

Press Statement from MSM Satellite (Singapore) Pte. Ltd. (MSM) on the IPL broadcast rights

Mumbai, Friday, April 23, 2010

This statement is with reference to media reports speculating on alleged irregularities in the IPL broadcast rights currently owned by MSM Satellite (Singapore) Pte. Ltd. (MSM).

We wish to state that all transactions relating to MSM's acquisition of the broadcast media rights in 2008 as well as 2009, have been undertaken with full knowledge of all the parties; in an open and transparent manner and in keeping with applicable laws.

MSM strongly refutes all unsubstantiated allegations of any impropriety in this matter, as incorrect and inaccurate.

To clarify the situation and our position, we wish to highlight the following:

A quick summary

1. On March 14, 2009, the BCCI unilaterally terminated the then existing broadcasting rights agreement dated 21 January 2008 with MSM.
2. MSM immediately initiated legal action against the BCCI in the Bombay High Court to stay the termination. However, BCCI had vested the Indian subcontinent broadcasting rights with WSG Mauritius, for a nine year period (2009-2017) under an agreement dated 15 March 2009.
3. Given that the contract had already been awarded to WSG Mauritius, the court did not grant MSM a stay leaving MSM the only recourse to sue BCCI for damages or try to secure the rights back through a commercial negotiation. MSM opted to enter into a commercial negotiation to try and re-secure the rights.
4. MSM's goals in the commercial negotiation were two-fold: i) to secure the rights that had been unilaterally terminated and for the entire 9 year period keeping BCCI unaffected by paying the same amount to BCCI as contracted by WSG Mauritius, and ii) It was MSM's clear position that to secure its business interests, the broadcasting rights agreement should be a direct contract with the BCCI, rather than as a sub-license under an agreement with WSG Mauritius, which had these rights, as per the agreement with BCCI dated March 15, 2009. To facilitate MSM's condition for a direct contract with BCCI, WSG Mauritius agreed to give up its broadcast rights for the Indian subcontinent in favour of MSM, thus paving the way for BCCI & MSM to enter into a contract directly. In consideration for this, MSM agreed to pay WSG Mauritius a facilitation fee.
5. MSM wishes to re-emphasize here that the 'Facilitation Fee' of Rs.425 crores to WSG Mauritius is for :
 - a. the original option fee of \$25million (Rs.115 crores approximately) to extend the rights to years 6 till 10,
 - b. an additional fee over the 9 years of the contract of Rs.310 crores. These fees were to compensate WSG Mauritius for returning its rights for IPL season 2 – 10 to BCCI in favour of MSM and were necessary if MSM was to secure the rights to IPL season 2–10. However, the potential rating incentive at the end of year 5 of \$35 million (Rs.160 crores) under the agreement dated 21 January 2008 was eliminated, and
 - c. as a consequence of these commercial negotiations the net incremental amount attributable to WSG Mauritius giving up its IPL Indian subcontinent rights is Rs.150 crores.

6. MSM also wishes to state that the payments made to BCCI and WSG Mauritius have been in accordance with applicable laws and as per established international cross border banking norms and procedures.
 - i. MSM received tax advice from external tax experts that the transaction with WSG Mauritius did not attract India taxes and MSM has accordingly not withheld any Indian tax. MSM has accounted for the payments in its financial statements which have been audited and filed before statutory authorities.

MSM has acted at all times with impeccable integrity and highest ethical standards and Corporate Governance. MSM has complied with applicable laws. Allegations in certain sections of the media attributing wrongful conduct to MSM are incorrect and completely unfounded.

A detailed perspective

January 2008 – MSM acquires IPL broadcast rights for the first time

1. Pursuant to a public and competitive tender process in response to a global Invitation To Tender ('ITT') floated by the BCCI, WSG India acquired the broadcast rights for a period of 10 years (2008-2017) with MSM as the partner broadcaster. MSM's bid was for the Indian subcontinent broadcast rights for a period of 5 years (2008-2012) subsequent to which MSM entered into an agreement dated 21 January 2008 with BCCI for the same. WSG India acquired the world rights for 10 years (2008 – 2017) including the Indian subcontinent rights for years 6-10 (2013-2017) of the IPL tournament. MSM had an option to secure the Indian subcontinent rights for years 6 through 10 from WSG India on payment of an option fee of \$25 million with this fee being payable latest by year 3 of the contract or the option would lapse. In addition, there was a potential rating incentive of \$35million MSM would pay WSG India (who was obliged to pay this to BCCI) at the end of year 5 if the option was exercised.

March 2009 – Renegotiation of IPL Broadcasting Rights

1. On March 14, 2009, the BCCI unilaterally terminated the then existing broadcasting rights agreement dated 21 January 2008 with MSM.
2. MSM immediately initiated legal action against the BCCI in the Bombay High Court to stay the termination. However, BCCI had vested the Indian subcontinent broadcasting rights with WSG Mauritius, for a nine year period (2009-2017) under an agreement dated 15 March 2009.
3. Given that the contract had already been awarded to WSG Mauritius, the court did not grant MSM a stay leaving MSM the only recourse to sue BCCI for damages or try to secure the rights back through a commercial negotiation. MSM opted to enter into a commercial negotiation to try and re-secure the rights.
4. MSM's goals in the commercial negotiation were two-fold: i) to secure the rights that had been unilaterally terminated and for the entire 9 year period keeping BCCI unaffected by paying the same amount to BCCI as contracted by WSG Mauritius, and ii) It was MSM's clear position that to secure its business interests, the broadcasting rights agreement should be a direct contract with the BCCI, rather than as a sub-license under an agreement with WSG Mauritius, which had these rights, as per the agreement with BCCI dated March 15, 2009.
5. Intense commercial negotiations ensued with other broadcasters also expressing interest making the situation extremely competitive. After protracted negotiations between MSM, WSG Mauritius and BCCI, MSM entered into a renegotiated agreement on the IPL broadcasting rights with the BCCI at the same consideration offered by WSG Mauritius and

for the same duration (9 years), in lieu of WSG Mauritius relinquishing its rights, thereby achieving both its goals.

6. To facilitate MSM's condition for a direct contract with BCCI, WSG Mauritius agreed to give up its broadcast rights for the Indian subcontinent in favour of MSM, thus paving the way for BCCI & MSM to enter into a contract directly. In consideration for this, MSM agreed to pay WSG Mauritius a facilitation fee.
7. MSM wishes to re-emphasize here that the 'Facilitation Fee' of Rs.425 crores to WSG Mauritius is for :
 1. the original option fee of \$25million (Rs.115 crores approximately) to extend the rights to years 6 till 10,
 2. an additional fee over the 9 years of the contract of Rs.310 crores. These fees were to compensate WSG Mauritius for returning its rights for IPL season 2 – 10 to BCCI in favour of MSM and were necessary if MSM was to secure the rights to IPL season 2– 10. However, the potential rating incentive at the end of year 5 of \$35 million (Rs.160 crores) under the agreement dated 21 January 2008 was eliminated, and
 3. as a consequence of these commercial negotiations the net incremental amount attributable to WSG Mauritius giving up its IPL Indian subcontinent rights is Rs.150 crores.
8. Consequently, MSM entered into the fresh broadcasting rights agreement with BCCI, which also cross references the agreement between WSG Mauritius and MSM. Hence the two transactions were clearly in the knowledge of all the parties, including the BCCI.
9. Following this, MSM and BCCI withdrew the legal action initiated in the Bombay High Court after informing the court that an amicable settlement had been reached.
10. The manner in which MSM's rights were terminated, the ensuing litigation and the subsequent out of court settlement are all matters in the public domain. All the agreements entered into by MSM comply with applicable laws, are valid and subsisting.

April 2010 – Current Situation & Contractual Transactions

11. MSM has paid WSG Mauritius Rs. 125 crores till date, in keeping with the contractual terms and the balance of Rs. 300 crores is due and payable in eight installments spread over the next seven years of the contract.
12. MSM also wishes to state that the payments made to BCCI and WSG Mauritius have been in accordance with applicable laws and as per established international cross border banking norms and procedures.
13. MSM received tax advice from external tax experts that the transaction with WSG Mauritius did not attract India taxes and MSM has accordingly not withheld any Indian tax. MSM has accounted for the payments in its financial statements which have been audited by independent auditors and filed before statutory authorities.
14. During the survey conducted at the premises of MSM India on 21 April 2010, MSM has extended the fullest cooperation to the Indian Tax authorities and provided them with copies of all the agreements referred to above as well as details of all payments made to BCCI and WSG Mauritius. MSM is committed to extending all cooperation and assistance required by the authorities.

MSM has acted at all times with impeccable integrity and highest ethical standards and Corporate Governance. MSM has complied with applicable laws. Allegations in certain sections of the media attributing wrongful conduct to MSM are incorrect and completely unfounded.

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For further information, please contact:

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