

A young man with a mustache, wearing a light-colored t-shirt and dark jeans with a chain, is sitting on the floor in a dimly lit room. He is looking towards the camera with a serious expression. In the background, a television set is on a stand, displaying a cartoon character with large eyes and a wide smile. The room has a rustic feel with wooden shelves and a window with a metal grille. The lighting is warm and moody, with a mix of orange and blue tones.

**Olmec  
Consulting**

**Business plan**

**Euro new Hindi Channel**

# Contents

.....	0
<b>Executive Summary.....</b>	<b>3</b>
<b>Introduction .....</b>	<b>0</b>
The Objective.....	0
<b>Promoters Profile .....</b>	<b>1</b>
EuroNews.....	1
<b>Business Model &amp; Legal Structure.....</b>	<b>1</b>
Legal Structure.....	1
Mission Statement.....	1
The Offering .....	1
<b>Management and Organization .....</b>	<b>1</b>
<b>Market Overview .....</b>	<b>1</b>
Demographic indicators.....	1
Economic Indicators .....	1
Hindi & Urdu Channels in India and Pakistan .....	1
Viewership in India and Pakistan.....	2
News Channel Market in India.....	2
English News Channel Market in India.....	2
News Channel Market in Pakistan.....	1
<b>Revenue Opportunities .....</b>	<b>0</b>
Subscription Revenues.....	0
Subscription revenue from India & Pakistan.....	0

Advertisement .....	1
Program Sponsorship .....	1
<b>Demand Estimation / Revenue projections</b>	<b>2</b>
.....	2
Channel Subscription .....	2
Subscription revenue from India.....	2
Subscription revenue from places other than Sub-continent.....	3
Subscription revenue from Hotels in India .....	3
Spot Advertisement / Sponsorships.....	3
<b>Marketing Strategy .....</b>	<b>0</b>
Pricing.....	0
TV Channel Positioning.....	0
Promotion.....	0
Distribution.....	0
<b>Financial Plan .....</b>	<b>2</b>
Key Inputs and Assumptions.....	2
Revenue Summary.....	0
Expenses Projection .....	0
Profit and Loss Account .....	0
Break-Even Analysis.....	1
Balance Sheet .....	1
Cash Flow.....	0
Enterprise Valuation .....	0
Equity Values For Different Scenario Of Project Life.....	1
Equity Values For Different Scenario Of Market Share.....	1
Sensitivity Analysis.....	1
Offer to Equity Investor.....	3
Offer to Preferential Investor.....	4

# Executive Summary

**The Offering:** Latest and unbiased international news, in-depth analysis, finance, and economics coupled with programs about lifestyle and other areas catering to specific cultural interests. Initially, EuroNews programs will be just a translated version of English. At a later stage, the channel plans to telecast local or regional news.

**USP:** Unbiased International news in Hindi from a premium media company

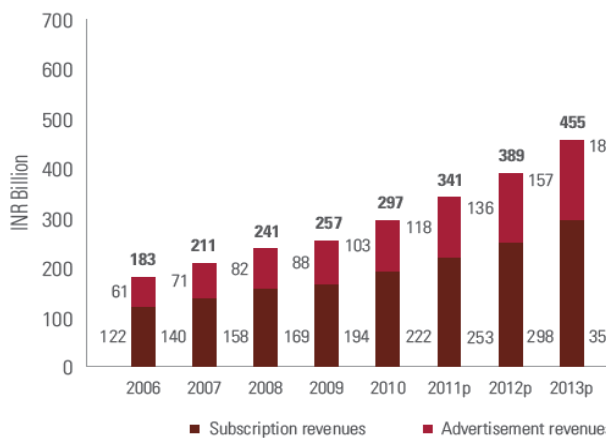
## TV Channel Positioning:

EuroNews Hindi concerning India & Pakistan at the start will have a “Low Viewership and High International Coverage”. The channel should be positioned initially along with international news channels like CNN, BCC or Al Jazira.

The plan should be to increase local news content thereby changing the positioning gradually to “Low-Medium Viewership and High-Medium International Coverage” and increase the viewership and hence the revenue.

## Revenue Opportunities:

TV industry size



Source: KPMG Analysis, Industry discussions

According to PwC Global Entertainment & Media Outlook 2011-2015, subscription revenue is growing at the rate of 7 to 8% per year in India. In the next 3-5 years, it is believed that almost all the channels will be subscription based.

## Television Advertising in India

As mentioned in “Demographic Indicators” above, out of the 25 million Indians and about 4.6 million Pakistanis outside their respective countries, we estimate about 11 million Hindi / Urdu speaking population outside the Sub-Continent. Most of them would prefer to hear the news in their native language.

INR billion	2006	2007	2008	2009	2010	CAGR
Television advertising	66.2	78.0	84.2	89.0	101.5	11.3%
% change	21.5	17.8	7.9	5.7	14.0	
% of total television industry	35	35	34	34	33	
% of total advertising industry	41	40	39	41	41	

Source: PwC Analysis and Industry Estimates

### Profitability:

PROFIT & LOSS ACCOUNT										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
REVENUE	1.47	8.12	13.84	20.72	28.97	38.82	45.99	52.89	59.81	66.75
EBITDA	(6.59)	(0.28)	3.98	10.63	18.62	28.20	35.08	41.67	48.26	54.85
	-446.76%	-3.51%	28.75%	51.27%	64.27%	72.64%	76.28%	78.79%	80.69%	82.17%
EBIT	(7.13)	(0.82)	3.44	10.09	18.08	28.20	35.08	41.67	48.26	54.85
	-483.39%	-10.15%	24.85%	48.67%	62.41%	72.64%	76.28%	78.79%	80.69%	82.17%
	39.40%	7.15%	3.15%	2.14%	2.69%	0.00%	0.00%	0.00%	0.00%	0.00%
PAT	(7.71)	(1.41)	3.00	9.18	15.40	23.65	29.23	34.72	40.22	45.71
	-522.79%	-17.30%	21.71%	44.30%	53.14%	60.92%	63.57%	65.66%	67.24%	68.48%

### Equity Values for Different Scenarios of Project Life:

Project life	Equity Value
10 year	38.90
20 year	69.27
perpetual	75.12

The investment required: €14.5 million

### Offer to Investors:

Preferential shares	Equity shares
<ul style="list-style-type: none"> <li>✓ Amount of shares: 7.26 million</li> <li>✓ Guaranteed return: 8%</li> <li>✓ Variable return: 5% of the profit</li> <li>✓ Repayment of principal: 4 years</li> </ul>	<ul style="list-style-type: none"> <li>✓ Amount of shares: €7.26 million</li> <li>✓ % equity: 50%</li> <li>✓ ROI: 4 years and 8 months</li> <li>✓ Upside after getting back full investment: 5 to 10 times investment</li> </ul>

# Introduction

Client International (Client) headed by a media pioneer Mr Client Khan, intends to explore the media opportunities in the currently under-serviced Hindi / Urdu-speaking population across the world. EuroNews, an international multilingual news channel is also very keen to have a foothold in the said Hindi / Urdu speaking segment. Client and Euronews, therefore, decided to go hand in hand to establish and develop EuroNews Hindi worldwide. The said news channel is scheduled to be operational in the year 2012.

## The Objective

The overall objective of this business plan is to assist promoters and prospective investors in taking an informed decision on the way forward to setting up the EuroNews Hindi Channel. Accordingly, this business plan has to the extent possible touched upon the general business environment, business landscape and competition thus determining the revenue source and revenue projections. This apart, the report also provides a brief of the business and operations model, marketing strategy and financials which include Project Assumptions, Project Outlay, Profitability, Cash flow & NPV. Prospective investors' IRR & ROI is also worked out.

However, this business plan and the annexed financial performance indicators are based on available information and certain assumptions which are highlighted in the report and therefore prospective investors are advised to take an independent view while deciding on investing in this project.

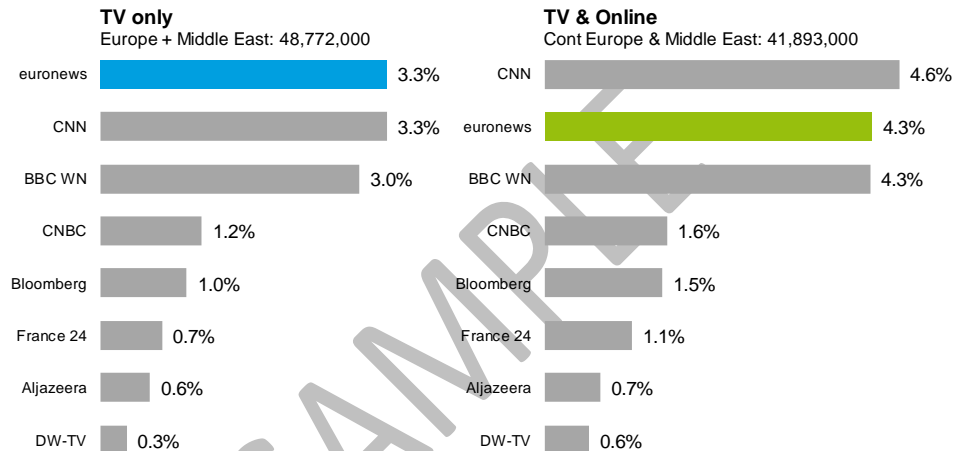
# Promoters Profile

## EuroNews

Euronews is an international multilingual news television channel. EuroNews believes to supply each person with relevant information, as quickly as possible, to allow the viewers to form their own opinion of the world. Euronews is the number 1 news channel in the EMEA region.

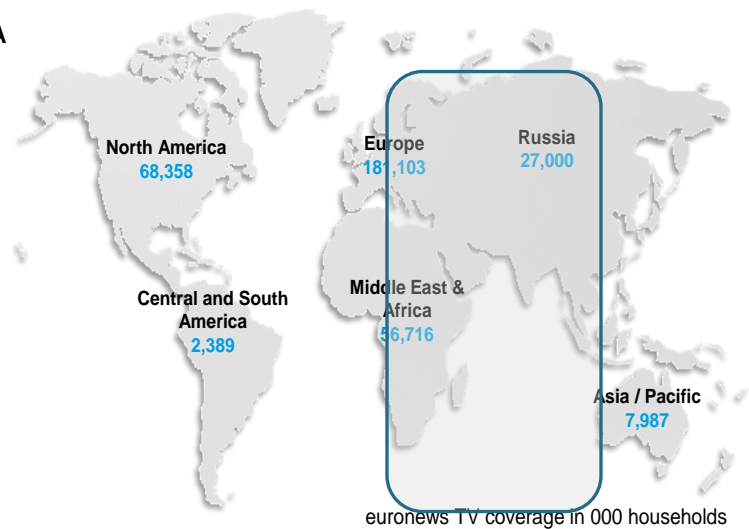
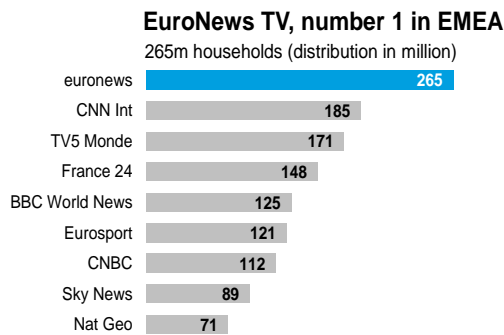
Euronews is available to 350 million households in 155 countries worldwide and is telecasted in eleven languages

Euronews TV is the number 1 channel in Europe/Middle East.  
Euronews TV & online is the 2<sup>nd</sup> best multiplatform offer in cont. Europe/Middle East.



Source: Synovate / EMS Europe Summer 2011 (Continental Europe excludes UK/Ireland) / EMS Middle East 2009 – Daily reach

As a rolling-news channel, headlines from both Europe as well as the rest of the world are broadcast at thirty-minute intervals. Brief magazine segments fill in the remaining schedule, focusing on market data, financial news, sports news, art and culture, science, weather, politics, and press reviews of the major newspapers.



SOURCE: INTV DISTRIBUTION Q3 2010 / Q1 2010 FOR CNN & SKY NEWS – Q2 2011 FOR EURONEWS

Euronews's language introduction was as mentioned below:

- ✓ 1993: 5 languages viz. English, French, Spanish, German and Italian.
- ✓ 1999: 6<sup>th</sup> language viz. Portuguese
- ✓ 2001: 7<sup>th</sup> language viz. Russian
- ✓ 2008: 8<sup>th</sup> language viz. Arabic.
- ✓ 2010: 9<sup>th</sup>& 10<sup>th</sup> languages viz. Turkish& Persian
- ✓ 2011: 11<sup>th</sup> language viz. Ukrainian.

As of December 16, 2011, Polish is an audio option with broadcasting in English.

Even though EuroNews programs are telecasted through cable, satellite and terrestrial media, it is also on multiclient platforms such as IPTV, digital media and mobile devices called “EuroNews Live”. In addition to cable & satellite, Euronews is also broadcasted via exclusive national windows in 33 countries. 49 national broadcasters take EuroNews signal and broadcast it live on their national networks, bringing an extra 203 million homes to EuroNews cable & satellite coverage. The channel's programs are also available by podcast, and it has also maintained a YouTube channel since October 2007.



# Business Model & Legal Structure

M International has tied up with EuroNews, a leading international news channel based in Lyon-France, to establish and develop a Hindi language news channel for the Hindi / Urdu-speaking audience around the world.

The target audiences will be native Hindi / Urdu-speaking populations across the world, mainly concentrated in India, Pakistan, the Middle East, Europe, and the USA. Currently, the target segment is not being serviced by an international channel in Hindi / Urdu. This segment primarily relies on international English news channels for international news and switches to a host of other local/national channels in local languages beaming from India and Pakistan for local news.

Under the proposed project Euronews will create the content in Hindi and deliver via Satellite, TV, Website, mobile phone, PDAs etc. for which EuroNews get paid a fixed service charge. In this context, Euronews will utilize its existing infrastructure as well as deploy additional infrastructure and resources in its Head Quarters in Lyon France.

The client will be responsible for sales, marketing & management of the said channel for which the Client will get paid a fixed management fee. In this context, EuroNews Hindi will set up offices in India, Pakistan, UAE, UK and US which will initially be outsourced and later managed by its personnel.

The services will be distributed via EuroNews' established infrastructure network in the Middle East via cable, digital satellite, and terrestrial channels. The current broadcasting network has a global reach of more than 350 million households in Europe, Asia, the Middle East/Africa and the Americas. This service will expand the reach further in the subcontinent. This will be the first internationally affiliated network offering business and news programming in the Hindi language.

The proposed EuroNews Hindi channel will develop revenue sources from subscription, advertising & sponsorship. The proposed company would adopt both direct and indirect marketing strategies to promote EuroNews Hindi.

Euronews' Hindi service intends to be the premier brand for news and business by delivering top-quality programs to its target audiences. The channel will itself establish as a major platform for advertisers and sponsors to reach their target audience in a specific region or worldwide at a competitive price.

EuroNews Hindi Channel's competitive advantages include a wider reach to 155 countries through Euronews's established distribution network. EuroNews Hindi channel has a unique selling proposition as it is perceived to be free of sub-continental bias and therefore politically neutral. EuroNews Hindi will target specifically the educated, trend-setting and growing middle class. The content delivery will also be done utilizing the multi-media platform that Euronews has established which includes TV, internet, mobile phones, and PDAs.

## Legal Structure

A new company will be formed preferably in BV or Cayman Island to manage the operations of the Euro News Hindi channel. The said company will be named “EuroNews Hindi” or such other name as mutually agreed by the promoters

EuroNews, Lyon, and Client will be the promoters of the new channel with respective equity shareholdings of 20% and 30% each.

Euronews will provide EuroNews Hindi (the new company) the mandate to operate under the name “EuroNews Hindi”.

Content development in Hindi, as well as the airing of the programs, will be done by EuroNews for an agreed fee. The client will be responsible for the management of EuroNews Hindi for which the Client will be paid a management fee. The client will also help set up bureau offices in UAE, UK, US, Pakistan, and India meant for subscription and media sales which initially will be outsourced and later managed by its personnel.

Investors are given the option to either enter as preferential shareholders with a fixed return together with a minor share in the upside return or to enter as equity (non-preferential) shareholders with no fixed return and entitlement to profit after paying off to preferential shareholders.

## Mission Statement

To be the first and always number one preferred International News Channel in Hindi providing unbiased national and international news with the highest quality standards.

## The Offering

Hindi and Urdu-speaking viewers across the world will benefit from the new channel offering the latest and unbiased international news, in-depth analysis, finance, and economics coupled with programs about lifestyle and other areas catering for specific cultural interests. Initially, EuroNews programs will be just a translated version of English. At a later stage, the channel plans to telecast local or regional news.

# Management and Organization

EuroNews Hindi channel will have a Board of Directors with one person nominated by EuroNews, Lyon and two persons nominated by Client International. This apart, one prominent personality will be nominated to the board jointly by Euronews and Client to be the Chairperson. The board will have two representatives from the investors.

Mr Client Khan will be the Managing Director / CEO of Euronews Hindi with whom the board will entrust full powers to run the organization.

The board will also have a Legal Advisor and a Financial Advisor. This apart, the board will also nominate an External Auditor to audit the books of accounts of EuroNews Hindi.

A top-level organization chart is shown below.



# Market Overview

## Demographic indicators

The world approximately has 800 to 900 million Hindi / Urdu speaking population concentrated mainly in the Indian Sub-continent.

The Middle Eastern countries of Saudi Arabia and the United Arab Emirates cater for a large market of Hindi/Urdu-speaking population taking advantage of strong economic growth in the Middle East. The Middle East growth is increasingly driven by multinationals relocating global head offices to the region. There is a substantial Hindi / Urdu-speaking population outside the subcontinent. Even at a conservative estimate, the numbers would be above 11 million, the details are as follows:

Region	Indians	Pakistanis	Hindi / Urdu-speaking population (assuming 30% Indians and 80% Pakistanis speak Hindi / Urdu)
North America	5,100,000	334,975	1,797,980
Europe	1,768,834	2,200,000	2,290,650
Asia	9,800,000	74,391	2,999,513
Middle East	4,200,000	1,893,373	2,774,698
Africa	2,800,000	37,964	870,371
Oceania	850,000	25,000	275,000
South America	510,000	1,885	154,508
Total	25,028,834	4,567,588	11,162,720

SOURCE: WWW.WIKIPEDIA.ORG

## Economic Indicators

India is one of the fastest-growing economies worldwide with an average annual GDP growth of approximately 8.5% in 2010-2011 and a GDP of 1.27 Trillion euros. The famous Bollywood studios make up the largest film production complex in the world producing four times the movies of Hollywood. In addition, the number of television channels in India has doubled over recent years.

Pakistan's economic growth is estimated to be approximately 4.4% in 2011 with a GDP of 164 Billion Euro and is regarded as an emerging economy in the region and new TV and radio channels are mushrooming.

## Hindi & Urdu Channels in India and Pakistan

Both India and Pakistan have enough supply of News Channels. Many of these programs are beamed around the world. The primary content is local news. International news is limited to local channels. International news is mainly available on International channels, primarily in English.

Source: www.wikipedia.org

## Viewership in India and Pakistan

The English TV viewership in India and Pakistan has almost the same type of trend. High and Middle Classes are the main viewers. The same could be expected for the Hindi News channels internationally.

## News Channel Market in India

In the year 2010, there are 141 million households which own television sets in India and this is growing at the rate of 6%; 73 million are in rural areas and 68 million are in urban India. The total viewership stands at 600 million (TAM Report 2011). An average Indian watches television for two and a half hours a day. There are 81 news channels in India, out of which 42 news channels are in Hindi and more than 16 news channels are in English.

Hindi programs have 43% and English programs have 11% reach and audience. Of the total Indian viewership, 3.4% watch news and current affairs channels in Hindi and 0.4%

in English. 3.5% of news and current affairs channel viewers are in the regional language.

Hindi News Channel Market in India:

In the Indian Hindi News Channel Market as per the 2010 report, IBN7 leads with a market share of 16.3%, followed by Star News at 15.3%, Zee News at 14.8%, AajTak at 12.6%, India TV at 11.5%, NDTV India with 10.5%, News 24 with 6.2%, TEZ with 4.9%, Sahara Samay with 3.1%, Live India with 3.1% and DD News with 1.6% (Source: TAM).

**SOURCE: TELEVISION AUDIENCE MEASUREMENT AGENCY (TAM) 2010**

Zee News was a pioneer in the Hindi News Channel market with a footprint also spanning most of Asia, the Middle East, and Europe but is currently overtaken by Star News and IBN7. The content coverage of all the Hindi news channels is predominately locally oriented i.e. with a major focus on local Indian news. The news channels have established themselves in the field of investigative journalism and news that goes beyond usual headlines. ZEE has currently the widest reach of any Hindi news channel stretching out to approximately 60 countries.

## English News Channel Market in India

In the English news channel market, if we just consider the Indian market, the January 2010 report shows CNN-IBN leading with a market share of 35%, followed by Time Now at 30%, NDTV 24x7 at 23%, Headlines Today at 10% and NewsX by 2% (Source: TAM).

Source: Television Audience Measurement Agency (TAM) 2010

Currently, there is no clear differentiation between English news channels. The audience is slowly building loyalty to certain news channels, but the tendency remains to watch the news on one channel and then breeze through the other for a different point of view.

## News Channel Market in Pakistan

Pakistan has 90 TV channels besides 28 foreign channels. Out of those, 21 are news channels.

### CATEGORY OF CHANNELS, PAKISTAN, 2010

Category	Channels for Landing Rights	Satellite TV Channels
Regional Language	00	19
News & Current Affairs	05	20
Health	00	01
Entertainment	16	38
Agriculture	-	01
Sports	04	04
Education	01	02
Total	26	85

Source: PEMRA Annual Report 2010

The total viewership of television in Pakistan has reached 115 million. Around 79% of those viewers are from rural and 21% from urban as per Gallup-Pakistan.

Around 8% of the total TV viewership is for news and current affairs channels in Pakistan.

According to a survey carried out by Gallup Pakistan, while news channels are increasingly initiating different news channels for English and Urdu news, it is seen that a vast majority of all Pakistani TV Viewers (95%) prefer the Urdu language for news channels, whereas only 3% say they watch the news in English. The remaining 2% either do not watch the news or gave no response.

As per a BBC survey of 2008 –“How do Discerning News Consumers differ from the Overall Population?”, there is a strong inclination towards foreign news and information providers.

# Revenue Opportunities

## Subscription Revenues

### Subscription revenue from India & Pakistan

Almost all the channels around the world are subscription-based and are becoming a sustainable revenue model. The subscription revenue is expected to improve with digitization. While the number of direct-to-home (DTH) subscribers in India witnessed a growth of 62 per cent in 2010-11, the pace of digitization is set to get a fillip due to the recent move by the Ministry of Information & Broadcasting (MIB) in India requiring the four metros in the country to be fully digitized by March 2012, and the rest of the country to be digitized by December 2014. This is expected to improve the subscription revenues in the medium term, thereby providing a healthy upside for the broadcasters.

The following table provides an estimate for the next five years on the number and percentage of digital households in India.

In Pakistan, currently, revenue is nearly zero from subscriptions. Pakistan's niche channels are wholly dependent on advertising.

In almost all other regions, nearly 40% of the revenue comes from TV channel subscriptions. The following table shows the actual growth as well as projected growth in subscriptions in India.



Source: KPMG Analysis, Industry discussions

According to PwC Global Entertainment & Media Outlook 2011-2015, subscription revenue is growing at the rate of 7 to 8% per year in India. In the next 3-5 years, it is believed that almost all the channels will be subscription based.

The subscription rates per month for the international news channels in India are mentioned below:

(Obtained from the rate cards)

BBC pays INR 2.67 (0.05 Euro) to DTH operators which is about 36%. We expect other channels to pay about 40% of the subscription to operators.

### ***Customers–Hospitality Services***

As part of the hospitality needs of hotels, motels, and commercial lodging the visitors are provided with TV channels of their choice. Some of these channels are FTA and others are paid. Various satellite companies and cable networks provide packages to these hospitality providers that suit their guest profiles and satisfy their needs. EuroNews currently is available in 15,800 Hotel rooms in Asia Pacific and 98,200 hotel rooms in the Middle East.

We expect EuroNews Hindi also to be provided in hotels mainly in India. The target is those Indian businessmen who travel across India frequently and wish to catch up with both Indian and International news preferably in the mother tongue. Here, we expect EuroNews Hindi to pitch against premium English News channels like BBC.

## **Advertisement**

Advertising is still the major revenue generator for most TV channels. In Pakistan probably the majority of the revenue generated by the channels comes through advertisements.

### ***TV Advertisement in India***

Advertisers will be the primary customers of the channel in terms of revenue generation since the advertisement is still the largest revenue generator for a TV channel. Most of the advertisements that could be expected on the EuroNews Hindi channel would be based on “Brand Association”.

In India, the news channels cater to valuable male audiences and hence are seen to command a premium in terms of advertising share concerning viewership share. The news channels are almost double in power ratio (%advertisement/%viewership) terms compared to the General Entertainment Channels in the same language, indicating that they are a preferred medium for advertisers hoping to reach the male demographic.

Channel Type	Hindi GEC	Hindi News	English GEC	English News
Power ratio	0.79	2.09	4.95	8.95

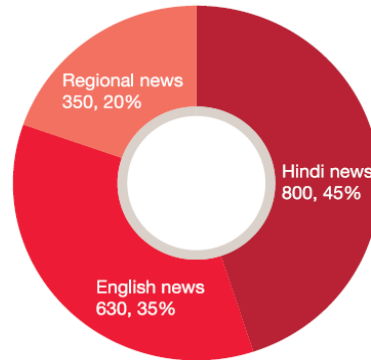
Source: Discussion with Ad Agencies, TAM Data, KPMG analysis

The top industry sectors advertised in for the first six months of the year 2011 is as follows:



Mentioned below is the percentage of advertisement revenue that the various segments in the TV programs get in India. (Power ratio = %advertisement / %viewership) :

News advertisement market size (INR crore)



Source: FICCI KPMG R *Source: PwC estimates* report 2011 The total revenue generated by TV advertising in India in the year 2010 is 1.58 Billion Euro ( INR 102 Billion) which is 41% of the total advertising spend.

INR billion	2006	2007	2008	2009	2010	CAGR
Television advertising	66.2	78.0	84.2	89.0	101.5	11.3%
<i>% change</i>	<i>21.5</i>	<i>17.8</i>	<i>7.9</i>	<i>5.7</i>	<i>14.0</i>	
% of total television industry	35	35	34	34	33	
% of total advertising industry	41	40	39	41	41	

*Source: PwC Analysis and Industry Estimates*

Revenue generated by TV advertising in India is expected to grow by 11.3%.

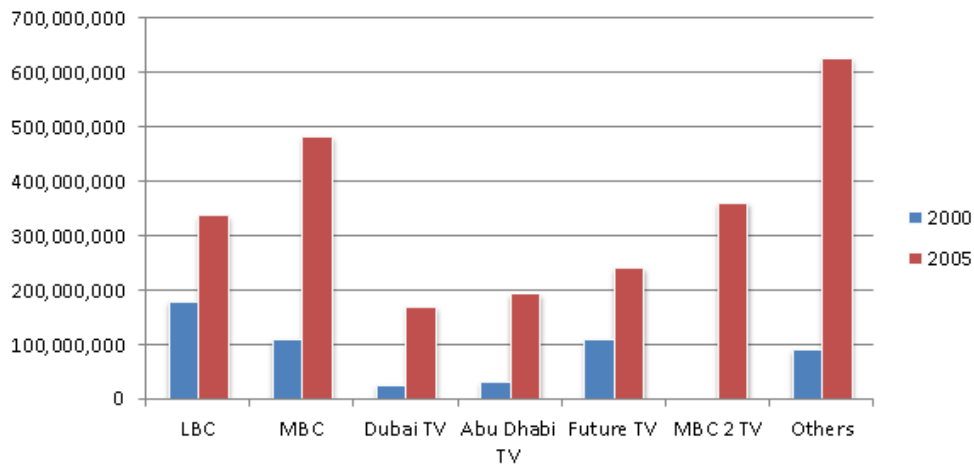
Advertisement earnings for the year 2010 for news channels in India stand at 212 million Euro (INR: 14.3 billion) of which 119 million Euro (INR: 8 billion) goes to Hindi News Channels and 94 million Euro (INR: 6.3 billion) goes to English News Channels.

### TV Advertisement Middle East

To provide for comparative purposes only, for the related Middle East market, the major entertainment and news-based satellite channels control almost all the satellite television ad spend in the region.

*AD SPEND ON MAJOR SATELLITE CHANNELS IN THE MIDDLE EAST, 2000-2005 (IN USD)*

Source: OTV



holdings

LBC, Future (FTV), MBC, MBC2, Abu Dhabi TV, Dubai Satellite, Syria Satellite and Jordan Satellite and others are top in attracting advertisers.

Source: OTV holdings

The growth rates in ad spending during the period 200 – 2005 amongst the major channels in the Middle East are provided in the table below:

***TV Advertisement Worldwide***

The television advertising industry is a third of the total television industry revenue and 41% of the total advertising industry. With buoyant revenues expected in future, it is likely to consolidate its position going forward. Globally, the share of television in total advertising spending has remained around 35%.

**Global television advertisement market 2010**

Country	Television advertising market (USD million)
USA	70,693
Canada	3558
UK	5541
China	9115
India	2255

*Source: PwC Global Entertainment & Media Outlook 2011-2015, PwC Estimates*

It could be expected that the EuroNews Hindi Channel viewership will also predominantly be male viewers thereby positively influencing the advertising revenue.

EuroNews Hindi will provide creative solutions that will suit advertisers in each segment, to build long-term business relationships by delivering value for money.

## Program Sponsorship

EuroNews Hindi Channel will look for program sponsorships which will allow advertisers to have their brands associated with a specific program for brand benefits including:

- Brand Awareness
- Sponsor name recall
- Sponsor ROI
- Brand Fit
- Brand Imagery
- Brand Association

# Demand Estimation / Revenue projections

## Channel Subscription

WE PRESUME THAT EURONEWS HINDI WILL GIVE SUBSCRIBERS FREE OF CHARGE IN YEAR 1 AND THEREFORE THE REVENUE FROM SUBSCRIPTIONS WILL START ONLY FROM YEAR 2. THE SUBSCRIPTION ASSUMPTIONS ON VARIOUS STREAMS ARE AS FOLLOWS:

Subscription revenue from India

The following table gives the revenue projections in India.

SUBSCRIPTION ESTIMATE FOR INDIA											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Total TV Viewership as per KPMG report 2011(Million)	600	674	715	757	803	851	902	956	1,014	1,075	1,139
Growth as per TAM Report 2011 (%ge)	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Viewers of English news (%)	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%
Viewers of English news (Million)	2.40	2.70	2.86	3.03	3.21	3.40	3.61	3.83	4.05	4.30	4.56
English news viewers interested in EuroNews Hindi (%)		5%	6%	7%	8%	9%	10%	11%	12%	13%	14%
English news viewers interested in EuroNews Hindi(Million)		0.13	0.17	0.21	0.26	0.31	0.36	0.42	0.49	0.56	0.64
Viewers of Hindi news (%)	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%	3.4%
Viewers of Hindi news (Million)	20.40	22.92	24.30	25.75	27.30	28.94	30.67	32.51	34.47	36.53	38.73
Hindi news viewers interested in EuroNews Hindi(%)		10%	11%	12%	13%	14%	15%	16%	17%	18%	19%
Hindi news viewers interested in EuroNews Hindi (Million)		2.29	2.67	3.09	3.55	4.05	4.60	5.20	5.86	6.58	7.36
Total number of viewers interested in EuroNews Hindi (Million)	-	2.43	2.84	3.30	3.81	4.36	4.96	5.62	6.35	7.13	8.00
<b>Total number of subscriptions expected for EuroNews Hindi @ 50% of viewers (Million)</b>	-	<b>1.21</b>	<b>1.42</b>	<b>1.65</b>	<b>1.90</b>	<b>2.18</b>	<b>2.48</b>	<b>2.81</b>	<b>3.17</b>	<b>3.57</b>	<b>4.00</b>
Net subscription revenue per month per subscriber (Euro)	-	0.024	0.029	0.035	0.041	0.050	0.060	0.060	0.060	0.060	0.060
<b>Total subscription revenue per year (Euro Million)</b>	-	<b>0.41</b>	<b>0.57</b>	<b>0.79</b>	<b>1.08</b>	<b>1.48</b>	<b>2.01</b>	<b>2.27</b>	<b>2.56</b>	<b>2.86</b>	

Highlights in blue are the inputs used for working

Viewers of English news and Hindi news are first deduced based respectively at 0.4% and 3.4% of the total viewership which is 600 million in the year 2010 (KPMG Report 2011) which is detailed under "News Channel Market in India". We presume that 5% of English news viewers will be interested in watching Euronews Hindi start with and this percentage is likely to increase by 1% year on year. Similarly, we presume that 10% of Hindi news viewers will be interested in watching Euronews Hindi start with and this percentage will increase by 1% year on year.

As mentioned in "Revenue Opportunities" above, the subscription rates for India range from € 0.05 to € 0.13 per month in comparable channels. As an entry strategy, we presume EuroNews Hindi Channel charging less than what is prevalent in the market. Accordingly, we presume that EuroNews

Hindi Channel will charge €0.04 per month to start with and gradually increase to €0.12 over a period of 6 years @ 20% growth and then settle down. Of the total revenue, we presume 40% goes to the operator. Accordingly, the net subscription revenue per subscription per month would be €0.024 to start with and gradually increasing to €0.06 over a period of 6 years.

Subscription revenue from places other than Sub-continent

The following table gives the revenue projections from places other than Sub-Continent

SUBSCRIPTION ESTIMATE FOR OUTSIDE SUB-CONTINENT											
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Hindi / Urdu speaking population estimate (Million)	7.07	7.07	7.07	7.07	7.07	7.07	7.07	7.07	7.07	7.07	7.07
Estimated subscription (%)		10%	11%	12%	13%	14%	15%	16%	17%	18%	19%
Estimated subscription (Million)		0.71	0.78	0.85	0.92	0.99	1.06	1.13	1.20	1.27	1.34
Net subscription revenue per month per subscriber (Euro)		-	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
<b>Total subscription revenue per year (Euro Million)</b>		-	<b>0.47</b>	<b>0.51</b>	<b>0.55</b>	<b>0.59</b>	<b>0.64</b>	<b>0.68</b>	<b>0.72</b>	<b>0.76</b>	<b>0.81</b>

*Highlights in blue are the inputs used for working*

The subscription is estimated assuming 10% of the total Hindi / Urdu speaking population (estimated as shown under "Demographic Indicators" above) in this region will subscribe to start with and then on year-on-year growth of 1%. Here we presume that the Hindi / Urdu population in the region will remain the same.

As to the subscription rate, we kept the rates minimal at €0.05. The rates are assumed to be stable due to low penetration possibility.

Subscription revenue from Hotels in India

The following table gives the revenue projections from hotels in India

As mentioned in "Revenue Opportunities" above, we expect EuroNews Hindi to be positioned against BBC and other English channels. Accordingly, the projections are based on the current BBC connections in premium hotel rooms in India. We presume that EuroNews will heavily target hotels and thereby achieve 20% of the current BBC connections (11,000 connections) to start with and reach 65% (36,000) in 10 years.

Currently, BBC charges INR: 80 per day per room. NDTV 24/7 charges INR 47 per day per room. The idea is to enter at a much lower rate of about INR: 20 which is equivalent to €0.30. The rates are assumed to be stable due to the reduced market size.

## Spot Advertisement / Sponsorships

Revenue projections for advertisement and sponsorships are based on data available for India as this constitutes the majority viewership. The following is the revenue projection for Spot advertisements/sponsorships.

ADVERTISEMENT ESTIMATE FOR INDIA											
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Ad. Revenue for Hindi news channels in India (Euro million)	119	147	164	183	203	226	252	252	252	252	252
Growth %	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Growth (Euro million)		15.0	16.7	18.5	20.6	23.0	25.6	-	-	-	-
Market share assumed f (%)		1%	4%	6%	9%	11%	14%	16%	19%	21%	24%
Market share assumed (Euro million)		1.47	5.74	10.96	17.28	24.88	33.99	40.28	46.58	52.87	59.17
Rate per 10 sec advertisement (Euro)		130	135	140	145	150	150	150	150	150	150
No of advertisement per year ('000)		11	43	78	119	166	227	269	311	352	394
No of advertisement per hr		1.29	4.86	8.93	13.60	18.94	25.87	30.66	35.45	40.24	45.03

*Highlights in blue are the inputs used for working*

The projection is based on the assumption that EuroNews will target only a 1% market share to start with and then move on to increase it to 10% in 5 years. The market share is worked out based on total revenue for Hindi news channels in India projected for 2010 in PwC Analysis and Industry Estimate as shown under “TV Advertisement in India”

We presume that EuroNews Hindi should position at around INR 8,500 (Euro 130) per 10-second advertisement thus entering at a lower rate than comparable channels viz. BBC, Discovery, NDTV and CNN IBN (refer to “TV Advertisements in India” above) and then moving on to Euro 150 per 10 seconds which is still lower than the current rates of competition.

From the following table, it is evident that 1.29 advertisements per hour projected for EuroNews Hindi in year 1 is way below the average spot advertisement per hour per channel computed from all 473 channels.

However, in year 6 it reaches 21 advertisements per hour which should be comparable to the competition. This would be much less based on the average number of spot advertisements per hour of the top eleven channels which stands at 222 as per the table above.

# Marketing Strategy

## Pricing

We presume that EuroNews should adopt a strategy of entering into the market below the comparable competition in all revenue streams and slowly increasing it but still keeping it below the comparable competition. The revenue projections mentioned above are based on this strategy.

## TV Channel Positioning

EuroNews Hindi concerning India & Pakistan at the start will have a “Low Viewership and High International Coverage”. The channel should be positioned initially along with international news channels like CNN, BBC or Al Jazira.

The plan should be to increase local news content thereby changing the positioning gradually to “Low-Medium Viewership and High-Medium International Coverage” and increase the viewership and hence the revenue.

## Promotion

The Euronews Hindi channel needs an effective promotion strategy to see inroads in Indian viewership. That would include:

1. Social Media like Facebook, Twitter, ApnaCircle, LinkedIn etc are quite popular in India.
2. Employ and brand ambassador (like the History channel has Salman Khan).
3. Advertisements on TV, radio, print, websites, mobiles, movie theatres and outdoors for promoting the channel.
4. *Advertising on taxis, mass transport, auto rickshaws etc. in large cities.*
5. *SMS campaigning.*
6. Targeted corporate marketing activities, at *large retail stores*, brand stores, hypermarkets, food outlets like *McDonald's, food courts*, financial institutions or finance activity-based institutions etc.
7. Program-specific advertising like business debates could be promoted in business institutions or business news could be promoted through the stock market sites etc.
8. In countries outside the sub-continent, promote the channel in the associations/groups with Hindi speaking majority. The channel could be promoted through the consulates or consular service providers.

## Distribution

EuroNews Hindi Channel will utilize EuroNews established infrastructure network to distribute its programs. Euronews network covers 155 countries. In addition to cable and satellite, Euronews is also broadcast via exclusive terrestrial windows in 23 countries.

For advertising revenues, the channel intends to sell its services through established advertising agencies specializing in media sales

There are several players in advertising sales including broadcasters, media agencies, media buying houses and advertisers. The advantages of going through agencies/concessionaires for advertising are:

- ✓ No major investment has to be made in establishing a regional sales infrastructure. The agency already has existing relationships in the market.
- ✓ EuroNews Hindi Channel will be able to leverage these relationships which will allow it to save valuable time in achieving its revenue objectives, thereby having a positive impact on profitability.
- ✓ Most of the large concessionaires have been in the market for a significant period, so are aware of its nuances.
- ✓ The resources in investing in a sales infrastructure are not required, these resources can, therefore, be used to ensure that the highest quality of programming is produced, which will drive audiences to the channel, making the job of the concessionaire easier.

Disadvantages of outsourcing sales are:

- ✓ Dependency on the agencies/concessionaires to generate revenue, which could put the agency in a stronger negotiating position. However, when EuroNews Hindi becomes successful in becoming popular, then this risk will be mitigated.
- ✓ Since initially payments will be routed through the agency/concessionaire, there is a risk of cash flow default. However, with appropriate due diligence, this risk can be managed.



# Financial Plan

## Key Inputs and Assumptions

### PROJECT PARAMETERS

Description	Value
Start Date	1/3/2012
TV Year ( ending)	31/3/2022
Currency	Euro
Discount rate	20%
Terminal Growth	0%

### SUBSCRIPTION ASSUMPTIONS - India

Description	Value
Year 2010 TV Viewership (Million)	600
Viewership Growth (%)	6.00%
Viewers of English News (%)	0.40%
Viewers of Hindi News (%)	3.40%
Conversion from English news viewers to EuroNews Hindi:	
<i>Conversion in Y-1 (%)</i>	5.00%
<i>Increments in subsequent years(%)</i>	1.00%
Conversion from Hindi news viewers to EuroNews Hindi:	
<i>Conversion in Y-1 (%)</i>	10.00%
<i>Increments in subsequent years(%)</i>	1.00%
Subscription start year	2
Net Subscruption rate at start, ie from year 2(Euro)	0.024
Growth in subscription rate for 5 years(%)	20.00%

### SUBSCRIPTION ASSUMPTIONS - Other than Sub-Continent

Description	Value
Hindi / Urdu speaking population estimate, year 2010 (Million)	7.07
Start year of subscription	2
Estimated Subscription at start(%)	10.00%
Increments in subsequent years (%)	1.00%
Net Subscruption rate at start, ie from year 2 (Euro)	0.05
Growth in subscription rate (%)	0.00%

### SUBSCRIPTION INPUTS - Hotels in India

Description	Value
Hotel rooms in India with BBC worldwide connection ('000)	55
Start year of subscription	2
Estimated Subscription at start (%)	20.00%
Increments in subsequent years (%)	5.00%
Net Subscription rate at start, year 2 (Euro)	0.30
Growth in subscription rate (%)	0.00%

### ADVERTISEMENT ASSUMPTIONS

Description	Value
Total add revenue for Hindi news channels in India (Euro million)	119
Growth for 5 years (%)	11.30%
Market share in Year 1 (%)	1.00%
Market share increment in the next 5 years (%)	2.50%

### EXPENSE ASSUMPTIONS

Description	Annual cost (Euro million)	Start Year	Expense Growth (%)
Euronews Fee	6.50	1	0%
iMedia Fee	1.20	1	7%
India Bureau	0.36	1	7%
Dubai Bureau	0.24	2	7%
Pakistan Bureau	0.36	3	7%
UK Bureau	0.96	3	7%
North America Bureau	-	2	7%
Total	9.62		

A 7% growth in expenses are shown to provide extra resources as part of proposed revenue increase.

### OTHER EXPENSES CRITERIA

Description	Rate
Amortization of pre-operative expenses	20%
Divided payment to preferential shareholders - fixed on amount paid	8%
Divided payment to preferential shareholders - variable on profit after adjusting cumulative losses	5%
Tax rate	20%

### PRE-OPERATIVE EXPENSES

Description	Amount (Euro million)
EuroNews pre-operative expenses - for initial setups	1.50
Client pre-operative expenses - for initial setups	1.20
<b>Total</b>	<b>2.70</b>

#### LOANS, ADVANCES & DEPOSITS

Description	Basis	Basis Value
EuroNews Fee	months	3.00
Bureau Offices - 3 months Deposits	months	3.00

#### TRADE RECEIVABLES

Description	% of Sales
Subscription sales	10%
Advertisement sales	10%

#### RESERVE FOR CONTINGENCY

Description	Basis	Value	Amt Euro millions
1 months expenses	months	3	2.02
<b>Total</b>			<b>2.02</b>

#### CAPITAL INJECTION

Description	Value	Repayment (yrs)
Equity - as % to total cash required	50%	
Preferential - as % to total cash required	50%	4.00

#### DIVIDENDS

Dividends are paid only after paying off preferential shareholders. This is again subject to availability of funds after setting aside reserve for contingency

## Revenue Summary

REVENUE SUMMARY											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Subscription India	-	0.41	0.57	0.79	1.08	1.48	2.01	2.27	2.56	2.86	
Subscription outside Sub Continent	-	0.47	0.51	0.55	0.59	0.64	0.68	0.72	0.76	0.81	
Subscription from Hotels in India	-	1.51	1.81	2.11	2.41	2.71	3.01	3.31	3.61	3.91	
Advertisements from India	1.47	5.74	10.96	17.28	24.88	33.99	40.28	46.58	52.87	59.17	
<b>Total revenue</b>	<b>1.47</b>	<b>8.12</b>	<b>13.84</b>	<b>20.72</b>	<b>28.97</b>	<b>38.82</b>	<b>45.99</b>	<b>52.89</b>	<b>59.81</b>	<b>66.75</b>	

## Expenses Projection

EXPENSES										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Euronews Fee	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Imedia Ops Expenses	1.20	1.28	1.37	1.47	1.57	1.68	1.80	1.93	2.06	2.21
India Bureau	0.36	0.39	0.41	0.44	0.47	0.50	0.54	0.58	0.62	0.66
Dubai Bureau		0.24	0.26	0.27	0.29	0.31	0.34	0.36	0.39	0.41
Pakistan Bureau			0.36	0.39	0.41	0.44	0.47	0.50	0.54	0.58
UK Bureau			0.96	1.03	1.10	1.18	1.26	1.35	1.44	1.54
North America Bureau										
<b>Expense Total</b>	<b>8.06</b>	<b>8.41</b>	<b>9.86</b>	<b>10.10</b>	<b>10.35</b>	<b>10.62</b>	<b>10.91</b>	<b>11.22</b>	<b>11.55</b>	<b>11.90</b>

## Profit and Loss Account

PROFIT & LOSS ACCOUNT											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Revenue (net of direct taxes)	1.47	8.12	13.84	20.72	28.97	38.82	45.99	52.89	59.81	66.75	
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Expenses	8.06	8.41	9.86	10.10	10.35	10.62	10.91	11.22	11.55	11.90	
	546.76%	103.51%	71.25%	48.73%	35.73%	27.36%	23.72%	21.21%	19.31%	17.83%	
<b>EBITDA</b>	<b>(6.59)</b>	<b>(0.28)</b>	<b>3.98</b>	<b>10.63</b>	<b>18.62</b>	<b>28.20</b>	<b>35.08</b>	<b>41.67</b>	<b>48.26</b>	<b>54.85</b>	
	-446.76%	-3.51%	28.75%	51.27%	64.27%	72.64%	76.28%	78.79%	80.69%	82.17%	
Amortization	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	0.54	
	36.63%	6.65%	3.90%	2.61%	1.86%	0.00%	0.00%	0.00%	0.00%	0.00%	
<b>EBIT</b>	<b>(7.13)</b>	<b>(0.82)</b>	<b>3.44</b>	<b>10.09</b>	<b>18.08</b>	<b>28.20</b>	<b>35.08</b>	<b>41.67</b>	<b>48.26</b>	<b>54.85</b>	
	-483.39%	-10.15%	24.85%	48.67%	62.41%	72.64%	76.28%	78.79%	80.69%	82.17%	
Interest / Dividend											
On pref. shares-fixed	0.58	0.58	0.44	0.29	0.15	-	-	-	-	-	
On pref. shares-variable	-	-	-	0.15	0.63	-	-	-	-	-	
	0.58	0.58	0.44	0.44	0.78	-	-	-	-	-	
	39.40%	7.15%	3.15%	2.14%	2.69%	0.00%	0.00%	0.00%	0.00%	0.00%	
<b>EBT</b>	<b>(7.71)</b>	<b>(1.41)</b>	<b>3.00</b>	<b>9.64</b>	<b>17.30</b>	<b>28.20</b>	<b>35.08</b>	<b>41.67</b>	<b>48.26</b>	<b>54.85</b>	
	-	-	-	0.61	2.54	4.55	5.85	6.94	8.04	9.14	
Tax	0.00%	0.00%	0.00%	2.97%	8.77%	11.72%	12.71%	13.13%	13.45%	13.70%	
<b>PAT</b>	<b>(7.71)</b>	<b>(1.41)</b>	<b>3.00</b>	<b>9.18</b>	<b>15.40</b>	<b>23.65</b>	<b>29.23</b>	<b>34.72</b>	<b>40.22</b>	<b>45.71</b>	
	-522.79%	-17.30%	21.71%	44.30%	53.14%	60.92%	63.57%	65.66%	67.24%	68.48%	

## Break-Even Analysis

BREAKEVEN ANALYSIS											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Revenue (net of direct taxes)	1.47	8.12	13.84	20.72	28.97	38.82	45.99	52.89	59.81	66.75	
<b>Contribution %ge</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
<b>Fixed Costs</b>											
Expenses	8.06	8.41	9.86	10.10	10.35	10.62	10.91	11.22	11.55	11.90	
Amortization	0.54	0.54	0.54	0.54	0.54	-	-	-	-	-	
<b>Total Fixed Costs</b>	<b>8.60</b>	<b>8.95</b>	<b>10.40</b>	<b>10.64</b>	<b>10.89</b>	<b>10.62</b>	<b>10.91</b>	<b>11.22</b>	<b>11.55</b>	<b>11.90</b>	
PBT	(7.13)	(0.82)	3.44	10.09	18.08	28.20	35.08	41.67	48.26	54.85	
<b>Breakeven Sales</b>	<b>8.60</b>	<b>8.95</b>	<b>10.40</b>	<b>10.64</b>	<b>10.89</b>	<b>10.62</b>	<b>10.91</b>	<b>11.22</b>	<b>11.55</b>	<b>11.90</b>	

## Balance Sheet

BALANCE SHEET											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>NON CURRENT ASSETS</b>											
<b>Fixed Assets</b>											
Fixed Assets - OV											
Fixed Assets - CD											
Net Fixed Assets	-	-	-	-	-	-	-	-	-	-	-
<b>Intangibles</b>											
Pre-operative expenses	2.70	2.16	1.62	1.08	0.54	-	-	-	-	-	-
<b>Tot. Non- Current Assets</b>	<b>2.70</b>	<b>2.16</b>	<b>1.62</b>	<b>1.08</b>	<b>0.54</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CURRENT ASSETS</b>											
Cash & Bank Balance	10.11	2.73	(0.96)	0.16	1.57	1.23	2.02	2.02	2.02	2.02	2.02
Loans, Adv. & Deposits	1.72	1.78	2.12	2.16	2.19	2.23	2.28	2.32	2.37	2.42	2.59
Trade receivables		0.15	0.81	1.38	2.07	2.90	3.88	4.60	5.29	5.98	6.68
	11.82	4.65	1.97	3.70	5.84	6.37	8.17	8.94	9.67	10.42	11.28
<b>NON-CURRENT LIABILITIES</b>											
Preferential Shares	7.26	7.26	5.45	3.63	1.82	-	-	-	-	-	-
<b>Tot. non-current liability</b>	<b>7.26</b>	<b>7.26</b>	<b>5.45</b>	<b>3.63</b>	<b>1.82</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tot. Assets (less) liability</b>	<b>7.26</b>	<b>(0.45)</b>	<b>(1.85)</b>	<b>1.15</b>	<b>4.56</b>	<b>6.37</b>	<b>8.17</b>	<b>8.94</b>	<b>9.67</b>	<b>10.42</b>	<b>11.28</b>
<b>EQUITY</b>											
Share Capital	7.26	7.26	7.26	7.26	7.26	7.26	7.26	7.26	7.26	7.26	7.26
Retained earnings	-	(7.71)	(7.71)	(9.11)	(6.11)	(2.70)	(0.89)	0.91	1.68	2.41	3.16
Profit/(loss) for the period	(7.71)	(1.41)	3.00	9.18	15.40	23.65	29.23	34.72	40.22	45.71	
Divided payment	-	-	-	(5.77)	(13.59)	(21.84)	(28.47)	(33.99)	(39.47)	(44.85)	
<b>Total equity</b>	<b>7.26</b>	<b>(0.45)</b>	<b>(1.85)</b>	<b>1.15</b>	<b>4.56</b>	<b>6.37</b>	<b>8.17</b>	<b>8.94</b>	<b>9.67</b>	<b>10.42</b>	<b>11.28</b>

## Cash Flow

CASH FLOW											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
PAT		(7.71)	(1.41)	3.00	9.18	15.40	23.65	29.23	34.72	40.22	45.71
Add: Pref. dividend payment		0.58	0.58	0.44	0.44	0.78	-	-	-	-	-
Add: Amortization		0.54	0.54	0.54	0.54	0.54	-	-	-	-	-
<b>Cash flow from operation before w/c changes</b>	<b>-</b>	<b>(6.59)</b>	<b>(0.28)</b>	<b>3.98</b>	<b>10.17</b>	<b>16.72</b>	<b>23.65</b>	<b>29.23</b>	<b>34.72</b>	<b>40.22</b>	<b>45.71</b>
<b>Working capital changes</b>											
(Incr.) / Decr. in Loans & Adv.	(1.72)	(0.07)	(0.34)	(0.03)	(0.04)	(0.04)	(0.04)	(0.05)	(0.05)	(0.05)	(0.17)
(Incr.) / Decr. in Debtors	-	(0.15)	(0.67)	(0.57)	(0.69)	(0.82)	(0.98)	(0.72)	(0.69)	(0.69)	(0.69)
<b>Net WC changes</b>	<b>(1.72)</b>	<b>(0.21)</b>	<b>(1.01)</b>	<b>(0.61)</b>	<b>(0.73)</b>	<b>(0.86)</b>	<b>(1.03)</b>	<b>(0.76)</b>	<b>(0.74)</b>	<b>(0.74)</b>	<b>(0.86)</b>
<b>Net cash flow from operations</b>	<b>(1.72)</b>	<b>(6.80)</b>	<b>(1.29)</b>	<b>3.37</b>	<b>9.44</b>	<b>15.85</b>	<b>22.62009</b>	<b>28.47</b>	<b>33.99</b>	<b>39.47</b>	<b>44.85</b>
<b>Cashflow from Investing activity</b>											
Addition to fixed asset											
Addition to pre-oper. expenses	(2.70)										
<b>Net cashflow from investing activity</b>	<b>(2.70)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Free cash / NOPAT</b>	<b>(4.42)</b>	<b>(6.80)</b>	<b>(1.29)</b>	<b>3.373626</b>	<b>9.439838</b>	<b>15.85</b>	<b>22.62009</b>	<b>28.47</b>	<b>33.99</b>	<b>39.47</b>	<b>44.85</b>
<b>Cashflow from financing activity</b>											
Preferential shares issued	7.26										
Preferential share repayment			(1.82)	(1.82)	(1.82)	(1.82)	-	-	-	-	-
Pref. dividend payment - fixed		(0.58)	(0.58)	(0.44)	(0.29)	(0.15)	-	-	-	-	-
Pref. dividend payment - variable		-	-	-	(0.15)	(0.63)	-	-	-	-	-
Equity Dividend Payment		-	-	-	(5.77)	(13.59)	(21.84)	(28.47)	(33.99)	(39.47)	(44.85)
Capital Injunction - Equity	7.26										
<b>Net cash flow from financing activity</b>	<b>14.52</b>	<b>(0.58)</b>	<b>(2.40)</b>	<b>(2.25)</b>	<b>(8.03)</b>	<b>(16.19)</b>	<b>(21.84)</b>	<b>(28.47)</b>	<b>(33.99)</b>	<b>(39.47)</b>	<b>(44.85)</b>
<b>Net cash generation</b>	<b>10.11</b>	<b>(7.38)</b>	<b>(3.69)</b>	<b>1.12</b>	<b>1.41</b>	<b>0.34</b>	<b>0.78</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash at beginning		10.11	2.73	(0.96)	0.16	1.57	1.23	2.02	2.02	2.02	2.02
Cash at end	<b>10.11</b>	<b>2.73</b>	<b>(0.96)</b>	<b>0.16</b>	<b>1.57</b>	<b>1.23</b>	<b>2.02</b>	<b>2.02</b>	<b>2.02</b>	<b>2.02</b>	<b>2.02</b>

## Enterprise Valuation

ENTERPRISE VALUATION												
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	TV
<b>Free cash / NOPAT</b>	<b>(4.42)</b>	<b>(6.80)</b>	<b>(1.29)</b>	<b>3.37</b>	<b>9.44</b>	<b>15.85</b>	<b>22.62</b>	<b>28.47</b>	<b>33.99</b>	<b>39.47</b>	<b>44.85</b>	<b>188</b>
Discount rate		20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Discount factor	1.00	1.00	0.83	0.58	0.48	0.40	0.33	0.28	0.23	0.19	0.16	0.16
Terminal growth												0%
Life (years)												20
<b>Present Value</b>	<b>(4.42)</b>	<b>(6.80)</b>	<b>(1.08)</b>	<b>1.95</b>	<b>4.55</b>	<b>6.37</b>	<b>7.58</b>	<b>7.95</b>	<b>7.90</b>	<b>7.65</b>	<b>7.24</b>	<b>30.37</b>
<b>NPV assuming perpetuity with no growth after year 10</b>							<b>75.12</b>					
<b>NPV assuming 20 year project life with no growth after year 10</b>							<b>69.27</b>					
<b>NPV assuming 10 year project life</b>							<b>38.90</b>					
Note: It is assumed that for all negative free cash, the net cash outflow will happen at the beginning of the year and for all positive free cash, the net cash inflow will happen at the end of the year.												

For the sake of offering the company to the investors, the enterprise value assuming 10-year life is taken into consideration with a 20% discount rate. Accordingly, the value arrived is € 39 million. If you see below, a further 65% discount is also given to attract the equity investor.

## Equity Values For Different Scenario Of Project Life

Scenario
Project life

Project life		38.90
	10 year	38.90
	20 year	69.27
	Perpetual	75.12

## Equity Values For Different Scenario Of Market Share

Scenario
Advertisement Market share

Market Share		38.90
	0%	38.90
	1%	46.27
	2%	53.49

## Sensitivity Analysis

### SENSITIVITY ANALYSIS

Parameters			
Equity value	38.90	Profitability Y-1	(7.71)
Profitability Y-2	(1.41)	Profitability Y-3	3.00

Variable
Fixed Cost

The sensitivity of fixed cost on Equity Value

Fixed Cost		38.90
	-10%	41.32
	-5%	40.11
	-1%	39.14
	0%	38.90
	1%	38.66
	5%	37.69

The sensitivity of fixed cost on Profitability Y-1

Fixed Cost		(7.71)
	-10%	(7.37)
	-5%	(7.54)
	-1%	(7.67)
	0%	(7.71)
	1%	(7.74)
	5%	(7.88)

	10%	36.49
	15%	35.28
	20%	34.03

	10%	(8.04)
	15%	(8.21)
	20%	(8.38)

The sensitivity of fixed cost on Profitability Y-2

Fixed Cost		<b>(1.41)</b>
	-10%	(0.95)
	-5%	(1.18)
	-1%	(1.36)
	0%	<b>(1.41)</b>
	1%	(1.45)
	5%	(1.63)
	10%	(1.86)
	15%	(2.08)
	20%	(2.31)

The sensitivity of fixed cost on Profitability Y-3

Fixed Cost		<b>3.00</b>
	-10%	3.67
	-5%	3.34
	-1%	3.07
	0%	<b>3.00</b>
	1%	2.94
	5%	2.67
	10%	2.34
	15%	2.01
	20%	1.68

SAMPLE



## Offer to Equity Investor

As mentioned above, the equity value is arrived at assuming 10-year life for the project and with a discount rate of 20%. Accordingly, the value arrived is € 39 million. To provide a better return to the seed investor, a further 65% discount is allowed thus keeping the equity value at €14.5 million.

The equity investor, the one who brings the seed is offered a 50% share in the company for a value of € 7.25 million.

EQUITY VALUE FOR SEED INVESTOR	
	Value
<b>Enterprise value (Euro Milion)</b>	<b>38.90</b>
Less: Loans at begenning	-
Add: Cash surplus at begening	-
<b>Equity value (Euro Million)</b>	<b>38.90</b>
Further discount for seed investor - %	<b>63%</b>
<b>Net Equity value after all discount - thus put forth to seed investor</b>	<b>14.39</b>
Average earning for 10 years	19.20
Price to Earning (P/E)	0.75

EQUITY DISTRIBUTION				
Description	Amt. invested (Euro million)	Premium (Euro million)	Value (Euro million)	%
EuroNews	-	2.88	2.88	20%
iMedia	-	4.26	4.26	30%
Investors	7.26	-	7.26	50%
Total	7.26	7.13	14.39	100%

This is the offer to equity investor

INVESTOR RETURN ON INVESTMENT											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total investment	(7.26)										
Amt. available to investor - each year		-	-	-	2.91	6.86	11.02	14.36	17.14	19.91	22.62
Cum. amt available to investor		-	-	-	2.91	9.77	20.78	35.14	52.29	72.19	94.81
(Deficit) to cover investment		(7.26)	(7.26)	(7.26)	(4.35)	-	-	-	-	-	-
<b>Pay back to investor 4 Years 8 months</b>											

If you note the above table, the return for the investor is phenomenal from year 5. It would be easy for him to sell his shares at about 5 to 10 times what he has invested after getting all his money by year 5.

An alternate option is for EuroNews Hindi to go public in which case, the premiums will be much high.

### Offer to Preferential Investor

The preferential investor is given preferential shares for € 7.25 million with a fixed return of 8% and repayment of principal in 4 years. This apart, he is also given a 5% profit after wiping off all the carried forward losses.

<b>INVESTOR RETURN ON INVESTMENT</b>											
	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
Total investment	(7.26)										
Amt. available to investor - each year		0.58	2.40	2.25	2.26	2.60	-	-	-	-	-
Cum. amt available to investor		0.58	2.98	5.23	7.49	10.08	10.08	10.08	10.08	10.08	10.08
Surplus/(Deficit) to cover investment		(6.68)	(4.28)	(2.03)	-	-	-	-	-	-	-
<b>Pay back to investor 3 Years 11 months</b>											

He gets a return on investment of fewer than 4 years. However, he will not be entitled to the upside where the potential is very high.

SAMPLE