

## Foreign Investment in Print Media

The process of economic liberalization in India, which began more than a decade ago, has taken another significant step, namely opening up a very sensitive sector – the print media.

Government of India in June 2002 had decided to allow **26 per cent** foreign direct investment (FDI) in news and current affairs print media. Technical and medical publications have been allowed a higher FDI of **74 per cent**. The decision, taken by the Union Cabinet, reverses the 1955 Cabinet resolution prohibiting any foreign investment in print media.

A detailed policy statement on FDI in print would be issued shortly. Foreign investments in news agencies, however, remain barred. The government has attempted to address the concerns of political parties that fear FDI in print might lead to foreigners controlling the Indian media.

### **The pre-conditions to FDI in print media would be:**

- At least three-fourth of the board of a print media company with FDI must be Indians.
- All key editorial posts must also lie with resident Indians.
- Any print media company wishing to change its share-holding pattern must get prior government approval.

### **The Opportunity**

The desire for foreign help is palpable. India has 49,000 publications, but annual revenues total just \$1.1 billion. While they can be vibrant and gutsy, most are starved for technology, marketing, and capital to expand. So, a handful of publications dominate. Chief among them is the Times of India Group, which long used its political clout to block foreign entrants by claiming news media are a "strategic" industry. Its seven newspapers (total circulation: 2.2 million) use strong marketing and distribution to overpower rivals. The group earned \$40 million in 2001, more than the rest of India's print media combined. One affiliate, *The Economic Times*, has 467,000 subscribers.

There's little doubt about India's market potential. According to a national survey, 248 million literate adults still don't read any publication. But readership of newspapers and magazines is up 15% since 1998, to 180 million. It's a reflection of a younger, more educated population, especially in small-town India, feel experts.

## The Initial Euphoria

Now that the doors to foreign investors in print media have been thrown open, one can expect some action in the sector. Already, some publications have taken the leap. Among the first to do so was Business Standard.

Companies such as Pearson, Haymarket, Time India, News Corp., and Dow Jones have eyed India's big, English-reading market. So the day the new policy was announced, stocks of five newspaper companies shot up 10%. Bankers in Bombay began asking other media concerns if they want to go public. ICICI Ventures, which holds stakes in three media companies, is quite bullish about the industry's prospects.

Trade books offer the best openings, since as much as 74% FDI has been permitted in them. Britain's Haymarket Publishing Group already has ties to *Autocar India*, with 80,000 subscribers. Haymarket doesn't own a stake, but helps with research and management. Now, it can invest, provide funds to print more copies, market more strongly and use *Autocar* as a platform to bring its other brands. Bombay's Tata Infomedia, a \$30 million publisher of yellow pages and trade magazines, also has already started to solicit business with foreigners, sources say.

The Tata Group is selling the Indian edition of *Reader's Digest* magazine, making it the first publishing property offered for sale since the government last month scrapped the ban on foreign investment in the print media.

A reason to invest now is to snag the best partners. Indian media moguls will push for more liberalization. And the experience of TV broadcasting, where foreigners can buy 49% stakes, suggests takeover fears are overblown. Rupert Murdoch's Star TV has the top entertainment channel, but its news station trails all-Hindi channel Aaj Tak. Three similar channels are on the way. In print media as well, India is likely to find that opening up the sector to foreigners will strengthen local players as it breeds healthy competition.

## The Flip Side

As expected, there have been various anti-FDI lobbies, which are strongly voicing protests regarding foreign investment in Indian Print Media. Their major contention is that foreign forces might begin dominating the content of Indian publications, which is detrimental to national interests. An extreme view given by a former Indian PM is that powered by their immense finances and goaded by an ambition to control the emerging Indian market, the foreign monopolies will impose their own agenda of ultimately controlling Indian politics.

But there is more than meets the eye. The English-language media, fearing competition from players with deeper pockets, has been resisting this move by the Government.

A survey commissioned by a group of large New Delhi newspapers, showed that 34 out of 50 newspapers across the country were opposed to foreign investment. Only 16 newspapers with a circulation share of 23.7 per cent favored the proposal. In India while there is wide readership of daily newspapers in Indian languages, the English press is taken more seriously by the government.

And from a marketing point of view, the English press reaches the most lucrative segment of society - the 300-million-strong middle class. Foreign players are seen as a threat to market share. One of the few local media houses in favour of foreign investment has been the India Today Group, publishers of India's largest circulating news magazine.

### **Concluding Remarks**

The opening up of the print media sector to foreign investment is a bold decision by the Government, considering the unwillingness of so many past Governments to do the same. It is a policy decision that could have a very positive impact on the sector, provided the Indian publications generate enough interest and exhibit their true potential to the overseas investors.

It could enrich the quality of our morning dailies and other publications, and probably add just that extra touch to make them more complete.

However this is speculation and what actually transpires depends on the intent of the Government to ensure that like so many other half-baked measures in promising sectors, this one too doesn't get lost in the jungles of bureaucracy and red-tape.

Right now, the policy details are fuzzy and need crystallization. Once that happens, it would be a matter of time before foreign media houses make their foray into the Indian print media sector. Till then everyone here will wait, watch and wonder