobile phones by the end of 2010.

Figure 23: Indian Mobile Phone Penetration

YE Dec	2003	2004	2005	2006F	2007F	2008F	2009F	2010F
Population millions	1065	1080	1096	1112	1128	1145	1162	1179
Mobile subscribers millions	28	48	75	125	194	265	328	392
Penetration	3%	4%	7%	11%	17%	23%	28%	33%

Source: Company data, Credit Suisse estimates

This platform is considered a significant one for broadcasters to seek to launch services. Major mobile operator Reliance has reported that in 5-7 years time voice should be a free service, with revenue driven by value-added services. STAR has been exploring options to take advantage of this platform, editing their television serials for audio downloads. STAR One has launched one minute mobisodes from its highest rated comedy show The Great Indian Laughter Challenge. STAR’s launch of KBC2 (Who Wants to be a Millionaire?) attracted 130m phone and SMS responses from viewers trying to land a spot in the game. SET achieved as much SMS revenue around Big Brother as the production costs of the show, and ahead of the advertising supporting the show.

Filmed Entertainment

Market Overview

The Indian film industry is the most prolific in the world, producing around 1000 movies a year. Annual box office runs at around Rs 60bn ($1.3bn) with approximately 3bn admissions (compared with 1.4bn in the US). Domestic releases dominate, with foreign releases generating only 10% of total box office, with action movies the most popular format. A $10m budget is considered a big budget release, with the average closer to $2-3m.

Figure 24: **Snapshot - Hollywood vs Bollywood**

	Bollywood	Hollywood
Domestic box office (2005) (US$m)	1,171	8,991
Admissions (2005)(millions)	3,000	1,403
Revenue splits		
Domestic box office	75%	17%
Overseas box office	9%	16%
Ancilliary revenues	9%	17%
Home video revenues	7%	50%

Source: MPAA, PriceWaterhouseCoopers, Company data, Credit Suisse estimates

Theatrical Revenues

Theatrical revenues comprise over 70% of total revenues for the industry. Theatrical revenues have typically been underreported due to the model of single mom-and-pop operated theatres. Just as the advent of digital cable and DTH satellite is expected to improve the transparency of the television subscription market, the growth of multiplexes is expected to improve the transparency of the theatrical market. There has been significant corporatization of the industry, with listed players undertaking the investment in multiplexes and consolidating the market. Ticket costs are significantly higher in multiplexes than single theatres ($4 vs $1). In addition multiplexes have been given tax holidays to support their capital investment, further boosting the revenue contribution to distributors.

The expansion of digital prints provides a growth opportunity for the theatrical market. Historically a wide release has been 600 prints (compared with close to 4,000 in the US domestic market). This has expanded by 300 prints to 900 due to digital distribution.

Home Entertainment

The home entertainment market in India to date has been very small, held back by high levels of piracy, low levels of DVD penetration (3%) and the proliferation of choice on the satellite movie channels. As a consequence, satellite rights are significantly more important to revenue than home entertainment. Currently there are approximately 3m DVD players in the market. With hardware falling to a $50 pricepoint, a significant uplift is expected. There is divided opinion about the growth potential for home entertainment. Some industry players cite significant growth in DVD penetration and a narrowing in the home entertainment window from 1 year to 4-6 weeks as supportive of growth. Others point to the bargain basement monthly fee for cable and satellite and high quality satellite channels as being detrimental to home entertainment expansion.

The optimists on the home entertainment front point to the rapid take-up of DVD players due to reduced cost. Currently the DVD rental market is highly fragmented and disorganized and opportunities are perceived to exist for consolidation. Typically the DVD rental is home-delivered, reflecting the low cost of labor in the market. Opportunities are being sought to improve the efficiency of the process, with larger stores using mobile phones SMS service for order and automatic payment. Revenue share and outright purchase models are being explored.

Bollywood meets Hollywood

Along with the corporatization of the theatrical market, there has been a similar development in production, with players such as Sahara One and UTV entering the market. This development makes possible the growth of co-productions between Hollywood and Bollywood. Recent examples include Sahara One signing a co-production agreement with Mel Gibson for a 20% share of Tree of Life, a $50m production slated for a 2008 release. Other US studios are reported to be looking at co-productions in India as well as the opportunities for outsourcing.

Cost Issues

While production budgets are small relative to Hollywood, they are under upward pressure as talent expectations grow. Currently talent is paid an upfront fee with no participations.

Company Summaries

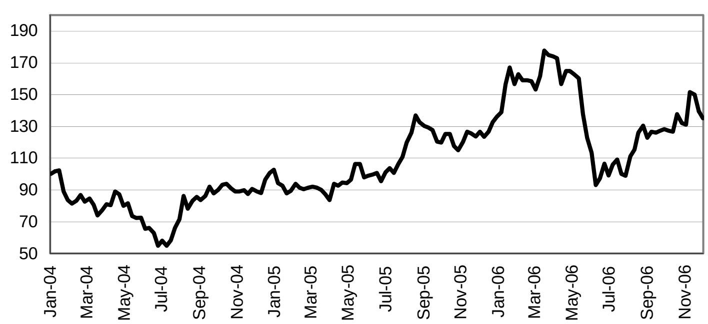
Balaji Telefilms

Balaji Telefilms is 26% owned by News Corp and is a major programming supplier to STAR, supplying STAR Plus' top 4 shows and over 60% of its primetime content. Content is produced on a commissioned basis so that the ultimate ownership of the content rests with STAR. STAR has a right of first refusal over Balaji content, and Balaji is restricted from producing content for competitors in the same timeslot.

Exhibit 25: Balaji Telefilms Financials

YE March	2000	2001	2002	2003	2004	2005	2006
INCOME STATEMENT (Rs in mm)							
Sales	201	489	1103	1860	1783	1967	2804
Other income	1	8	28	15	62	49	87
Total income	202	497	1131	1875	1845	2017	2891
EBITDA	60	68	457	948	929	723	1024
Depreciation	1	3	11	42	77	97	143
EBIT	59	64	446	906	852	626	880
Net interest	-5	-7	0	-1	0	-2	0
Tax	-12	-14	-155	-331	-297	-211	-286
NPAT	43	44	290	574	554	413	594
Revenue growth % change		143.2%	125.7%	68.6%	-4.1%	10.3%	42.5%
EBIT Margin (%)	29.5%	13.1%	40.4%	48.7%	47.8%	31.8%	31.4%
KEY FINANCIALS IN USDm							
Sales	5	11	25	42	40	44	63
EBITDA	1	2	10	21	21	16	23
NPAT	1	1	7	13	12	9	13

MAJOR SHAREHOLDERS	**M shares**	**%**	**MARKET CAP (USDm)**	**210**
Kapoor Family	27.3	42%		
STAR Television	16.9	26%		
Others	21.0	32%		
	65.2			



Source: Company data, Bloomberg

Disney

Disney's Indian business comprises the following activities:

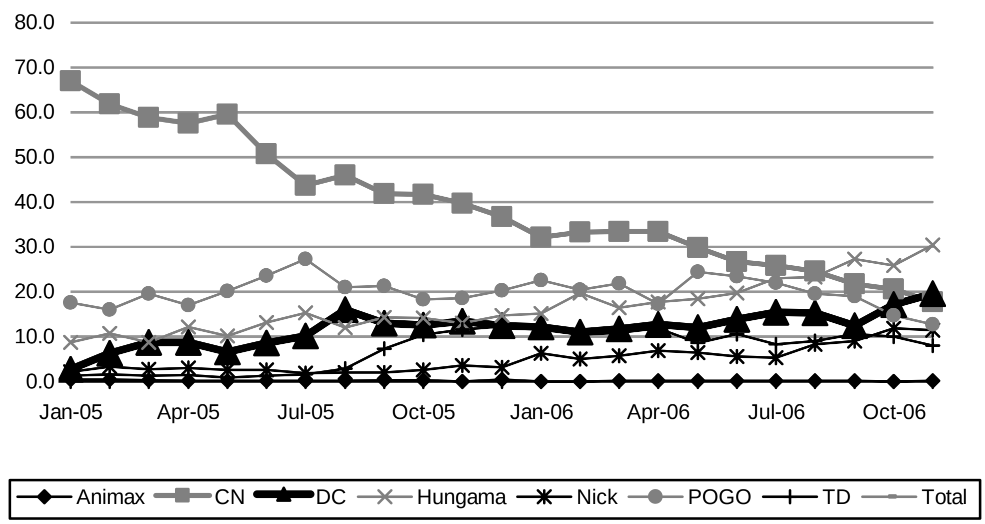
- Disney and Toon Disney Channels and Hungama TV, a kids channel recently acquired from UTV
- Consumer Products
- 50% of ESPN/STAR Sports in JV with STAR TV/News Corp
- 14.9% equity investment in UTV, a producer of television and filmed entertainment product
- Live action and animated movies
- Books magazines, home video, mobile content
- Disney Magic tours

TV Broadcasting

The Disney Channel broadcasts Disney shows into the Indian market in Hindi, with key franchises such as High School Musical, Hannah Montana, Raven. Increasingly the channel is looking to expand into locally produced content. Vicky and Vetaal is an example of local content based on an old Indian fairytale. During vacation seasons, the Disney Channel programs approximately 25-30 hours of local content out of a total of 168 hours a week. During non-vacation seasons local content is 12-13 hours a week. High School Musical has been dubbed into Hindi and released as a CD, and plans are afoot for a local version of the show.

Together with Toon Disney and recently acquired Hungama, Disney has achieved leadership in the kids space and is likely to achieve 50% share of advertising for the genre in 2007F. Viewership in the kids space is expanding rapidly, and is expected to support a strong growth in kids networks' share of the ad pie from 2.5% in 2005 to 4% in 2006.

Exhibit 26: Kids Viewing Market Share in Key Hindi Markets



Source:TAM

Consumer Products

Disney is in the early stages of rolling out its consumer products division. Its ownership of stores is restricted to 51% due to limits on foreign ownership. The store concepts differ from typical Disney stores in focusing on non-character led jeans and kids apparel for tweens and teenagers, baby needs under the Disney Baby brand and music and art appreciation aids with Baby Einstein. There is the opportunity for a significant expansion in the footprint as 400-500 shopping malls are constructed across India in the next four years.

Disney Brand

Infrastructure challenges make the construction of a park in India very unlikely for the foreseeable future. In the absence of its largest brand building asset, alternative avenues are being sought. Events such as Disney Magic tours and weekend movie showings are being undertaken to build an awareness and emotional connection with the brand.

Walt Disney Company DIS

OUTPERFORM*

Price (29 Nov 06)	32.88 (US$)
52 week high - low	33.58 - 23.97
Target price (12 months)	41.00 (US$)
Analyst's Coverage Universe	Entertainment
Weighting (vs. broad market)	OVERWEIGHT

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

Year	9/06A	9/07E	9/08E
EPS (CS adj., US$)	1.60	1.78	2.07
P/E (x)	20.5	18.5	15.9
P/E rel. (%)	126.2	126.0	118.2
Revenue (US$ m)	34,285.0	36,192.5	37,488.4
EBITDA (US$ m)	7,398.0	8,309.9	9,180.2
IC (US$ m)	—	—	—
OCFPS (US$)	3.75	4.15	4.80
ROIC	—	—	—
P/OCF (x)	8.2	7.9	6.9
EV/EBITDA (x)	10.9	9.9	8.5

Number of shares (m)	2,068.46	Enterprise value (US$m)	82,094.15
Net debt (9/06A, US$ m)	12,457.0	Dividend (9/06A, US$)	0.27
Net debt/total cap. (current)	27.5%	Dividend yield	0.8%

Valuation

Year	9/05A	9/06A	9/07E
Y/E closing price (US$)	24.13	30.91	32.88
Market cap. (US$ m)	50,492.03	68,010.87	68,010.87
End year net debt (US$ m)	11,992.0	12,457.0	14,083.3
Enterprise value (US$ m)	80,002.87	80,467.87	82,094.15

Key ratios

EV/EBITDA (x)	13.4	10.9	9.9
EV/IC (x)	—	—	—
P/E at closing price (x)	20.3	19.3	18.5

Strategic analysis

Existing strengths: Leader in content ownership and production – particularly family entertainment and sports.

Existing weaknesses: Exposure to advertising markets.

Existing opportunities: Internet/digital advertising and content sales growth.

Existing threats: Piracy, high levels of competition.

Company description

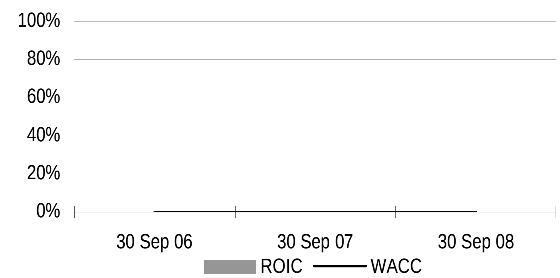
Disney is one of the world's largest media/entertainment companies.

Price / Indexed S&P 500

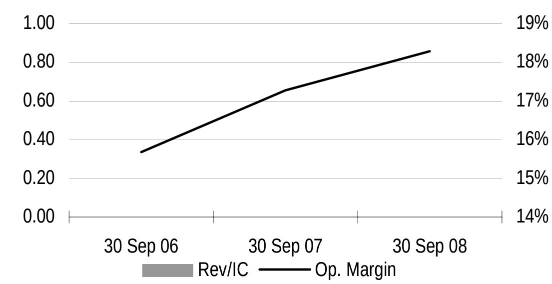
Daily Nov 30, 2005 - Nov 29, 2006, 11/30/05 = US$24.93

Year	9/06A	9/07E	9/08E
Q1 EPS	0.35	0.39	
Q2	0.37	0.39	
Q3	0.53	0.57	
Q4	0.36	0.44	

ROIC / WACC



REV / IC Op. Margin



Source: Company data, Credit Suisse estimates
On 11/29/06 the S&P 500 index closed at 1,399.48

Sahara One

Sahara One operates in the television and motion picture businesses. In television it operates a Hindi general entertainment channel Sahara One which is the fourth player in the market after STAR, Zee and SET. It also operates a Hindi movie channel, FILMY. Sahara One is the media arm of a much larger conglomerate with airline and property interests. Times of India has recently taken a 6% stake in the listed Sahara One and Siva has taken a 14.9% stake, leaving the parent with over a 70% stake. Media reports have suggested that Viacom is interested in investing in the company. Management appears prepared to dilute to 51% ownership in order to bring in the appropriate expertise to the share register.

Film Production

The company entered the movie industry in December 2004, and has to date released 35 movies. The entry into production is a plank of a strategy of vertical integration that provides content for the film channel FILMY. The push by Sahara One, UTV and Adlabs is supporting a corporatization of an industry which has historically been dominated by mom and pop operators. The export opportunities of content to the Indian diaspora globally are making the economics of movie production more appealing. The average budget of Sahara One’s releases are in the $2-3m range, and are niche productions that are not the typical Bollywood song and dance routines. The company has also entered the co-production market, taking 20% of Mel Gibson’s $50m production of Tree of Life.

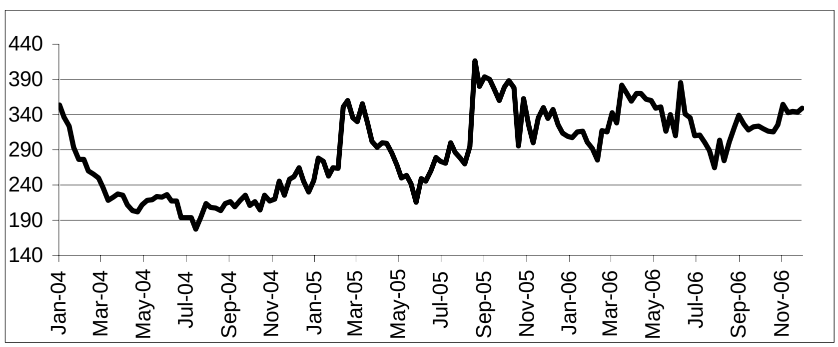
Television Broadcasting

Sahara One is in the process of launching 6 new shows as part of a revamp of its channel, two of which are already on the air. The dominance of STAR Plus’ programming and increasingly that of Zee make achieving audience sampling of new programming a challenge. The programming strategy is to avoid replicating the staple fare produced by STAR and ZEE and cater to changing tastes in the market. The challenge is to do this while retaining broad appeal – with one television set in the household, content needs to cater for all tastes. To date, Sahara has not seen any of its programming feature in the Top 100. Sahara One’s channels has achieved carriage on the Echostar and DirecTV platforms in the US and are expected to be carried on BSkyB in the UK also.

Figure 27: Sahara One Financials

YE March	2004A	2005A	2006A
INCOME STATEMENT			
Sales revenue	1,178	2,109	2,045
Other revenue/Eliminations	290	(424)	265
Total revenue	1,468	1,685	2,310
EBITDA	121	157	103
Depreciation & amortization	0	1	11
EBIT	121	157	92
Net Interest expense	()		
Pretax profit	94	111	85
Tax	(28)	(46)	(7)
Prior period items		()	(6)
NPAT	**66**	**65**	**72**
Sales revenue growth % change	NA	79.1%	-3.1%
EBIT Margin (%)	10.3%	7.4%	4.5%
KEY FINANCIALS (IN US$M)			
Sales revenue	26	47	46
EBITDA	3	4	2
NPAT	1	1	2

MAJOR SHAREHOLDERS	M shares	%	MARKET CAP (USDm)	169
Sahara Group/Directors	16.6	77.0%		
Bennett & Coleman	1.1	5.1%		
Siva	3.2	15.0%		
Others	0.6	2.9%		
Total	21.5			



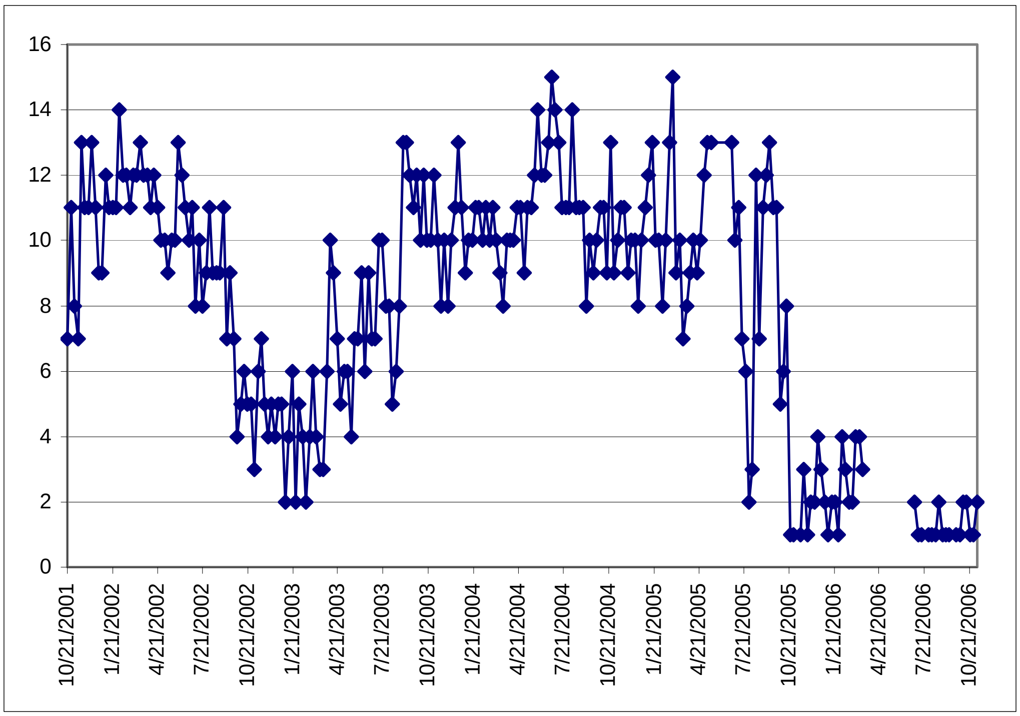
Source: Company data, Credit Suisse estimates

Sony Entertainment Television

Sony Entertainment Television (SET) is 61% owned by Sony Pictures, 31% by Indian shareholders and 8% by the Capital Group. SET has been in place for a little over 10 years. We believe some changes in its ownership structure could occur to provide an exit option for its Indian shareholders. This could include an IPO.

Sony has a general entertainment Hindi channel (SET) and a movie channel (MAX). Its Hindi general entertainment programming strategy differs from competitors STAR and Zee in that it programs for a smaller, upscale, urban and young audience. This contrasts to the mass market serials favored by STAR and Zee. Programming for this audience includes significant amount of reality programming, with local versions of imported formats including Big Brother, Dancing with the Stars, Idol etc. SET serials tend to focus on younger, working women and has an aspirational element which differs from the traditional married women featured in STAR and Zee shows. The cost of programming is higher than serials, ($100K per episode compared with $20K per episode) and this is reflected in the rates charged to advertisers. The niche nature of this programming approach is reflected in the decline in the number of SET programs within the Top 100 as highlighted in Exhibit 28.

Exhibit 28: SET Programs in Top 100



Source: INTAM

SET's other channels focus on blockbuster Hindi and Hollywood movies, the latter sourced from Sony and MGM. SET has a joint venture with Discovery Communications to distribute the Discovery channels, as well as Viacom's MTV and Nick channels. Financials for SET are not publicly available; Sony reports the business as part of its Pictures division.

Sony 6758

OUTPERFORM*

Price (29 Nov 06)	4570.00 (¥)
52 week high - low	6,150.00 - 4,280.00
Target price (12 months)	7500.00 - 64.00 (¥)
Analyst's Coverage Universe	Technology Hardware & Equipment
Weighting (vs. broad market)	MARKET WEIGHT

**** Stock ratings are relative to the relevant country index.***

Year	3/06A	3/07E	3/08E
EPS (CS adj., ¥)	46.59	156.26	324.94
P/E (x)	98.1	29.2	14.1
P/E rel. (%)	485.4	159.1	84.5
Revenue (¥ m)	7,475,436.0	7,808,693.4	8,626,055.7
EBITDA (¥ m)	573,097.9	552,369.2	866,914.4
IC (¥ m)	7,353,500.0	—	7,924,616.2
OCFPS (¥)	535.26	527.93	828.56
ROIC	0.3%	1.1%	2.2%
P/OCF (x)	10.2	8.7	5.5
EV/EBITDA (x)	7.8	8.2	5.1

Number of shares (m)	1,002.10	Enterprise value (¥m)	4,506,332.01
Net debt (3/06A, ¥ m)	-101,746.0	Dividend (3/06A, ¥)	25.00
Net debt/total cap. (3/06A)	-3.2%	Dividend yield	0.5%

Valuation

Year	3/05A	3/06A	3/07E
Y/E closing price (¥)	4,270.00	5,450.00	4,570.00
Market cap. (¥ m)	4,456,919.25	5,701,973.37	4,579,606.14
End year net debt (¥ m)	-307,692.0	-101,746.0	-73,274.1
Enterprise value (¥ m)	4,271,914.14	4,477,860.14	4,506,332.01

Key ratios

EV/EBITDA (x)	8.8	7.8	8.2
EV/IC (x)	0.7	0.6	—
P/E at closing price (x)	27.0	117.0	29.2

Strategic analysis

Existing strengths: Strong market shares in key product lines such as LCD televisions and PCs

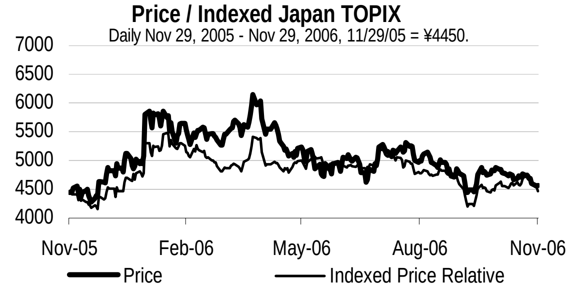
Existing weaknesses: Audio business is weak

Existing opportunities: Margin recovery in electronics business

Existing threats: Price erosion in key product lines

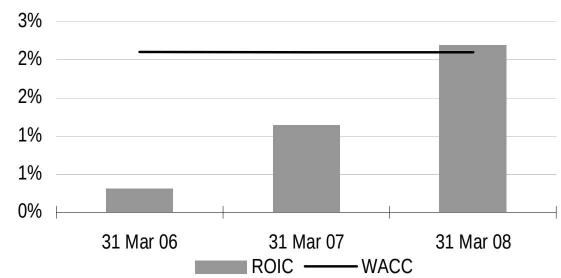
Company description

Sony is a prominent consumer electronics manufacturer, and top game equipment manufacturer. Sony is Japan's most famous brand.

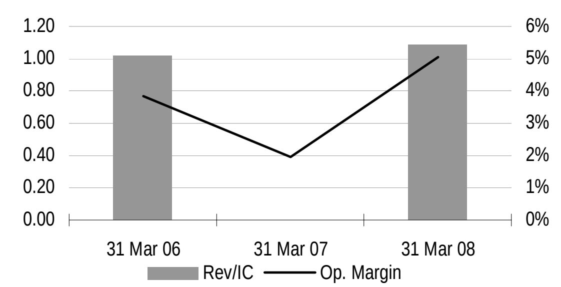


Year	3/06A	3/07E	3/08E
Q1 EPS	-8.68	30.75	
Q2	-43.13	1.60	
Q3	161.58	111.22	
Q4	-66.48	12.61	

ROIC / WACC



REV / IC Op. Margin



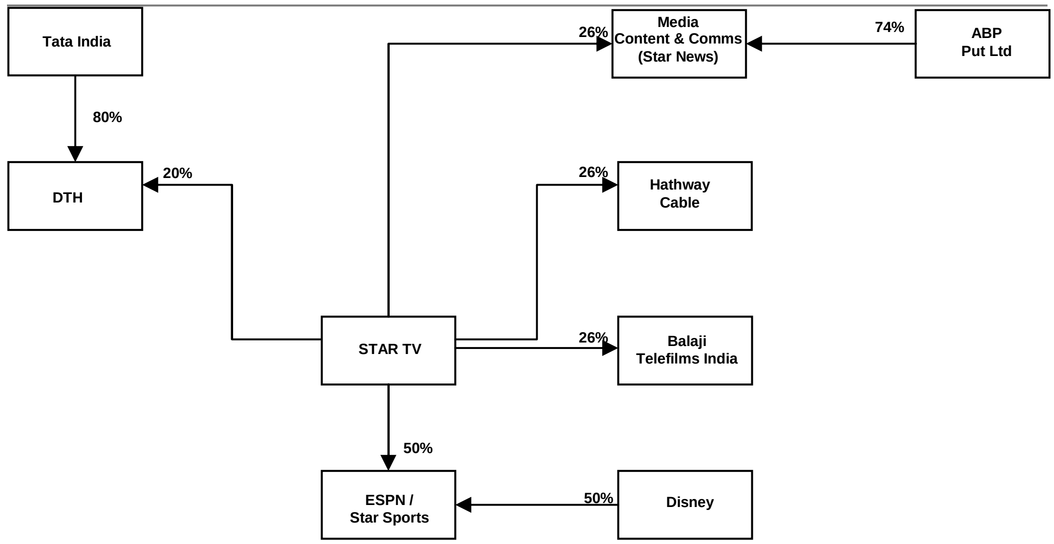
Source: Company data, Credit Suisse estimates
On 11/29/06 the Japan TOPIX index closed at 1,555.11

Star TV (News Corp)

STAR is the leading broadcaster in the Indian market, supported by the strength of its flagship STAR Plus channel.

STAR's relationships in the Indian market are outlined in Exhibit 29 below. Hathway Cable is one of the largest MSOs in India, and the market leader in Mumbai, New Delhi and Hyderabad. Balaji Telefilms is a leading content provider, and is responsible for the majority of STAR Plus' leading shows. Tata is the largest private sector conglomerate in India, with interests that include autos and mobile phones.

Exhibit 29: STAR's Indian relationships



Source: Company data, Credit Suisse estimates

Broadcasting

STAR has the largest distribution of all cable networks, with a distribution footprint of 44m households. It is currently paid for 10m households reflecting the levels of underdeclaration in the market, but well above the 5m of most other broadcasters.

STAR's flagship channel STAR Plus surged to become market leader following the broadcast of KBC (Who wants to be a millionaire). It retains the rights to the programming for the next five years. The environment has become more competitive, with Zee emulating STAR's strategy of focusing on domestic serials; however STAR's position remains exceptionally strong with double the gross ratings points of Zee and almost four times those of Sony.

Exhibit 30: Share of Gross Ratings Points (Hindi General Entertainment)

	Q3 05	Q4 05	Q1 06	July/Aug 06
STAR Plus	67	63	61	57
Zee TV	16	21	25	27
Sony	17	16	14	16

Source: TAM

STAR's key channels and those of other broadcasters which are included in its bouquets are outlined in Exhibit 31 below.

Exhibit 31: Star TV's Broadcast Bouquets

Bouquet 1 Rs 32 ($0.70)	Bouquet 2 Rs 22 ($0.50)	Bouquet 3 Rs 58 ($1.30)
STAR Plus	STAR One	Neo Sports
STAR Gold	Hungama	Neo Sports +
STAR Movies	Disney Channel	
Channel V	Toon Disney	
STAR Utsav		
STAR Vijay		
STAR World		
STAR Ananda		
STAR News		
ESPN		
STAR Sports		
History Channel		
National Geographic		
A1		

Source: Company data, Credit Suisse estimates

STAR's future programming strategy is likely to revolve around the launch of new regional channels to expand beyond the Hindi-language market. It already has a presence in Tamil with STAR Vijay and Bengali with STAR Ananda.

Internet and Mobile

STAR purchased indya.com approximately 5 years ago, covering news, games, social networking, entertainment as well as cricket and sport. The internet business model is evolving and has included internet rights to the Champions Cup Cricket. The mobile platform is also being developed, with audio downloads and mobisodes of popular TV series.

Financials

In FY07E to date, STAR has suffered from not having Millionaire in its schedule; Q1 and Q2 of FY06 featured Millionaire which is a highly profitable franchise. Q2 of FY07E is expected to have the added difficulty of Champions Cup Cricket taking revenue out of the market. Easier comps are forecast for H2 when Millionaire is likely to return to the schedule. However the difficult H1 comparisons are likely to slow advertising revenue growth in FY07F versus FY06 growth rates. An acceleration in revenue growth is likely in FY08 when the DTH platforms (both TATA-Sky and Dish TV) become more meaningful in terms of subscriber numbers and thereby contribute to a ramp-up in subscriber revenue growth for the consolidated STAR business.

NWS' share of losses from the Tata-Sky joint venture will be included with its associates. Our forecasts assume annual losses of approximately $45m over the next three years.

Exhibit 32: STAR TV Financials

US$ in millions, unless otherwise stated

YE June	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07F	FY 08F
REVENUE								
Advertising revenues								
India	105	130	150	173	201	232	250	280
Taiwan	20	25	30	36	39	40	41	42
China	0	0	0	4	10	21	33	43
Other	0	0	0	0	3	3	3	3
Total	**125**	**155**	**180**	**213**	**253**	**296**	**328**	**368**
% change	*44.3%*	*24.0%*	*16.1%*	*18.3%*	*19.0%*	*17.0%*	*10.5%*	*12.3%*
Subscription revenues								
India	40	52	66	85	87	106	121	139
Taiwan	22	25	28	32	37	41	47	53
Other	15	19	24	25	28	29	30	31
Total	**76**	**96**	**118**	**142**	**151**	**176**	**198**	**223**
% change	*73.5%*	*26.3%*	*22.8%*	*20.3%*	*6.3%*	*16.4%*	*12.3%*	*12.5%*
Other revenues	40	38	34	36	36	37	38	39
Total revenues	**241**	**289**	**332**	**391**	**440**	**509**	**563**	**629**
% change	*55.1%*	*19.9%*	*14.8%*	*17.8%*	*12.5%*	*15.6%*	*10.6%*	*11.8%*
OPERATING COSTS								
Programming	142	155	153	177	174	220	235	257
Satellite	18	19	20	20	18	19	20	21
Other	126	130	135	134	125	133	141	149
Depreciation & amortization	20	20	15	13	13	9	9	9
Total	**306**	**324**	**323**	**344**	**330**	**381**	**405**	**436**
% change								
Programming	*69.0%*	*9.2%*	*-1.3%*	*15.7%*	*-1.7%*	*26.4%*	*7.0%*	*9.0%*
Satellite	*15.0%*	*5.0%*	*5.0%*	*0.2%*	*-10.0%*	*5.6%*	*5.0%*	*5.0%*
Other	*26.0%*	*3.2%*	*3.8%*	*-0.7%*	*-6.7%*	*6.4%*	*6.0%*	*6.0%*
Total	*37.4%*	*5.8%*	*-0.3%*	*6.5%*	*-4.1%*	*15.5%*	*6.4%*	*7.6%*
EBIT	**-65**	**-35**	**9**	**47**	**110**	**128**	**158**	**193**
% change	*NA*	*NA*	*NA*	*407.5%*	*132.7%*	*16.2%*	*23.2%*	*22.5%*
EBIT Margin	NA	NA	NA	12.1%	25.0%	25.2%	28.0%	30.7%
EBITDA Margin	NA	NA	NA	15.4%	28.0%	26.9%	29.6%	32.2%

Source: Company data, Credit Suisse estimates

News Corp. NWS

OUTPERFORM*

Price (29 Nov 06)	21.36 (US$)
52 week high - low	22.37 - 15.64
Target price (12 months)	26.00 (US$)
Analyst's Coverage Universe	Entertainment
Weighting (vs. broad market)	OVERWEIGHT

**** Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.***

Year	6/06A	6/07E	6/08E
EPS (CS adj., US$)	0.82	1.03	1.13
P/E (x)	26.1	20.8	19.0
P/E rel. (%)	154.9	138.8	138.3
Revenue (US$ m)	25,327.0	26,798.8	28,014.8
EBITDA (US$ m)	4,746.0	5,445.5	5,826.4
IC (US$ m)	—	—	—
OCFPS (US$)	1.47	1.71	1.83
ROIC	—	—	—
P/OCF (x)	13.7	12.5	11.6
EV/EBITDA (x)	9.9	8.3	7.4

Number of shares (m)	3175	Enterprise value (US$m)	45,370.89
Net debt (6/06A, US$ m)	4,324.5	Dividend (6/06A, US$)	0.10
Net debt/total cap. (current)	12.1%	Dividend yield	0.5%

Valuation

Year	6/05A	6/06A	6/07E
Y/E closing price (US$)	16.86	20.18	21.36
Market cap. (US$ m)	51,962.52	65,141.04	21,072.09
End year net debt (US$ m)	3,209.5	4,324.5	2,908.1
Enterprise value (US$ m)	53,688.84	46,787.28	45,370.89

Key ratios

EV/EBITDA (x)	12.4	9.9	8.3
EV/IC (x)	—	—	—
P/E at closing price (x)	23.1	24.6	20.8

Strategic analysis

Existing strengths: Content ownership, global footprint, management

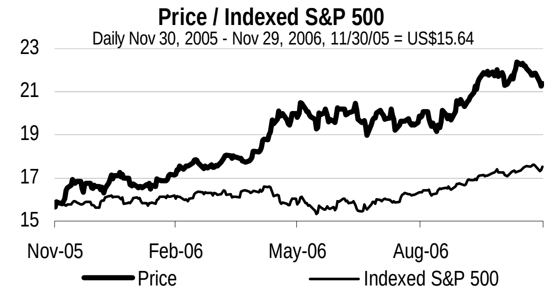
Existing weaknesses: Exposure to global advertising markets

Existing opportunities: New platform growth : internet, Sky Italia

Existing threats: Piracy, high levels of competition

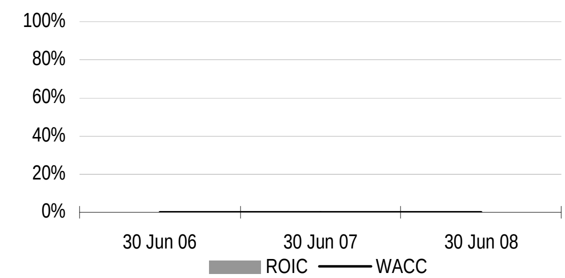
Company description

News Corporation is an international media company.

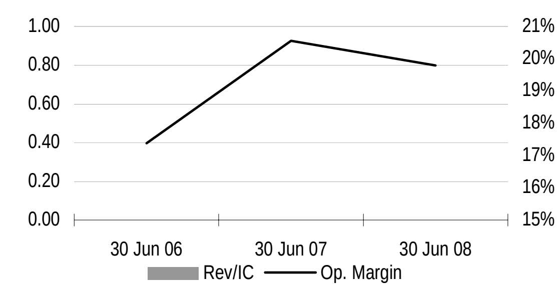


Year	6/06A	6/07E	6/08E
Q1 EPS	0.17	0.19	
Q2	0.21	0.27	
Q3	0.21	0.27	
Q4	0.23	0.30	

ROIC / WACC



REV / IC Op. Margin



Source: Company data, Credit Suisse estimates
On 11/29/06 the S&P 500 index closed at 1,399.48

Sun TV

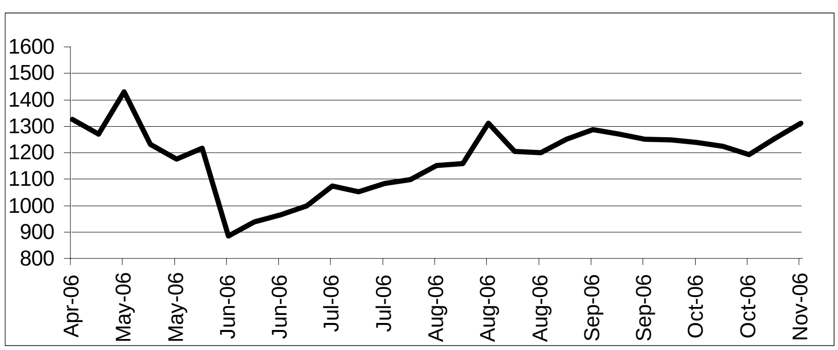
Sun TV is a major regional broadcaster focusing on the south of India. It offers four Tamil language channels (Sun TV, Sun News, Sun Music and KTV) and two Malayalam channels, Surya TV and Kiran TV. Sun operates 4 radio stations in three cities and has been awarded 41 additional radio licenses under the Indian government's privatization policy. Sun also owns an extensive programming library of Tamil and Malayalam movies.

The broadcast network is in the process of rapid transformation. Historically it has operated on very low advertising rates, but announced recently that these would lift by between 5 and 27% on January 1st 2007. It also recently migrated its Sun TV channel to a pay-channel.

Exhibit 33: Sun TV Financials

YE March	2003A	2004A	2005A	2006A
INCOME STATEMENT				
Sales revenue	2,149	2,617	2,903	3,219
Other income	33	66	107	172
Total revenue	2,182	2,683	3,010	3,391
EBITDA	1,449	1,883	2,075	2,643
Depreciation & amortization	532	668	815	585
EBIT	917	1,215	1,260	2,058
Net Interest expense	(3)	(2)	(36)	(63)
Pretax profit	914	1,213	1,224	1,995
Tax	(331)	(436)	(457)	(693)
Change in a/c policy	1	(4)	12	
NPAT	**585**	**773**	**780**	**1,302**
Revenue growth % change	NA	21.8%	10.9%	10.9%
EBIT Margin (%)	42.7%	46.4%	43.4%	63.9%
KEY FINANCIALS (IN US$M)				
Total revenue	48	59	65	72
EBITDA	33	42	47	59
NPAT	13	17	18	29

MAJOR SHAREHOLDERS	M shares	%	MARKET CAP (USDm)	2,340
Mr Kalanithi Maran	62.0	90.0%		
Public	6.9	10.0%		
Total	68.9			



Source: Company data, Bloomberg

UTV

UTV operates in a number of different segments – television production, filmed entertainment production, animation production and broadcasting. Disney recently acquired a 14.9% stake in the company.

Broadcasting

UTV's forays into broadcasting have been with the Vijay Channel, a Tamil language channel sold to STAR in August 2004 and Hungama, a kids channel sold to Disney in July 2006. UTV's motivation in selling Hungama appears to have been the long term nature of the project, as well as the desire to achieve equity funding and co-production opportunities with an international partner. UTV plans to relaunch in the broadcasting arena in mid 2007 with the launch of a youth oriented channel. The associated investment is expected to be in the $30m range over 2-3 years. UTV's plan is to bring in an equal partner into the venture.

Filmed Entertainment Production

UTV entered the filmed entertainment market three years ago, and produces 8-10 movies a year for the Hindi market. It has also co-produced The Namesake with Fox Searchlight to be released in 2007. UTV's budgets generally fit in the $2-10m range.

Television Production

UTV's television production is for STAR, Zee and Sony, as well as Discovery and National Geographic in the non-fiction genre. Programming is produced on a commissioned basis, with the copyright ultimately retained by the broadcaster.

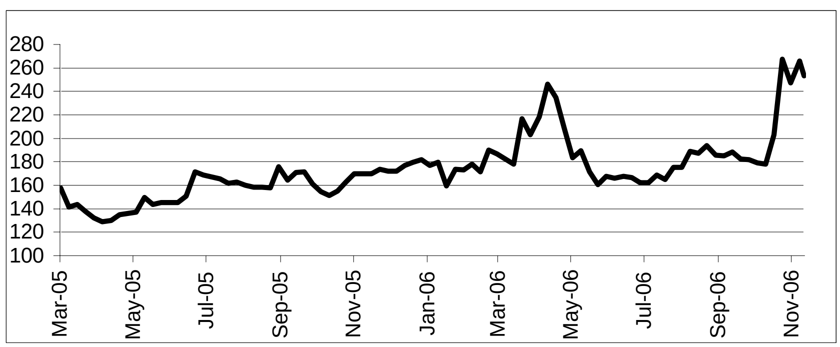
Animation

UTV is involved in developing the animation genre for the Indian market, with 4-5 projects under consideration. This genre is virtually unknown in India and provides the opportunity to create a new market.

Exhibit 34: **UTV Software Financials (Rs millions)**

YE March	2004A	2005A	2006A
INCOME STATEMENT			
Revenue	978	1,535	1,729
EBITDA	124	239	66
Depreciation & amortization	(14)	(18)	(16)
EBIT	110	221	49
Net Interest expense	(21)	(18)	
Pretax profit	89	204	49
Tax	(16)	(48)	(19)
NPAT	**73**	**156**	**30**
Revenue by Activity			
Television	715	899	711
Films	269	635	1034
Allied Content Services	1	1	
Intersegment	-8		-15
Total revenue	978	1,535	1,729
Revenue growth % change	NA	57.0%	12.7%
EBIT Margin (%)	11.2%	14.4%	2.9%
KEY FINANCIALS (IN US$M)			
Total revenue	22	34	39
EBITDA	3	5	1
NPAT	2	3	1

MAJOR SHAREHOLDERS	M shares	%	MARKET CAP (USDm)	130
Directors/Promoters	7.6	33.1%		
Disney	3.4	14.9%		
Others	11.9	52.1%		
Total	22.9			



Source: Company data, Bloomberg

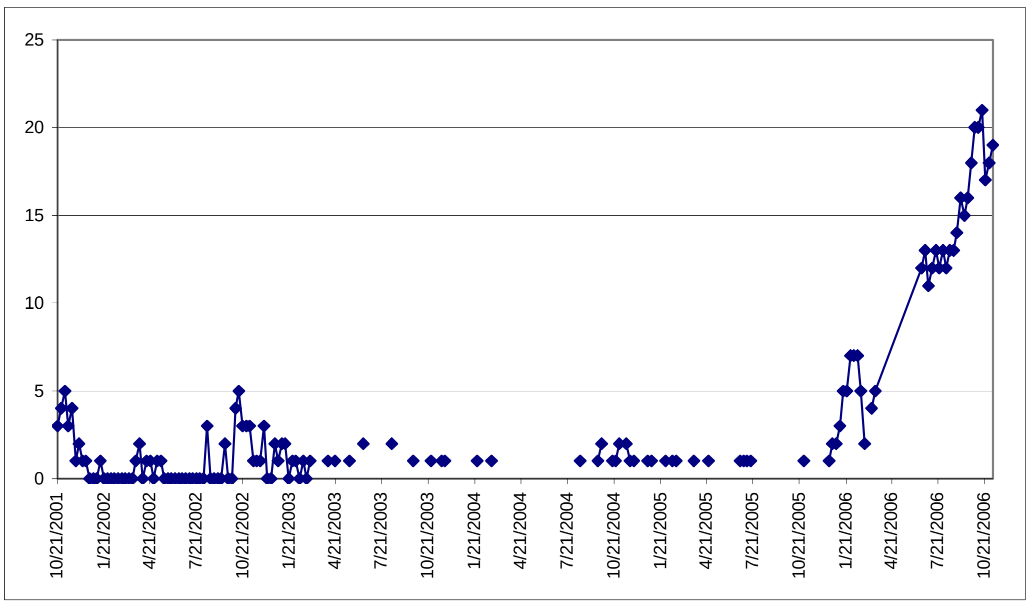
Zee TV

Zee is India's largest listed media company. It is in the process of splitting itself into four separate entities to take account of operational changes in the company and foreign ownership regulations. The four separate entities will be 1) television broadcasting 2) television news (due to foreign ownership limits of 26%) 3) cable business (Siticable) and 4) DTH business (DISH TV). The latter two have been split as they will be competing for the same customers, and also to reflect the aggregate 49% foreign ownership restrictions on the DTH platform.

Broadcasting

Zee's Hindi general entertainment ratings have experienced a resurgence over the course of 2006, recovering from a five year slump which followed STAR's introduction of KBC (Who Wants to be a Millionaire?) into the market.

Exhibit 35: Zee TV Programs in Top 100



Source: TAM

Zee has followed the STAR strategy of serials, gaining market share at the expense of both STAR and SET. The rebuilding has been undertaken on a timeslot by timeslot basis, with the network achieving its strongest gains in the 8.00-8.30pm and 9.00-10.00pm periods. The investment in content has come at the expense of margin, however, with group margin falling from over 30% to 16.2% in FY2006 as highlighted in Exhibit 36.

Zee's future content strategy is likely to revolve around regional language channels where the most rapid growth in television households is likely to occur. Currently around 1/3 of the TV ad pie is attributable to local language channels.

Cable

Zee’s Siticable is India’s largest MSO, reaching 6.7 million households. It appears to be the most aggressive cable operator in terms of its ambitions for last mile ownership, targeting 10million last mile subscribers at the end of 5 years. The negotiations with Last Mile Operators can take a number of forms 1) an outright sale (with valuation generally based on 1.5-2 years revenue), 2) the purchase of a 51% stake which allows the operator to remain in place 3) a 50% upfront payment with the remainder paid as a profit share arrangement over a three year period.

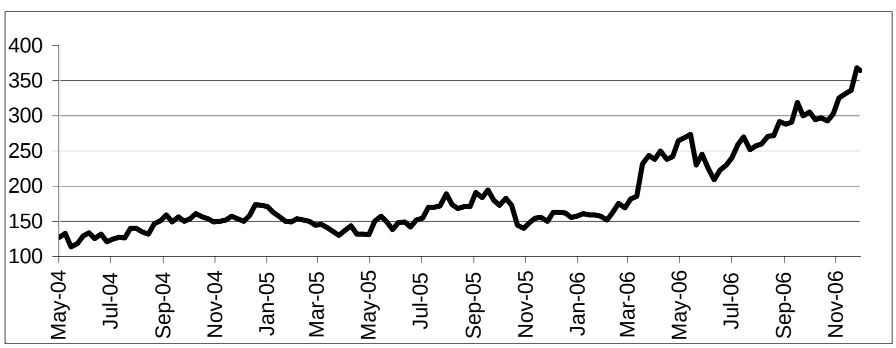
Satellite

Zee’s DISH Network launched in May 2005 and has achieved 1.6m subscribers to date. ARPU is Rs 180 ($4) for basic and Rs 300 ($6.66) for the full tier. DISH is targeting 8m subscribers by 2011, with satellite market share in the low 40% range. The platform is growing at the rate of 1m subscribers p.a. Breakeven is forecast to be achieved at 3.5m subscribers.

Exhibit 36: Zee TV Financials

YE March	2003A	2004A	2005A	2006A
INCOME STATEMENT				
Sales revenue	12,079	13,702	12,754	14,233
EBITDA	3,756	4,309	4,316	2,702
Depreciation & amortization	(297)	(319)	(329)	(391)
EBIT	3,459	3,990	3,988	2,311
Net Interest expense	(767)	(583)	(207)	(242)
Other income	785	776	556	642
Pretax profit	3,477	4,183	4,337	2,711
Tax	(879)	(1,049)	(1,023)	(516)
Exceptional items	(354)		(140)	19
Prior year expenses			(1)	(1)
Share of Associates	2	4		
Minorities	(110)	(196)	(50)	(41)
Prior period adjustments	(31)	27	1	1
NPAT	**2,105**	**2,969**	**3,124**	**2,173**
Revenue by Activity				
Broadcasting and Content	10,074	11,464	11,180	11,965
Acess	1,708	1,765	1,455	2,663
Film Production/Distribution	517	755	206	9.2
Education	163	131	112	212.6
Others	37	236		
Intersegment	(420)	(649)	(199)	(616)
Total revenue	12,079	13,702	12,754	14,233
Revenue growth % change	NA	13.4%	-6.9%	11.6%
EBIT Margin (%)	28.6%	29.1%	31.3%	16.2%
KEY FINANCIALS (IN US$M)				
Total revenue	271	308	286	320
EBITDA	84	97	97	61
NPAT	47	67	70	49

MAJOR SHAREHOLDERS	M shares	%	MARKET CAP (USDm)
Directors	192.1	46.6%	**3,375**
Others	220.4	53.4%	
Total	412.5		



Source: Company data, Bloomberg

Companies Mentioned *(Price as of 29 Nov 06)*

Adlabs Films (ADLF.BO, Rs430.90, NOT RATED)
Balaji Telefilms Ltd. (BLJT.BO, Rs145.80, NOT RATED)
Bharti Airtel Ltd (BRTI.BO, Rs621.10, NEUTRAL, TP Rs600.00)
Colgate-Palmolive (CL, $65.14)
Deccan Chronicle (DECH.BO, Rs661.80, NOT RATED)
Discovery Holding Co. (DISCA, $15.15, UNDERPERFORM, TP $14.90, OVERWEIGHT)
Entertainment Network (NENIL.BO, Rs245.45, NOT RATED)
Hathway Cable (XVN.BO, Rs11.24, NOT RATED)
Hinduja TMT (HIJ.BO, Rs615.85, NOT RATED)
HT Media (HTML.BO, Rs772.55, NOT RATED)
Inox Leisure (INOL.BO, Rs170.80, NOT RATED)
Jagran Prakashan (JAGP.BO, Rs285.30, NOT RATED)
Johnson & Johnson (JNJ, $66.20, UNDERPERFORM, TP $59.00, MARKET WEIGHT)
LOreal (OREP.PA, Eu76.65, NEUTRAL, TP Eu80.00, MARKET WEIGHT)
Mid-Day Media (MIDM.BO, Rs46.70, NOT RATED)
Navneet Publications (NPI.BO, Rs53.85, NOT RATED)
New Delhi TV (NDTV.BO, Rs232.80, NOT RATED)
News Corp. (NWS, $21.36, OUTPERFORM, TP $26.00, OVERWEIGHT)
Nimbus Industries (SEO.BO, Rs.90, NOT RATED)
Nokia Corporation (NOK, $20.31, OUTPERFORM, TP $18.00, OVERWEIGHT)
PepsiCo, Inc. (PEP, $62.47)
Procter & Gamble Co. (PG, $63.21)
PVR Ltd (PVRL.BO, Rs249.30, NOT RATED)
Reckitt Benckiser (RB.L, 2262.00 p, OUTPERFORM, TP 2500.00 p, MARKET WEIGHT)
Reliance Industries (RELI.BO, Rs1249.10)
Sahara One (SIMCL.BO, Rs349.40, NOT RATED)
Saregama India (NGCOI, RsNGCOI, NOT RATED)
Sony (6758, ¥4,570, OUTPERFORM, TP ¥7,500, MARKET WEIGHT)
Sun TV Ltd (SUNTV.BO, Rs1480.35, NOT RATED)
TATA (TTC.BO, Rs388.30, NOT RATED)
Television Eighteen (NTLEI.BO, Rs639.36, NOT RATED)
Time Warner, Inc (TWX, $20.33, OUTPERFORM, TP $25.00, OVERWEIGHT)
TV Today Network (TVTN.BO, Rs73.70, NOT RATED)
UTV Software (UTVSOF.BO, Rs253.30, NOT RATED)
Viacom (VIAB, $37.74, OUTPERFORM [V], TP $48.00, OVERWEIGHT)
Wal-Mart Stores, Inc. (WMT, $46.89, OUTPERFORM, TP $59.00, MARKET WEIGHT)
Walt Disney Company (DIS, $32.88, OUTPERFORM, TP $41.00, OVERWEIGHT)
Zee Television (Z.BO, Rs362.85, NOT RATED)

Disclosure Appendix

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