



TELEVISION BROADCASTING INDUSTRY IN INDIA - A STUDY WITH REFERENCE TO 'ARASU CABLE TV' IN TAMIL NADU

V. Vijayasarathy¹

¹Research Scholar in Commerce, Annamalai University, Annamalai Nagar – 608 002,
Tamil Nadu, India.

Dr.D.Ilangovan²

²Professor of Commerce, Annamalai University, Annamalai Nagar – 608 002,
Tamil Nadu, India.

ABSTRACT

The Indian media market is highly dominated by the television segment mainly due to its effective reach and relatively lesser cost of service. The television industry had a very slow beginning in late' 70s. But it had an Himalayan growth within a short span of about 40 years. This industry had its tremendous growth also an account of multi – cultural and lingual differences across the country in India. Above all the successive governments at the centre and the state have supported heavily for the growth of this industry. International channels and technical experts also contributed to the development of television industry in India. This article is an attempt to highlight the strengths and opportunities for future development of Indian television broadcasting industry with special reference to 'Arasu Cable TV' in Tamil Nadu State.

KEYWORDS: media market, TV market, Television advertisement, channels

THE INDIAN TELEVISION INDUSTRY

The Indian Television Industry is at an attractive growth phase with burgeoning channels and rich content. The sector which had only five channels in the year 1991, today has 550 channels with over 600 Million viewers and is worth \$ 6.6 Billion. 138 Million households in India have television sets and the country is the third largest TV market in the world next only to China and the United States.¹ The growth in reality shows and niche channels have contributed as well as benefited from the growth of the industry. Considering the increasing number of homes with satellite connections, the industry is set for steady growth.

The total number of TV channels (both private and government owned) grew from 461, in 2009 to 626 in

January 2011.² The number of news and current affairs channels was 312 and that of Non-News and current affairs channels was 314 up till January 2011.³

The television industry is expected to grow by 12.9 per cent cumulatively over 2009-14. The maximum growth was slated to occur in 2010, (15.6 per cent), followed by 2012 (13 per cent).⁴ Television advertisement revenue was slated to grow by 20 per cent and touched a total of US \$ 2804.3 Million in 2011. Also it was projected that TV remained the highest grosser of revenues in 2011 too and it cornered 45.7 per cent of the total ad pie this year, a further rise from 44.5 per cent in 2010.⁵ With regard to the market structure of the television industry, the top four players are Star, Zee, Sun and Sony, as the following Table depicts the market share of such companies in India.

Table 1 Market Share of Top Four Televisions

Sl. No.	Television Net Works	Q1 2010	Q2 2010	Q3 2010
1.	Star	15.21	17.69	17.83
2.	Zee	14.93	14.09	14.82
3.	Sun	13.32	13.95	13.97
4.	Sony	9.93	10.17	9.16

Source: C. Barathi et al. April 2011. Trends and Potential of the Indian Entertainment Industry – An Indepth Analysis

OUTLOOK FOR THE INDIAN TELEVISION INDUSTRY

The Indian television industry is projected to grow by 14.5 per cent over the period 2010-15 and was estimated to reach about INR 602.5 Billion in 2015 from the present estimate of INR 306.5 Billion in 2010.⁶ The details are given in Table 2.

The growth in the television distribution industry was also expected to be contributed by both subscriptions spending by pay television subscribers as well as the escalation in the pay television homes projected to increase from 106 Million at the end of 2010 to 161 Million by the end of 2015.

Table 2 Growth of Indian Television Industry, 2010 – 2015

Sl. No.	Growth Pattern	INR Billion						CAGR
		2010	2011 F	2012 F	2013 F	2014 F	2015 F	
1.	Television Distribution	192.0	222.0	254.0	293.0	334.5	376.5	14.4%
	% Change		15.6	14.4	15.4	14.2	12.6	
2.	Television Advertising	101.5	116.0	133.0	152.0	175.0	200.0	14.5%
	% Change		14.3	14.7	14.3	15.1	14.3	
3.	Television Content	13.0	15.0	17.0	20.0	23.0	26.0	14.9%
	% Change		15.4	13.3	17.6	15.0	13.0	
	Total	306.5	353.0	404.0	465.5	532.5	602.5	14.5%

Source: Ambarish Dasgupta and Timmy Kamdhari, (2011), Indian Entertainment and Media, 2011, p.43.

With the government renewing its focus on digitisation, it will be the main force behind the industry's growth. It is estimated that DTH will be the major growth avenue for digitisation. While it seems that DTH will eventually start cannibalising digital and analogue cable subscribers, it may not happen in the near future. It is

estimated that DTH will have 75 Million households by 2015 from the current 32 Million at the end of 2010. Table 3 is prepared to show relevant details.

It is clear from the below table that the growth of television industry is faster in recent years and there must be concerted efforts to maintain the same.

Table 3 Growth of Television Households in India, 2010 – 2015

Million (year – end)**

Sl. No.	Type of Households	2010	2011F	2012F	2013F	2014F	2015F
1.	Television Households	130.0	135.0	142.0	149.0	157.0	168.0
	% Change		4.0	5.0	5.0	5.0	7.0
2.	Pay Television Households	106.0	117.0	127.0	138.0	149.0	161.0
	% Change		10.0	9.0	9.0	8.0	8.0
3.	Cable Television Households	74.0	75.0	77.0	80.0	83.0	86.0
	% Change		1.4	2.7	3.9	3.8	3.6
4.	DTH Households	32.0	42.0	50.0	58.0	66.0	75.0
	% Change		31.3	19.0	16.0	13.8	13.6
5.	Pay Television ARPU	160.0	165.0	175.0	185.0	195.0	205.0
	% Change		3.0	6.0	6.0	5.0	5.0

** It is restated the numbers to reflect year-end numbers. Our methodology for subscription revenue uses year-average numbers.

Source: Ambarish Dasgupta and Timmy Kamdhari, (2011), *Indian Entertainment and Media 2011*, p.43.

The DTH Segment To-day:-

An interesting development in the television sector is the growing popularity of DTH services. The direct-to-home (DTH) market in India had 23.1 Million active subscribers by the end of 2010,⁷ as per Media Partners Asia. This translates to 16 per cent penetration of television homes in India. The country was the world's largest direct-to-home (DTH) satellite pay TV market by 2015, with a projected 70 Million subscribers.⁸

According to a study by media partners Asia, from 17 Million in 2009, India's DTH subscriber base will grow to 45 Million by 2014 and 58 Million by 2020. Pay television is expected to become a \$ 18.5 Billion industry in sales by 2014 and \$ 12.1 Billion by the year end. The following table depicts the growth in the number of homes in 2010 which have gone digital.⁹

Table 4 Number of Digital Homes in India in the year 2010

Sl. No.	Year	Million Homes
1.	2007	2
2.	2008	15
3.	2009	18
4.	2010	24

Source: C. Barathi et al. April 2011. *Trends and Potential of the Indian Entertainment Industry – An Indepth Analysis, Vol. II, p. 291.*

The reasons for the growth potentials of the sector are:

- i) Growing trend of digitization which is expected to exert a positive influence on Digital cable, DTH and IPTV,
- ii) Due to the slow growth of internet penetration and broad band constraints IPTV will take quite some time to catch up, leaving the market wide open for DTH operators,
- iii) The conditional Access System (CAS) roll out has also had a positive impact on DTH, with 20 per cent of customers who were offered this facility having opted for DTH. When CAS is rolled out in the remaining cities, it is bound to further increase the number of DTH users and
- iv) Since a higher proportion of high end television sets have been sold in the year 2008-09 and 2009-

10, and since the trend is expected to continue in the future, it augurs well for the DTH industry since many of the customers of high end TV sets generally opt for DTH.

The DTH industry had to touch US \$ 620.25 Million in 2009-10 as compared to US \$ 310.16 Million in 2008-09. The growth points were triggered by the increase in the marketing budget of DTH companies like Bharti Airtel DTH, Big TV and Sun Direct by 20 to 25 per cent in 2010.¹⁰

Doordarshan, the government owned national television broadcaster of India is expected to become fully digitalized by 2017 and TV channels like MTV, Cartoon Network, Disney, Star Plus and Pogo are all set to grow their service market to cover India's promising licensing and stock market.

'Arasu Cable TV Corporation' – A Success Story:-

Tamil Nadu is one of the biggest television markets in the country and estimated at ' 12,220 Cr., is expected to touch ' 22,540 Cr., by 2016, according to Deloitte-FICCI report and when it comes to subscription, Tamil Nadu is the largest market in South India.¹¹ In 2012 revenue collection was put at ' 2,940 Cr., and expected to increase to ' 5,400 Cr., by 2016.

The entry of state-run 'Arasu' in TV distribution space has resulted in a significant change in the dynamics of Tamil Nadu TV distribution scene. Subscribers in Tamil Nadu are now being offered cable services at considerable lower price points at a monthly charge of ` 70 each. As a result, the subscription revenues in the state have witnessed growth rates lower than other markets in South. According to industry estimates there are around 40 lakh connections in the Chennai market, which controlled by six licensed MSOs and around 1500 cable operators.¹²

Government sources said that the corporation got the approval from the Central government to start operations in Chennai after the infrastructures were set up for cable digitisation, which can offer upto 500 channels to the viewers against 80 as of now. As a multi-system operator (MSO), Arasu Cable is setting up similar digital control centres in Coimbatore, Tirunelveli and Vellore – each at a cost of over ' 5.54 Cr., – to extend its services across the state.

'Arasu Cable' would offer over 60 pay and free-to-air (FTA) channels for less than ` 100 across Tamil Nadu. In Chennai, where CAS (conditional access system) is in vogue, FTA channels would be available for less than ` 100, while those opting for set-top boxes would have to pay the rates fixed by the Telecom Regulatory Authority of India.

It commenced its cable TV services in all 31 districts of Tamil Nadu on September 2, 2011 barring Chennai, which was then a conditional access system area. Since it was not possible to provide all the 300 pay channels, Arasu Cable had discussions with broadcasters for around 70-80 prime channels.¹³

The Government of India had issued a conditional access system (CAS) licence to the 'Arasu Cable TV Corporation' for Chennai on April 2, 2008¹⁴ and the CAS services are now in operation. The Government subsequently modified Chennai into a Digital Addressable System area. "Accordingly, the 'Arasu Cable TV Corporation' started its operations in the digital mode in Chennai city. It has placed orders for the supply of set-top boxes, conditional access system and subscriber management system and erection of head-end at a cost of about ` 50 Cr.,".

At present 'Arasu Cable TV' provides 100 channels at ` 70 per month. It has the support of over 23,000 local cable operators with a subscriber base of 60 lakh. "The people of Tamil Nadu have been freed from the clutches of the erstwhile multi-system operators, who used to fleece them by charging ` 150 to 250 per month as subscription for showing just 30 to 70 channels. And now, the future of cable TV is safe and secured in the larger interest of the people.

CHALLENGES FACING THE INDUSTRY

The DTH sector faces a number of challenges which hamper the growth of the television sector and they include the following.

(i) High Tax Rates: Multiple levels of taxes are imposed on DTH players such as the license fee, VAT, excise duty, sales tax, corporate tax, service tax, and entertainment tax. This high tax structure has eroded the profitability of the DTH players. For instance, Tata Sky which had a turnover of ' . 805 Cr., in 2009-10 reported a loss of ' .1,152 Cr., which was higher than the ' .860 Cr., less incurred last year.¹⁵

(ii) A Large Capital Requirement: DTH is a capital intensive industry and is at a nascent stage. Since infrastructure has to be set up from scratch, only players with deep pockets can enter the industry.

(iii) Huge Cost of Promotions: With the intense competition witnessed in the sector, companies had to spend heavily on advertising and sales promotion to woo customers. In the television industry another important space that has great potential but has been fully tapped is

the IPTV service. Though MTNL in collaboration with Aksh Optifibers was the pioneer in this space in India they have launched the service in only select locations in Delhi and Mumbai and even Reliance which came up with its IPTV has not met with adequate success. Since TV is the only major digital device that has been left out of the networking revolution, commercial success of the IPTV venture will totally transform the viewing experience.

FUTURE PROSPECTS

The television industry is poised for future growth with ample opportunities at its doorsteps now. For instance, television saw tremendous increase in the net DTH subscriber base to 28 Million at the end of 2010.¹⁶ The advertising industry, which had taken a beating in 2009, now saw a significant growth and played an important role in the growth of the television industry, which grew by 15.5 per cent in 2010 and is expected to see a compound annual growth rate of 16 per cent by 2015.¹⁷

Also it has been reported by some authorized agencies that “the key industry highlights are the growing potential of the regional markets, increasing media penetration and per capita consumption and increasing importance of new media driven by changing media consumption patterns”.¹⁸ It could be understood from the above that the future of television industry in India is all prosperous and the media players are bound to succeed.

CONCLUSION

At the same time, the author is confident that, there must be some constant efforts to counter or scale down the challenges so as to set the platform free for anyone who wants to play in the field of television broadcasting. There is a lot and more to travel for a complete success in this field in India. However, it is not going to be a cake walk for them as the level of competition world also get stiffer further and hence, it is fondly hoped that the players in this field should be ready to have a ‘tight rope walking’ experience to excel themselves.

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