

Media and entertainment (advertising/print) newscast

January 9th, 2019

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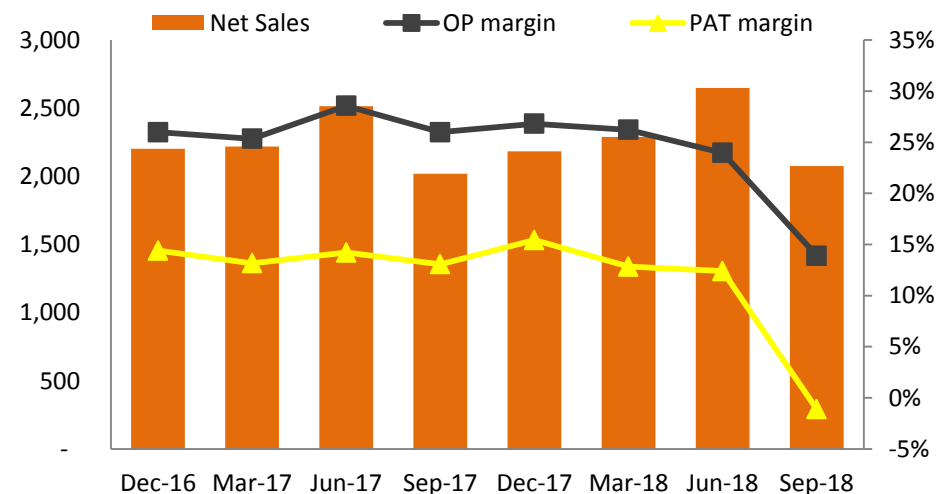
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Ministry of Information & Broadcasting (I&B) hikes advertisement rates for print media by 25%

Ministry of I&B on 8th Jan, 2019 hiked the advertisement rates for print media by 25% over and above the existing rate structure for advertisement in print media by the Bureau of Outreach and Communication (erstwhile DAVP). The hike is effective from January 8, 2019, and will be valid for a period of 3 years. The last such revision had taken place in 2013 when an increase of 19% had been announced over and above the rates of 2010.

This decision is expected to benefit the companies operating in the Indian print industry, which have seen a fall in operating and PAT margins, since the Dec-17 quarter (chart 1). H1-FY19 experienced decline in revenues due to limited advertising revenues owing to shifting of the festive season to the 3rd quarter of the year with muted ad spends in auto, education and retail industries, rise in newsprint prices coupled with Rupee depreciation.

Chart 1: Financials of print industry (20 cos.)



Source: ACEEquity

Likely impact:



- About 70% revenue of a daily newspaper comes from advertising. This move to hike advertising rate will bring a rise in operating revenues of newspapers, especially regional and small players which rely heavily on advertising.
- Expectations of heavy spends in advertising from the government during FY19, due to the general election season, will act as a catalyst for the revenue jump of the print industry during the year.

- This move will raise the advertising rates offered by the government, which earlier were much lower at about just ~10% of the commercial ad rates on print, but contributed around ~15% of the total advertising expense of small and medium sized papers.

Concluding remarks:

The print industry hails the much awaited decision to hike advertisement rates. This move will directly boost revenue of print industry, which was valued at ~Rs. 318 bn in FY18. After the TV segment (~37%), print is the 2nd largest contributor to the advertising industry's revenue at ~35%.

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