A billion screens of opportunity

India's Media & Entertainment sector

March 2019

FICCI

EY

Building a better working world

Foreword

Uday Shankar
Vice President, FICCI & Chair,
FICCI Media and Entertainment
Division

Global Goes Indian!

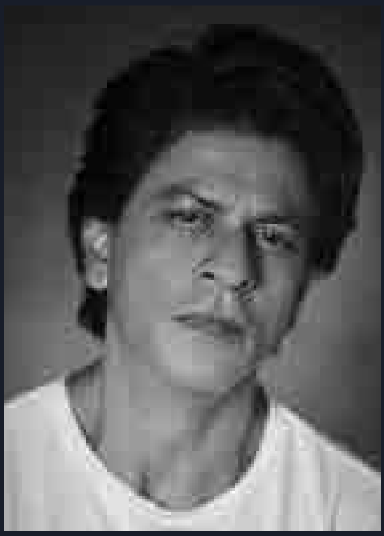
A heartfelt welcome to the 2019 edition of the FICCI–EY Media & Entertainment (M&E) report.

This year's report provides an opportunity to the industry to better understand last year's performance and take stock of the emerging market dynamics. In a nutshell, last year has proven to be a decent one for our sector as traditional sectors like broadcast TV and films seem to have maintained a healthy pace and performed as per expectations on the back of growing subscription base and ticket prices respectively. Whereas, new age digital media has created an upward trajectory of its own and an explosion in growth seems to be on the cards. Thus, Indian M&E continues to match up to predictions and become ever more vibrant.

The M&E sector is poised to kickstart a new era of growth. Technological disruptions are creating new opportunities for the sector. India is headed towards a billion screens of opportunity and one can hope that the sector's incumbents shall innovate, transform and increase their relevance to mass and individual consumers. In doing so the Indian M&E sector shall become the harbinger of technical and product innovation and create content that would not only capture our imaginations but firmly establish India's position as a global content hub.

I'm confident that Indian M&E is headed towards becoming a world-class media-tech sector on the back of access to global audiences through online platforms, its large talent pool, storytelling capabilities, post-production and VFX expertise and policy and regulatory certainty. It is time to create global media giants from India and this year's FICCI Frames as it completes its 20th year of existence carries an appropriate tag line, "Global Goes Indian"!!

With this thought in mind, I thank all those who have helped in bringing this report to the fore and sincerely hope that readers shall find it useful.



Shah Rukh Khan

India is one of the largest and perhaps the most diversified content producers in the world. At heart it aims to entertain, while at the same time the industry has embraced diversity and has continued to innovate. Be it our movies or any form of content across platforms, news, sports, Indian content has already left an indelible mark on the world.

Technological changes we are currently witnessing across content generation, emergence of different platforms, marketing and distribution have played a big role in Indian content expanding its reach. While our films and television channels were always accessible across 130 countries, the advent of globally distributed OTT platforms will be a game changer for India. With abundant access to dubbing and sub-titling capabilities, Indian stories can be exported and consumed by global audiences. This trend is expected to immensely benefit content creation in India.

India can become a high quality and cost-efficient content creation hub for the world. Our large talent pool, both in front of and behind the cameras, our pre and post production facilities, expertise in animation, VFX, back-office operational excellence and high levels of connectivity are bound to help drive the Indian M&E sector grow globally. India is already seen as a hub for animation and VFX and the world has recognised its potential.

All of this suggests that it is only a matter of time before India establishes itself as a powerhouse and continues to entertain the world, with the realisation that we have just begun our journey!

Picture abhi baaki hai mere dost...

Foreword

Ashish Pherwani
M&E Sector Leader
Ernst & Young LLP

Is India's M&E sector ready for a billion screens?

Welcome to the 2019 edition of the FICCI-EY report on the Indian media and entertainment (M&E) sector.

The M&E product will always remain relevant for a young country like India, thirsting for escapism and knowledge. The growth of digital infrastructure is enabling Indians to fulfil their need for personal content consumption, and the M&E sector has responded by producing more content than ever before – across languages and genre. We estimate that India produced and licensed around 750,000 hours of content in 2018, a majority of which was made in India. We expect the amount of content being produced to keep increasing.

This phenomenon is causing large shifts in consumer behaviour. For a country where the lowest common denominator was catered to on mass platforms, creators are now producing content for well-defined audience segments. This year we have seen films with strong storylines triumphing over those with high-power talent. New content genres are being tried across digital. Creative experimentation is at an all-time high!

In addition, global OTT platforms – and Indian platforms available globally – have made it possible for people across the world to experience Indian content, something which was out of the reach of most Indian content creators just a few years ago. The opportunity this provides is enormous, both to create content for the world and support global content creators with our talent, production, animation and VFX capabilities.

The sector has to serve a billion screens in India and globally. Through this report, we have tried to showcase the changes brought about by digital, data and direct-to-customer on the various segments of the Indian M&E sector. We are certain you would find this report to be insightful.

Cont

08

M&E sector overview

ents

Segmental trends 26

Image courtesy ImagesBazaar

M&E sector overview 2018: Key trends

The sector grew 13% to reach INR1.67 trillion

The Indian M&E sector reached INR1.67 trillion (US$23.9 billion), a growth of 13.4% over 2017. With its current trajectory, we expect it to grow to INR2.35 trillion by 2021 (US$33.6 billion).

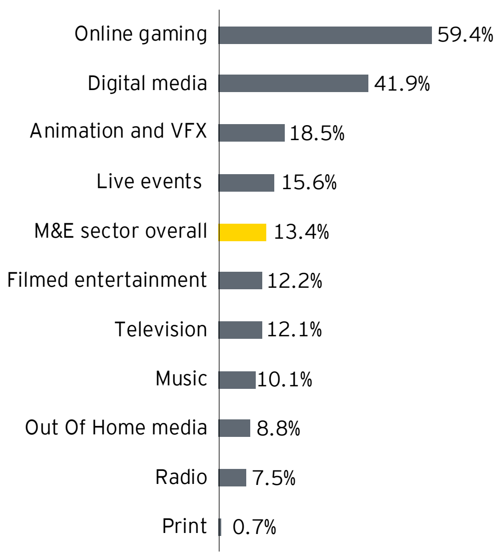
	2017	2018	2019E	2021E	CAGR 2018-21
Television	660	740	815	955	8.8%
Print	303	306	317	338	3.4%
Filmed entertainment	156	175	194	236	10.6%
Digital media	119	169	223	354	28.0%
Animation and VFX	67	79	93	128	17.4%
Live events	65	75	86	112	14.0%
Online gaming	30	49	68	120	35.4%
Out Of Home media	34	37	41	49	9.2%
Radio	29	31	34	39	8.0%
Music	13	14	16	19	10.8%
Total	**1,476**	**1,674**	**1,887**	**2,349**	**12.0%**

All figures are gross of taxes (INR in billion) for calendar years | EY analysis

While television will retain pole position as the largest segment, digital will overtake filmed entertainment in 2019 and print by 2021.

Growth was led by online gaming and digital media

Segmental growth 2018 vs. 2017



Growth (in percentage) over 2017

- **Online gaming** grew across real money gaming (including fantasy and e-Sports) as well as casual gaming, on the back of a 52% growth in online gamers who reached 278 million in 2018
- Advertising budgets continued their inexorable shift towards **digital media** where, despite fears of advertising fraud, the segment grew 34% to command 21% of total advertising spends
- **Digital subscription** grew by over 250% with Indians opening their purse strings to pay for online content
- **Animation and VFX** continued to grow on the back of India's cost-effective talent pool and growing participation in an international film and digital content market that is producing more content than ever before
- **Live events** continued to grow in scale and size on the back of weddings, sports, government spends and large format concerts and theatricals
- The **film** segment crossed INR100 billion in domestic theatrical revenues, and was further supported by the growth in Indian film exports, particularly to China, and increasing values for digital rights
- **Television**, the largest segment, grew at the industry average on the back of a strong performance by regional brands, multiple sporting events and impact properties
- **Music** made a strong recovery led by digital revenues from a host of ever-growing audio streaming platforms whose user base grew by 50%
- **OOH** benefited from operationalization of metros and airports, and from categories like retail, consumer services and real estate, which continued to spend heavily on the medium
- **Radio** grew from the additional inventory sold on stations operationalized during the last 18 months (though advertising volume drops were seen in some large markets) and from non-advertising revenues, led by events, activation, content production and syndication
- **Print** grew 0.7%; advertising revenues grew 0.4% in 2018 while subscription grew 1.2% on the back of circulation drives and some cover price increases

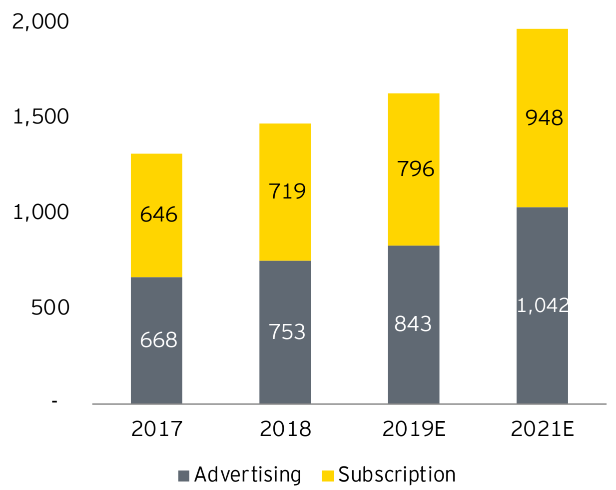
Value was driven by direct-to-customer (D2C) capabilities

For a while in May 2018, Netflix was valued more than Walt Disney[1]. This is a clear indication that valuation is being driven by D2C capabilities – mainly access to deep customer data and the ability to interact with customers accordingly – an area where Netflix excels. Disney has focused on D2C with the launch of its proposed OTT platform Disney+[2], as well as the proposed acquisition of Fox's assets like Hotstar and Hulu.

In India, too, media buyers have started shifting budgets to segments with more D2C capabilities and the segmental growth rate chart is representative of this. Some advertisers have started investing in their own D2C capabilities, to build communities and subscription product sales. There is a huge opportunity for media companies to assist brands in their D2C initiatives. Traditional media companies spent 2018 building their customer data through second-screen interactive propositions, polls, house-to-house surveys, integration of third-party data, etc. We expect this (small) data to lay the foundation for more (big) data initiatives in the coming two to three years.

Advertising outpaced subscription growth

Advertising and subscription revenues



INR billion (gross of taxes)

Note: The above numbers exclude events and activation, online gaming and animation and VFX revenues

1. https://money.cnn.com/2018/05/24/investing/netflix-disney-comcast-market-value/index.html
2. https://www.adweek.com/tv-video/disney-announces-the-name-of-its-much-anticipated-ott-service/

Advertising grew 12.7% in 2018, while subscription grew 11.2%. Advertising revenues comprised 51.2% of the total in 2018 and are expected to grow to 52.4% of the total by 2021.

Advertising got over the effects of demonetization and caution necessitated due to the implementation of GST, which had impacted it for more than half of 2017. Growth was led by digital advertising (which grew 34% over 2017) and television advertising (which grew 14% over 2017) on the back of sporting events, more impact properties, several state elections, and growth in regional advertising.

Subscription growth was driven mainly by international film exhibition revenues, digitization of DAS-III and IV television markets and digital streaming on OTT video platforms.

Clear shift towards performance advertising was seen

Advertising is seeing a clear shift towards performance as compared to brand, with rates reflective of the closeness to the point of customer action. While audiences come to platforms for content, they go to search engines when interested in a product or service and visit e-commerce platforms when interested in purchasing. Such platforms are now generating more advertising interest from brands and we can expect to see Amazon, Flipkart and others attracting increased advertising revenues going forward.

SMEs invested in advertising

Small and medium enterprises (SMEs) have typically advertised in the yellow pages, or used local print, OOH and radio in limited numbers. They have now diverted a significant spend on digital platforms. While we are unable to size this segment accurately due to lack of verifiable data (and have therefore excluded it from advertising sizing), our analysis of industry discussions indicates that this segment could be spending upwards of INR72 billion on digital advertising and search, primarily on Google and Facebook. This segment of advertisers can be as large as 300,000 or more and is growing. Such advertisers spend an average of around INR20,000 per month on advertising.

Digital subscription grew 262%

Indians started to pay for online content – well, more than they used to. We estimate that the number of Indians who paid for any content in 2018 (not including those who consumed content through bundled telco offerings) increased from 7.5 million in 2017 to 12-15 million in 2018. The digital subscription market accordingly grew 262% to reach INR14.2 billion, of which the majority was video subscription. Telco bundling remained key, with an estimated 60% of consumption coming from such offerings.

Content was, and made, kings

With the growth in demand for content, driven by global OTT platforms' localization strategy and domestic OTT platforms' drive to grow their digital audiences, as well as the increasing number of regional television channels, the demand for original digital content increased by around 1,200 hours in 2018. This has led to an increase in content rates, and till such time as consolidation takes place in the OTT segment, we can expect content companies to continue to benefit from this trend.

Global entertainment, made-in-India

Indian content was made available on global platforms in 2018. Led by the success of Netflix's Sacred Games, where two of every three viewers were outside India, Indian content earned access to a non-diaspora audience in 2018. Global digital platforms are buying more Indian content, and this is an opportunity for Indian content creators to showcase India's content prowess and make India a content creation hub for the global market. The opportunity for this can be significant, given that Netflix alone, with a budget of US$12 – US$13 billion[3], has a content budget comparable with India as a country.

3. https://www.forbes.com/sites/danafeldman/2018/07/09/netflixs-content-budget-is-updated-to-13b-in-2018/#33114c812b8c

The customer lifetime value equation refused to balance on digital platforms

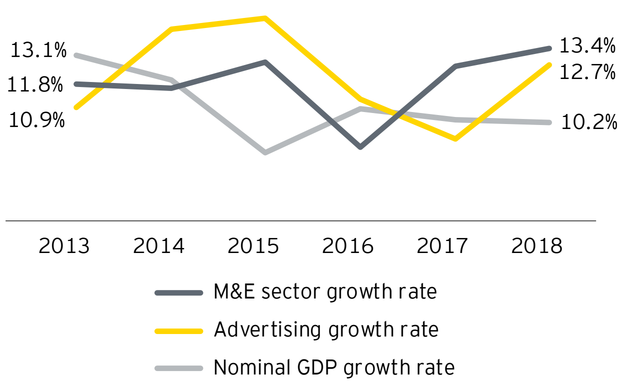
For most OTT platforms – video, news or audio – the cost of content and customer acquisition continued to be higher than the revenues earned per customer. While subscription growth has begun, advertising rates are already at levels much higher than those charged by traditional media. Programmatic advertising – expected to grow from 20% in 2018 to 50% by 2021 – could further impact advertising revenue yield. Consequently, the formula for success will depend on massive growth in reach and more paying subscribers. Till such time as the customer lifetime value equation balances, we can expect to see a high amount of content syndication by platforms to recover content costs.

Width of sports consumption increased

2018 saw wrestling garner 20% of time spent on sports on television, while cricket achieved 19%. The share of time spent on volleyball, athletics, boxing, hockey, martial arts, badminton and soccer all increased.

M&E sector continued to outperform the Indian economy

M&E growth vs. nominal GDP growth



While the Indian economy grew its nominal GDP by 10.2%[4], the Indian M&E sector grew 13.4%. Advertising, which had dropped below the nominal growth rate in 2017 due to demonetization and implementation of GST, recovered and grew 12.7%. The M&E sector is seeing the fruits of continued economic growth and India's rising per-capita nominal GDP, which is estimated to have grown by 10.6% in 2018[5], a five-year high growth rate.

Sector consolidation continued

Deal value doubled to US$2.8 billion in 2018. Indian media companies saw 41 large deals in 2018, led by PVR Cinemas acquiring SPI Cinemas, Reliance acquiring Hathway and Den Networks, etc. Deals were driven by scale, market share and access to technology. Investments in technology start-ups and content creators continued.

India became a multi-strategy market

Many investors realized the heterogeneity of India and have created multiple strategies to target India and Bharat and the different strata within them. There is not going to be a single market strategy, and companies adapted to the fact that global strategies do not always work in India.

4. Growth (Basic data): First Revised Estimates, NAS dated 31 Jan 2019 and Advance Estimates, NAS dated 07 January 2019, CSO, MoSPI

5. IMF World Economic Outlook, October 2018

Customer segmentation is driving a multi - strategy approach

Customer segment	2017	2018	2021
Digital only	1-1.5 Mn	2-2.5 Mn	5 Mn
Tactical digital	6 Mn	12 Mn	25 Mn
Bundled digital	155 Mn	218 Mn	376 Mn
Mass consumers	464 Mn	427 Mn	387 Mn
Free consumers	155 Mn	180 Mn	180 Mn

Source: EY analysis

Customer segments:

- Digital only - consume content only on digital platforms, do not access television
- Tactical digital - Consume Pay TV and at least one paid OTT service
- Bundled digital - Consume Pay TV and generally only telco-bundled content
- Mass consumers - Consume Pay TV and occasionally may consume some OTT content
- Free consumers - Do not pay for content

The key growth will come in digital only, tactical digital and bundled digital customer segments. Telco bundling will drive consumption for a majority of Indian OTT audiences.

The M&E sector continues to show great potential and we can expect to see stable, sustained growth over the next three years. India's thirst for knowledge and escapism will ensure the M&E product remains a necessity. Digital consumption will grow, and monetization avenues will see great innovation to cater to the new Indian customer segments.

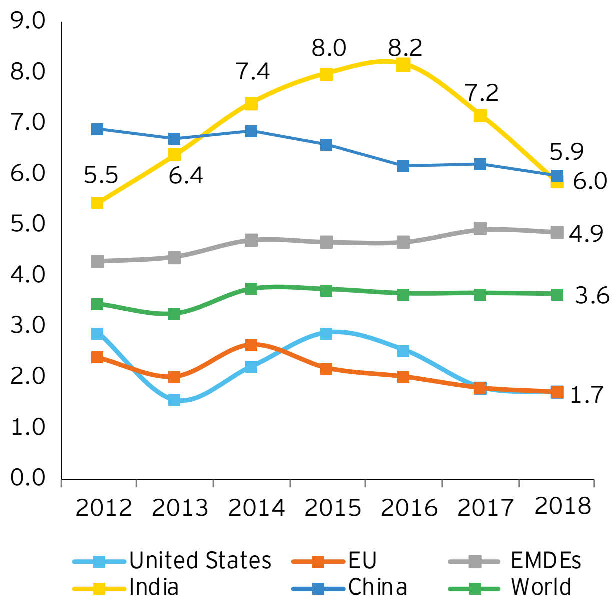
Image courtesy ImagesBazaar

Indian economy and its impact on M&E

India remained the growth leader in 2018

India has been the growth leader amongst major economies including Emerging Markets and Developing Economies (EMDEs) over the last five years (Chart 1). It surpassed China in terms of real GDP growth in 2014 and has remained higher since. The recently released first revised estimates for FY18 combined with the advanced estimates for FY19, imply a fall in the real GDP growth in 2018-19. However, these numbers are likely to be revised upwards. India is thus expected to remain the global growth leader for 2018.

Chart 1: GDP growth: Cross-country comparison



Source: IMF World Economic Outlook October 2018; CSO, MoSPI

Per capita nominal GDP grew 10.6% in 2018[1]

India's per capita nominal GDP is estimated to have grown by 10.6% in 2018, a five-year high, to INR140,000, as compared to a growth of 8.5% in 2017. It was also higher than the 8.5% growth in per capita GDP of China in 2018. Higher per capita income drove consumption growth, which in turn gave a boost to advertising and subscription.

India is expected to become the fifth largest economy in 2019

According to International Monetary Fund World Economic Outlook (October-2018), GDP (nominal) of India in 2018 at current prices is US$2,690 billion. India contributes 3.17% of total world's GDP on exchange rate basis. It comprises 17.5% of the total world population and 2.4% of the world's surface area. India is now the seventh largest economy of the world. It is behind sixth ranked France and fifth ranked United Kingdom, by US$105 billion and US$119 billion respectively and is expected to overtake them in 2019, when India's economy is expected to reach US$2,958 billion. India will be ranked third in 2019 on the basis of purchasing power parity (PPP).

Table 1: Expected GDP in 2019

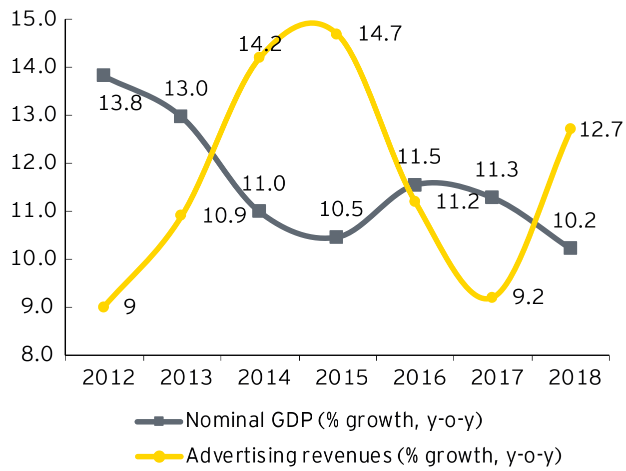
Country	GDP 2019 (billions of US$)			
	Nominal	Rank	PPP	Rank
United States	21,482	1	21,482	2
China	14,172	2	27,449	1
Japan	5,221	3	5,807	4
Germany	4,117	4	4,555	5
India	2,958	5	11,413	3
France	2,845	6	3,081	10
United Kingdom	2,810	7	3,145	9

Source: IMF

Advertising continued to outpace GDP growth

Chart 2 depicts the trend in growth of advertising revenues and nominal GDP. From 2012 till 2015, even as nominal GDP growth was falling, growth in advertising revenues was rising. However, growth in advertising revenues has fallen since then but has picked up again in 2018. Advertising was maintained around 0.4% of GDP in 2018.

Chart 2: Growth in advertising revenues and nominal GDP



Source: Advertising Revenue: FICCI M&E reports

Growth (Basic data): First Revised Estimates, NAS dated 31 Jan 2019 and Advance Estimates, NAS dated 07 January 2019, CSO, MoSPI

Note: While advertising revenues are estimated for a calendar year, GDP estimates are for a fiscal year. For example, a 2012 fiscal year represents the fiscal year from April 2012-March 2013.

1. IMF World Economic Outlook, October 2018

Forward estimates of growth are positive

Interim Budget 2020: Providing a consumption-based push

The Interim Budget 2020 of the Government of India has given a consumption-based push to the economy. First, in the form of direct transfers to farmers, a budgetary commitment for INR200 billion in FY19 and INR750 billion in FY20 has been provided. Secondly, the standard deduction for salaried employees has been raised from INR40,000 to INR50,000, which would increase their disposable income. Third, a tax relief has been given to the low and middle income groups with a taxable income of less than INR500,000 which may be claimed as a rebate.

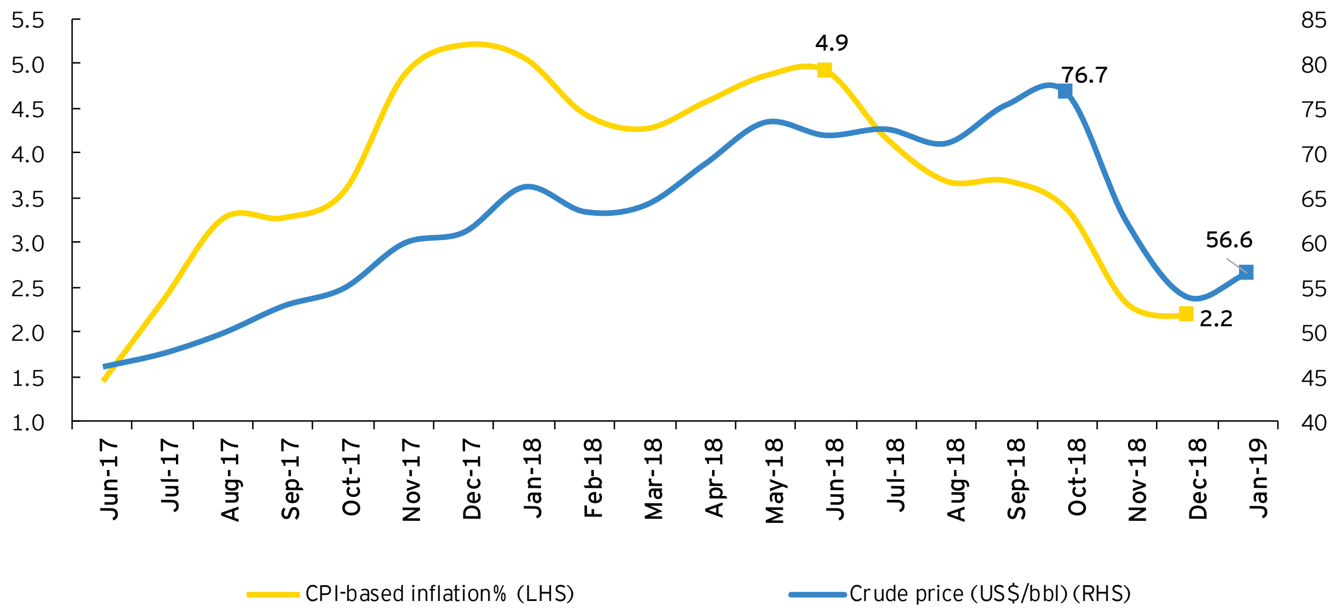
These programs are likely to add to the private disposable incomes of low to middle income segments in 2019 and 2020. They have the potential of raising consumption demand in the economy and correspondingly advertising spends, since the relatively lower income groups tend to have a higher marginal propensity to consume.

Further, this fiscal stimulus is likely to have a stronger positive effect on growth rather than inflation since food inflation in December 2018 was contracting at (-) 2.5% y-o-y and the overall CPI inflation was quite low at 2.2%.

Crude prices are expected to remain low in 2019

The fall in crude prices from their peak level of US$76.7/barrel in October 2018 to US$56.6/barrel in January 2019 significantly contributed to the fall in Consumer Price Index (CPI) based inflation to an 18-month low of 2.2% in December 2018 (Chart 3). Further, as per the IMF[2], crude prices are expected to remain low in 2019 and 2020, closer to the current levels. If this were to materialize, it would likely exert a benign effect on inflation and also provide additional disposable income in the hands of consumers through lower domestic fuel prices. The print segment would also benefit through lower newsprint prices and logistics costs.

Chart 3: Trends in global crude prices and CPI-based inflation



Source: Pinksheet. World Bank; MoSPI

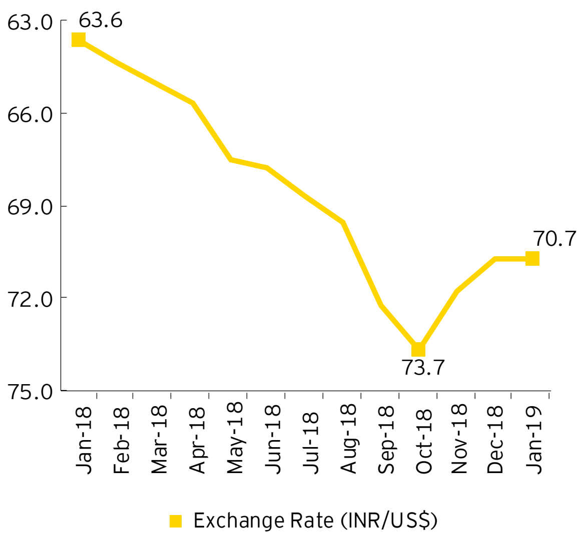
Note: Crude price represents the simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh

2. IMF World Economic Outlook Update, January 2019

Exchange rate fluctuations are expected to be muted

Starting January 2018, India's exchange rate had depreciated to an all-time low averaging INR73.7/US$ in October 2018 partly due to foreign portfolio outflows and the impact of higher crude prices on India's import bill (Chart 4). Since then, however, the Rupee has recovered and stood at INR 70.7/US$ in January 2019. It is expected to remain close to this level for the remaining part of the year as well[3].

Chart 4: Exchange rate movement



Source: RBI

A stable Rupee will help keep down costs of content imports, capital goods and newsprint, as well as encourage digital advertising.

National Digital Communications Policy-2018

Both the telecommunications and the media and entertainment sectors are part of the current government's Make-in-India plan, and therefore have been given special attention. In September 2018, the government released the National Digital Communications Policy-2018 (NDCP-2018) which catered towards the establishment of "ubiquitous, resilient and affordable digital communications infrastructure and services". Its key objectives include providing universal broadband connectivity at 50 Mbps to every citizen, providing 1 Gbps connectivity to all gram panchayats by 2020 and 10 Gbps by 2022, ensuring connectivity to all uncovered areas, attracting investments of US$100 billion in the digital communications sector, training one million manpower for building new age skills, expanding the Internet of Things (IoT) ecosystem to five billion connected devices and facilitating India's effective participation in the global digital economy through a review of the SATCOM policy and telecommunications legal and regulatory regime.

3. As per Oxford Economics Database, rupee is forecasted to be average INR 69/US$ in 2019.

FDI policy initiatives are driving investment

The Indian government has focused on liberalizing the FDI regime for both telecom and media and entertainment sectors, to attract investment for adequate infrastructure development. FDI limits for the telecom sector were eased in 2013[4] while those for the media and entertainment sector were eased in 2015 and 2016. More recently, in June 2016, FDI limits in teleports, DTH, cable networks, mobile TV, headend-in-the sky broadcasting service and cable networks were completely lifted allowing 100% FDI through the automatic route.

Table 2: FDI limits for the Telecom and M&E sectors

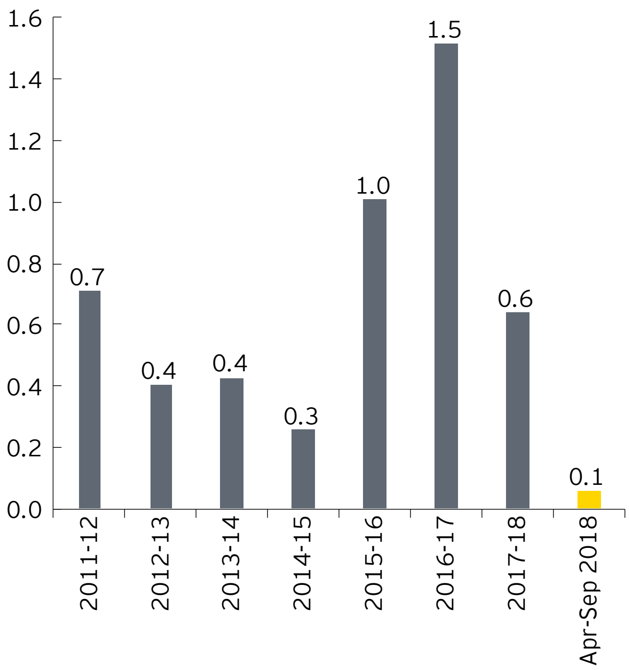
Services	FDI limit	Approval condition
Telecommunications		
Telecommunication services (basic, cellular, internet, national, international long distance, etc.) Infrastructure providers	100%	▶ FDI up to 49%: automatic route ▶ FDI beyond 49% and up to 100%: approval route, i.e., prior approval from FIPB
Telecom equipment manufacturers	100%	▶ Automatic route
Media and Entertainment		
Teleports, DTH, cable networks, mobile TV and headend-in-the-sky broadcasting service	100%	▶ FDI up to 49% through the automatic route and beyond 49% through approval route
Cable networks	100%	▶ Automatic route allowed up to 49% and approval route beyond 49%
FM (radio) and the up-linking of news and current affairs channels	49%	▶ FDI up to 49% through approval route
Up-linking of non-news and current affairs' channels	100%	▶ Automatic route

Source: Rao, K. C., & Dhar, B. (2018). India's Recent Inward Foreign Direct Investment: An Assessment. Institute for Studies in Industrial Development; https://economictimes.indiatimes.com/industry/media/entertainment/media/govt-raises-fdi-cap-in-news-channels-to-49/articleshow/49740806.cms

4. https://www.livemint.com/Politics/hxnnl3jx9kaCHnKgsk9oQK/Govt-relaxes-foreign-investment-rules-to-revive-growth.html

Chart 5 shows the trends in FDI inflows into the information and broadcasting sector since 2011-12. FDI inflows display volatility though in recent years there has been a significant upward trend post liberalization of FDI norms.

Chart 5: FDI inflows in information and broadcasting sector (US$ billion)



Source: DIPP

The share of information and broadcasting sector in total FDI inflows into India peaked at 3.5% in 2016-17, before falling to 1.4% in 2017-18[5].

DK Srivastava
Chief Policy Advisor, EY LLP (India)

5. DIPP

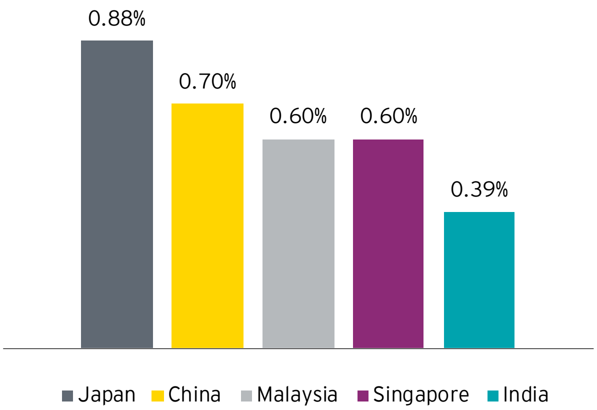
The global perspective on Indian M&E

How big is the India M&E opportunity?

India is a huge market with very positive growth fundamentals across virtually every type of media. The market is strategically interesting to global players seeking to monetize content and capture growth upside, either as a participant via licensing or other commercial arrangements, or as an outright owner through an in-bound acquisition or organic investment approach.

With more than 850 TV channels and over 17,000 newspapers, the country is one of the most diverse and vibrant media markets globally. Yet the headroom for future growth is significant. Advertising, the lifeline of India's M&E industry, remains amongst the lowest in terms of spend as a percentage of GDP. The country is also at an inflection point in wireless broadband connectivity and infrastructure that, combined with its GDP growth and young demographics, offer new opportunities.

Ad spend as a percentage of GDP



While there are positive growth trends across a number of M&E sub-sectors, these are some areas which are seeing strong interest from global players.

Digital / OTT

India has the world's second highest number of internet users after China, with around 570 million internet subscribers[1], growing at a rate of 13% annually[2]. The impressive scale of the market and a liberal foreign investment environment will continue to be attractive to global streaming platforms looking to capitalize on the country's fast growing digital consumption[3].

The increased availability of competitively priced 4G services provides a particularly exciting opportunity for companies to reach a broader set of Indian consumers in diverse regional markets and smaller towns. Localization and differentiated content are becoming crucial to engaging the attention of these audiences. As such, there has been a strong focus by global streaming platforms in the last year to invest in local content and originals as they look to gain scale[4]. This continues to provide an exciting opportunity for content creators, who are seeing both global and local streaming services invest in greater volumes of content with larger budgets.

Television[5]

India is the second largest pay-TV market in the world in terms of subscribers after China, with 197 million TV households growing at 7.5% y-o-y[6]. Pay-TV penetration in India has more than doubled from 32% in 2001 to 66% in 2018 (by comparison in 2018 pay-TV penetration in the US was 78% and over 90% in China). While the size of the Indian pay-TV market in terms of revenue is smaller than its peers, the runway for continued growth provides exciting opportunities for global players.

Regional pay-TV markets continue to be attractive, as they outpace national ones in terms of advertising. We expect global broadcasters to continue to build a presence in these markets by acquiring or partnering with local broadcasters.

1. TRAI
2. 2017-18 growth rate as per TRAI
3. "How OTT Will Drive Innovation in 2018 in India," Indus Net, https://www.indusnet.co.in/ott-will-drive-innovation-2018-india/, accessed 28 February 2019.
4. "It rained OTTs in India in 2018," AnimationXpress website, http://www.animationxpress.com/index.php/latest-news/it-rained-otts-in-india-in-2018, accessed 28 February 2019.
5. "Netflix: How big is the India opportunity," Barclays, September 2018, via ThomsonOne.
6. "BARC India releases BI 2018; TV homes in India up by 7.5%; total TV viewership up by 12%," https://www.livemint.com/Consumer/mHADAtpTFzfZ3UnC54oyDI/Television-viewership-in-India-up-by-12-since-2016-Barc-st.html, BARC India, accessed 28 February 2019.
7. "Netflix: How big is the India opportunity," Barclays, September 2018, via ThomsonOne.
8. "Box Office Collections, Bollywood Hungama, https://www.bollywoodhungama.com/box-office-collections/filterbycountry/IND/2018, accessed 28 February 2019.

Sports

The interest and consumption of sports in India is slowly changing to support multiple professional sports leagues in addition to cricket. Last year saw an increase in time spent on wrestling, volleyball, hockey, and martial arts, among others, opening new avenues of investment for global companies.

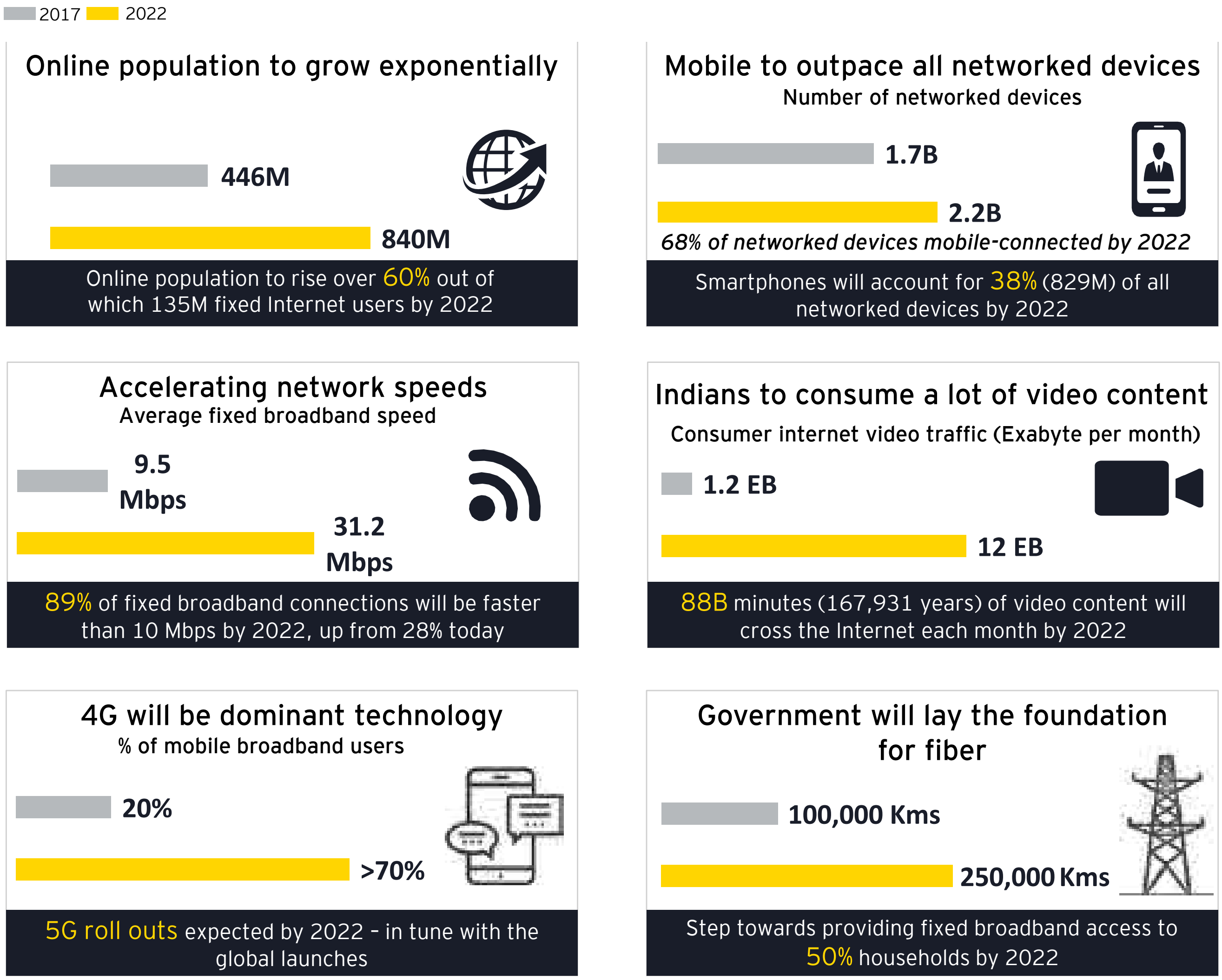
That said, cricket continues to dominate with significant interest from global players. The most recent set of cricket rights sold for approximately US$9.3 million/game compared to US$10.7 million/game for the English Premier League and US$12.3 million/game for the NBA[7]. The rapid growth in cricket online viewership has led to significant interest from global internet companies in particular. This interest is likely to increase in the coming years as online viewership of cricket approaches that of linear television.

Film production and distribution

The growth in digital video consumption is providing new growth opportunities for major international film studios, many of which have already established domestic divisions or are collaborating with local studios. Non-theatrical releases are becoming more commonplace with Indian filmmakers increasingly open to making movies for exclusive digital release. At the same time, Hollywood movies are also seeing strong growth at the Indian box office – collections for the top 10 Hollywood films in India reached over INR7.5 billion in 2018 from INR4.8 billion in 2017[8].

John Harrison
Global M&E Leader - EY

Digital India:
Data to unlock new opportunities



2019; Sources: EY Analysis, eMarketer, Nokia MBiT Index 2019; Cisco VNI Index 2019; World Bank Doing Business 2019 report

While there are many opportunities, India faces several persistent challenges:

Increasing usage of digital media has accelerated video consumption and also increased piracy threat. Growing piracy is likely to restrict full monetization of content as well as large-scale acceptance of SVoD in India.

Indian market is highly price sensitive and is majorly advertising driven.

India's Ease of doing business 2019 ranking improved 23 spots to reach #77 – its position worsened on 'paying taxes' and 'resolving insolvency'.

Image courtesy ImagesBazaar

Segmental trends

Television

Image courtesy ImagesBazaar

Key messages

TV advertising grew on increased volume and regional properties

- TV advertising grew 14% in 2018 to reach INR305 billion
- Number of private satellite channels increased to 885, of which 43% were classified as news channels
- Ad volumes grew 15% in 2018
- 50% of ad spend on TV was contributed by FMCG
- FreeDish-led advertising revenues continued at around INR20 billion
- TV + digital ad selling came into being for impact properties
- Regional advertising outpaced national adverting growth

Digitization-led DAS-III and IV ARPU growth drove subscription

- TV subscription grew 11% to reach INR435 billion
- TV viewing households increased to 197 million
- TV penetration increased to 66% in 2018 from 64% in 2016; 88% of these television homes were digitized
- ARPU increases were noted, primarily in DAS-III and IV markets
- A 50% increase in LED / LCD / plasma television sets was observed and HD viewership increased by 57%
- Multiple television homes crossed 4 million
- The free + paid dual STB home came into existence
- Broadcaster share of subscription increased to INR110 billion
- International distribution started to go direct to customer in January 2019

Content went interactive and time spent increased

- Total time spent increased to 3 hours 46 minutes per day
- 77% of time spent on television was on escapism (GEC and film channels)

- Viewership growth was led by Oriya, Assamese, Marathi, Bhojpuri and Urdu content
- Sports viewership had a surprising new winner: Wrestling overtook cricket as the most viewed sport
- Jio, Sony, Star, Zee, Viacom18, Televison18 and Netflix, amongst others, enabled interactivity with their viewers

Future outlook

- 2019 promises further growth due to the elections and the ICC world cup. Television segment can reach INR955 billion by 2021, with advertising growing at 10% and subscription at 8%
- The impact of the TRAI Tariff Order can have implications on total viewership, free television uptake, channel MRP rates and advertising revenues. While its implementation could take upto six months, we can expect a lot of changes. OTT platforms are sure to benefit due to increased parity between television and OTT content choice and costs. Since large broadcasters have removed their content from FreeDish, its attractiveness may be impacted
- Television broadcasters will focus on customer database creation and experiment more with combined selling of impact properties across TV + OTT platforms. The measure for the industry will become ad impressions, with the CPM rate being a function of the quality of the audience and closeness to purchase points
- Indian broadcasters will continue to expand their global footprint. International revenues could reach 15% of the topline by 2021

Television segment grew 12% in 2018

	2017	2018	2019E	2021E
Advertising	267	305	333	403
Distribution	393	435	481	551
Total	**660**	**740**	**815**	**955**

INR billion (gross of taxes) | EY analysis

Television grew 12% in 2018 to reach INR740 billion. Growth was led by a 14% increase in advertising revenues and a 11% increase in subscription revenues. We expect growth for the segment to average 9% over the next three years, taking this segment to INR955 billion by 2021. Advertising comprised 41% of segment revenues in 2018 and this is expected to reach 42% by 2021[1].

Number of channels increased to 885 in 2018, of which 43% were news channels[2].

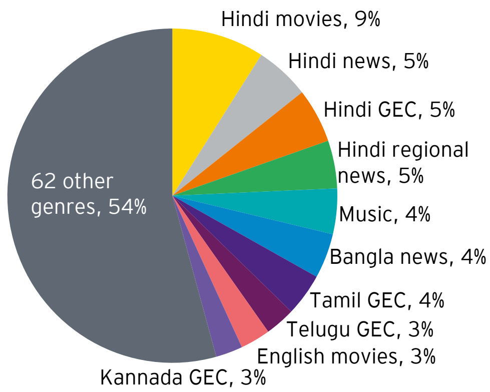
Advertising

TV advertising grew 14%

Ad volumes grew 15% in 2018

As per TAM AdEX, there were 10,962 advertisers and 16,857 brands on TV, of which 5,382 advertisers were not on print or radio. While ad insertions increased 15% in 2018[3], ad revenue grew 14%. Regional advertising outpaced national adverting growth on the back of national brands spending more to grow non-metro markets where GST had created a level playing field between national and regional brands.

Top 10 channel genres contributed 46% share of advertising volumes on TV

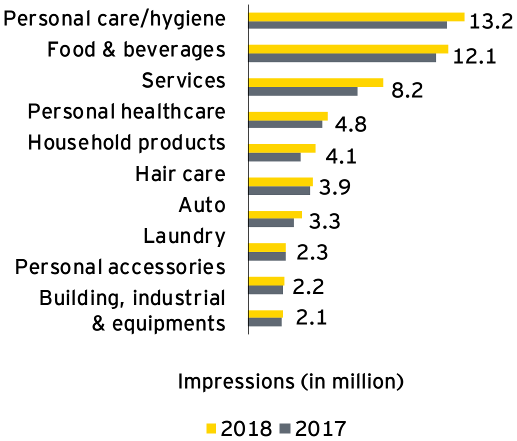


In 2017, the top 10 genres contributed 46% of advertising volumes, which reduced marginally to 46% in 2018. Hindi movies was the top channel genre with 9% share of ad volumes during 2018[4]. News, which commands a 7% share of viewership garners a disproportionately high share of advertising volumes.

1. Industry discussions and EY analysis
2. MIB website
3. TAM AdEX
4. TAM AdEX

All the top 10 categories of 2017 grew ad volumes in 2018

Insertions by ad category



Overall insertions across the top 10 categories grew 10%. Personal care / hygiene was the sector with most ad insertions (20%), followed by food and beverages and services. Growth was driven by household products (27% growth) followed by services (23% growth)[5].

50% of ad spends were contributed by FMCG

Product category	Category contribution	Contribution to growth
FMCG	50%	44%
Telecom	12%	9%
Auto	8%	10%
Household durables	5%	8%
E-commerce	5%	6%
Real estate and home improvement	3%	3%
Clothing, fashion, jewelry	3%	4%
Banking, financial services, insurance	2%	3%
Others	12%	13%
Total	**100%**	**100%**

Source: Pitch Madison Advertising Report 2019

50% of ad spends on TV were contributed by FMCG, which also contributed to 44% of value growth. The fastest growing categories were durables, travel and tourism and e-commerce.

5. BARC, TAM AdEX

FreeDish generated INR20 billion of advertising revenues

FreeDish generated an estimated INR20 billion of advertising revenues[6]. In February 2019, large broadcasters removed their channels from this medium and this could impact our ad revenue forecast by INR10-20 billion in 2019.

TV + digital ad sales began

Broadcasters have started combined selling of ads across OTT and linear platforms. This enables better monetization of marquee properties, and increases utilization of digital inventory. Advertisers can provide separate messaging to segmented audiences and also enable trial, sales and connect with the viewer. We believe this will be the trend going forward for flagship properties across fiction, non-fiction and sports.

Distribution

TV owning households increased to 197 million

Mode of signal	2017	2018
Cable	98.5	103
DTH*	52	56
HITS	1.5	2
Free TV	31	36
Total	**183**	**197**

Television households in millions | BARC, EY analysis

* Net of temporarily suspended subscribers

Television owning households increased to 197 million, which is a 7.5% increase over the previous Broadcast India survey. During the same period, total Indian households increased 4.2% to reach 298 million. Correspondingly, TV penetration increased to 66% in 2018 from 64% in 2016[7].

Bihar and Jharkhand showed highest growth in television households on the back of India's drive towards electrification.

State group	Growth%
Bihar / Jharkhand	24%
Assam / North East / Sikkim	21%
Odisha	12%
AP / Telangana	11%
Karnataka	9%

Source: BARC

6. Industry discussions; EY estimates
7. BARC Broadcast India 2016 and 2018

88% of TV viewing households were digitized[8]

According to BARC, 31% of TV viewing households had paid DTH, 13% had free DTH and 44% had digital cable. This number indicates a 15% growth over 2016 and has contributed significantly to the growth in end-subscriber pricing.

ARPU increases were noted, primarily in DAS-III and IV markets

Markets	2017 INR per month	2018 INR per month
DAS-I	250-350	250-350
DAS-II	200-325	200-325
DAS-III	150-225	175-225
DAS-IV	125-200	125-225

Source: Industry discussions; EY analysis

Digitization led to increased collections from end customers in DAS-III and DAS-IV markets, with many cities crossing the INR200 per month number. DTH ARPUs have been affected by a change in the subscriber mix with incremental subscribers coming at a lower price point and the movement of subscribers to lower value regional packs.

HD viewership increased by 57%

HD channels grew from 78 in 2017 to 92 in 2018 (18% growth). HD viewership has grown at the rate of 57% in 2018 to reach 874,000 impressions[9].

Multiple TV homes increased to 4 million[10]

Multiple TV homes have reached 4 million households in 2018. The states with the highest incidence of multiple TV homes are provided in the table.

2016	2018
UP / Uttarakhand	UP / Uttarakhand
TN / Pondicherry	Delhi
West Bengal	West Bengal
Delhi	Haryana + HP + JK
Haryana + HP + JK	Punjab / Chandigarh

50% increase in LED / LCD / plasma television sets

High-end television sets grew from 14% of all television sets in 2017 to 21% in 2018[11]. In addition, smart TV sets have crossed 10 million, though as few as 10% of them could be connected[12].

The free + paid dual STB home came into existence

Many DPOs we spoke with mentioned the existence of price sensitive customers who had adopted for a FreeDish box as well as a paid TV service, the latter being activated during holidays and when there were large sporting events.

8. Broadcast India survey 2016 and 2018
9. Broadcast India survey 2016 and 2018, TG: 2+
10. Broadcast India survey 2016 and 2018
11. Broadcast India survey 2016 and 2018
12. Industry discussion & https://economictimes.indiatimes.com/magazines/panache/xiaomi-launches-mi-led-tv-4-in-india-for-rs-39999/articleshow/62918726.cms

Consolidation has been seen across cable and DTH

Acquirer	Acquired company	Rationale
Reliance Jio	DEN Networks (66% stake), Hathway Cable (51.3% stake)	The acquisition has provided Reliance Jio with direct access to MSOs' broadband infrastructure and the large pool of pay cable TV subscribers, which the company will utilize to accelerate Jio's entry into the fibre to the home market. Post-acquisition, Jio has direct access to ~6.5 million broadband households, which account for ~36% of India's total fixed broadband subscriber base of 18 million. On the other hand, the deal also allows Jio to access 12.5 million cable TV subscribers or ~7% of total TV households who may not have broadband connectivity yet. [13]
Dish TV India	Videocon D2H (merger)	The combination of these two companies created the largest DTH operator in the country and they are expected to enjoy the benefits of scale across content and other operating costs.[14]

Broadcaster share of subscription revenues increased to INR110 billion[15]

This is around 25% of the total ground collections. However, once the subscribers' migration from old tariff regime to the new tariff order regime is implemented across India, the broadcaster's share is expected to go up significantly, especially from cable subscribers.

International distribution went direct to customer[16]

ZEE is planning to pull the plug on its linear television service in Europe, Australia, Fiji and a few other overseas markets and offer content only via the video OTT service, Zee5. Star India had discontinued distribution of television channels in Canada and the US and has been offering content only through its video on-demand player, Hotstar. While Zee5 is not yet present in the US, due to its non-compete clause with Dish Network which restricts Zee from launching a direct-to-customer service in that market, the broadcaster has shortlisted markets where it is now looking to stop distribution of channels via cable or satellite. This indicates a possible new trend for broadcasters in international territories such as US where cutting the cord (i.e., consumers moving from cable TV to OTT platforms) is gaining traction. Their decision could deliver a huge boost to international OTT platforms.

13. "RIL's partnership with Hathway, Den to hit broadcasters, DTH players; India Ratings explains how," Financial Express, https://www.financialexpress.com/industry/rils-partnership-with-hathway-den-to-hit-broadcasters-dth-players-india-ratings-explains-how/1362351//, accessed on 14 December 2018
14. "Dish TV India, Videocon d2h merger completed", Economic Times, https://economictimes.indiatimes.com/industry/media/entertainment/media/dish-tv-india-videocon-d2h-merger-completed/articleshow/63414778.cms, accessed on 22 March 2018
15. Industry discussions and EY analysis
16. "Zee to go OTT-only in Europe, Australia; plans to pull plug on linear service", Economic Times, https://economictimes.indiatimes.com/industry/media/entertainment/zee-to-go-ott-only-in-europe-australia-plans-to-pull-plug-on-linear-service/articleshow/67670140.cms, accessed on 24 January 2019

Content and viewership

Average time spent watching television increased to 3 hours 46 minutes per day[17]

The time spent increased marginally to 3 hours 46 minutes per day, led by megacities, which had 4 hours 32 minutes and south markets, at 4 hours 14 minutes. Around one trillion man minutes were spent per week on television, which is at an all-time high.

77% of content consumed was on escapism

While 53% of total content consumed was on general entertainment, another 24% was on films. News viewership remained at around 7% despite 43% of TV channels in India being classified as news channels[18] .

Viewership growth was led by regional languages

Viewership growth was led by regional channels, with the highest growth being recorded by Oriya (34%), Assamese (26%), Marathi (25%), Bhojpuri (22%) and Urdu (20%). That compared to a 15% growth for Hindi and an overall growth of 13%[19].

Sports viewership had a surprising new winner

Sport	Viewership share in 2018
Wrestling	20%
Cricket	19%
Kabaddi	17%
Volleyball	6%
Sports magazine	5%

Source: BARC viewership share[20]

Wrestling became the most watched sport on TV, overtaking cricket's share of viewership. Volleyball more than doubled its viewership. Together, wrestling, cricket and kabaddi contribute to over 50% of all sports viewership. Football continued to remain out of the top five sports, coming in at number seven overall.

Second screen interactivity grew[21]

Star, Sony, Viacom and Jio experienced huge success in implementing second screen interactivity for their premium properties like IPL and KBC. Large initiatives around consumer engagement delivered significant results to all participants in the value chain. Broadcasters saw increased stickiness and increase in linear viewership. OTT platforms saw increase in app downloads and subscription numbers. Advertisers saw innovative ways to engage with customers and increase sampling.

We believe that the interactivity that Netflix has implemented using fiction content is the direction that other OTT players shall also take across various languages. Interactive storylines can bring high interest levels and repeat value for the same content for their viewers.

17. BARC
18. TRAI web-site; BARC
19. BARC
20. TG: All India/ 2+/2018/Program theme: Sports
21. Industry discussions; EY estimates

TRAI's New Tariff Order (NTO)

Some important features of the NTO are listed in the table below. This is not a comprehensive list.

Areas amended	Key matters
Revenues i.e. Cost of providing services and carrying content	▶ The network capacity fee, per month, per set-top box, for upto 100 standard definition (SD) channels is capped at INR130 (excluding taxes). Capacity for a high definition (HD) channel will be equivalent to two SD channels ▶ Distributors can offer slabs of 25 channels (above 100 channels) at a maximum rental amount of INR20 (excluding taxes), per month ▶ Carriage fee is capped INR0.20 and INR0.40 / subscriber / channel / month for SD and HD channels, respectively

Average active subs	Carriage fee calculation
<5%	Rate of carriage fee as per agreement * Average subscriber base
>=5% and <10%	Rate of carriage fee as per agreement * 0.75 * Average subscriber base
>=10% and <15%	Rate of carriage fee as per agreement * 0.50 * Average subscriber base
>=15% and <20%	Rate of carriage fee as per agreement * 0.25 * Average subscriber base
>=20%	NIL

Areas amended	Key matters
Inter-connect agreements	▶ DPOs can receive a minimum of 20% of the MRP of pay-channel or bouquet of pay channels as the distribution fee from broadcasters. A cap of 15% has been placed on discounts offered by broad-casters to DPOs. However, the overall sum of distribution fee and discount offered by the broad-caster cannot exceed 35% of the MRP of the pay channel or a bouquet of pay channels ▶ The settlement of service charges between LCO and MSO should be on a mutually agreed basis. In case they fail to reach an agreement, the network capacity fee amount and the distribution fee amount is to be shared in the ratio of 55:45 between the MSO and the LCO
Channel pricing and offerings	▶ Broadcasters need to declare a Maximum Retail Price (MRP) for all their pay channels offered on a-la-carte basis for all platforms. MRP will be uniform across all distribution platforms MSOs, DTH, IPTV and HITS bringing all the platforms on a level playing field, resulting in same content costs for platforms, irrespective of the type of platform ▶ Distributors are required to offer all channels available on their network to all subscribers on a-la-carte basis and declare monthly Distribution Retail Price (DRP), for each pay channel. The DRP should not exceed the monthly MRP, declared by the broadcasters for the same pay channel. DPOs can also create bouquets with channels from different broadcasters. DPO shall offer to its subscribers each bouquet of pay channels offered by a broadcaster, subject to subscribing the said bouquet without altering its composition and declare the DRP for such bouquets also ▶ Bouquets cannot include FTA and Pay channels both; nor can they include HD and SD versions of the same channel; neither comprise of pay channel whose MRP as declared by broadcaster is more than INR19 ▶ Every distributor of television channels is required to offer 100 SD TV channels including all the mandatory channels as per the Government of India across defined genre for the Network Capacity Fee (NTF) of INR130 excluding tax ▶ An earlier proposed linkage between a-la-carte and bouquet price (of 15%) has been removed ▶ DPO shall conduct audit through TRAI empanelled auditors only once in a calendar year. In case the broadcaster is not satisfied with the audit report, then the broadcaster may audit MSO not more than once a year, though TRAI empanelled auditors only

Point of view

Anuj Gandhi
Group CEO, Indiacast Media Distribution Pvt Ltd.

After years of confusion the verdict is finally out - Content is king! With the New Tariff Order and spread of OTT - content will lead the way. Distribution and technology are at best critical facilitators along with marketing & branding.

Anil Dua
Group CEO, Dish TV India Ltd.

The implementation of TRAI tariff order will lay down new norms for the industry ushering in an era of growth, transparency, and non-discrimination. We are building further on this by integrating smart technology and innovations into our offerings. All this, along with our merger synergies, should help accelerate growth in our subscriber base and EBITDA.

Atul Das
Chief Corporate Development Officer, Zee Entertainment

All stakeholders are looking forward to implementation of the new Regulations. Currently, industry is going through a transition process which hopefully should settle down in next 2-4 months. We believe the new Regulations will be beneficial for the entire eco-system including consumers, DPOs and broadcasters.

Rajesh Kaul
Chief Distribution Officer, Sony Pictures Networks India

The new tariff order is set to dramatically change the distribution landscape in India. It will bring in far greater transparency and overall it will be good for the DPOs and big broadcasters, as the ARPU's are bound to go up and we will for the first time see fair share allocation of subscription revenues within the stake holders.

Future outlook

Adex growth will continue strong in 2019

We believe advertising will continue to grow in 2019 by a minimum of 9-10% on the back of the elections (which will help both national and regional channels), the ICC cricket world cup and overall momentum in the FMCG, durables and services categories, which are reaping the benefits of the GST roll-out. However, since large broadcasters have pulled out their DD FreeDish channels, that could bring down the estimates by INR10-20 billion.

Television segment can reach INR955 billion by 2021, with advertising growing at 10% and subscription at 8%[22].

TRAI's tariff order can result in several scenarios

The TRAI tariff order can have implications on total viewership, free television, channel MRP rates and advertising revenues. While its implementation could take up to six months, we can expect a lot of changes.

- OTT platforms are sure to benefit due to increased parity between television and OTT consumption – both in terms of content choice and costs
- If broadcasters subsequently continue to provide pay content on FreeDish, it has the potential to grow significantly and can reach upwards of 50 million, as lower-end consumers will increasingly shift to this platform, or use it as their second television connection
- If, however, large broadcasters continue to keep their content off FreeDish, television advertising revenues would be impacted and FreeDish's future will be determined by the number of new channels which come on the platform. We can expect more regional, news and niche channels – particularly those impacted negatively by the TRAI order – to try building audiences through FreeDish subject to auction base prices being feasible
- Given the price sensitivity of Indian consumers, the TRAI order may result in a significant increase in placement costs (by whatever it may be named or through discounting of rates) as more channels fight to be on the first and second packs of DPOs
- Smaller channel networks and niche channels may be negatively impacted due to limited marketing capability and less bouquet strength

A lot will finally depend on the cannel prices at which the market settles – which can take six-nine months. One thing is for sure, we can expect a lot of experimentation in 2019.

It's time for more consumer data

Television broadcasters will focus on customer database creation and experiment more with combined selling of impact properties across TV + OTT platforms. The measure for the industry will become ad impressions, with the CPM rate being a function of the quality of the audience and closeness to purchase points. We can expect to see data being used to upsell channels, sell sports and niche channels, as well as provide segmented audiences to advertisers, which should increase advertising rates.

Global monetization is expected to increase

Indian broadcasters will continue to expand their global footprint, either on their own platforms or through partnerships with telcos and international OTT platforms, to target not just Indian diaspora, but global audiences interested in Indian content. International revenues could reach 15% of the topline by 2021[23].

Value chain automation opportunities will be enabled

We expect to see more infrastructure sharing and collaboration between broadcasters, to take advantage of the global opportunity, interactivity solutions, traffic order validation, uplinking, news gathering and content creation. Distribution companies will increasingly become like telecom companies with common back-end infrastructure (an area where HITS can play a role). We can expect to see mobile wallets and scratch cards enable payments from consumers and LCOs. Finally, we can expect more self-serve platforms to come into existence for advertisers (like Zee Mitra) as well as for DPOs to buy content from broadcasters and LCOs to buy content from DPOs.

22. EY estimate
23. EY estimate

Global trends

Increase in original and exclusive content production

Significant and accelerating investment in original, exclusive content and emerging formats to satiate the growing appetite of consumers. In the US, the number of scripted original series (across broadcast, cable and premium networks) increased 10% per year between 2009 and 2018, with the total number of series more than doubling from 211 to 495[24] .

Broadcasters are forging direct to customer relationships

Broadcasters are navigating a delicate, long-term transition to a direct-to-consumer (D2C) delivery model, while also protecting the existing, highly-profitable distribution ecosystem. Not to be vanquished by rivals, broadcasters/ cable networks are forging a direct channel with audiences while generating a new organic revenue stream along with being carried on a growing number of virtual MVPDs. Traditional MVPDs are also launching their own "skinny bundles".

Addressable, programmatic advertising is on the rise

Broadcasters are experimenting with advanced advertising offerings of all types (including addressable, programmatic and OTT TV), leveraging an increasing flow of data to provide tailored solutions to marketers. While targeting audiences and performance measurement and reporting remain a challenge across these TV ad offerings, it would drive more ad revenues. The industry is trying to come up with new measurement approaches / tools and is participating in sector consortia to tackle the issue.

Increased mergers and acquisitions – almost US$1 trillion in four and half years

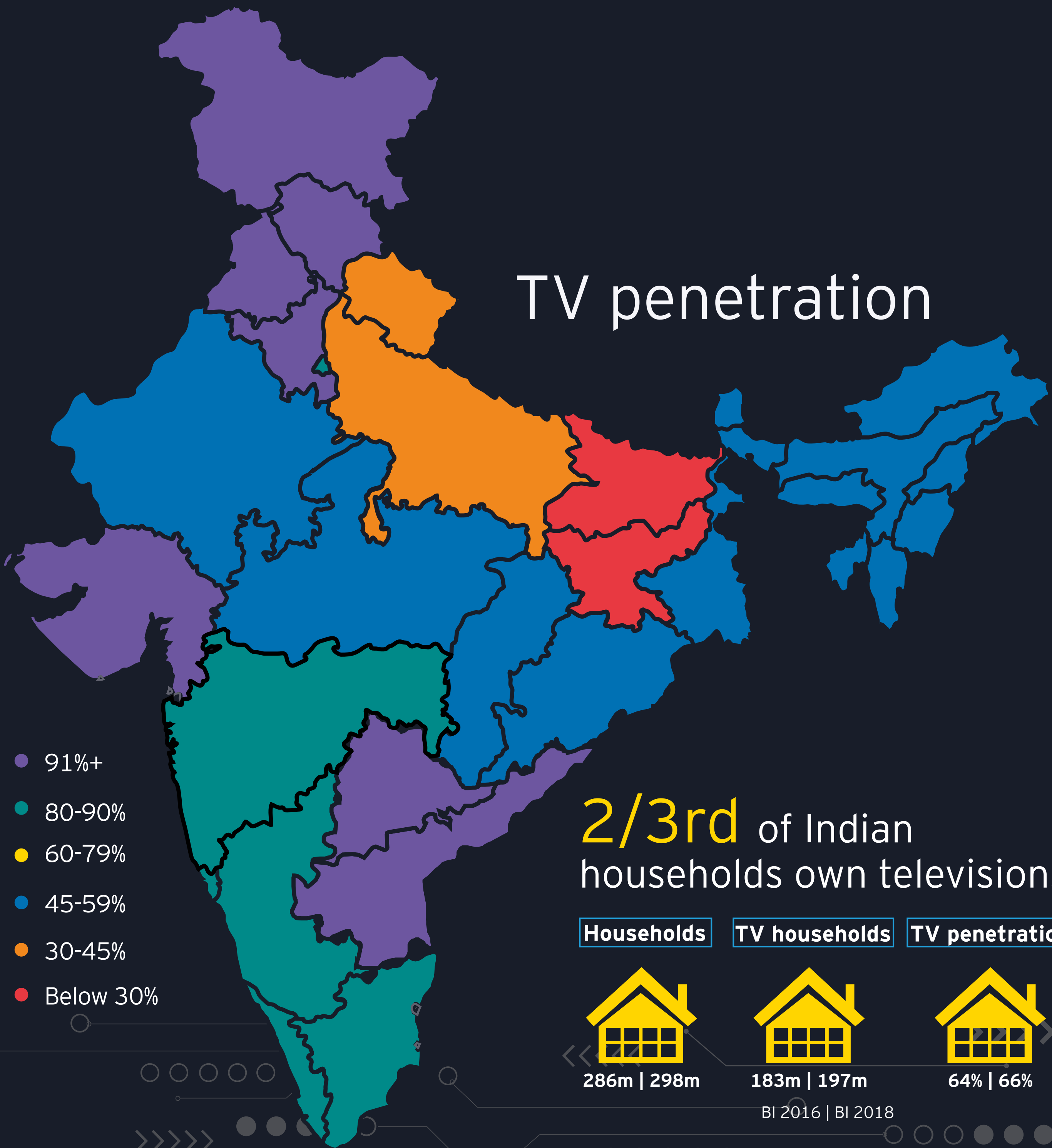
Players are propelled to turn to M&A to deal with the paradigm shifts in content and distribution landscape. They are looking at improving their competitive position by gaining scale in the form of content rights / IP or through convergence to strengthen bargaining position in the value chain. From 2014 to the first half of 2018, US$976 billion was invested globally in media and entertainment acquisitions[25].

24. Source: FX Networks
25. S&P Capital IQ

Television
Trendbook

Powered by

TV penetration



2/3rd of Indian households own televisions

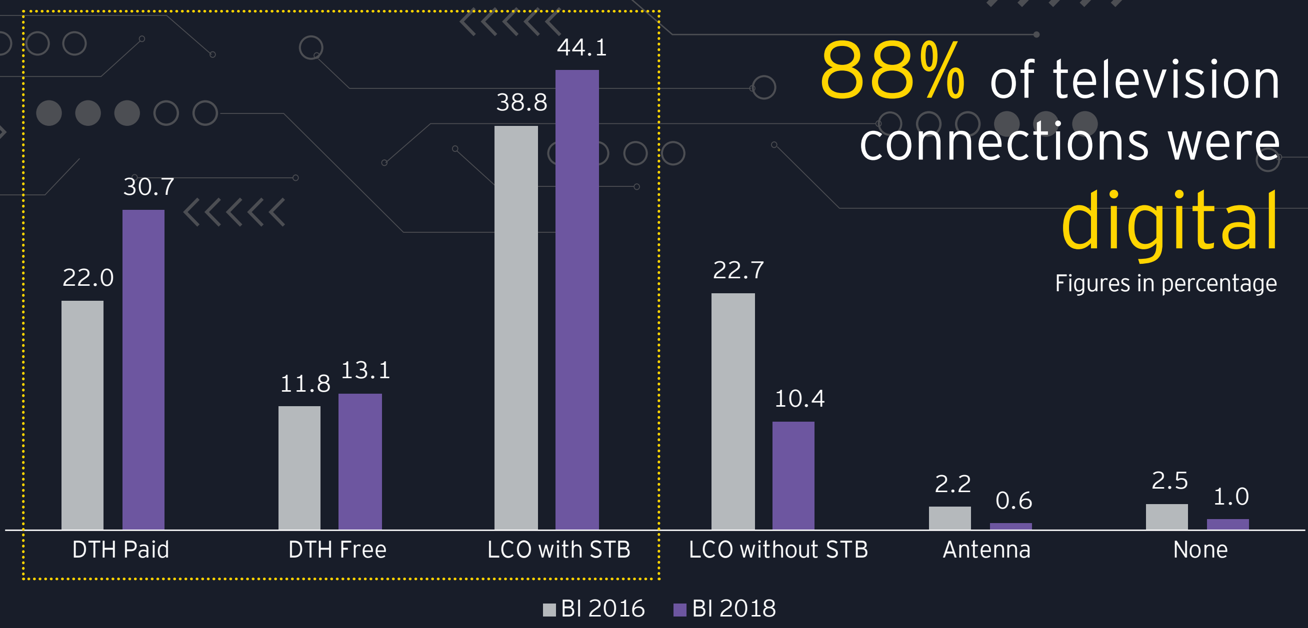
Households	TV households	TV penetration
286m | 298m	183m | 197m	64% | 66%

BI 2016 | BI 2018

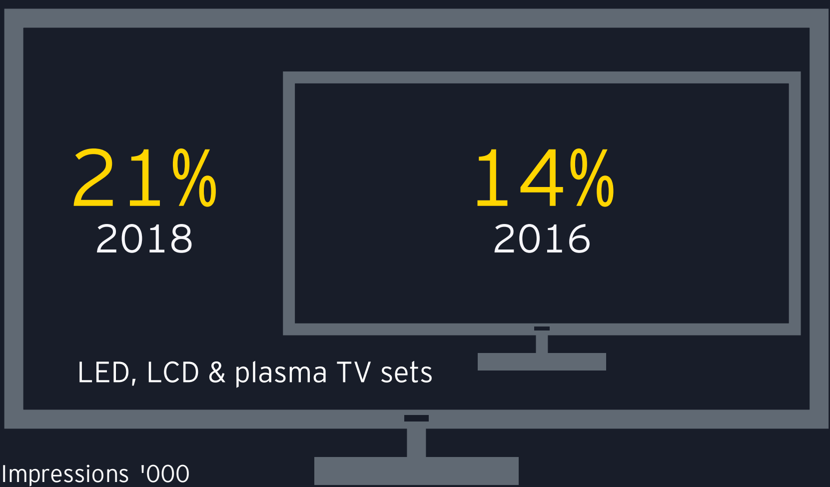
All data has been provided by BARC and is based on their research. It has not been validated by EY, and presented in summary form for representation purposes only. BI refers to BARC's Broadcast India survey

88% of television connections were **digital**

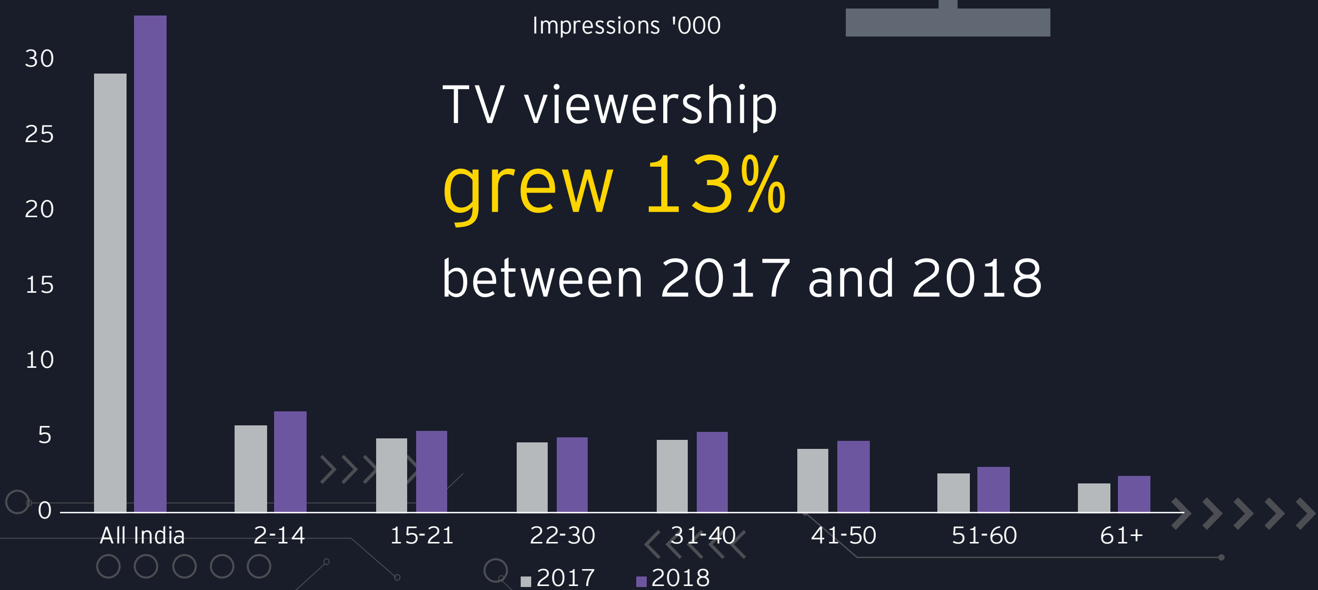
Figures in percentage



New age television sets grew **50%**

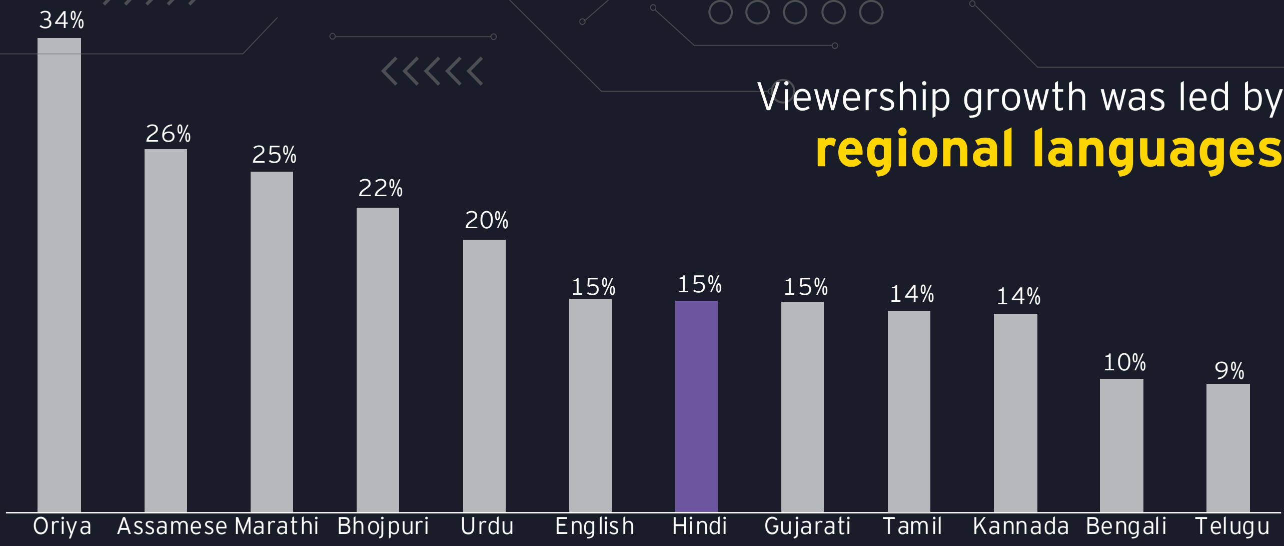


TV viewership **grew 13%** between 2017 and 2018



Impressions (billion) by agegroup

Viewership growth was led by **regional languages**



All India/2+/Channel Lang/Wk 38-50/2017 & 2018

South India and **mega-cities** led TV viewership

	Avg. time spent	Impressions (billion)	Weekly tune-ins (coverage)	Daily tune-ins (reach)
All India	3:46:21	33	93.5%	72.6%
HSM	3:32:36	21	92.9%	70.5%
South India	4:14:18	12	95.0%	77.4%

Number of unique channels viewed by a **household in a day**

12 — Pre-digitization 2017

15 — Post-digitization 2018

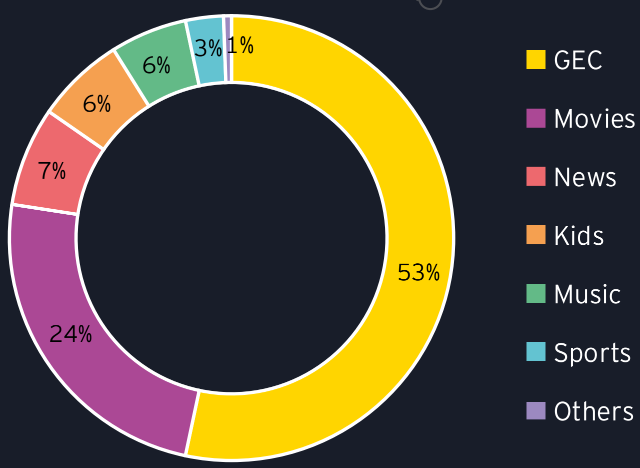
Number of unique channels viewed by a **household in a week**

24 — Pre-digitization 2017

35 — Post-digitization 2018

Digitization increased the **width of consumption**

TG: All India/2+



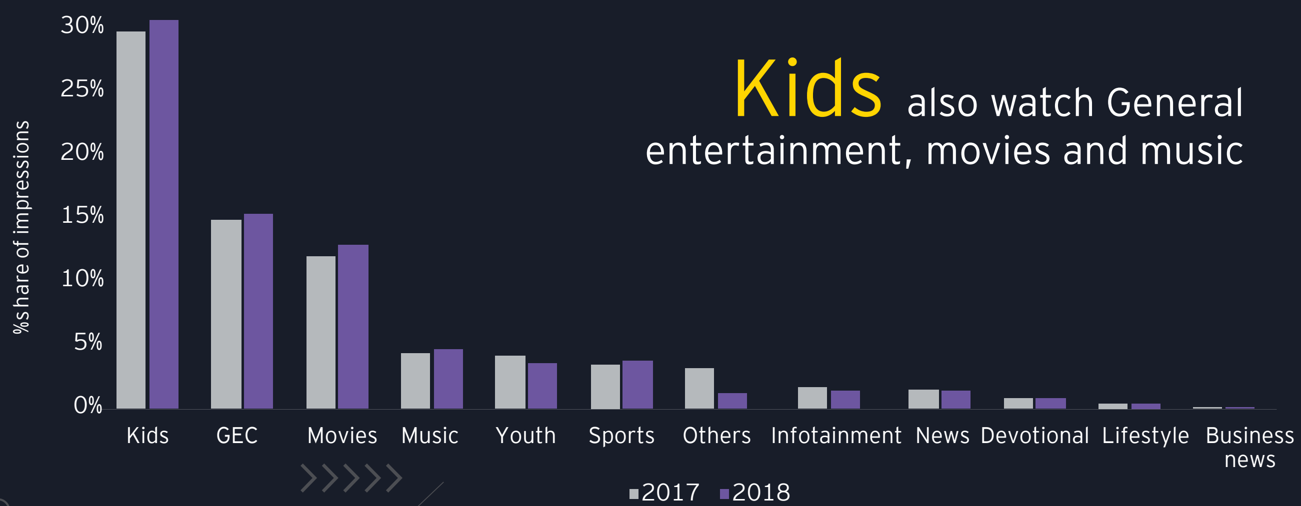
77% of time spent was on **escapism**

All India/2+/Wk 37-49/2018

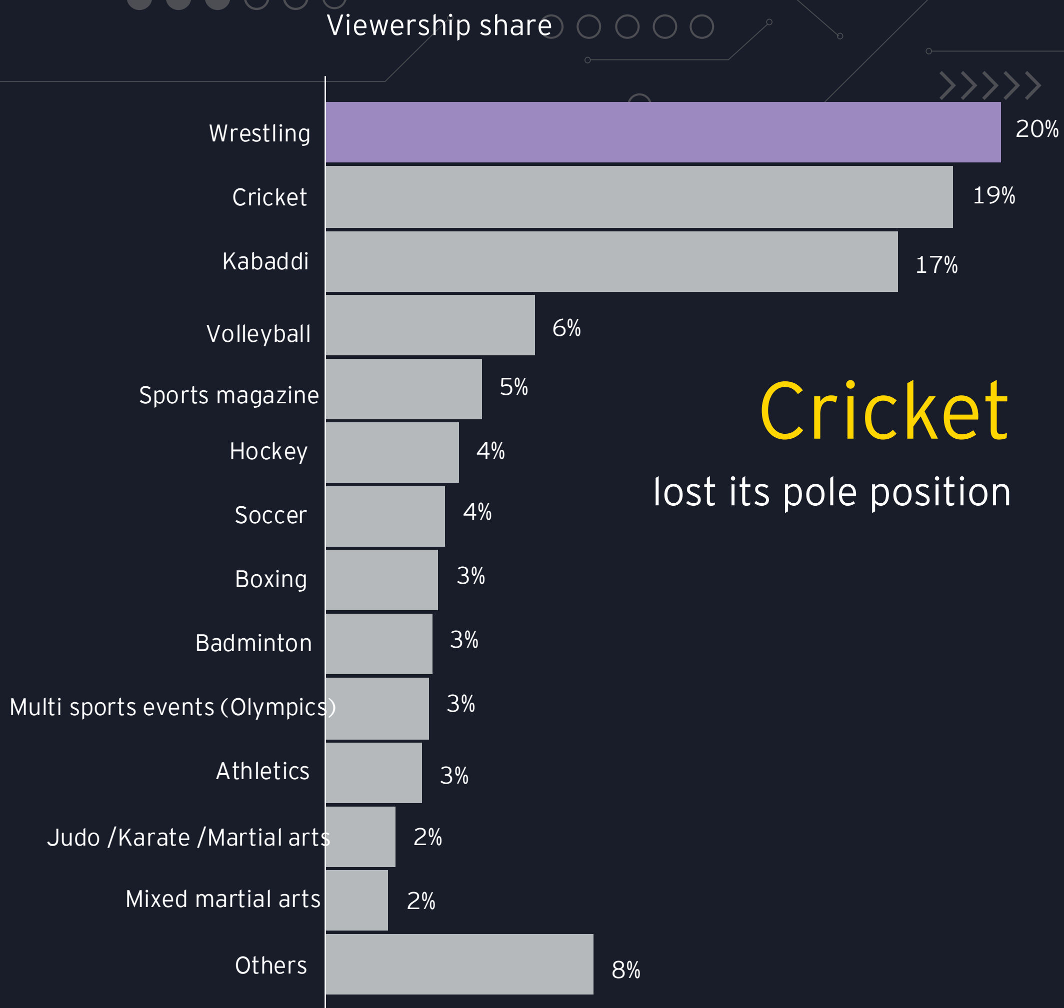
A third of TV viewership is from **15-30** year olds

32%	30%	33%
Viewership contribution of youth to total TV	India **urban**	India **rural**

Kids also watch General entertainment, movies and music



TG: All India/2-14/2017 & 2018



Cricket

lost its pole position

TG: All India/2+/2017 & 2018/Program theme: sports

11,837
advertisers trusted TV

~80m
Total insertions in 2018

~400k
hours of total FCT in >560 channels in 2018

Expert speak

NP Singh
CEO, Sony Pictures Networks India

With the proliferation of smartphones, enhanced connectivity and low cost data charges, the use of second screen is thriving. However, since India is a country driven largely by family viewing in single TV households, both TV and OTT enjoy a symbiotic coexistence.

Sudhanshu Vats
Group CEO, Viacom18 Media

2018 has been marked by the power of the 3 C's – Consolidation, Convergence and Consumer. 2018 will be remembered as the year that decidedly pivoted the focus of India's content industry towards direct to consumer thinking and business models. On the broadcast side, the new TRAI tariff order will compel the industry to develop it's offering in line with consumers' choice. While on the digital side, we are witnessing the unlocking of what can be an INR 10,000 crore digital subscription market in a 5-year horizon.

Harit Nagpal
MD & CEO, Tata Sky Ltd.

OTT usage is growing and will continue to grow, possibly faster than it is growing today. However, in India, as has been seen in most parts of the world, it will be an 'and' and not an 'or'.

Kalli Purie
Vice Chairperson, India Today Group

We are in a stage of rapid evolution as far as news is concerned. With a number of channels and digital platforms causing high degree of churn, I believe credibility and quality of news will finally prevail. On the business side, technology and judicious selection of revenue models will be differentiators.

Scan the QR code to view videos, where indicated with ●

Punit Goenka
MD & CEO, ZEEL

The overall media and entertainment landscape has evolved beautifully, empowering the consumer by many folds. While television on one hand continues to rule and grow, OTT on the other hand has remarkably enhanced the content consumption and creation ecosystem. It is an era of co-opetition, wherein the convergence has blurred the lines between media and technology companies. With our industry's rich potential and talent, I am most certain that this positive time will only generate brilliant content offerings and equally powerful and state of the art consumption platforms.

Ashok Mansukhani
MD & CEO - Hinduja Media Group

Despite chaotic transition to the New Tariff Order, power of purse has been restored to the customer

● **Partho Dasgupta**
CEO, BARC

TV will continue to grow and remain the most effective medium to reach maximum audiences, on the back of growth of regional language viewership. 2019 is also a big year for news, sports - cricket as well as other genres.

Megha Tata
COO, BTVi

Boundaries between various screens on which news content is being consumed are blurring. With increased uptake of business news content on digital platforms such as OTT and Trading apps, future of 'news brands' is in building multi-platform presence. To achieve this, content tie-ups and partnerships with relevant cross platform players is the way forward for news TV brands

Expert speak

Punit Misra
CEO, Domestic Broadcast Business, ZEEL

Misplaced is the conversation about which platform will win, when the obsession should be to truly understand viewers, and serve them content that they fall in love with. And they will reward us by spending their most valuable thing, their time - across platforms.

Avinash Pandey
CEO, ABP News Network

After TRAI Tarrif order content will play big role in driving subscription, creating unique audience base and will push consumption on all platforms. News consumption on OTT would be higher than cable in urban market in next two years. Thus, a new dynamic news broadcast environment would emerge.

Amit Gupta
CEO, Asianet News

Data democratization is leading the M&E industry to a metamorphosis, the way content is rendered and the way advertisements are sold. The TV segment will have to reinvent itself with digital taking over every aspect of consumption.

Scan the QR code to view videos, where indicated with ●

● **Ashok Venkatramani**
MD, Zee Media Corporation

I am bullish on News TV. With the elections round the corner, its consumption can only go up. TV is still the best bet for getting the least cost reach and impact. Regional and hyper local TV would lead growth.

Print

Image courtesy ImagesBazaar

Key messages

Print was static in 2018

- Print segment grew 0.7% in 2018 to reach INR305.5 billion
- Advertising revenues grew 0.4% in 2018, while circulation grew 1.2%. Circulation revenues contributed 29% of the total revenues of the print segment
- Magazines contributed about 4% of total print segment revenues

Print segment's share in total advertising reduced to 29%

- Advertising revenues were INR217 billion in 2018
- Newspaper advertising revenue grew 1% while magazine advertising fell 8%
- FMCG and auto were the largest contributors to print revenues, with a contribution of 14% each, followed by education at 10%
- Importance of events in the revenue mix increased
- Ad volumes in print fell 1% in 2018 compared to 2017 as per TAM AdEX ad volume data
- Hindi newspaper publications continued to lead with 37% of total ad volumes, while the share of English publications stood at 25%
- English magazines dominated magazine ad volumes with a 54% share
- Kannada, Assamese, Hindi, Oriya and Marathi language publications increased ad volumes. De-growth in advertising volumes was noted in English, Malayalam and Punjabi

Subscription revenues grew on the back of deeper penetration and cover price growth

- Subscription revenues grew marginally by 1.2% in 2018 to reach INR88.3 billion
- The number of registered publications grew by 3% to 118,239 in March 2018
- Circulation grew around 2% as per ABC data
- Hindi contributed 45% of total circulated copies, followed by English, a distant second at 12%

- The top five magazines lost 7% in terms of circulated copies
- 245 million individuals consumed news online, with page views growing 59% in 2018

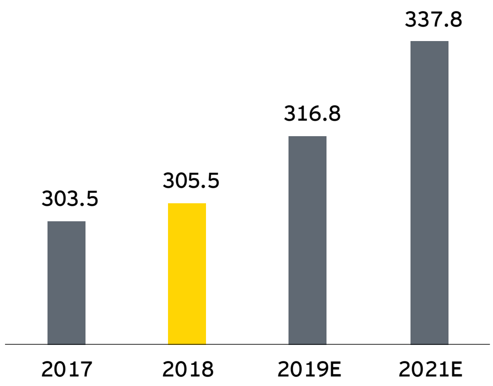
Rising newsprint prices and a depreciation in the value of the Indian Rupee led to pressure on print sector margins in 2018

Future outlook

- The print segment will benefit from the upcoming general elections in 2019, particularly on the back of the DAVP rate increase, as well as stable newsprint prices
- Cover prices will need to increase going forward
- Print companies will tilt their sales pitch towards performance, linking physical space sales with digital inventory, activations (both physical and digital), interactive concepts, digital couponing, etc.

Print was static in 2018[1]

Print segment revenues



INR billion (gross of taxes) | EY analysis

Print segment grew 0.7% in 2018 to reach INR305.5 billion. The segment is expected to reach INR338 billion by 2021, growing at a CAGR of 3.4%.

	2017	2018	2019E	2021E
Advertising	216.2	217.1	225.8	238.4
Circulation	87.3	88.3	91.0	99.4
Total	**303.5**	**305.5**	**316.8**	**337.8**

INR billion (gross of taxes) | EY analysis

Advertising revenues grew 0.4% in 2018, while circulation grew 1.2%. Circulation revenues contributed 29% of the total revenues of the print segment.

	2017	2018	2019E	2021E
Newspapers	290.5	294.0	306.6	328.6
Magazines	13.0	11.5	10.2	9.2
Total	**303.5**	**305.5**	**316.8**	**337.8**

INR billion (gross of taxes) | EY analysis

Magazines contributed about 4% of total print segment revenues. This number has been shrinking due to falling advertising and subscriptions and growing digital communities.

Advertising revenues

Advertising revenues grew 0.4%

Advertising revenues grew 0.4% in 2018. Newspaper advertising grew 1% while magazine advertising fell 8%[2]. This represents a 1.9% de-growth net of taxes. The fall in advertising is due to both reduced ad volumes as well as pressure on effective rates. Festival advertising uptake, a key factor to drive advertising volumes, was not uniformly significant across different markets and the festival advertising period shortened in some cases.

Ad volumes fell 1% in 2018[3]

Ad volumes in print fell 1% in 2018 compared to 2017 as per TAM AdEX ad volume data. In 2018, there were 180,000 advertisers and 230,000 brands on print. Of these, 170,000 brands did not advertise on television or radio.

Auto and services were the largest categories by volume[4]

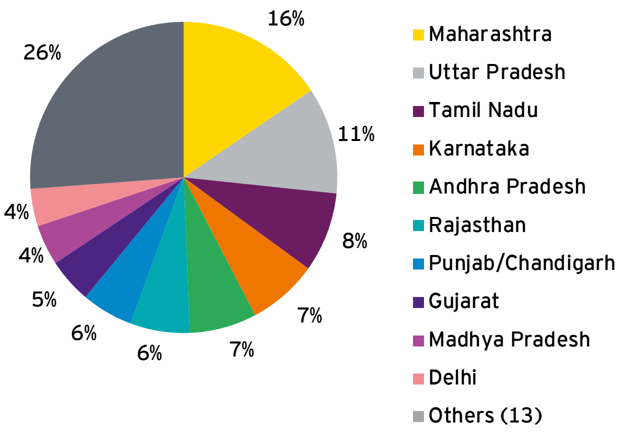
Rank	Top five categories	%Share
1	Auto	17%
2	Services	17%
3	Education	13%
4	Retail	8%
5	Banking / finance / investment	5%

The top five ad categories comprised 60% of total advertising volumes. Auto and services were the largest categories by volume.

1. Based on industry discussions, financial statements and EY analysis
2. Based on industry discussions, financial statements, AdEX volume analysis, secondary research and EY analysis
3. TAM AdEX data
4. TAM AdEX data

Maharashtra and UP had the highest ad volumes[5]

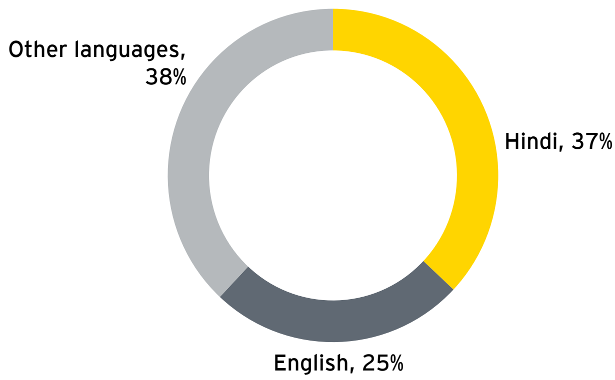
Advertising volume by states



Top five states contributed to nearly 50% of all advertising volumes. Maharashtra and Uttar Pradesh were leading states in newspaper advertising with 16% and 11% share respectively, while the next three states were from south India. This trend was different for magazines, where national magazines contributed 55% of advertising volumes. Kerala and Maharashtra were the largest states contributing 9% each of magazine advertising volumes.

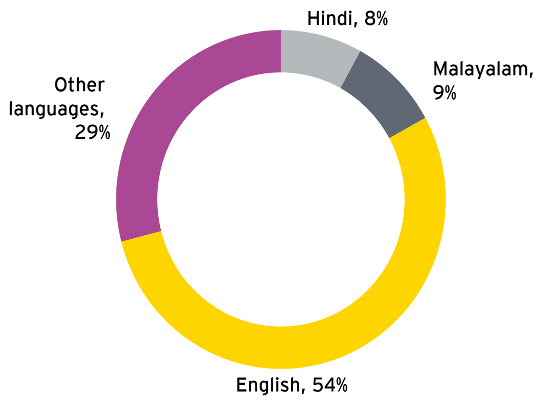
Hindi and English publications contributed over 60% of newspaper advertising volumes[6]

Advertising volume (newspapers) by language



In terms of volume, Hindi newspaper publications continued to lead with 37% of total ad volumes, while the share of English publications stood at 25%, as against 34% and 27% respectively in 2017.

Advertising volume (magazines) by language

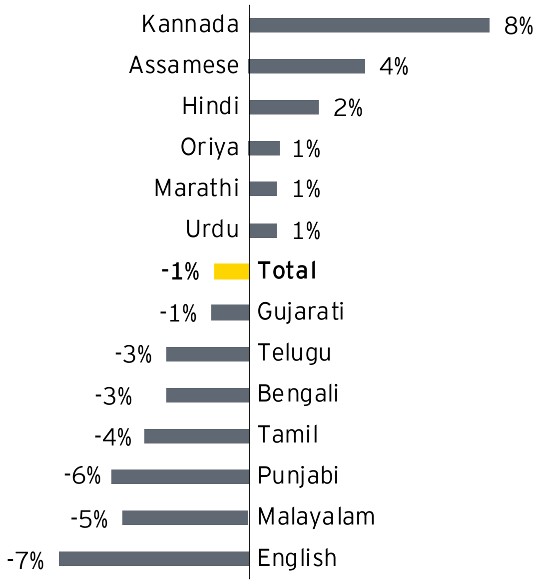


English magazines continued to dominate magazine ad volumes with a 54% share, followed by Malayalam magazines with 9% share[7]. The four south Indian languages contributed 21% of total magazine ad volumes.

5. TAM AdEX data
6. TAM AdEX data
7. Based on TAM AdEX data

Regional languages continued to grow their ad volumes[8]

Advertising volume growth by language



Kannada, Assamese, Hindi, Oriya and Marathi language publications increased ad volumes. Highest de-growth in advertising volumes was noted in English and Punjabi, where affluence rates could have resulted in migration of readers to digital media. Reduction in Malayalam reflected the impact of severe floods in Kerala during the festive season of Onam in August 2018.

Despite the above, as of March 2018, 46% of the total registered publications devoted 60% and above space to advertisements[9].

Percentage of space on advertisements	Number of publications
60% & above	3,735
40% to 59%	1,048
Below 40%	3,418
Total	**8,201**

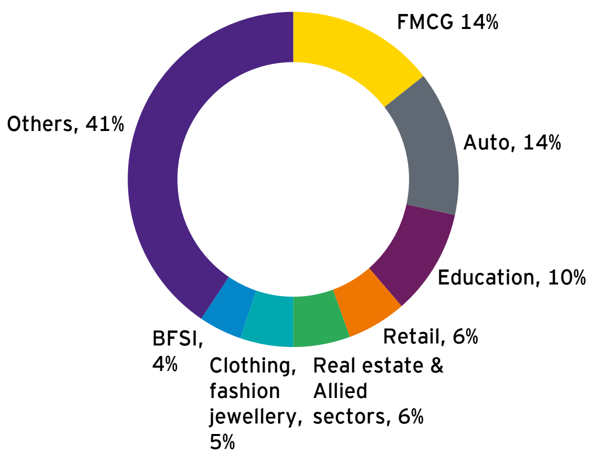
37% of ad volumes drove performance[10]

37% of ad volumes had incentives, offers or promotions, with an intent to drive sales for advertisers. This indicates a clear tilt towards performance advertising through print. Integrating a return path through digital or telephony could enable better ROI demonstration to advertisers. Instances of advertisements with QR codes or digital coupons increased and we expect to see more such digitally-integrated ad formats in the years ahead.

8. Pitch Madison Advertising Report 2019
9. "Office of the Registrar of the Newspapers for India,- Press In India highlights-Mar 2018 (http://rni.nic.in/all_page/press_india.aspx)
10. TAM AdEX data

Print ad revenues were driven largely by FMCG and auto[11]

Ad spends by sector



FMCG and auto were the largest contributors to print revenues, with a contribution of 14% each, followed by education at 10%. Telecom, BFSI and travel and tourism categories have de-grown in 2018. It is significant that despite the sluggish real estate sector and RERA related hiccups, this category has maintained its 6% share.

While only four categories accounted for 75% of television advertising, 13 categories contributed the same percentage to print advertising, demonstrating that print is less vulnerable to any single category de-growth[12]. In addition, regional print has a higher percentage of retail and local advertisers, whose spends align with Real GDP growth. Consequently, regional print stays more resilient to advertising fluctuations.

Importance of events increased

Some of the largest event companies in India are print companies. The print + live + digital media combination provides a cost-effective way to reach audiences. Print companies with defined target audiences – particularly magazines – are able to generate a significant portion of their revenues from events.

National publications conducted 1,000 events during the year while regional players reached 400 events in some states. We noted cases where events-led ad revenues reached 15% of total ad revenues[13].

Government tender ads were no longer mandated in print

19% of the total registered publications derived more than 75% of ad revenues from government advertisements (which include tenders) and 45% of them derived up to 25% revenue from government advertisements[14].

In May 2017, the Ministry of Information and Broadcasting had issued an advisory stating that the amended General Financial Rules 2017 had done away with the need for publishing advertisements in newspapers for procurement of goods and services. Thus, the government no longer must advertise its tenders in the print media. Instead the advertisements are placed on an e-portal. This led to a sharp fall in tender advertising. However, many industry players believe that the tender business will be revived in 2019 as print tenders are more efficient[15].

11. Pitch Madison Advertising Report 2019
12. Pitch Madison Advertising Report 2019
13. Industry discussions; EY analysis of revenues
14. "Office of the Registrar of the Newspapers for India,- Press In India highlights-Mar 2018 (http://rni.nic.in/all_page/press_india.aspx); industry discussions
15. https://cablequest.org/index.php/news/national-news/item/12397-govt-not-to-advertise-its-tender-news-in-print-media-anymore

Circulation revenues

Circulation revenues grew 1.2%

Circulation revenues grew marginally by 1.2% in 2018 to reach INR88.3 billion due to low growth in overall newspaper paid circulation numbers, static or marginal increases in cover prices, and a 15% fall in magazine circulation revenues.

Circulation revenues continued to contribute about 29% of revenues of the print segment. Different companies fared differently in 2018 with regards to circulation. For the top players, circulation revenues formed 20-22% of their total revenues from the print segment[16].

Registered publications in India grew by 3%[17]

Language	Mar 2017	Mar 2018	Percentage
Hindi	46,587	47,989	3.01%
English	14,365	14,626	1.82%
Other languages	53,868	55,624	3.26%
Total	**114,820**	**118,239**	**2.98%**

Number of registered publications

The number of registered publications grew to 118,239 in 2018, from 114,820 in 2017 as per RNI data for the year ended March 31, 2018. Uttar Pradesh (17,992) and Maharashtra (16,241) had the highest number of registered publications.

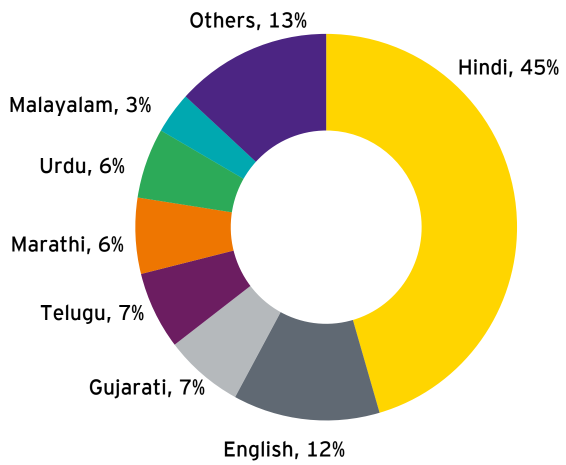
Circulation grew marginally

Newspaper circulation grew 2% as per ABC data[18]

Based on Audit Bureau of Circulations (ABC) data for the period January to June 2018, circulation copies grew by around 2% across languages, when compared to January to June 2017.

Hindi publications contributed 45% of total newspaper circulation

Contribution of languages to total circulation



Source: RNI

Hindi led with 45% of total circulated copies, followed by English, a distant second at 12%. Share of claimed circulation of regional language papers increased 4% over 2017. Publishers we met had implemented initiatives to increase the reach of their editions into new towns and villages, many of which continue to remain underserved.

16. EY analysis of listed companies and other large print media companies
17. "Office of the Registrar of the Newspapers for India,- Press In India highlights-Mar 2018 (http://rni.nic.in/all_page/press_india.aspx).
18. EY analysis ABC data for Jan-Jun 2018 vs. Jan-Jun 2017, like to like editions

Magazines were impacted in 2018[19]

Rank	Magazine	Jan to June 2018	July to Dec 2017	Change %
1	Vanitha (Malayalam)	406,957	482,707	-16%
2	Annadata (Telugu)	316,470	319,668	-1%
3	Grehlakshmi (Hindi)	303,886	305,654	-1%
4	Malayala Manorama (Malayalam)	280,130	304,591	-8%
5	Saptahik Bartaman (Bengali)	144,814	144,113	0%
	Total	**1,452,257**	**1,556,733**	**-7%**

Circulation copies in units

The top five magazines lost 7% in terms of circulated copies. Overall, the magazine segment was led by general interest magazines. B2B magazines in general continued to be circulated at nominal cover prices, or for free, to a targeted base of readers, forming meaningful communities for advertisers.

Need to revive newsstand sales

Print media has always performed well in India, mainly as it is delivered each morning to homes. These subscribers are loyal and tend to continue their subscriptions due to ease and habit. However, there is a clear need to revive newsstand sales, where sales depend on breaking news and we can expect to see innovation in cover design, point of sale materials and bundling to enable this change in the next few years.

Drew Wintemberg, president of Time's retail division believes that retail customers are different from subscribers, who are generally loyal to specific titles. Newsstand shoppers, on the other hand, are drawn to topics and individual issues. Time is also considering how to better leverage breaking news in print[20].

Cover prices increased

Cover prices were gradually increased by some publishers, with mixed results. Generally, there was an impact of circulation but the total subscription revenues increased on an overall basis.

Given the stagnation in circulation numbers, one option for the industry would be to increase cover prices, especially given rising newsprint prices. Newspapers may need to increase prices by INR1.25 per copy to offset the impact of falling circulation and increasing newsprint prices, despite ad growth[21].

However, a cover price increase is always a tricky option because the acceptance of cover price increases may impact newsstand sales and in a competitive context, unless all newspapers raise their prices, it would harm readership and circulation[22].

19. ABC data (Jan-Jun2018; Jul-Dec2017)
20. https://qz.com/898434/time-inc-time-is-bringing-more-breaking-news-to-print-to-keep-its-magazines-relevant-at-newsstands/
21. https://www.crisil.com/en/home/newsroom/press-releases/2018/09/rise-in-newsprint-cost-to-lower-profitability-of-print-media-companies-by-400-bps-this-fiscal.html
22. https://bestmediainfo.com/2018/04/in-depth-print-profitability-takes-a-beating-as-newsprint-prices-soar/

No update in readership numbers

There has been no readership survey released after the IRS 2017 data we captured in last year's report.

245 million individuals consumed news online[23]

2018 witnessed a 40% growth in digital news consumers over 2017 when around 180 million people consumed news online. Page views grew 59% over 2017. Average time spent was around 8 minutes per day in 2018.

Growing online readership in regional markets led to the launch of several regional news products:

- Indian Express launched a Bengali news platform, in addition to its existing news portals in Malayalam and Tamil language[24]
- News18 launched news on its platform in Bengali, Urdu and Gujarati[25]
- Financial Express launched the Hindi version of its website; as part of its broader strategy to grow its language portfolio, the company plans to launch websites in Tamil, Telugu, Kannada and Bengali[26]
- Newsable, the online news brand of Jupitar Capital, launched products for South Indian audiences

Further, print media companies have begun providing advertisements in local languages on regional web-sites in order to better their performance[27].

However, digital news has faced issues around fake and planted news and given this scenario, platforms providing curated news have earned increased trust from readers as compared to platforms without content review and control facilities. News brands are stressing these facts to advertisers to try and garner a higher share of their ad revenues, because the paid online news subscription model has not grown significant in India.

Print margins were stressed in 2018

The Indian print segment imports more than 50% of its newsprint consumption, mainly from the US, Russia and Canada. Rising newsprint prices and a depreciation in the value of the Indian Rupee led to pressure on print sector margins in 2018. Operating margins of print media companies declined by over 400 basis points during 2018 due to rise in cost of newsprint, which accounts for 35-45% of their total costs[28]. Prices have stabilized in 2019 with petroleum prices again falling.

Many print companies focused on cost management in 2018. Some key themes included reducing pagination / circulated copies, use of lower GSM newsprint, automation of manual processes, reduced marketing and free copies (which were over 5% [29]) and other initiatives. Given that newsprint prices have reduced while cost efficiencies will continue, margins could improve in 2019[30].

23. Data provided by Times Internet Limited, Television18; EY analysis
24. "Indian Express Group launches Bengali news website ieBangla," MediaNama, https://www.medianama.com/2018/04/223-indian-express-launches-iebangla/, accessed on 14 December 2018
25. "Indian Express Group launches Bengali news website ieBangla," MediaNama, https://www.medianama.com/2018/04/223-indian-express-launches-iebangla/, accessed on 14 December 2018
26. "The Financial Express launches a Hindi website," MediaNama, https://www.medianama.com/2018/01/223-financial-express-hindi-website/, accessed on 14 December 2018
27. "Indian Express Group launches Bengali news website ieBangla," MediaNama, https://www.medianama.com/2018/04/223-indian-express-launches-iebangla/, accessed on 14 December 2018
28. EY analysis; industry discussions
29. ABC circulation data Jan-June 2018
30. CRISIL press release 2019, "Print media companies set to turn around next fiscal"

Future outlook

2019 will be better

The print segment will benefit from the upcoming elections in 2019, particularly on the back of the over 20% DAVP rate increase. In addition, the stabilization of newsprint prices will also protect margins. On the flip side, the impact may be subdued because of advertising budgets being diverted towards impact properties like the IPL and the ICC Cricket World Cup. We expect print companies to create online + offline properties around sports to attract some of these advertising spends.

Cover prices will need to increase

Subscriptions and cover prices for newspapers will need to be increased to sustain growth. Print companies can no longer count on subsidizing newspaper costs through largely advertising revenues, as they have been flat and under pressure from other media. Any further depreciation in the Rupee or appreciation in newsprint prices will also need to be factored in. The only alternative will be to increase cover prices, primarily through subscription drives.

The pitch will tilt towards performance

Print companies will tilt their sales pitch towards performance, linking physical space sales with digital inventory, activations (both physical and digital), interactive concepts, digital couponing, etc. This will provide increased consumer data as well as a competitive plank to grow share of print in total advertising. There is a need for the print segment to evangelize its benefits and strengths and the to-be-released Indian Readership Survey can be used as a good platform for the same.

Global trends

Digital subscription is growing

For leading publishers with must-have content, digital subscription revenue is providing some offset to lost ad sales. They have established premium paywall models, despite the inevitability that paywalls often shrink the overall audience size. On the flip side, digital subscriptions also reduce subscriber churn and allow publishers to compete effectively on ad rates by offering targeted audiences.

Publishers are creating a portfolio of communities

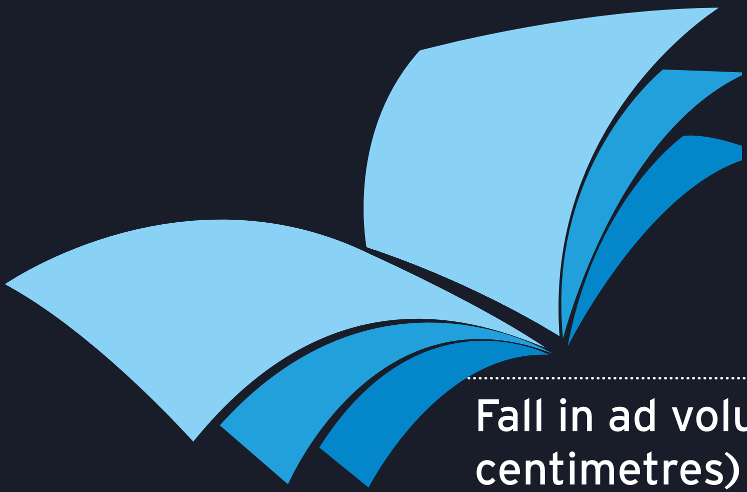
Consolidation is occurring across the landscape as publishers seek scale to fill gaps in their portfolios, expand offerings and enhance customer base. Portfolio approach is driving the creation of a bouquet of monetizable communities, and generating revenues from those communities not just across print and digital, but across e-Commerce, events and other transactions.

Focus on operating efficiencies is increasing

To achieve operating efficiencies and improve margins, publishers are rethinking every aspect of their operations. They are strengthening their core by experimenting with AI journalism, templatization, multi-media reporters, content analytics, stringer platforms (like stringr.com, StringersHub, etc.) and other technologies to enhance news production and delivery. Publishers are also re-thinking the create-curate news mix and streamlining current operations by divesting non-core assets.

Print
Trendbook

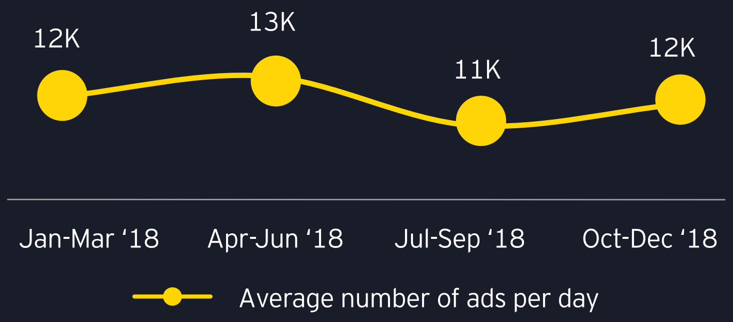
Powered by AdEX India (A division of TAM Media Research)



-1%

Fall in ad volumes (in column centimetres) between 2018 and 2017

On average, **12 thousand ads** were published daily in **2018**



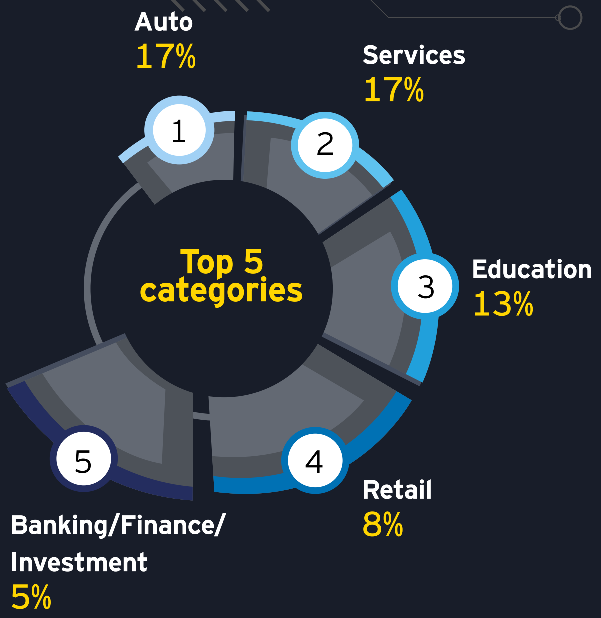
180,000
advertisers
advertised

230,000
brands
in Print during 2018

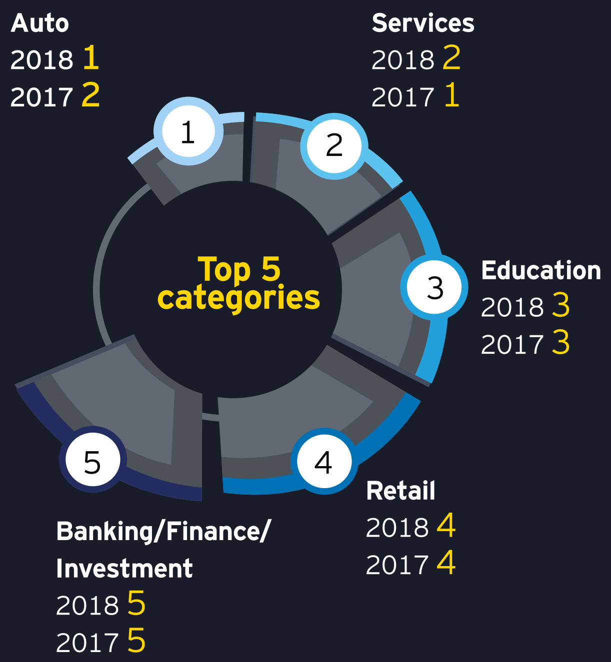
TAM AdEX monitors 700+ Newspapers and 180+ Magazines. Only Display ads are included in this analysis.

All data has been provided by AdEX India (A division of TAM Media Research) and is based on their research. It has not been validated by EY, and presented in summary form for representation purposes only.

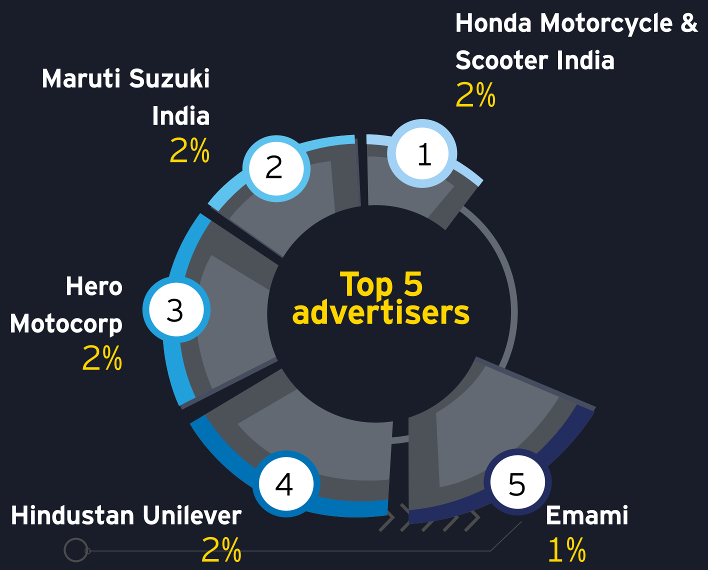
Top 5 categories contributed 60% share of advertising volumes



Auto overtook services in 2018 to become the largest category by volume

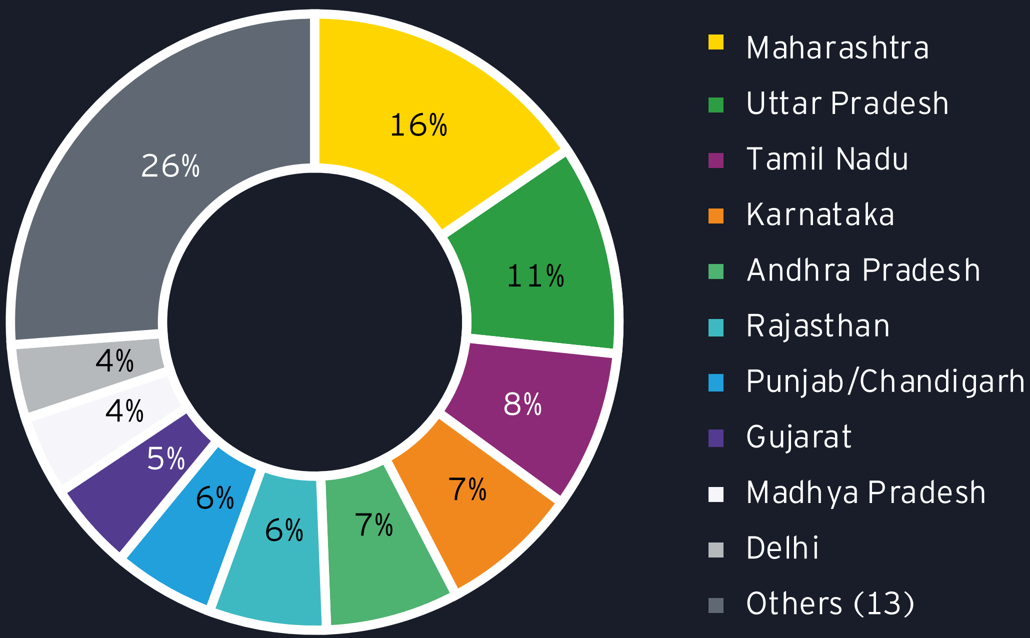


3 of the Top 5 advertisers were from the Auto category



Five festivals contributed 60% of all advertising that carried festive themes

Top 5 states contributed nearly **50%** of newspaper advertising - of which three states were from south India



English magazines contributed **54%** of total magazine ad volumes

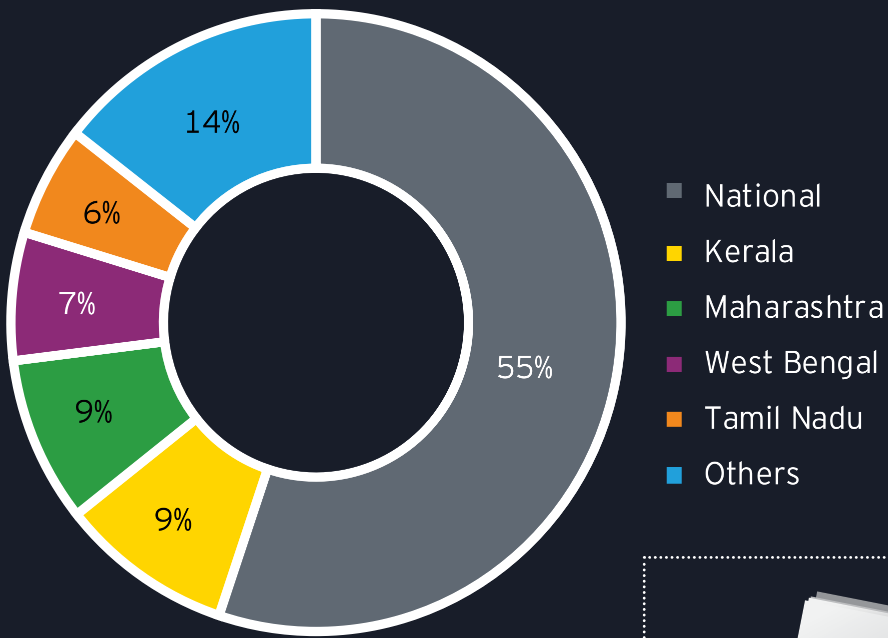
Rank	Publication Language	% Share
1	English	54%
2	Malayalam	9%
3	Hindi	8%
4	Bengali	6%
5	Tamil	6%
6	Gujarati	6%
7	Kannada	4%
8	Marathi	3%
9	Telugu	2%
10	Punjabi	2%

Hindi and English newspapers together contributed more than **60%** of advertising volumes in **2018**

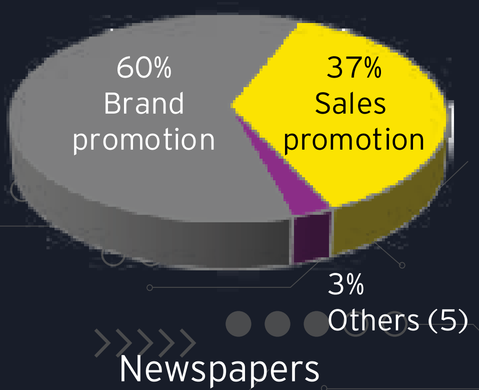
Rank	Publication Language	% Share
1	Hindi	37%
2	English	25%
3	Marathi	9%
4	Telugu	6%
5	Tamil	5%
6	Gujarati	4%
7	Kannada	4%
8	Malayalam	3%
9	Oriya	3%
10	Bengali	2%

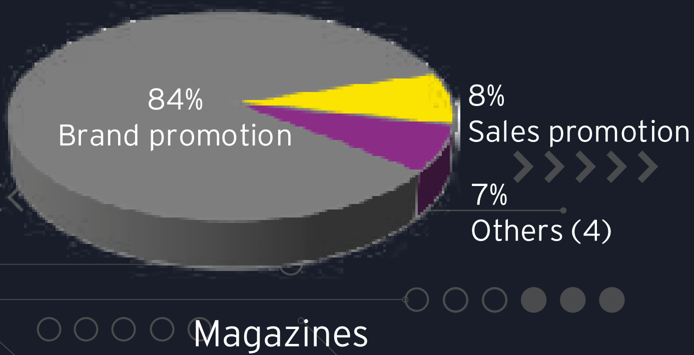
All data has been provided by AdEX India (A division of TAM Media Research) and is based on their research. It has not been validated by EY, and presented in summary form for representation purposes only.

National magazines contributed **55%** of overall Magazine advertising volumes in **2018**



37% of newspaper ads but just 8% of magazine ads were linked to promotions and performance





Expert speak

Girish Agarwal
Promoter Director, DB Corp Ltd.(Dainik Bhaskar Group)

Credibility and trust are unique assets of print, will continue to be highly relevant to the consumer and the advertiser. We continue our trajectory of growth by keeping the reader at the core of our activities and singlemindedly winning markets on circulation. Advertising follows.

D. D. Purkayastha
Managing Director & CEO, ABP Pvt. Ltd.

The print ad revenue growth decline is an opportunity for regional print. The regional ad market was not fully tapped since national ad revenue was growing at a healthy rate.

Raj Jain
CEO, Bennett Coleman & Co. Ltd. (Times Group)

The ability of print to provide a physical form of brand immersion is critical for success in the future.

Anant Goenka
Executive Director, The Indian Express Pvt. Ltd.

Print remains to be the most high impact, credible medium. The industry must hold on to this credibility. Future proofing is to make the print reader pay for the product rather than subsidizing the experience with advertising. And the more loyal our reader the more we can charge the advertiser.

Scan the QR code to view videos, where indicated with ●

Jayant Mammen Mathew
Executive Editor & Director, Malayala Manorama Co. Ltd.

2018 was one of the most challenging years for media in Kerala as we dealt with the unexpected floods during Onam, the largest advertising spending month for us. However, 2019 is expected to be much better as newsprint prices stabilise, and we expect an uptick in advertising revenues starting with elections. Certain key digital initiatives will reduce the dependencies on manual intermediaries. E-papers in Kerala are already on a paid subscription model and we hope to monetise the reader's increasing willingness to pay for quality editorial content. After elections we hope the economy gets a much needed boost.

Sanjay Gupta
CEO, Jagran Prakashan Ltd.

In contrast to rest of the world, India is still underserved on the advertising front. With rising affluence levels, we see a surge in competition for the ever-expanding market. This would translate into increased ad spends powered by greater innovation in Print.

Rishi Darda
Editorial & Jt. Managing Director, Lokmat

Regional Print continues to drive growth for the industry as more and more marketers look beyond metros into Tier 2 and Tier 3 and the rural landscape. The pick up in rural demand backed by farm loan waivers and cash subsidy further augurs well for regional print.

● **Anant Nath**
Director, Delhi Press

As magazine brands evolve to take on new formats, if they continue to adhere to robust editorial processes, they will enjoy credibility, and therefore respect and value, amongst readers and advertisers alike.

Expert speak

Rajiv Lochan
Managing Director & CEO, The Hindu Group

Print is enduring, trusted and best understood. It has and will stand the test of time with readers and advertisers alike. I daresay fake news and digital entertainment will only reinforce the unparalleled durability of print over other media #PrintIsForever!!

Karthik Balakrishnan
Chief Executive Officer, The Printers (Mysore) Pvt. Ltd.

The year 2018-19 was a very tough year for the print media industry, with simultaneous pressures on both, costs and revenues. This year, arguably, will come to be seen as the year in which an irreversible structural transformation of the industry was set in motion. The Print media industry is in the midst of a structural transformation, of the kind we have witnessed in the West. The rules of the game are changing significantly and this calls for newer business models. Print will continue to exist, but in a different form - it will move from being a mass product into several niches.

Scan the QR code to view videos, where indicated with

Filmed entertainment

Image courtesy ImagesBazaar

Key messages

Indian film segment was propelled by digital / OTT rights and overseas theatricals

- It grew by 12.2% in 2018 to reach INR174.5 billion
- Growth was driven by Digital / OTT rights which grew 59% and overseas theatricals which grew 20% from 2017
- The home video segment continued to witness a decline

Domestic theatrical revenues crossed INR100 billion

- Multiplexes drove the screen count up to 9,601, though single screens continued to reduce
- Top studios bet on the regional cinema market for production and distribution of films
- 1,776 films were released; maximum films were released in Kannada (243)
- With NBOC of INR35.2 billion, 2018 recorded the highest collections ever for Hindi theatricals at the box office
- Thirteen films joined the INR1 billion club
- The NBOC of Hollywood films in India (inclusive of all their Indian language dubbed versions) was INR9.21 billion

Overseas theatricals market grew due to more film releases in China

- It grew to INR30 billion from INR25 billion in 2017
- Highest number of film exports were to the Gulf region, though USA and Canada generated the highest revenues (outside of China)
- China became the largest international market for Indian content, with 10 films releasing during the year

Broadcast rights market continued to grow as movies contributed 24% of television viewership

- Rights grew from INR19 billion in 2017 to INR21.2 billion in 2018

Digital rights redefined the greenlighting process

- They grew from INR8.5 billion to INR13.5 billion as online platforms invested heavily in exclusive film rights and premium windowing
- The digital-only film market came into existence

In-cinema advertising grew to INR7.5 billion in 2018 on the back of growing multiplex screens

India has the potential for up to a million film tourists by 2022

- Film tourism could generate revenues of up to US$3bn, though it needs policy change and investment

Future outlook

- Global OTT platforms will help to take Indian content – dubbed and / or subtitled – to a wider international audience
- Until there is consolidation in the OTT space, content production houses will continue to benefit from the dual tail winds of increased demand and higher rates
- There is a need for low-end multiplex chains to cater to growing middle classes

Filmed entertainment grew 12.2%

Revenues	2017	2018	2019E	2021E
Domestic theatricals	96.3	102.1	110.0	130.0
Overseas theatricals	25.0	30.0	35.0	45.0
Broadcast rights	19.0	21.2	23.0	26.0
Digital / OTT rights	8.5	13.5	17.0	24.0
In-cinema advertising	6.4	7.5	9.0	11.0
Home video	0.3	0.2	0.2	0.1
Total	**155.5**	**174.5**	**194.2**	**236.1**

INR billion (Gross of taxes) | EY analysis

The Indian film segment grew by 12.2% in 2018 to reach INR174.5 billion. The growth was driven by digital / OTT rights which grew 59% and overseas theatricals which grew 20% from 2017. The home video segment continued to witness a decline.

Domestic theatricals

Film releases declined marginally

1,776 films were released[1]

1,776 films were released in 2018 as compared to 1,807 films in 2017. The highest number of films were released in Kannada (243).

238 Hindi films were released in 2018 as compared to 288 films in 2017. Despite a decline in the number of films, the year 2018 turned out to be a successful year for the Hindi theatricals segment in terms of the box office with films entering the INR1 billion club almost every month. With NBOC of INR35.2 billion, 2018 recorded the highest collections ever for Hindi theatricals at the box office[2].

Hindi films contributed approximately 42.1% of the NBOC, despite comprising only 13.4% of the films released. Films in other regional languages accounted for approximately 81% of the films released and they contributed approximately 46.9% to the annual domestic box office collections. Hollywood and international films comprised the balance[3].

Fewer dubbed films were released

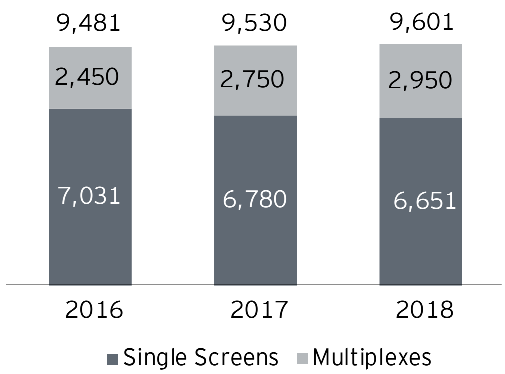
41 dubbed films were released in 2017, while just 34 dubbed films were released in 2018[4]. A notable dubbed film of the year 2018 was 2.0, a Tamil language science fiction action film which was shot entirely in 3D. The film released worldwide in both 3D and conventional format along with its dubbed versions in Hindi and Telugu. The film is set to release in China in June 2019 in 10,000 theatres with 56,000 screenings, which includes 47,000 3D screenings, reportedly the largest release ever for an Indian film in the country. The film will be released as dubbed and subtitled in Mandarin[5].

Film length declined marginally, again

Compared to 2017, the average film duration reduced marginally. The average length of the 10 longest films in 2018 comes to 2.45 hours vis-à-vis 2.56 hours for 2017. In 2018, just one film crossed the 3-hour mark as compared to five films in 2017[6].

Number of screens

Screens grew to 9,601[7]

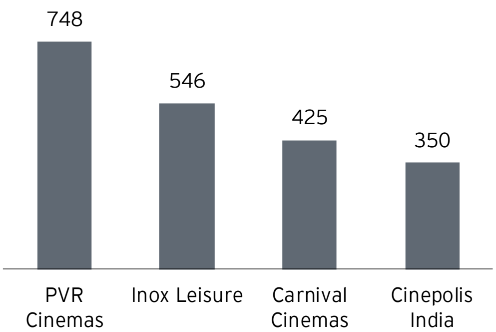


1. UFO Moviez Data
2. Box Office India
3. EY Analysis, UFO Moviez data and Box Office India
4. EY Analysis and Box Office India
5. https://www.timesnownews.com/entertainment/south-gossip/article/rajinikanth-akshay-kumar-s-2-0-to-release-in-china-in-may-19-to-be-widest-3d-release-for-a-foreign-film/326097 EY Analysis
6. EY analysis based on Industry discussions; UFO Moviez data
7. UFO Moviez data

Rapid urbanization has resulted in increased demand for modern cinema screens featuring quality infrastructure, latest audio-visual systems, multiple F&B offerings, etc. While new age multiplexes are at the forefront of providing such enhanced facilities to patrons, some of the single-screen cinemas are slowly revamping themselves to stay in the game. However, on an overall basis, the count of the single-screen cinemas continued to reduce with its share in total screens being 69% in 2018 vis-à-vis 71% in 2017. Reduction in single-screen cinemas was off-set by increase in multiplexes, with the total screen count showing a marginal growth.

Multiplexes contributed around 55% to the domestic box office collection[8]

Screen count of leading multiplex chains



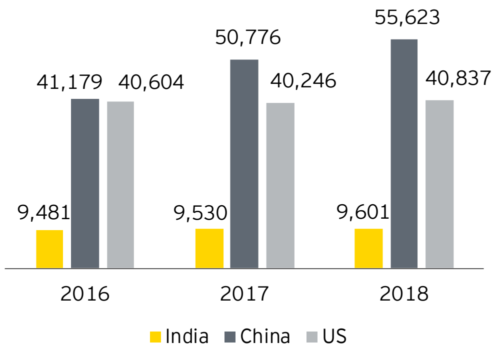
Multiplexes have been the key contributors to the growth of Indian cinema. Multiplexes contributed around 55% to the domestic box office collection in 2018 with the rest coming from single screens[9]. The top four multiplex chains accounted for around 41% of domestic box office collection and 22% of total screen count[10].

Multiplexes have been adding around 200-250 screens annually over the last few years and the trend is expected to continue going forward. New multiplex screen additions will happen in both metros and non-metros. Expanding city boundaries and real estate development provide impetus to screen additions in metros. In non-metro cities, screen expansion has been more in areas with higher population density and large catchment areas.

Cinema exhibition dynamics are different in South India as compared to the rest of India. With a strong content supply in four to five languages and wider appeal across demographics both single-screens and multiplexes have been attracting higher footfalls resulting in better realizations and higher operating cash flows. Some of the single-screen operators are also investing this additional cash flow back into the business towards renovations or upgradation to keep up with multiplexes.

India's screen count is still lower than large international markets[11]

Screen count in India, China and US



Despite producing amongst the most number of films in the world, India has less than 25% of the number of screens as compared to China or US. China has been adding cinema screens at a CAGR of over 16% over the last two years.

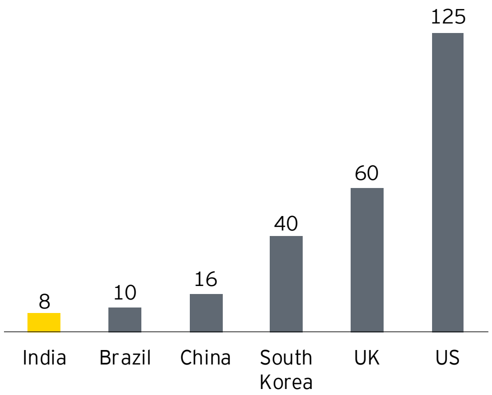
8. FY19 Inox Leisure investors report, Industry discussion conducted by EY, "Cinepolis India to infuse Rs 1,500 cr for 500 screens", https://economictimes.indiatimes.com/industry/media/entertainment/cinepolis-india-to-infuse-rs-1500-cr-for-500-screens/articleshow/65834010.cms, accessed on 26th February 2019

9. Industry discussions conducted by EY

10. EY Analysis

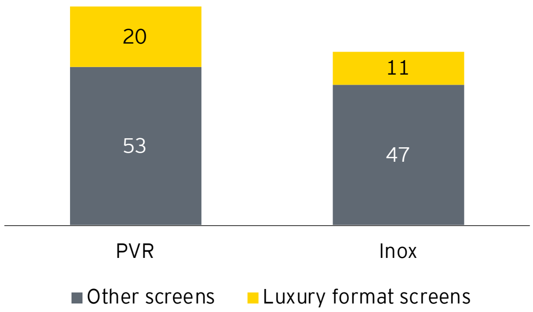
11. Source: "National Association of Theatre Owners", http://www.natoonline.org/data/us-movie-screens/, accessed on 26th February 2019; https://www.statista.com/statistics/279111/number-of-cinema-screens-in-china/; accessed on 26th February 2019; "Chinese Cinemas Continue Strong Growth in First Half of 2018", https://celluloidjunkie.com/2018/07/04/chinese-cinemas-continue-strong-growth-in-first-half-of-2018/, accessed on 26th February 2019

Screens per million of population



Source: Inox Leisure November 2018 investor presentation

New screens opened during 2018



Source: Investor presentations of PVR and Inox and industry discussions

India's screen count remains low primarily due to lack of cinema penetration in tier–II, tier-III and tier-IV markets in India. This presents a large untapped potential for the Indian film segment. Increased governmental assistance, urbanization and higher consumption going forward could pave the way for exhibitors to invest more in such under-served areas. Higher access to cinemas across the country could attract increased investments in film content production thereby enhancing domestic box office collections.

Exhibitors continue to focus on premium cinema formats

Multiplex operators have moved towards offering premium entertainment experiences from just being content providers. In 2018, film exhibitors considerably scaled up their premium cinema formats to offer a mix of "exhibition" and "hospitality" experience with deep audience engagement. Additionally, operators are retro-fitting new experiences at existing locations to increase same-store growth. Some operators are operating a mix of regular, luxury and kids-focused screens in a single property to cater to a wider audience and thus increase the property-level occupancy.

In 2018, out of 73 screens opened by PVR Cinemas, 20 screens were premium screens (Gold class, IMAX, 4DX, PXL, Playhouse). Similarly, INOX leisure opened 11 premium screens (Insignia, Onyx, IMAX, Club Class, Kiddles) out of the 58 total new screens[12].

These luxury formats feature 4K digital projector systems, Dolby surround sound system, premium lounges and leather recliners and on-seat service of gourmet food from live kitchens curated by world renowned chefs. These screens have become an alternate celebration place with food and entertainment in one place.

Consolidation

The industry witnessed further consolidation in 2018, when PVR Cinemas acquired SPI Cinemas Ltd. SPI Cinemas is a leading regional cinema player operating over 76 screens, largely in South India, including the iconic Sathyam Cinema, a household name in Chennai. With this acquisition, PVR Cinemas further strengthened its presence in South India having 35% screen portfolio[13].

Continuing its inorganic growth strategy, Carnival Cinemas took over the operations of Maharashtra based E-square Cinemas in June 2018. E-square Cinemas operates 37 screens across Maharashtra. The acquisition was a part of Carnival's asset-light model wherein they took over the operations without outright acquisition of the company[14].

12. Sources: PVR Cinemas investor report; Inox Leisure investor report
13. PVR Cinemas August 2018 Investor Presentation
14. "Carnival to manage Maharashtra-based E-Square's theatres", https://economictimes.indiatimes.com/industry/media/entertainment/carnival-to-manage-maharashtra-based-e-squares-theatres/articleshow/64475284.cms, accessed on 26th February 2019

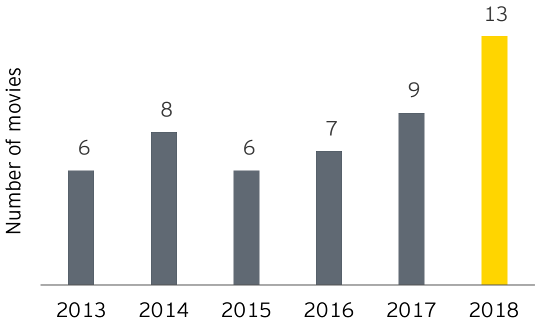
Overseas expansion

In July 2018, Carnival Cinemas signed the largest overseas acquisition deal for any Indian multiplex. The company entered into a definitive agreement with Elan Group to acquire Novo Cinemas, which operates 104 screens in the UAE and Bahrain. Carnival Cinemas has been strengthening its foothold in other markets such as Singapore as a part of its international expansion strategy[15].

Domestic theatrical revenues crossed INR100 billion

The domestic theatrical market grossed INR102 billion in 2018, up from INR96 billion in 2017. This amount does not include F&B revenues which are estimated at INR20 billion by us.

Thirteen Hindi films joined the INR1 billion club[16]



Source: Investor presentations of PVR and Inox and industry discussions

13 Hindi films entered the coveted INR100 crore club in 2018, which is the highest ever. There were nine such films in 2017. The film Sanju emerged as one of India's all-time blockbusters earning INR3.34 billion at the box office followed by Padmaavat, Simba, 2.0, Race 3, Baaghi 2, Thugs of Hindustan, Badhaai Ho, Stree, Raazi, Gold and Sonu ke Titu ki Sweety.

Apart from these, films in regional languages such as 2.0, KGF Chapter 1, Rangasthalam, Bharat Ane Nenu, Kaala, Arvindha Sametha Veera Raghava and Geeta Govindam had worldwide collections exceeding INR1 billion[17].

15. Carnival Group to acquire Qatar's multiplex chain from Elan Group", https://economictimes.indiatimes.com/industry/media/entertainment/media/carnival-group-to-acquire-qatars-multiplex-chain-from-elan-group/articleshow/65058481.cms, accessed on 26th February 2019.

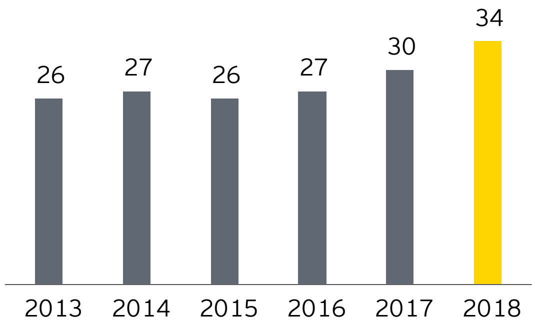
16. https://boxofficeindia.com/years.php?year=2018&pageId=4, accessed on 17 February 2019 and Box Office India report dated 5 January 2019

17. https://m.imdb.com/list/ls021545487/ accessed on 25 February 2019

18. Source: https://boxofficeindia.com/years.php?year=20172018&pageId=4, accessed on 17 February 2019 and Box Office India analysis

19. https://boxofficeindia.com/years.php?year=2018&pageId=4 , accessed on 17 February 2019 and Box office India report dated 5 January 2019.

Domestic NBOC - top 50 Hindi movies (INR billion)



Source:Box Office India

The top 50 Hindi films contributed approximately 98% of the total Hindi NBOC, while the top 10 Hindi films contributed to 52.5% of total Hindi NBOC[18].

The top 10 Hindi films of 2018 earned a revenue of INR18.5 billion, which averaged a substantial INR1.85 billion per film and those in top 50 have a decent INR0.69 billion per film. Other releases had a meagre average of INR4.4 million per film[19].

Language trends

Bollywood films

The top three films did not have big stars

The year 2018 proved that unconventional and experimental movies packed with good content and powerful performances can achieve commercial success even without big actors backing them. The success of films like Badhaai Ho, Andhadhun, Stree and Raazi proved that moviegoers are looking for a fresh plot, stories with a twist and are rejecting content that is mediocre.

The biggest Bollywood stars did manage to pull moviegoers to theatres but the content could not keep them engaged for too long. It is the first time in the last 12 years that the biggest Bollywood stars did not find a place in the top three positions of box-office collections. Contribution of big star cast films to box office collections of the top 25 movies dropped to 23% in 2018, as compared to nearly 50% three years ago. 2018 could very well be the year which sets the trend of content films being a norm rather than an exception[20].

Women themed films were successful

The year 2018 was also a turning point where better characters were chalked out for women. More and more mainstream films with strong female protagonists were produced and were well received by moviegoers.

20. Industry Analysis and https://www.timesnownews.com/entertainment/box-office/article/for-the-first-time-in-last-12-years-no-bollywood-khan-is-among-the-top-three-spots-of-the-box-office-ladder/342825 and https://economictimes.indiatimes.com/industry/media/entertainment/how-big-stars-are-dimming-in-bollywood-biz/articleshow/67698649.cms accessed on 17 February 2019

2018's Raazi starring Alia Bhatt was one such film. Raazi is not the kind of film which effectively talks about women empowerment or feminism through its narrative. Its strength lies in how it replaces the decades-old male hero with a heroine that is equally formidable.

Apart from Raazi, films like Hitchki, Veere Di Wedding and Pari proved that films are being written keeping female characters in mind for lead roles[21].

With so much conversation around gender pay gap, Deepika Padukone reversed the wage gap with Padmaavat. For the first time in Indian cinema, an actress was paid more than her male co-stars in the film[22].

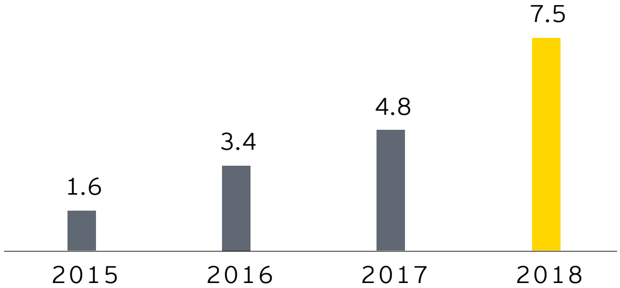
Small budget films made a digital debut

2018 saw Indian filmmakers releasing small budget films first on digital platforms such as Netflix and Amazon. The logistics of Indian film production, distribution and marketing make a theatrical release for a small budget film an unviable proposition. With the wide reach – and heavy marketing – of digital platforms across all age groups, especially youth, digital releases for a certain set of films ensures that producers do not shell out big amounts for distribution and marketing of the films. In 2018, Netflix released its first original film in Hindi, Love Per Square Foot which was much acclaimed by audiences. Apart from this, certain other films such as Lust Stories, Once Again and Brij Mohan Amar Rahe are some examples of movies that decided to take the digital route instead of opting for a theatrical release[23].

Hollywood films

2018 was a blockbuster year for Hollywood films in India. A decade ago, Hollywood films contributed about 3-4% of the total business in the country. The figure was around 10% in 2018. Most Hollywood films release in at least three local languages -- Hindi, Tamil and Telugu - which make up 50-60% of Hollywood revenue in India[24].

NBOC of top 10 Hollywood films (INR billion)



Source: Box Office India

98 Hollywood films were released in 2018, as compared to 105 in 2017[25]. Hollywood saw big franchises get bigger at the Indian box office. The NBOC of Hollywood films (inclusive of all the Indian language dubbed versions) in India was INR9.21 billion. The year 2018 was exceptional due to one big title, Avengers: Infinity War. Almost one-fourth of the NBOC of Hollywood, INR2.22 billion, came from the Marvel superhero film that is currently the highest grossing Hollywood film of all time in India. A blockbuster like Avengers was equal to two decent-sized Hollywood hits. In contrast, the biggest Hollywood hits of 2016 and 2017, fantasy adventure The Jungle Book and action film Fast and Furious 8, had made INR 1.88 billion and INR 0.86 billion, respectively.

2018 also saw some other movies which made good box office collections. These include science fiction adventure Jurassic World: Fallen Kingdom (INR826 million), Tom Cruise's action spy film Mission: Impossible-Fallout (INR802 million), X-Men series instalment Deadpool 2 (INR580 million), DC superhero film Aquaman (INR526 million) and Marvel's other superhero film Black Panther (INR525 million). More and more Hollywood content is being released in India and the interest in the segment has also increased over the years. Dubbing in multiple regional languages has helped Hollywood movies reach a wider audience. Unlike a decade ago, medium-sized films were released in India. Some examples are Mamma Mia and Bohemian Rhapsody.

Hollywood films now release on the same day and date in India as the rest of the world, if not before. The success of recent years has established India as a very lucrative market for global studios[26].

21. https://indianexpress.com/article/entertainment/opinion-entertainment/veere-di-wedding-raazi-hichki-women-centric-films-5199734/ accessed on 17 February 2019
22. https://www.hindustantimes.com/bollywood/with-rs-13-crore-deepika-padukone-paid-more-than-ranveer-singh-shahid-kapoor-for-padmavati/story-i5wbddHscOvmK5oCV8MSEM.html accessed on 25 February 2019
23. https://www.livemint.com/Consumer/iMAmWFcqXU0Opl1rGBNroN/Indian-filmmakers-go-digital-for-small-movies.html accessed on 17 February 2019
24. https://www.livemint.com/Consumer/OZGGbANPOwV1GwhWBBNuNK/2018-a-blockbuster-year-for-Hollywood.html accessed on 11 February 2019
25. UFO Moviez data
26. https://www.livemint.com/Consumer/OZGGbANPOwV1GwhWBBNuNK/2018-a-blockbuster-year-for-Hollywood.html accessed on 11 February 2019

Regional films

In 2018, the top mainline studios continued to bet on the regional cinema market for production and distribution of films since the demand for local content is on the rise.

Zee Studios announced in March 2018 that it planned to produce 10-12 films entailing a working capital investment of INR1.50 billion. It planned for a mix of Hindi and regional cinema[27]. Karan Johar's Dharma Productions made a Marathi film, Bucket List with Madhuri Dixit. Viacom18 Motion Pictures released its first Marathi film Aapla Manus in partnership with Ajay Devgan FFilms, which marked actor Ajay Devgan's foray into the regional film segment as a producer[28]. Viacom18 released the Tamil film Karthi and partnered with Vyjanthi Movies for the Telugu film Devdas. It also released Marathi films such as Cycle and Dr Kashinath Ghanekar and the Punjabi film Nanak Shah Fakir[29].

Apart from mainstream studios, several leading actors are foraying into regional movies. Ritesh Deshmukh has his production house Mumbai Film Company which released Mauli in December 2018. Priyanka Chopra's Purple Pebble announced production of its tenth film – Paani in 2018. Purple Pebble under its banner has produced nine regional films in last two years. From Marathi to Assamese to Punjabi to Bhojpuri and even Sikkimese, Purple Pebble has given regional films a new lease of life[30]. Leading actors such as Akshay Kumar and John Abraham also produced regional films under their banner, namely Chumbak and Savita Damodar Paranjape respectively.

Also marking its entry in the South Indian film market, Anil Ambani's Reliance Entertainment entered into a joint venture (JV) with Y Not Studios and AP International in January 2018 for production of high-quality films for the South Indian market. Y Not Studios, founded by S. Sasikanth has produced 12 feature films in Tamil, Telugu, Malayalam and Hindi, including Vikram Vedha in 2017[31].

▶ Gujarati

Gujarati films are under a revival phase due to improvement in production quality, increased use of technology, increased film marketing and new subjects that cater to the young and urban crowd. In 2018, Gujarati comedy, Shu Thayu? made INR65 million within four days, with a nominal screen count of 212 in the Mumbai and Gujarat circuit. Meanwhile, the Hindi releases of the week, Sonakshi Sinha-starrer Happy Phirr Bhag Jayegi and action thriller Genius, made INR130 million and INR35 million from 1,550 and 800 screens respectively from a pan-India release. Shu Thayu registered close to 90% occupancy from the first show itself and exhibitors increased shows subsequently as the Hindi films did not generate impressive footfalls.

International Gujarati Film Festival marked its debut in USA in 2018 offering a breath of fresh air to Gujarati film makers and the Gujarati movie industry as the festival celebrates film content without language being a hurdle[32].

▶ Telugu

In 2018, 237 Telugu films were released. Telugu films are watched by a lot of people not only in the Telugu-speaking states but in the entire world as well. Telugu films had several big box office releases that drew people to theatres. Ram Charan starrer Rangasthalam was appreciated by the audience and critics alike. It reportedly earned INR2.15 billion internationally with a budget of INR500 million[33].

▶ Tamil

197 Tamil films were released in 2018. While big budget films like 2.0 put Indian cinema in the global spotlight, content based small budget films such as Pariyerum Perumal, Raatchasan, 96 and Vada Chennai won critical acclaim. The Tamil industry faced a 48-day shutdown called by Tamil Film Producers Council resulting into various movies stacked up for release. This ultimately impacted the box office collections as excessive movie supply left the exhibitors with no choice but to reduce the screens or remove the movies altogether[34].

27. https://www.televisionpost.com/zee-studios-plans-to-produce-10-12-films-a-year-with-rs-150-cr-investment/ accesses on 17 February 2019
28. https://www.viacom18.com/media/viacom18-motion-pictures-announces-its-first-marathifilm-of-2018-aapla-manus
29. https://www.viacom18.com/media/Viacom18-studios-expands-its-offerings-with-a-slate-of-17-upcoming-films-across-languages
30. https://www.indiatoday.in/movies/bollywood/story/why-indian-cinema-needs-more-producers-like-priyanka-chopra-1239687-2018-05-23
31. https://www.televisionpost.com/anil-ambanis-reliance-ent-forms-jv-with-y-not-studios-ap-int-to-produce-films-for-south-india/
32. https://www.livemint.com/Consumer/KkkeVL2acx42yBgsi996nL/Regional-films-continue-to-trump-Bollywood-offerings.html
33. https://www.google.com/amp/s/m.timesofindia.com/entertainment/telugu/movies/news/top-5-highest-grossing-telugu-films-of-2018/amp_articleshow/67301018.cms#ampshare=https://timesofindia.indiatimes.com/entertainment/telugu/movies/news/top-5-highest-grossing-telugu-films-of-2018/articleshow/67301018.cms
34. https://www.thehindubusinessline.com/news/variety/a-blockbuster-year-for-the-tamil-film-industry/article25866196.ece

- **Punjabi**

50 Punjabi films were released in 2018, as compared to 40 in 2017. 2018 is one of the most interesting years for Punjabi Cinema in terms of the box office figures. So much so that Punjabi films not only gave tough competition to Hindi Films in Punjab, but also made a dent in the theatrical collections of many Hindi films in the overseas market. Carry on Jatta 2 had one of the best openings of the year, with a gross collection of INR30 million on its first day in India alone, while worldwide it's lifetime collection has been over INR570 million. The second biggest opener was Gippy Grewal's Mar Gaye Oye Loko. The box office collection of Punjabi movies in 2018 was approximately INR3.3 billion[35].

- **Marathi**

118 Marathi films were released in 2018. The Marathi film industry is gaining recognition and acceptance internationally, both for its content and the performances of its actors.

Naal, directed by Sudhakar Reddy, is a film that emphasizes the intricate nuances of a mother-son relationship. It was well received at the box office and found critical acclaim as well. It received the biggest opening at the box office since Sairat, collecting INR140 million in just one week, becoming this year's highest grosser[36]. Films such as Naal, Pipsi, Cycle and Redu had deep village roots and were different in content. In addition to rural themed films, 2018 saw films which were set farther from village life such as Aamhi Doghi, Gulabjaam and Maska[37].

- **Kannada**

2018 saw wider releases of Kannada films across the globe. 243 Kannada movies were released in 2018. The top five Kannada movies in 2018 are Khateyondu Shuruvagide, Aa Karaala Ratri, Nathicharami, KGF and Bhairava Geeta. KGF was also released in Hindi[38].

KGF gained the fourth position among all South Indian dubbed films after Prabhas's Baahubali series and Rajinikanth's 2.0 in terms of box office collections. KGF was released in five languages – Tamil, Hindi, Telugu, Malayalam and Kannada. KGF is the first Kannada film to gross more than INR1 billion and first to cross a mark of INR1.5 billion at the global box office. KGF managed to earn INR1.52 billion at the global box office within 10 days of its release[39].

Convenience income provided a boost to profitability

Increasingly consumers are opting for online ticketing from platforms such as BookMyShow, PayTM, etc. and cinemas' own platforms as against buying tickets from the box office. In recent years, over 50% of ticket sales for the top four multiplex chains were conducted online[40].

The increasing penetration of online transactions is also driven by offers and discounts being offered by online ticketing aggregators that want to create a large, loyal customer base for themselves. Multiplex chains and ticket aggregators are offering cancellation with minimal or zero cancellation fees to encourage customers to book more tickets online.

Simultaneous release on OTT platforms has begun to impact theatrical revenues for some films

Increase in content on OTT platforms has led to cancellation of movie shows due to reduction in number of moviegoers. This happened as these and several other films were made available on OTT video streaming platforms simultaneously or within days of theatrical release. OTT platforms also offer an unmatchable convenience of consuming the content. Consequently, multiplex owners in India are now insisting on a longer window before films are streamed online[41].

GST relief on ticketing revenues was provided

In 2018, the government took steps to give impetus to the Indian film industry. From 1 January 2019, the GST rate on film tickets costing less than INR100 has been reduced to 12% from 18% and the rate on tickets costing more than INR100 has been reduced to 18% from 28%.

The art and cultural champion services sector was positively recognized by the GST Council, which reclassified entertainment services from the luxury and sin bracket of taxation to the standard rate schedule. Industry experts believe that lower ticket prices would attract more people to cinemas which means more footfalls and increase in occupancy levels. Collections would increase and overall industry will see significant growth quantitatively and qualitatively from 2019[42].

35. https://ghaintpunjab.com/ghaintpunjab/Article/11187/top-punjabi-films-2018-first-day-collections) and (https://mtwiki.blogspot.com/2016/10/punjabi-all-movie-hit-or-flop-box-office.html)
36. https://zeenews.india.com/regional/zee-studios-marathi-film-naal-smashes-records-at-the-box-office-2158433.html
37. https://timesofindia.indiatimes.com/entertainment/marathi/movies/photofeatures/2018-hit-releases-of-marathi-film-industry/barayan/photostory/64172695.cms
38. https://timesofindia.indiatimes.com/entertainment/kannada/has-2018-helped-widen-the-releases-of-kannada-films-across-the-globe/articleshow/66265985.cms
39. https://www.businesstoday.in/trending/box-office/kgf-box-office-collection-day-10-costliest-kannada-mvie-makes-rs-152-20-crore-worldwide/story/305539.html
40. Industry discussions conducted by EY
41. https://www.livemint.com/Consumer/vCLS2PIssTsdNzKpuAaalJ/Exhibitors-struggle-as-Bollywood-leans-towards-OTT.html
42. https://www.news18.com/news/business/reduction-in-ticket-prices-to-aid-cinema-industry-growth-says-mai-1981015.html

Key impediments remain to the growth of cinema infrastructure

Poor infrastructure in tier-II and III markets

Cinema operators have been focusing on tier-II and III markets for their growth in terms of screen additions. However, these markets have poor infrastructure such as limited real estate development with land parcels being available in the off-city or non-prime areas with lower catchment. This inhibits operators' ability to invest in such markets. State governments need to work with cinema operators to provide fiscal incentives and infrastructure support to boost cinema penetration and drive footfalls in such markets. A model legislation which promotes ease of doing business (easing clearances for cinema construction) and modernisation of cinemas should be promoted at a state level.

Need for a "single window clearance" for opening of multiplexes

Cinema operators continue to face challenges when it comes to obtaining business licenses in a timely and convenient manner. They must obtain different licenses from different state government departments thus delaying the opening of new screens. Also, each state has a different set of licenses with their validity being for a short period, ranging from one to two years. The delay in getting the clearances has resulted in significant time and cost overruns for the exhibitors thus hampering the growth of screens in India. The ease of doing business in this segment can be improved significantly by having single authority to provide the requisite business licenses and a uniform nation-wide license. Measures such as self-certification or deemed approval for grant / renewal of licenses will instill greater accountability leading to increased investment in the segment.

Local body taxes hampered growth in some states

Some Indian states such as Madhya Pradesh, Tamil Nadu and Kerala announced local body taxes (entertainment tax) of 5-15% to be levied on cinema tickets over and above the applicable GST. Some of these states have been facing financial crisis post the implementation of GST and hence the central government authorized them to levy tax on entertainment. However, this kind of tax structure amounts to double taxation which defeats the basic purpose of GST to have a uniform taxation system. This has created an additional financial burden on the cinema exhibition segment. Also, such a move by some states may encourage other state governments to impose a similar tax. State governments of Maharashtra, Gujarat and Rajasthan also indicated the imposition of local body taxes. For healthy growth of the cinema exhibition segment and increased investments in the segment a stable tax structure is the need of the hour.

Local Body Taxes proposed by various states[43]	
Bhopal (MP)	15%
Indore (MP)	5%
Kerala	10%
Tamil Nadu - Tamil films	8%
Tamil Nadu - Other language films	15%

43. "Over 450 cinemas in MP go on strike over local body taxes", https://economictimes.indiatimes.com/news/politics-and-nation/over-450-cinemas-in-mp-go-on-strike-over-local-body-taxes/articleshow/66095523.cms, accessed on 26th February 2019; "Kerala introduces 10% local body tax on movie tickets", https://www.livemint.com/industry/media/kerala-introduces-10-local-body-tax-on-movie-tickets-1549015822331.html, accessed on 26th February 2019; "Tamil Nadu cuts entertainment tax on Tamil films to 8%", https://indianexpress.com/article/entertainment/tamil/tamil-nadu-cuts-entertainment-tax-on-tamil-films-to-8-4893197/, accessed on 26th February 2019.

Overseas theatricals

Overseas theatricals market grew to INR30 billion from INR25 billion in 2017

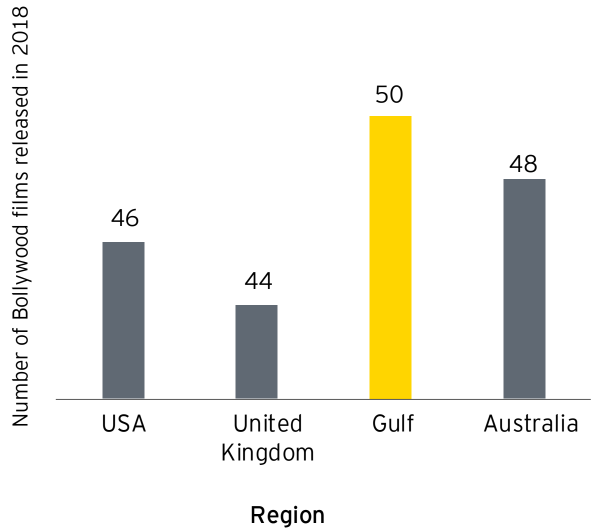
Padmaavat was the highest grosser of 2018 with INR1.85 billion in overseas NBOC, followed by Sanju which collected INR1.48 billion. In 2018, apart from the big banner releases, several small and medium-sized films made their mark in overseas markets. Films like Badhaai Ho, Raazi, Stree, Anadhadhun, Sonu Ke Titu ki Sweety, Veere di Wedding and Padman raked in INR490 million, INR384 million, INR141 million, INR218 million, INR192 million, INR364 million and INR275 million respectively[44].

Indian films were exported to over 25 global territories

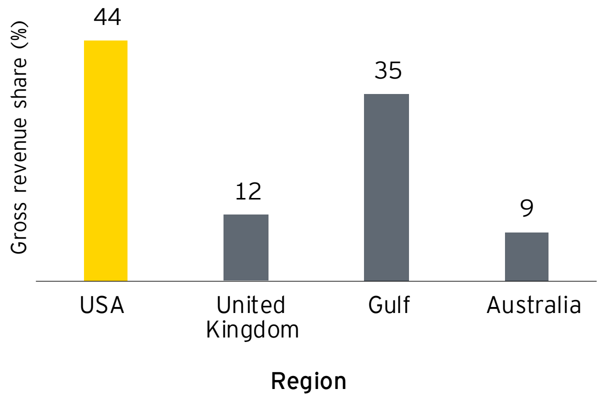
120-125 movies (Hindi and regional) have been released in overseas theatrical markets in 2018. Key theatrical markets which have day and date releases are about 25-35 territories with the main ones being USA, UK, Gulf, Australia, Canada and Pakistan.

Akshay Kumar fronted Gold which the first Hindi film ever released in Saudi Arabia. It is the second movie after Rajnikanth's Kaala, a Tamil film to be released in theatres in Saudi Arabia. This is due to lifting of a decade old ban on cinemas, allowing the first cinemas to open in Saudi Arabia in 2018[45].

Highest number of film exports were to the Gulf region[46]



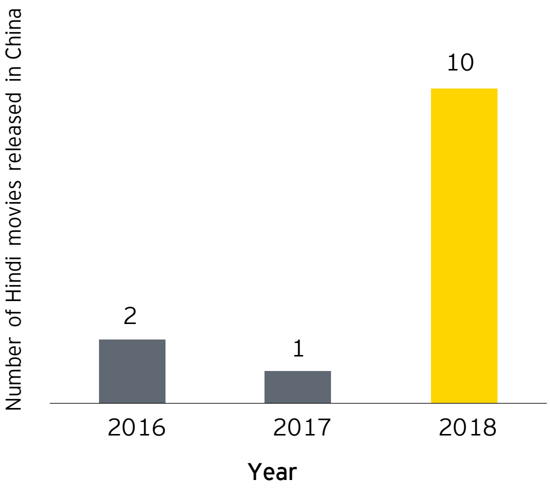
During 2018, 50 Indian films were released in the Gulf region followed by 48 in Australia, 46 in USA/Canada and 44 in United Kingdom.



However, USA and Canada accounted for 44% of overseas box office collections (excluding China) followed by Gulf region which contributed 35%[47].

44. EY Analysis | Industry discussions
45. https://www.weeklyblitz.net/entertainment/first-bollywood-film-to-release-in-saudi-arabia/
46. https://boxofficeindia.com/week_report_overseas_total.php?cityName=canada&year=2018 , etc accessed on 15 February 2019
47. https://boxofficeindia.com/week_report_overseas_total.php?cityName=canada&year=2018, etc

China became the largest international market for Indian film content



Two Indian films were released in China in 2016 and one in 2017, but 2018 saw 10 films from India being screened in China, accounting for highest collection in the overseas region at US$272.3 million[48]. Although Hollywood blockbusters dominate China's box office, Indian films have been gradually making inroads both through the co-venture root (which films do not form part of China's quota of foreign films) and co-production treaties. In 2018, Akshay Kumar's Padman finished its theatrical run in China with an average total of US$10 million in 31 days. Although the film has not performed better than Toilet: Ek Prem Katha, which amassed INR972 million, Padman has earned more than Baahubali 2: The Conclusion, Thugs of Hindostan, Sultan and 102 Not Out[49].

In 2019, India also initiated discussions for a revenue-sharing agreement with China under the proposed mega trade deal RCEP (Regional Comprehensive Economic Partnership) to ensure that domestic film producers get their rightful dues from revenue generated by releasing Indian movies in China. Currently, due to absence of any revenue-sharing agreement, domestic film producers often do not get their due share from the profits generated in the neighboring country from their movies[50].

48. https://www.boxofficemojo.com/intl/china/yearly/?yr=2018&p=.htm

49. https://www.firstpost.com/entertainment/thugs-of-hindostan-collapses-in-china-with-rs-64-cr-total-from-17-days-padman-finishes-theatrical-run-at-rs-70-5-cr-5910531.html/amp

50. https://www.google.com/amp/s/m.economictimes.com/industry/media/entertainment/india-seeks-revenue-sharing-pact-with-china-under-rcep-for-entertainment-industry/amp_articleshow/67707969.cms#ampshare=https://economictimes.indiatimes.com/industry/media/entertainment/india-seeks-revenue-sharing-pact-with-china-under-rcep-for-entertainment-industry/articleshow/67707969.cms

Broadcast rights

The broadcast rights market grew from INR19 billion in 2017 to INR21.2 billion in 2018.

Digital rights increased satellite prices of tent pole movies

The year 2018 saw digital rights driving up the cable and satellite prices of tent pole movies. Film premier and exclusive movie rights are being purchased by digital platforms, which sometimes showcase the film before the cable and satellite premier[51].

The Sanjay Leela Bhansali directorial Padmaavat became a roaring success and its satellite rights were sold for INR800 million. Rajkumar Hirani's Sanju fetched INR500 million from sale of satellite rights[52].

Regional films generated higher revenues

Apart from Bollywood films, producers of regional films are also earning more than in previous years from sale of satellite rights. Makers of the movie KGF have sold Kannada and Hindi satellite rights for INR300 million[53]. Hindi dubbing and satellite rights of Mohanlal's Odiyan were sold for a record INR32.5 million which is highest for any Malayalam movie till date[54].

Satellite rights remained healthy despite limited box office success of some films

2018 saw films generating healthy satellite rights despite limited success at the box office. Salman Khan's Race 3 could not spread its magic at the box office, but the film recovered its budget even before its release, after the satellite rights were sold for INR1.50 billion -- said to be the highest ever for a Bollywood film. Saif Ali Khan starrer Kalakandi made up its money as its satellite rights were sold for INR110 million. Some other films with high satellite rights include Padman (INR470 million), Aiyari (INR250 million), Pari (INR100 million) and Hate Story 4 (INR100 million)[55].

51. EY Analysis
52. https://www.desimartini.com/news/martini-shots/listicles/9-bollywood-films-of-2018-and-their-whopping-satellite-rights-costs-article80369.htm
53. https://www.msn.com/en-in/entertainment/southcinema/yashs-kgf-digital-and-satellite-rights-sold-for-astronomical-figure/ar-BBRu4zY
54. https://www.thenewsminute.com/article/hindi-dubbing-and-satellite-rights-mohanlal-s-odiyan-sold-record-amount-85729
55. https://www.desimartini.com/news/martini-shots/listicles/9-bollywood-films-of-2018-and-their-whopping-satellite-rights-costs-article80369.htm

Digital / OTT rights

Digital rights grew from INR8.5 billion to INR13.5 billion

Sale of digital rights continued to be a strong contributor in the filmed entertainment sector. Instead of bundling satellite and internet rights for television broadcasters, producers now see greater monetization in dealing with OTT platforms separately for digital rights.

Video streaming service Amazon Prime is leading the race to buy digital rights for blockbuster Bollywood films. Of the top 25 box office grossers released between June 2017 and June 2018, Amazon has bought 13 digital rights. Netflix offers four of the top five biggest ever box office Hindi films. Zee5, an Essel Group company, bought digital rights of six films. They have bought rights of films which are not only successful at the box office but also critically acclaimed.

Big banner movies entered pre-release digital deals

Yash Raj Films is reported to have sold satellite and digital rights of Thugs of Hindustan to Sony Pictures Networks and Amazon Prime Video respectively for INR600 million – INR700 million each[56] . Although the movie did not perform as expected at the box office, it was able to recover some part of its production costs through pre-sale of satellite and digital rights. Apart from this, digital rights of Sanju were sold for INR 200 million[57] and that of Padmavat were reportedly sold for INR200 – INR250 million[58].

Apart from Bollywood films, streaming platforms are also focusing on regional content. Tamil movie Suriya's Thaanaa Serndha Koottam was reportedly sold to Amazon Prime even before release for INR62.5 million, which is nearly 56% of satellite rights of the film's Tamil version. The digital rights of another Tamil film, Kadaikutty Singam were sold to Amazon Prime well ahead of the film's release. Although the digital rights for some Bollywood films are higher than satellite rights, in case of regional films this trend is yet to emerge[59].

56. https://www.ndtv.com/entertainment/thugs-of-hindostan-signs-huge-deals-ahead-of-release-report-1941390
57. www.businessworld.in/article/Ranbir-Kapoor-Starrer-Sanju-Inches-Closer-To-Its-Release-All-Set-For-2018-s-Biggest-Opening/26-06-2018-153005/
58. https://www.hindustantimes.com/bollywood/padmaavat-stares-at-hurdles-but-also-has-opportunity-to-earn-big/story-NoslWu9LErhvGu0OgNtPBO.html
59. https://www.firstpost.com/entertainment/how-streaming-platforms-like-netflix-amazon-are-changing-the-landscape-of-tamil-cinema-4492571.html

Direct-to-OTT films increased

One of the significant developments in the Indian film segment this year was emergence of OTT platforms as a feasible alternative for theatrical release and a strong revenue stream for theatrical released films as well. Big releases with high quantum of special effects and sensory experience may not consider a simultaneous release on digital platforms and theatres. However, for small budget movies, video OTT platforms have changed the release strategy.

This new distribution channel for small budget films has enabled the creative community to develop content exclusively for such platforms. Due to lack of screens (or inability to get a reasonable number of screens), budget constraints and content overload, small but content driven films go unnoticed. However, these films are increasing their footprint in digital. Such movies are relying less on theatrical revenues with digital contributing around 70-80% of overall collections[76]. We can expect to see either simultaneous digital and theatrical releases for such films, or they may release only on OTT platforms.

Digital rights will continue to grow

With consumption of content on OTT platforms set to increase in future, digital rights values of films will continue to increase. Competition of digital rights is likely to get more intense with Jio likely to play an aggressive role either with partners Eros and Balaji Telefilms, or on its own[60].

In-cinema advertising

In 2018, in-cinema advertising grew at 17% and is currently at INR7.5 billion[61]. Because of their pan India presence and wide audience base, multiplex chains have a high revenue realization from advertisements. On the other hand, single screen cinemas have a limited reach and poor consumer targeting leading to lesser advertisement revenues.

As a result, advertisement for most of the single screen cinemas and smaller multiplex operators is handled by nation-wide in-cinema advertisement aggregators like UFO Moviez and Qube Cinemas. These aggregators now have access to 7,000 single screens[62] cumulatively across the country providing national and regional advertisers a one-stop shop for in-cinema advertising. This has led to improvement in ad revenues for single screen operators.

60. https://www.rediff.com/movies/report/the-race-for-hindi-blockbusters/20181111.htm
61. EY Analysis
62. UFO Movies
76. Industry discussions

Home video

Due to increase in consumption of content through digital platforms there has been a decline in home videos as most films are released on Amazon, Netflix, iTunes and YouTube weeks earlier than in DVD or simultaneously in digital and DVD. Owning to above, the home video segment witnessed a decline[63].

The film tourism opportunity

In 2018, EY had undertaken a study wherein it was analyzed that cinema has emerged as an influential tool for the development and promotion of destinations. India has the potential for up to a million film tourists which could result in revenues of up to US$3 billion by 2022.

However, to achieve the above, the following would be required:

- For production / shooting a film in Indian states, simplify the administrative process for obtaining approvals and permissions from various government authorities by implementing a single window clearance mechanism. This would ensure a hassle-free filming experience for film makers. In the interim budget, the Finance Minister announced the decision to provide single window clearance to Indian filmmakers
- The state government could offer incentives in the form of cash rebates, grants, tax credit, tax holiday break, non-monetary assistance, provision of equity investment to film producers and talent to give a boost to the production of films in India
- Certain soft measures such as setting up of film-based theme parks, organizing film festivals, award shows, film seminars, film societies, etc. could also be considered to promote locations as attractive filming destinations[64]

Increased focus on digital original content

India will produce 1,200 hours of original digital content in 2019[65]. Mainstream Bollywood studios are focusing on this opportunity:

- In 2018, Dharma Production launched a digital content company called Dharmatic. Dharmatic is looking to bring a variety of content in formats such as long-form, short-form, reality shows, travel, food, and game shows for the OTT platform[66]
- Entertainment conglomerate Viacom entered a multi-picture deal with Netflix. The partnership further expanded upon other work it had done for the streaming video service including TV series like "The Haunting of Hill House" and "Maniac"
- Eros plans to spend US$750 million over the next three years on original digital content for Eros Now and the studio business. Eros's plan is to roll-out over 100 originals till mid 2020 in multiple languages. Eros Now's content strategy hinges on two pillars, films and original web content[67]
- Sacred Games was Netflix's first original series from India which was directed and co-produced by Phantom Films' in 2018[68] followed by Selection Day which was produced by Anil Kapoor's production house[69]
- Shahrukh Khan's production house, Red Chillies Entertainment, also moved into the OTT platform producing its series "Bard of Blood"[70]
- Excel Entertainment has produced series such as Made in Heaven, Mirzapur and Inside Edge for Amazon
- Vikram Bhatt launched his VB-Theatre on the web app in January 2018. The app launched with an original series Untouchables, which was followed by Twisted 2[71]
- Reliance has set up Reliance Studios under the leadership of Jyoti Deshpande to produce content for Jio
- Applause Entertainment has greenlit over 10 productions for digital platforms

63. EY Analysis
64. https://www.ey.com/Publication/vwLUAssets/ey-building-brand-india-through-film-tourism/%24File/ey-building-brand-india-through-film-tourism.pdf
65. EY estimates
66. https://inc42.com/buzz/karan-johars-dharma-productions-launches-digital-content-division/
67. https://www.televisionpost.com/eros-looks-to-generate-850-mn-cash-flow-over-next-three-years/
68. https://www.indiatoday.in/television/web-series/story/sacred-games-anurag-kashyap-talks-about-the-massive-success-of-india-s-first-netflix-original-1309578-2018-08-09
69. https://www.newsbytesapp.com/timeline/Entertainment/19775/94029/netflix-teams-up-with-anil-kapoor-s-banner
70. https://youthincmag.com/netflix-red-chillies-entertainment-announce-new-original-series-based-bard-blood
71. https://www.news18.com/news/movies/karan-johar-to-zoya-akhtar-bollywood-biggies-venturing-into-digital-space-in-2018-1629211.html

Changing dynamics of movie marketing

Given the changing consumption patterns of film goers and rapid internet and smartphone penetration, digital media has become instrumental in determining box office results for Hindi movies. Facebook is one of the top three mediums in driving interest and appeal for a film campaign, achieving it through organic methods like link shares and conversations, apart from initiatives like Facebook Live. Interestingly, Facebook and Instagram, combined, proved to have delivered the highest impact with 21% contribution to a Hindi film's first day box office sales[72].

Production houses have started to reorient their movie promotion budget and now allocate at least 15-20% of their budgets to digital marketing. Top studios are actively moving from paid media plans (media buying) to owned media (owning the discussion) plans. From where only less than 1% of the movie budget was assigned for digital with the aim to increase YouTube views, it has changed to spending almost 4-5% of the budget for commercial movies. For niche movies, as they don't have big enough budgets to promote on mainline, they spend at least 15-20 % as they find digital more targeted and effective[73].

72. https://brandequity.economictimes.indiatimes.com/news/marketing/why-facebook-and-instagram-are-a-perfect-duo-for-hindi-film-marketing/65331498

73. https://www.socialsamosa.com/2018/09/digital-movie-marketing-expert-opinion/

Future outlook

India will become a true exporter of content

While overseas theatricals will serve the large Indian diaspora and China will hopefully become a huge importer of Indian content, global OTT platforms will help to take Indian content – dubbed and / or subtitled – to a wider international audience. Indian content and stories will be made available to global audiences for them to experiment with. We can expect to see more international licensing deals in 2019.

Content creators will continue to benefit

India's rapidly expanding OTT industry is currently hungry for content and consequently the demand for content has increased significantly. Prices, naturally, have increased. While there are over 30 reasonably sized OTT platforms today, this segment will see consolidation in the next three to four years, until which time content production houses will continue to benefit from the dual tail winds of increased demand and higher rates. In addition, India has the capability to become the production house of the world, given its large talent base and ready-to-use infrastructure.

Release windows will change

Indian cinema will see a parallel release of movies in theatres as well as on pay OTT platforms in the coming years, which will enable movies to reach a wider base and de-risk their releases. We can also expect to see more direct-on-OTT films and a pre-theatrical premium digital window.

Its time for the "Janta theatre"

We expect that the decline in single screen theatres will continue due to unviability of 1,000 seats per screen, lack of choice, etc. In addition, patrons of such theatres can easily obtain pirated films on their mobile phones for viewing. However, these patrons would not find it comfortable to watch films in a multiplex environment. Accordingly, there is a need for low-end multiplex chains to cater to these audiences.

Global trends

The global box office continues to grow

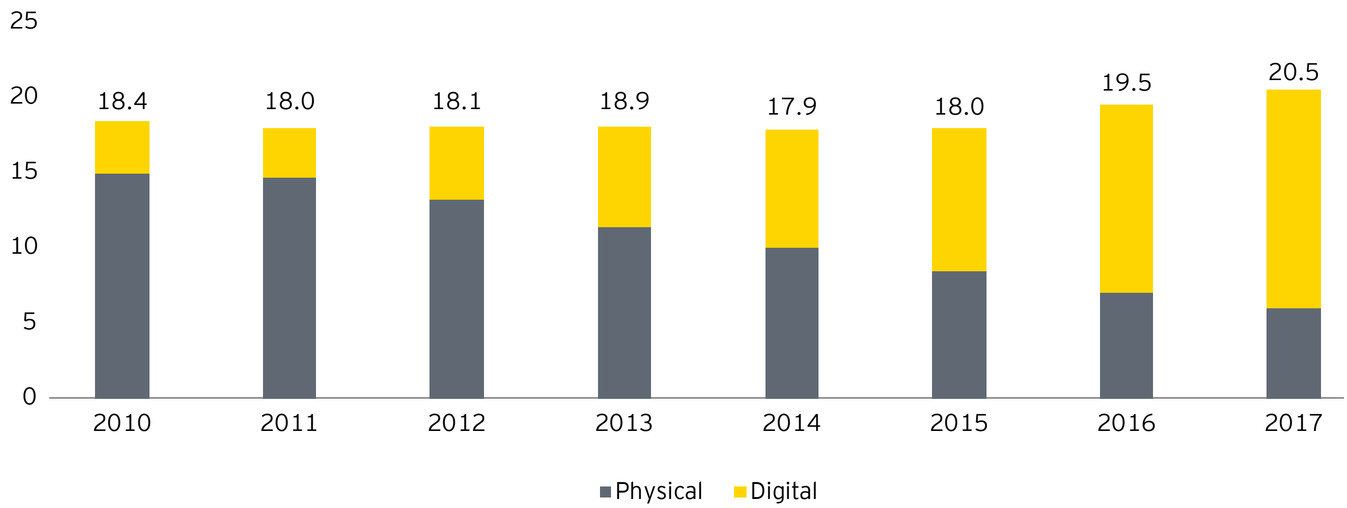
Global box office continues to grow with movies drawing younger and more diverse audiences. In North America, the box office set a record in 2018 in terms of revenue driven by audiences' continually growing pull towards superhero franchises and by higher ticket prices. Of the top five highest-grossing films in 2018, four were in the superhero genre and three were distributed by Disney.

Theatre chains are focusing on creating immersive experiences for audiences and investing heavily in upgrading screens to include reclining lounge seating, expanded food and beverage offerings, high-quality audio and visual equipment and augmented- reality and virtual-reality sections.

Home entertainment has gone digital

Consumers in the US are increasing their overall spends on home entertainment and this growth is being led by digital services.

Consumer spending on home entertainment in the US (US$ billion)



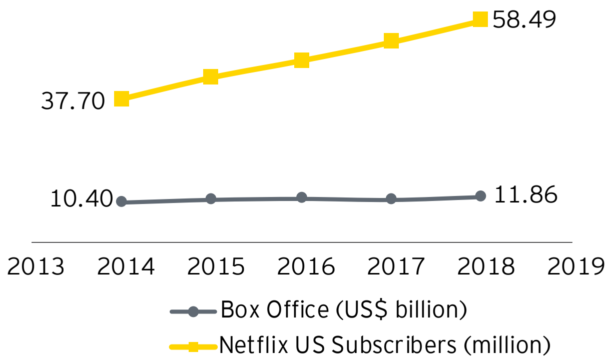
Source: Digital Entertainment Group

Traditional home entertainment continues to shift rapidly away from physical disc purchases, rentals and even MVPD-offered VoD. The big increase is seen in streaming services and electronic sell-through.

Production costs are rising rapidly

While the "arms race" for scripted content powers studio revenues, production costs are also rising rapidly. This increased demand is further driving competition for top class talent throughout the industry including creative and also production and commissioning. At the same time, the availability of a third and a fourth screen is propelling production studios to rely more heavily on other domestic licensing revenue, such as on-demand video and online streaming, putting further pressure on the studio operating model.

Film exhibition segment continued to grow alongside digital content platforms



Source: EY

The number of Netflix paid memberships in the US grew from 37.7 million to 58.5 million, a 55% growth from 2014 to 2018[74]. Other OTT service providers have also experienced similar growth. However, despite this phenomenal growth the matured US box office grew over the same period.

Number of admits have also remained steady at approximately 1.3 billion a year[75]. According to a survey conducted by EY in the US it was observed that movie theatre attendance and streaming consumption are positively related, implying that those who attend movies in theatres more frequently also tend to consume streaming content more frequently. This drives the point that despite increased consumption of digital content, consumers continue to watch films on the big screen and the film exhibition segment there continues to show robust growth.

74. Netflix quarterly financial statements and "National Association of Theatre Owners", http://www.natoonline.org/data/boxoffice/, accessed on 26th February 2019.

75. "National Association of Theatre Owners", http://www.natoonline.org/data/admissions/, accessed on 26th February 2019

Ease of filming in India

The Government of India (GOI), is taking a more active role in highlighting India's production capabilities and positioning it favorably in the global market as an ideal filming destination. To this end, it has taken several initiatives recently:

Single window facilitation and clearance

To promote the Ministry of Information and Broadcasting's (MIB) Film in India initiative, the Film Facilitation Office (FFO) was set up under the operational aegis of the National Film Development Corporation, to act as a single window facilitation and clearance mechanism for international filmmakers. From January 2019, further to the announcement by Hon'ble Prime Minister of India, the FFO is facilitating permissions for Indian filmmakers as well. Since 2016, the FFO has facilitated the filming of 89 international productions (Feature Films, Reality TV shows and/or Commercial TV Serials) in India from across the world.

In the Interim Budget 2019-20, the Union Finance Minister hailed the entertainment industry as a major employment generator and declared that the provision of single window clearance system for ease of shooting films, hitherto available only to foreigners, would be made available to Indian filmmakers as well.

Ease of obtaining Film Visa (F-Visa)

The F-visa was introduced in April 2017 exclusively for film professionals visiting India. Indian Missions/Posts abroad grant a F-Visa to such applicants who are coming to shoot Feature Films, Reality TV shows and commercial TV series in India provided that Ministry of Information and Broadcasting has approved the proposal. It permits a stay of up to one year and facilitates multiple entries into the country. The Ministry of External Affairs (MEA), which issues the said Visa, has created an ecosystem, through their Nodal Officer, who works in synergy with the Ministry of I&B and the FFO, to ease the issuance of the same.

The Single window portal, www.ffo.gov.in

The FFO's web portal, www.ffo.gov.in, provides all filming related information at the click of a button. The site was launched by the Hon'ble Minister of State (I/C) for Information & Broadcasting, Col. Rajyavardhan Rathore on 20 November 2018 at the inaugural ceremony of the 49th International Film Festival of India (IFFI). The portal, which will now enable online submission of applications for international and domestic filmmakers, disseminates information on India's various shooting locations across all States (each location having detailed information relevant to that particular location), lists facilities available with the Indian film industry for postproduction, animation and VFX, enlists filming guidelines / policies across various States and key Central Government Ministries / Agencies (such as ASI, Railways, DGCA, Department of Forests, etc), shows India's co-production treaties, etc.

In addition to this, the portal also showcases a database of the talent available in the Indian film industry, its filming hubs, and integrates with other such portals developed by State and Central Governments. The details of empaneled line producers competent to execute foreign film productions would also be available on the online portal.

Ecosystem of Nodal Officers in States/UTs and key Central Government Departments

An ecosystem of Nodal Officers has been created across various state governments and central government ministries / departments (Ministry of Railways, Airports Authority of India, Directorate General of Civil Aviation, Central Board of Indirect Taxes and Customs, Animal Welfare Board of India, Archaeological Survey of India, etc). 29 Nodal Officers have also been appointed across Archeological Society of India (ASI) circles, to ease the permission process at various ASI sites across the country. Further, the ASI updated its filming guidelines, to make filming easier and to encourage filmmakers to shoot at ASI sites. This ecosystem has enabled effective governmental collaboration at the policy level as well at the ground level, towards the creation of a film friendly environment.

Institution of the "Most Film Friendly State Award"

This unique Award, which was included in the 63rd National Film Awards in the year 2015, is the Ministry of I&B's endeavor to create a film friendly environment in the country as well as to encourage the growth of the filmed entertainment segment. It recognises and acknowledges the significant strides made by a State Government towards ease of doing business in respect of film shootings by Indian / foreign filmmakers and for creating a conducive environment towards promotion of Indian cinema. The States of Gujarat, Uttar Pradesh and Madhya Pradesh have been recipients of this Award in the last few years.

The film industry could take a rapid growth trajectory if state governments, who are strategic stakeholders in the film value-chain, are involved in ease of filming in and across India. The FFO will work with States to evolve parameters to measure the Economic Benefit derived from filming. Integrating state governments with the marketing campaigns of films and television shows, is also within the FFO's scope of work. With a view to enhance the Film Sector's contribution towards the GDP of the country, the FFO will continue to engage with state and central governments to ease filming and create film friendly policies.

Vikramjit Roy
Head FFO

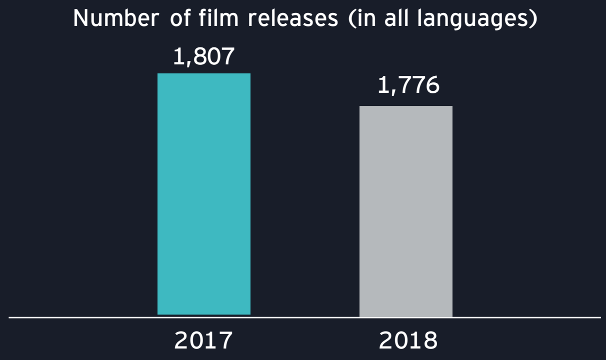
Locations have always played a larger than life role in films (Stree/Simmba/Black Panther/Green Book) and of late in web/television shows (Sacred Games/Mirzapur/Game of Thrones), resulting in film-induced tourism. In the last few years, they have become a key protagonist strongly woven into the storyline, thus forming a unique association with the viewer and resulting in vacations to such locations. We believe that India's breath-taking landscapes and its iconic monuments empower a filmmaker to unlock his or her narrative. Little wonder then that films shot in India pulsate with life. Coming to India, a filmmaker comes home to his imagination, while its locations light up the screen

Film exhibition trendbook

Powered by UFO Moviez

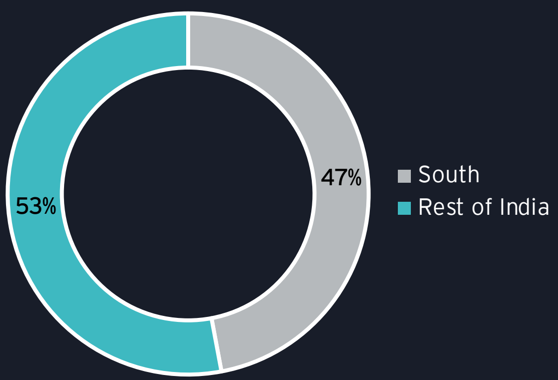
Number of films **released** across all languages fell by

2%



5 southern states accounted for

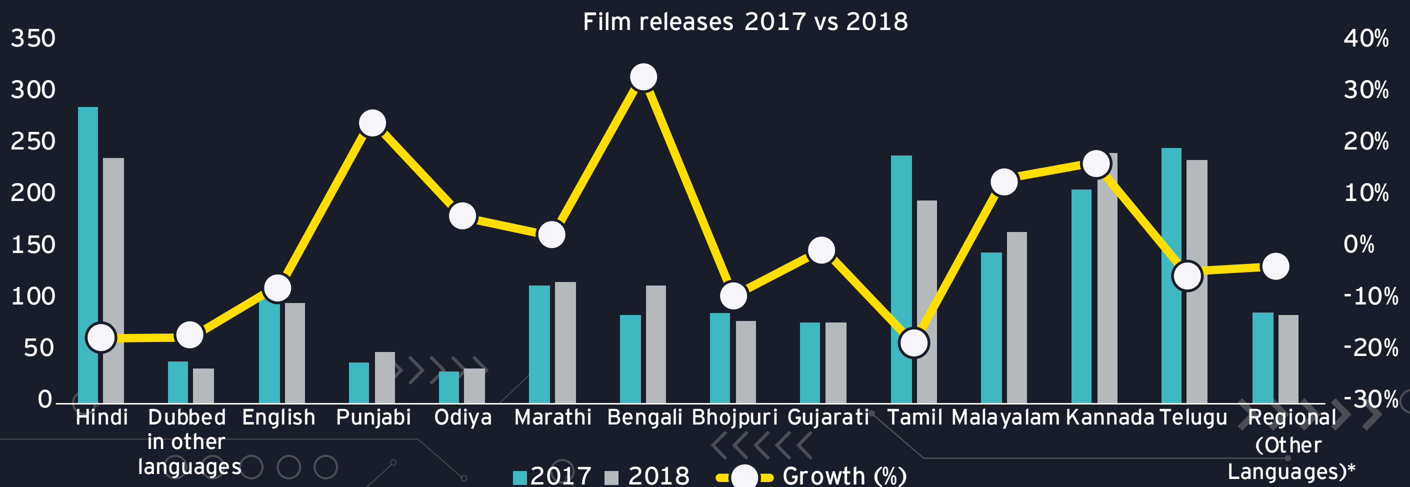
47% of screens



Bengali and Punjabi films saw the

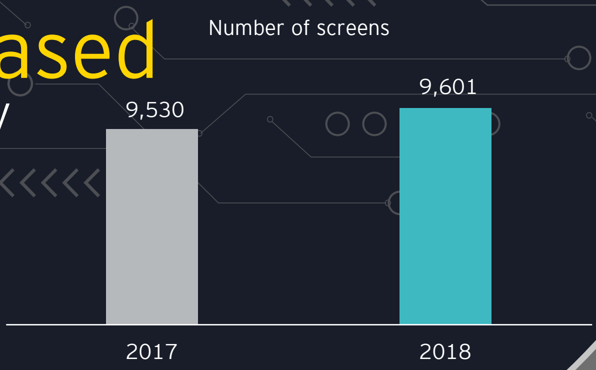
highest growth

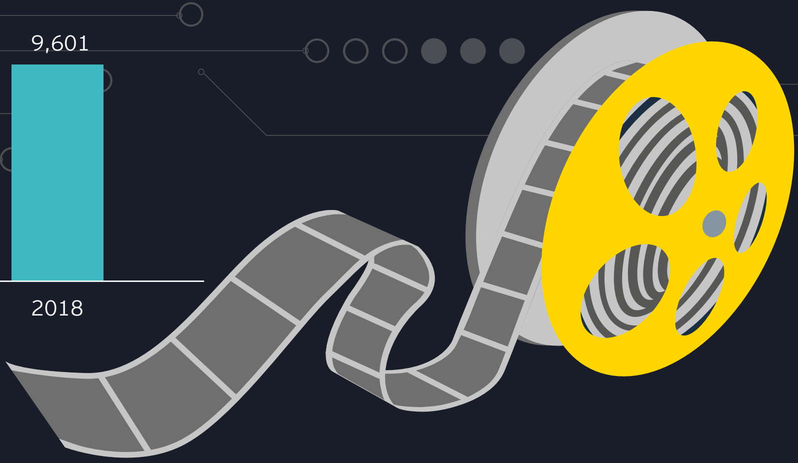
in releases



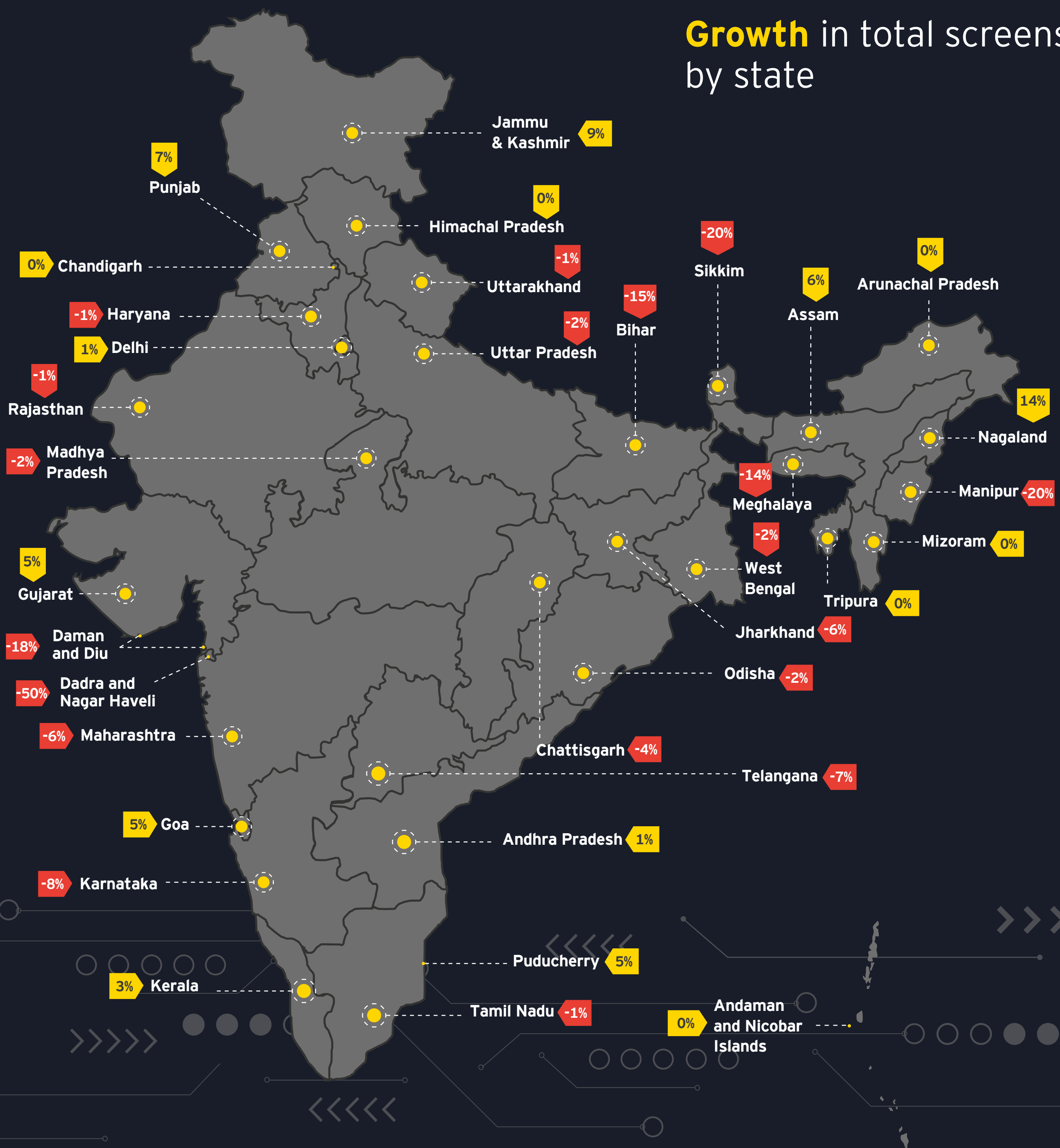
All data has been provided by UFO Moviez and is based on their research. It has not been validated by EY, and presented in summary form for representation purposes only.

Screen count **increased** marginally

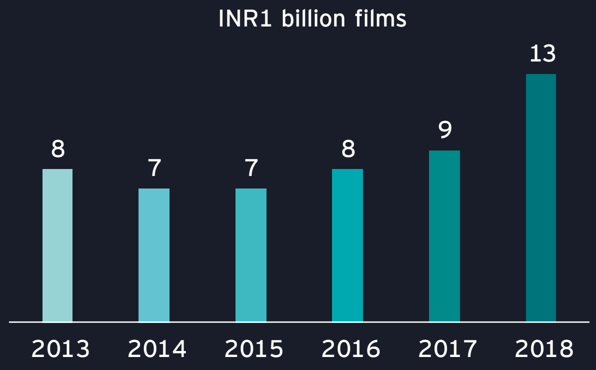


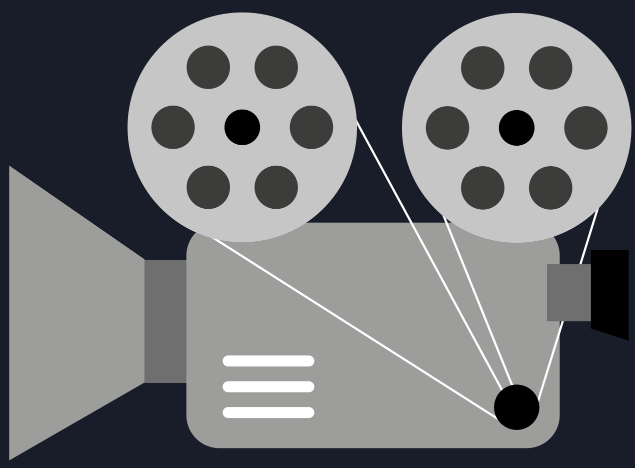


Growth in total screens by state

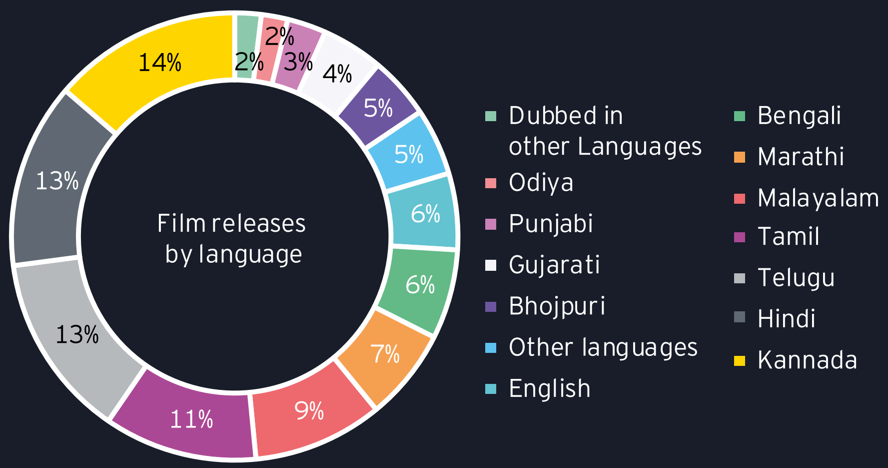


13 Hindi films
made it to the coveted
INR100 crore club
- the highest ever





The **highest** number of films
were released in **Kannada**



Film
trendbook

Powered by comscore

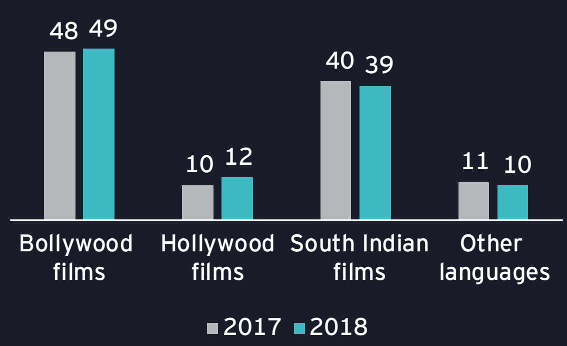
Lesser footfalls

in 2018, but revenue grew

2017	2018
1.66 b	1.56 b
INR109 b	INR110 b

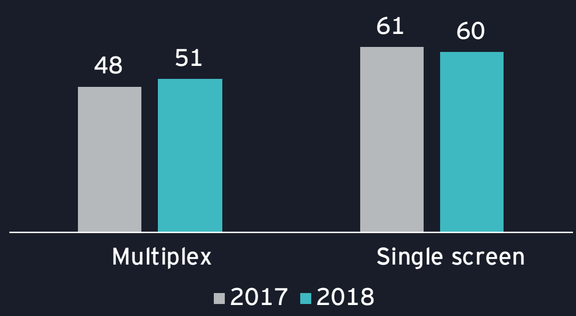
Bollywood and Hollywood film collections increased

Box Office collections (INR billion)



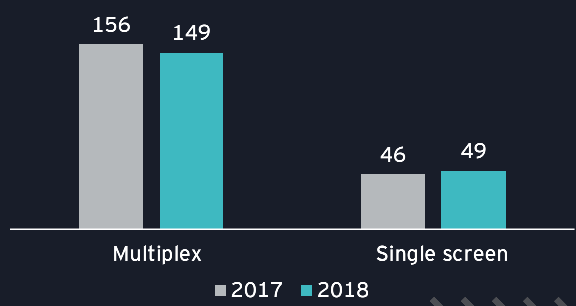
Multiplexes continued to grow their share of revenues

Revenues in INR billion



While the ATP for multiplexes fell, it increased marginally for **single screens**

Average ticket prices (INR)



Global revenues generated **US$491 m**

	2017	2018
No. of films released abroad	331	332
Gross box office collections including China	US$ 439 million	US$ 491 million

ALL statistics are Estimates ONLY based on comScore research and extrapolations from available data with comScore. It has not been validated by EY, and presented in summary form for representation purposes only.

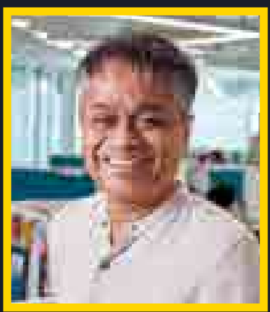
Expert speak

Kishore Lulla
Executive Chairman & Group CEO, Eros International Plc.

2018 has been a year full of industry changes. As audiences' tastes evolve it is important that the creatives cater to the new needs and tastes. Large 'blockbuster' star cast driven movies did not perform as expected and with the rise of OTT original programming there will be a struggle to determine which screen dominates the audience's lifecycle.

Siddharth Roy Kapur
Founder, Roy Kapur Films

2018 was a landmark year in Hindi cinema, with strong scripts and rooted narratives trumping superstar-driven big budget films at the box office. High-concept films without big stars garnered significant commercial success, proving to all stakeholders that stars and scale may be important, but at their core, audiences most want a good story well told.



Ajit Andhare
COO, Viacom18 Studios

2018 was an incredible year on many counts, content driven films & their diversity drove footfalls to a 3 year high despite three major star driven films not delivering. Government on its part corrected GST rates, Digital & Satellite monetization continues to be strong. These are the positives. A stronger stance on piracy & a better value to consumer in theaters are areas where we need to do much more.

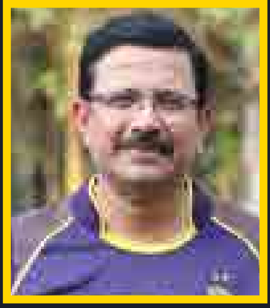
Kulmeet Makkar
CEO, Producers Guild of India

Film industry's remarkable growth in 2018 can be attributed to the content rich films which had freshness and diversity. It's been a year of brilliant writing, performances and the conviction with which film makers connected with the audience.

Scan the QR code to view videos, where indicated with ●

Vijay Singh
CEO, Fox Star Studios

The content business is going through an exciting phase - the consumer is at the center of everyone's focus and all screens and platforms are vying for their attention . The film business has had a great year with solid double digit growth and producers are pushing the envelope with a solid focus on scripts - exciting times ahead!!



● **Venky Mysore**
CEO, Red Chillies

The emergence of alternate platforms such as OTT is encouraging content creators to experiment and do different things, that may or may not be in film form, but something that is being consumed very strongly.

● **Hiren Gada**
CEO, Shemaroo

Greater adoption of digital video will lead to creation of more segmented offerings thus catering to currently underserved consumers.

Dinesh Vijan
Director & Founder, Maddock Films

Our country is changing and so are our audiences. The demarcation between commercial and parallel is slowly vanishing. This just goes on to solidify the fact that people will support you if you offer them content that is fresh and intelligent but also entertaining. With so many exciting stories coming to the big screen, its a great time to be a film maker but an even better time to be a film viewer.

Expert speak

Sneha Rajani

Dy. President & Head - Motion Pictures, Sony Pictures Network

In 2018, success mostly came from relatively smaller, content driven films scoring really big at the box office. At the same time, the so called "mass entertainers" also did well. These only auger well for the industry because the focus is on backing good scripts that cater to different target audiences - be it the high on content films or the masala movies.

Siddharth Jain

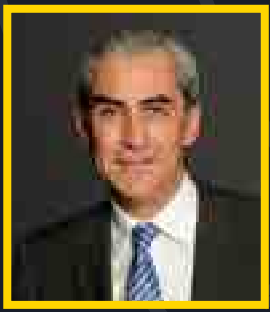
Non-executive Director, Inox Leisure Ltd.

The advent of technology and growing savviness of moviegoers have helped us build a world-class movie-experience with multiple first-of-its-kind offerings. We envisage to continue our expansion with diverse offerings to engage a larger audience across India.

Uday Singh

Managing Director, Motion Picture Association

2018 has been a very good year at the Box office, with a huge spike in footfalls as well as revenues. While big Hollywood blockbusters like Avengers - Infinity War, Mission Impossible, Black Panther saw a great turnout, there were also some welcome break-out hits like Bohemian Rhapsody and A Star is Born. The audience has shown a genuine interest in good content from both Hollywood and Bollywood, where films like Raazi, Stree, Badhai Ho did very well alongside popular entertainers such as Padmavat, Sanju & Simmba. I am confident this positive trend will continue into 2019 with a slate of great films lined up for release.

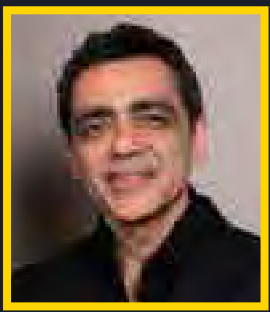


Javier Sotomayor

Managing Director - Cinepolis, Asia

We witnessed consistent release of films with good content, fresh story lines and powerful performances as opposed to a few big Bollywood star films. As a result, the cinema exhibition industry witnessed consistently higher footfalls. Going forward, we expect the healthy growth to continue, on the back of quality content and improvements in experiential cinema offerings.

Scan the QR code to view videos, where indicated with



Ajay Bijli
Chairman & MD, PVR Ltd.

We believe the Indian film industry has significant potential to grow and we as exhibitors have been focussed and invested to scale up. Audiences' desire for versatile and relevant content will grow stronger and premium cinema offerings will help in providing them a differentiated experience.

Kapil Agarwal
Joint MD, UFO Moviez India Ltd.

Indian Cinema Industry is continuously evolving, getting organised and this will be the next big media opportunity for advertisers. The large middle class consumer base, is returning to theatres, with box office success being dominated by content driven films through the past year. Cinema, remains the most impactful large format medium, arousing consumer emotions.

Dr Shrikant Bhasi
Founder & Chairman, Carnival Group

We see immense opportunity in the under-served non-metro cities in India to grow. Cinemas with a differentiated business model are required for these areas. Additionally, the cinema exhibition industry outside India is quite pertinent with many markets offering significant growth opportunities.

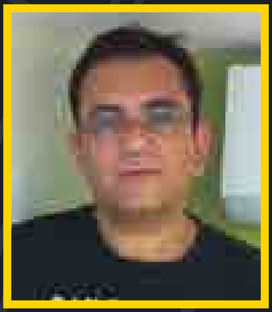
Apoorva Mehta
CEO, Dharma Productions

2018 was a water shed year for the industry, as for the very first time, a combination of small and mid-budget films across new and diverse genres ruled the Box Office. Additionally, these films were helmed by young rising stars of Indian cinema. So truly it was a year of compelling content across a spectrum of genres.

Expert speak

Udayan Bhat
Operations & Business Development Manager, Anil Kapoor Film Co. Pvt.Ltd.

In 2018, multiple films of varying genres, casting combinations and budgets delivered at the box office, once again reiterating the age old idiom, "Content is King". We are yet to test the full potential of our box office, hope we get to do so in 2019 - 2020.



Nitin Tej Ahuja
Publisher, Box Office India

The Hindi film industry is in a remarkable, rather topsy-turvy phase right now with many unheralded films scoring big at the box office while some of our most pedigreed, big-star-big-budget projects have massively under delivered. The message from the audience is clear: content and not past reputations count. The great positive to emerge from this churn is that filmmakers can now choose from a far broader roster of talents, as also an expansion in the range of narrative themes and genres that are no longer considered 'unsafe'.

Scan the QR code to view videos, where indicated with

Digital media

Image courtesy ImagesBazaar


बिजली
समय

Key messages

In 2018, digital media grew 42% to reach INR169 billion
Infrastructure growth propelled digital consumption:

- Broadband subscribers increased 41% from 363 million to 512 million
- Rural internet users grew 49% to reach 197 million
- Smartphone users reached 340 million
- Smart / connected TVs crossed 10 million

Indians spent 30% of their phone time on M&E

- 325 million people viewed videos online in 2018
- 245 million people consumed news online

Digital ad spends grew 34% to INR154 billion – now contribute around 21% of the total ad market:

- The share of ads in local languages has increased significantly in 2018
- Four categories spent over 30% of their ad spends on digital media – BFSI, telecom, consumer durables and e-commerce
- Programmatic advertising increased from 10% of total digital spends in 2017 to around 20% in 2018 and the contribution of programmatic could continue to grow to up to 50% by 2021
- Large ad platforms claim that there are now over 300,000 digital small and medium enterprise advertisers using digital media. They expect that this number is growing and could reach 500,000 within five years

Digital subscription grew 262% to reach INR14 billion

- Paid video subscribers grew from around 7 million in 2017 to around 12-15 million in 2018
- However, the percentage of paying subscribers to total consumers is less than 5% and 1% for video and audio respectively
- Over 200 million people accessed digital content through telco data bundles
- Up to 60% of video viewership volumes were generated by telcos and the amount spent by them on acquiring content for their subscribers was INR3.5-4 billion
- 1,200 hours of fresh original content was created for OTT platforms in 2018
- Audio subscription grew around 60% in 2018 to reach INR0.8 billion with around 1 - 1.5 million paying subscribers

Future outlook

- Digital will overtake film in 2019 and print by 2021 to reach INR354 billion in 2021
  - Advertising will reach INR300 billion by 2021
  - Subscription will cross INR50 billion by 2021
- Telcos will become the new MSOs
- While watch time could grow 3 to 3.5x over the next five years, resulting in a massive inventory growth, advertising revenues will grow only around 2x. CPMs will correspondingly fall during the period for non-premium inventory
- We expect 30-35 million paying OTT subscribers (and a further 350+ million subscribers accessing bundled OTT services from telcos) by 2021, however consolidation will be needed for platform profitability

Digital media grew 42% in 2018

Digital media continued to grow at a fast pace, across both advertising and subscription.

	2017	2018	2019E	2021E
Advertising	114.9	154.4	200.4	300.9
Subscription	3.9	14.2	22.9	52.9
Total	**118.9**	**168.6**	**223.3**	**353.8**

INR billion (gross of taxes) | EY analysis

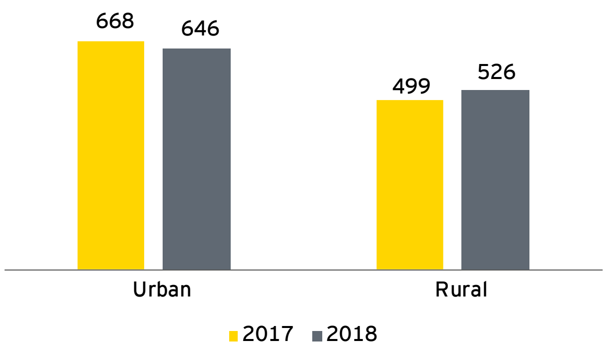
In 2018, digital media grew 42%, with advertising growing by 34% and subscription growing 262%. The digital advertising value above does not include spends of many small and medium enterprises, which industry discussions size at INR72 billion but we are unable to verify. Subscription, which was 3.3% of the segment in 2017, increased to 8.4% in 2018.

Digital infrastructure

Subscriber growth continued strong

Mobile subscriber growth was led by rural markets[1]

Mobile subscriber growth (million)



Source: TRAI

The number of wireless subscribers grew from 1,167 million in December 2017 to 1,171 million in November 2018. This growth primarily came from rural subscribers who grew from 499 million to 526 million in the same period.

The number of active wireless subscribers grew by just 15 million from 1,015 million in December 2017 to 1,031 million in November 2018. However, there are several subscribers with dual sims, and the number of unique subscribers is estimated at 650-700 million[2]. The tele-density number in India is now 91%[3].

Internet penetration was also driven by rural subscriber growth[4]

	Dec 2017[5]	Nov 2018
Total internet subscribers	446	570
Narrow band subscribers	83	58
Broadband subscribers	363	512
Urban internet subscribers	314	373
Rural internet subscribers	132	197

Internet subscribers grew 28% from 446 million in December 2017 to 570 million in November 2018. Hence, given that there are around 4 billion internet users in the world[6], one in eight internet users globally is Indian. Narrowband subscribers reduced 30%, while broadband subscribers increased 41% from 363 million to 512 million.

Urban internet users grew 19% from 314 million to 373 million during the same period while rural internet users grew 49% to reach 197 million.

Internet users are projected to reach over 700 million by 2021[7] because of the following factors:

1. Low cost smart phones, priced between INR1,500 and INR3,000, will expand the market
2. Improved rural internet connectivity on the back of innovation to enable the next 200 million users
3. Simplified language keyboards
4. Voice enabled utilization of the internet, mainly for entertainment, search and maps

1. Press release by TRAI No. 5/2019 & 23/2018
2. money.cnn.com
3. economictimes.indiatimes.com, "Telecom subscribers base up marginally at 116.8 crore in June"
4. The Indian Telecom Services Performance Indicators July - September, 2018 released on 8 January 2019; Press release by TRAI No. 05/2019; EY analysis
5. Yearly Performance indicators of the Indian Telecom Sector (second edition) 2017 released on May 4, 2018
6. Digital in 2018, Hootsuite
7. Counterpoint research; https://money.cnn.com/2017/09/26/technology/india-mobile-congress-market-numbers/index.html

96% of broadband subscribers were wireless users

	Dec 2017[8]	Nov 2018[9]
Wired broadband subscribers	18	18
Wireless broadband subscribers	345	494
Total broadband subscribers	363	512

In millions

At over 500 million broadband subscribers, India has the second largest broadband subscriber base in the world. Wireless broadband comprised 96% of total broadband subscribers in India as of Nov 2018.

54% of total mobile connections were 3G and 4G[10]. 3G and 4G networks comprised 12% and 87% of total data consumption respectively during the quarter ended September 2018.

Data charges remained consumer friendly

India remains a country where data charges are amongst the lowest in the world. Our analysis of some popular data plans indicated the lowest rate to be INR3.1 per GB (or less than US$0.05 at current exchange rates)[11].

Broadband market shares

Telco	Broadband market share[12]
Jio	52.4%
Airtel	20.6%
Vodafone	10.8%
Idea	9.9%
BSNL	4.2%

Jio now has an over 50% broadband market share in India.

5G and fiber will drive growth

Rollout of fiber to the home and 5G services will improve connectivity from 2020 onwards. This could prove beneficial for video consumption, particularly for longer form content and sports, across cities and rural markets.

8. Yearly Performance indicators of the Indian Telecom Sector (second edition) 2017 released on May 4, 2018
9. TRAI website
10. GSMA Intelligence
11. EY analysis
12. TRAI website

Device growth

Smartphone users reached 340 million in 2018

Smartphone penetration in India grew to 36% of total phones in 2018, up from 33% in 2017 and is expected to further increase to 39% in 2019[13]. By the end of 2018, there were 340 million smartphone users in India and this number was expected to reach 373 million in 2019 and 442 million by 2022[14]. This is around 14% of the world's smartphone market. Paradoxically, 35% of the country does not own any mobile phone yet[15] .

The average amount spent on smartphones in India has risen from INR7,700 in 2015 to INR9,960 in 2017, according to a Nielsen report on smartphone usage in India called "What handsets say about Consumers".

Jio's smart feature phone, the JioPhone, continues to enable a new bunch of consumers to access the internet and is estimated to have sold around 40 million units since its launch[16].

Smart / Connected TVs crossed the 10 million mark

Industry estimates indicate that there were about 10-12 million smart TVs in 2018, and this is expected to increase to over 20 million TVs by 2020[17]. As the price of a smart TV falls to INR15,000, this number could increase manifold – leading to a growth in large screen viewing of OTT content.

Content consumption

Overall consumption trends

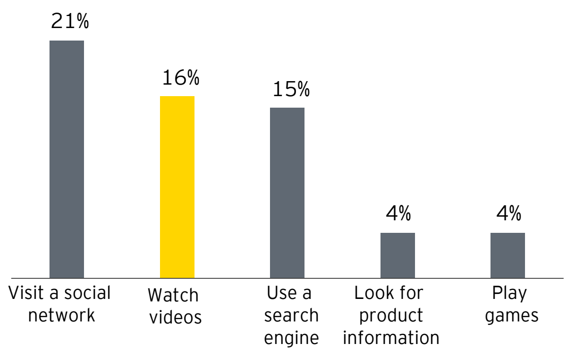
Average data consumption doubled in 2018

The average Indian data user doubled consumption from four to eight GB per month between 2017 and 2018, and is expected to consume 10 GB per month on average in 2019. This consumption is expected to increase to 15 GB on average by 2024[18]. Given the large growth in base, with many new users coming in from rural India, the consumption growth represents a large opportunity to telcos and media companies to serve differentiated and customized content and grow their subscribers and audiences.

Indians spent 30% of their phone time on entertainment

A study by the Omidyar Network indicates that Indians spend 30% of their time on mobile phones on entertainment, second only to social media[19]. However, in terms of data, they use upwards of 70% on entertainment[20].

Most popular activities on smartphones in India[21]



13. eMarketer; via Statista
14. Counterpoint research; https://www.indiatimes.com/technology/news/smartphone-users-in-india-smartphone-penetration-is-set-to-reach-373-million-users-in-2019_-360475.html
15. Pew Research
16. https://indianexpress.com/article/technology/mobile-tabs/nearly-40-million-jiophones-have-been-sold-so-far-report-5152257/
17. Industry discussions; EY estimates
18. TRAI, Ericsson Mobility Report 2017 & 2018, https://economictimes.indiatimes.com/tech/internet/data-usage-to-turn-upwardly-mobile-in-2019/articleshow/67358232.cms; EY analysis
19. Innovating for the next half billion
20. https://timesofindia.indiatimes.com/business/india-business/indians-spend-70-of-mobile-internet-time-on-social-entertainment/articleshow/62125840.cms
21. We Are Social; Google Consumer Survey Jan 2018, age 16+

On apps, the most preferred activity was visiting a social network, followed by watching videos. The creative freedom that OTT services has offered content creators and talent, as well as the control and choice that consumers enjoy are a huge differentiator for the digital segment. The industry-led self-regulation code of best practices will prove to be a boon for content creators and a key differentiator for VoD services in providing consumers with content they love. Personalization and creative freedom will combine in a unique way to allow lesser-told stories to be brought to screen and allow more stories to succeed because they can find their own audiences.

Indians downloaded more media apps than ever before

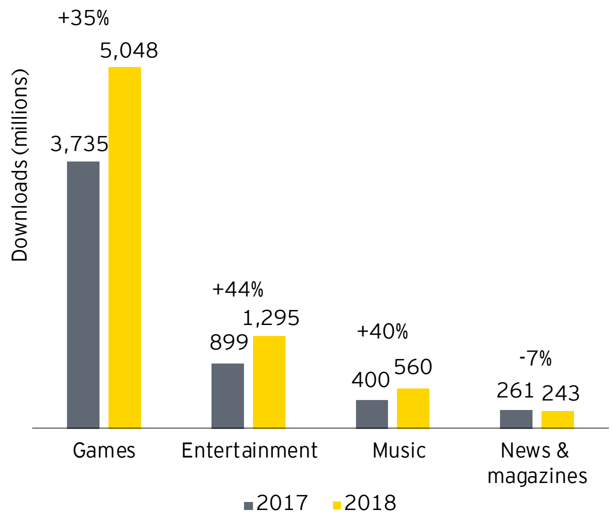
India is amongst the top two to three countries in the world today when it comes to digital consumption of services and second only to China on an overall basis. It stands second in the digital adoption of M&E services, having recently overtaken the USA across users and time spent.

Share of digitally active population using the following fintech services (2017)[22]

Money transfer / payments	Financial planning	Savings / investments	Borrowing	Insurance
China 83%	China 22%	China 58%	China 46%	**India** 47%
India 72%	Brazil 21%	**India** 39%	**India** 20%	UK 43%
Brazil 60%	**India** 20%	Brazil 29%	Brazil 15%	China 38%
Australia 59%	US 15%	US 27%	US 13%	South Africa 32%
UK 57%	Hong Kong 13%	Hong Kong 25%	Germany 12%	Germany 31%

Indians downloaded over 17 billion apps in 2018 and on average, a smartphone had 69 apps installed[23]. Indians downloaded more media and entertainment apps in 2018 than ever before, with the highest growth rates being seen on entertainment, music and game apps.

India: Total downloads in select app categories

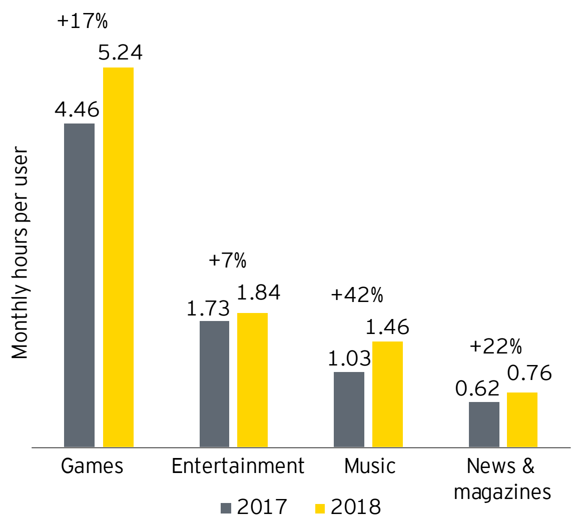


Source: App Annie's analysis of iOS and Google Play stores

Time spent on M&E apps increased

Increased app downloads also resulted in more time spent on apps, with the highest growth being seen in the top 20 music apps - a growth of over 42% in time spent.

Average monthly time spent in top 20 apps by category MAU India, Android phones



Source: App Annie

22. EY Fintech Adoption Index 2017
23. App Annie

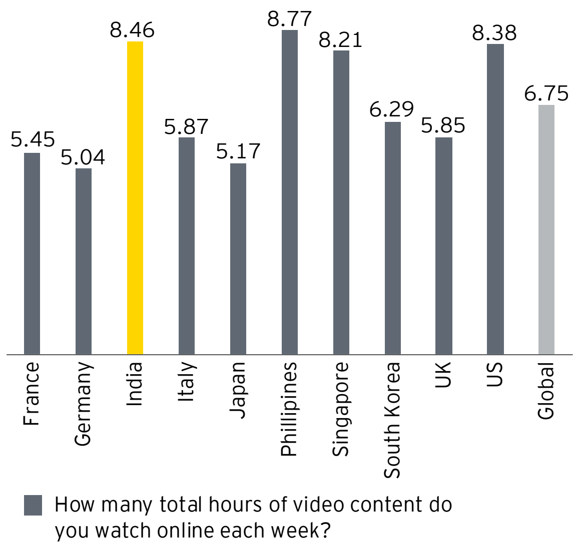
Online video

Video viewers grew 25% in 2018

325 million people viewed videos online in 2018, a growth of 25% from 2017[24] .

Overall consumption continued to increase on video OTT platforms, with regional consumers driving growth. However, streaming of long form content is still a challenge beyond the top eight to 10 cities, and this led to average time per user coming down as more growth was driven by regional consumers. More women consumed content on OTT platforms[25] .

India has amongst the highest per capita consumption of online video in the world[26]



Indian broadband internet subscribers surveyed by Limelight Networks consumed around 8.5 hours per week of online video, far higher than the global average of 6.75 hours per week. However, 94% of those who consumed content online also subscribed to linear television services. 2018 saw a lot of improvement in data consumption efficiency. A consumer could now watch 26 hours of Netflix in 4 GB of data, soon to become 33 hours[27].

Consumption was led by languages[28]

Google claims that 97% of content consumed on its YouTube platform is now in local languages and a similar trend was seen across most OTT platforms in India, all of whom claimed that over 90% of consumption on their platforms was in local languages. Hindi accounted for between 50 and 70% of total consumption of multi-lingual platforms. There is a huge appetite for local content but also high interest in TV series and films that are popular globally. Sacred Games, Ghoul and Lust Stories are popular in India but so are Bird Box, Mowgli, Black Mirror: Bandersnatch and Narcos: Mexico[29].

Content fragmentation will continue, as will the proliferation of platforms which segment audiences. Digital content consumption will mimic the growth of television – which started with a general channel with entertainment, films, news, etc. and then over time, each type of content across different languages created segmented products for segmented audiences.

Driven by the faster growing rural internet population, as well as increased time spent by rural audiences on their phones on entertainment as compared to urban audiences[30], this trend will continue to be relevant in 2019 and beyond, and is expected to lead to more money being allocated to regional language content and marketing.

Catch-up TV remained a favorite on OTT platforms

In 2018, catch-up TV contributed as high as 70-90% of the total content viewed on the online platforms of large broadcasters, primarily because this content was often not placed behind paywalls[31].

24. EY estimates using TRAI data and industry discussions
25. http://www.indiantelevision.com/iworld/over-the-top-services/hotstar-trends-2017-women-small-town-cross-language-consumption-rises-180315
26. Limelight Network's State of Online Video 2018, a study of consumers who consume one hour or more of content each week, conducted in August 2018
27. Netflix India
28. Industry discussions
29. Netflix analysis
30. https://www.socialsamosa.com/2018/11/infographic-video-consumption-statistics-2018/
31. Industry discussions

Top video apps (entertainment)

	App	
Rank	By downloads	By MAU
1	Hotstar	Hotstar
2	Jio TV	Jio TV
3	Airtel TV	Amazon Prime Video
4	Sony Liv	Google Play Movies and TV
5	Zee5	Airtel TV

Source: App Annie's analysis of iOS and Google Play stores

Note: Adjusted to align with this section's objective

Online audio

Audio streaming users grew 50%

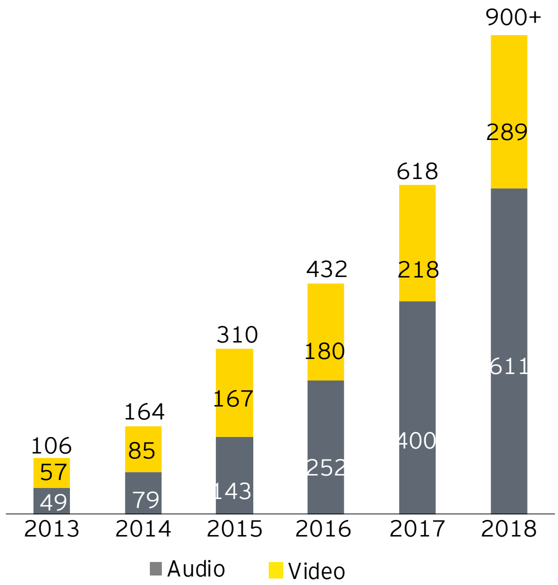
The number of consumers across online streaming apps grew 50% to reach around 150 million in 2018[32] . However, the segment struggles with a high churn rate of over 50% and this impacts the customer lifetime value. In addition, around 250 million people watched music on YouTube[33] .

India reached around 5 billion streams per month[34]

Indian audio streaming apps reached around 5 billion streams per month, a growth of around 50% over the prior year. The landscape is interesting, with a mix of domestic music apps like Jio Music and Gaana, and international players like Apple and Google. The entry of Spotify in 2019 will only increase traction in this space. The competitive ecosystem augurs well for innovation and the segment's current growth is reflective of streaming music growth in international markets like the USA, which has reached 50 billion streams per month.

The unstoppable rise of music streaming[35]

On demand music streams in US (billions)



Source: Nielsen

However, consumption per day remained low [36]

Industry discussions indicate that average consumption per user is as low as ten minutes a session and an hour in a month. Regular subscribers account for 12-15 sessions a month. These numbers are still far lower than international averages, which can be between one to two hours per day per regular subscriber.

Top audio apps

	App		
Rank	By downloads	By revenue	By MAU
1	Jio Music	Sing! By Smule	Google Play Music
2	Gaana	StarMaker Karaoke	Wynk
3	Wynk	Gaana	Jio Music
4	Saavn	Saavn	Gaana
5	Hungama	Wynk	Saavn

Source: App Annie's analysis of iOS and Google Play stores

Note: Adjusted to align with this section's objective

32. https://musically.com/2019/01/08/how-gaana-became-indias-top-audio-streaming-music-service/
33. Industry discussions; EY analysis
34. Industry discussions
35. Nielsen
36. Industry discussions

Online news

Online news audience grew to 245 million

Online news subscribers grew between December 2017 and 2018, to reach 245 million, across mobile and desktop users of news sites, portals and aggregators. This is approximately 43% of internet users at the end of 2018[37]. The time spent per user per day on news is around eight minutes. Highest growth was seen in non-English consumers of around 40%[38].

Top news apps

	App		
Rank	**By downloads**	**By revenue**	**By MAU**
1	Dailyhunt	Magzter	Twitter
2	NewsDog	The Economist	Dailyhunt
3	India News	The Wall Street Journal	Times of India
4	Twitter	Medium	Inshorts
5	AajTak	NY Times	UC News

Source: App Annie's analysis of iOS and Google Play stores

Note: Adjusted to align with this section's objective

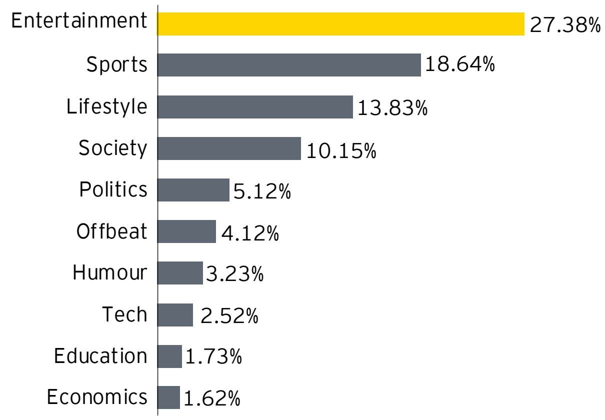
Television news' online syndication paid dividends

Television news content was syndicated to online platforms - both media OTT apps as well as non-media apps. BTVI's English business news content, for example, garnered around 40,000 hours of television viewership in Jan 2019, but managed more than double that across online platforms[39].

Consumption of content was led by entertainment[40]

According to the total rate of content consumption on UC News Feed platform in India, entertainment was the largest category in mobile content consumption for Indian users, accounting for 27.4%, followed by sports and lifestyle, which accounted for 18.6% and 13.8% respectively.

Category wise content consumption (in page views)



Source: VC Media lab data interval: Jan 2018 - Sep 2018

The report mentioned that video varied from 11-16% of consumption, the balance being text and images.

The need for subscription products increased

Less than 0.25% of total online news consumers were paid subscribers. Most media houses launched subscription products, across Times, Hindu, Mint, Television18, etc. and all CEOs we met mentioned it was a priority for them. Customer lifetime value equations will not balance costs and revenues unless a viable subscription model is developed and we believe that this will require at least 10-20% of current subscribers to turn pay. Annual packs at heavy discounts could be the way forward, but will only work if quality content is kept behind paywalls. Hence, this could work better for business news and specialty content, not as much for general news[94].

37. EY analysis of data from online news companies
38. Industry discussions
39. BTVI data | TV Data Source: BARC India: TG: 22+ Males AB | Market: 6Metros+Guj1mn+ | Period: Jan 2019
40. Cheetah Lab from Cheetah Mobile and UC Media Lab from UCWeb, Alibaba Digital Media and Entertainment Group; https://www.adgully.com/entertainment-tops-mobile-content-consumption-in-india-cheetah-lab-uc-report-81261.html

94 EY analysis; industry discussions

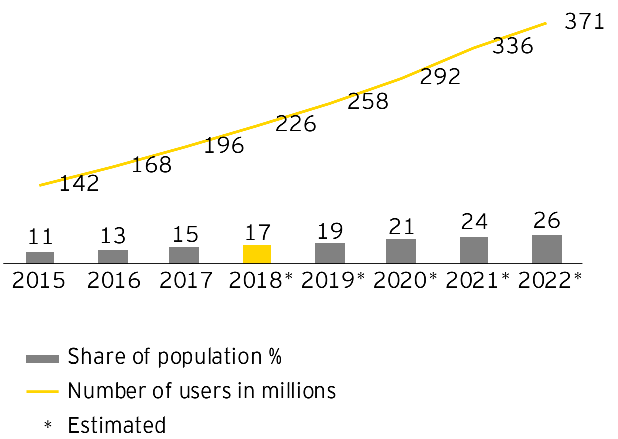
Reliance on Google and Facebook remained high

Most news platforms still relied on Google and Facebook for a large share of their online audiences - up to 95% in some cases[95]. As more newspaper companies commence their journey around news video creation, Google and Facebook can play an important role in growing their reach and revenues.

Social media

Social media penetration reached 17% in 2018[41]

Social media users and penetration in India

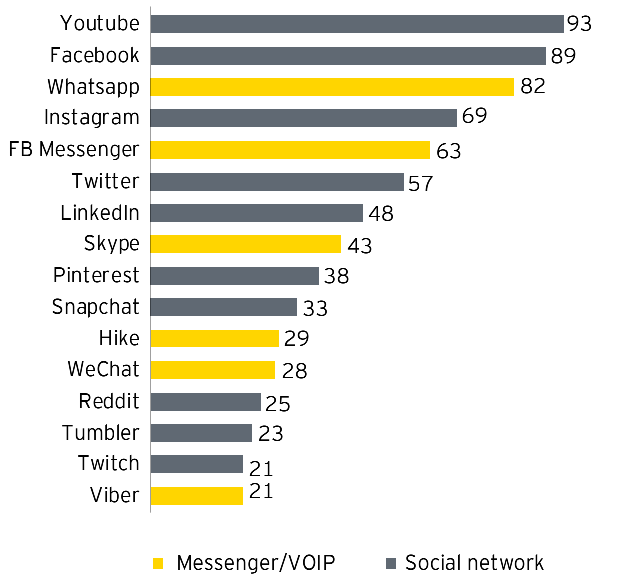


226 million Indians (16.7%) were on social media in 2018, up from 14.6% in 2017. This massive uptake reflects India's median age of 28.2 years[42].

The top social media platforms were as per the table below.

Most active social media platforms

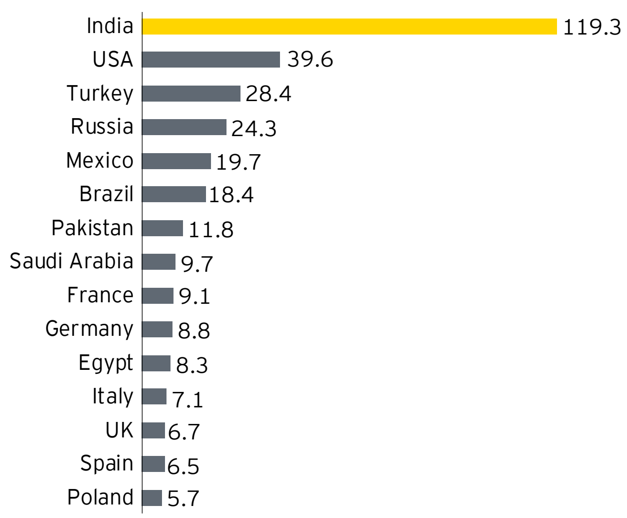
% of internet users who report using each platform (survey based)



Source: Hootsuite

TikTok became a huge success in 2018 and generated over 100 million downloads from India.

TikTok app downloads in 2018 (millions)



Source: Priori data

41. Statista, Statista DMO
42. United Nations

95 EY analysis; industry discussions

Internet users spent 40% of their time on social media

Social media comprised 40% of time spent by internet subscribers on their mobile phones and was the single largest category of use[43]. Correspondingly, social media advertising grew by over 30% [44] and this resulted in many news publishers, OTT platforms and music streaming services using this medium to target customers.

The horizontalization of digital media began in all earnest

Earlier, the value chain was linear and simple, with content creators and advertisers providing content to broadcasters, broadcasters aggregating content for DPOs and DPOs providing it to consumers.

Today, each element of the value chain has built direct-to-customer (D2C) processes. Now, the content house, the advertiser, the broadcaster, the distribution platform, the telco – all are building their D2C offerings, which will increase competition for consumer time spent and eyeballs, fragment audiences, increase content cost and build enormous amounts of consumer data.

Digital advertising

Digital ad spends grew 34% to comprise 21% of the total ad market

	2017	2018	2019E	2021E
Video	38	50	68	105
Search	36	51	64	96
Display	34	46	58	85
Classifieds	7	8	10	14
Total	**115**	**154**	**200**	**301**

INR billion (gross of taxes) | EY analysis

The growth in ad spends on digital was on account of several factors:

1. Improved demonstration of return on ad investment through placement of ads closer to the point of purchase
2. Heavy digital evangelism by ad agencies, along with the "cool factor" of working on digital media and with India's burgeoning digital start-up ecosystem
3. A large SME base, increasingly focused on performance advertising and less on brand building
4. Use of digital media by several large traditional advertisers to experiment with niche product launches and higher-priced variants

Today, digital platforms provide household targeting with 10% wide slabs across various parameters[45] and as telcos and e-commerce platforms build their consumer data, individual targeting will – subject to data privacy concerns – enable more focused targeting.

43. Innovating for the next half billion, Omidyar Network
44. EY analysis
45. https://instapage.com/blog/adwords-income-targeting

Ad volume analysis

YouTube remained the largest platform for digital advertising

21% of total digital ad insertions in 2018 as web monitored by TAM AdEX were on YouTube. Other top web publishers (by number of ad insertions) are in the table below.

Rank	Leading web publishers (apart from YouTube)[46]
1	Timesofindia.indiatimes.com
2	Mapsofindia.com
3	Rediff.com
4	Firstpost.com
5	News18.com
6	Mensxp.com
7	Espncricinfo.com
8	Dailythanthi.com
9	Indiaglitz.com
10	Thehindu.com

Approximately 56% of ad insertions and value were on desktop, while 44% were on mobile. Mobile advertising share could exceed desktop in 2019 as it is expected to grow at over 40%[47]. 83% of Indian consumers were accepting of or neutral to pre-roll advertising if it was relevant to them[48].

Inventory utilization fell due to volume growth

As Indian broadband subscribers increased by 41% in 2018, ad inventory grew exponentially and resulted in a glut of inventory in the digital ad market. Our industry interviews and analysis indicate that while watch time could grow 3 to 3.5x over the next five years, resulting in a massive inventory surplus, revenues will grow only around 2x. We estimate that CPMs will correspondingly fall by up to 50% for non-premium inventory.

The key for revenue growth will therefore be innovation around new ad formats, voice search and transactions, better targeting, regional language content, focus on performance advertising, premium content, etc.

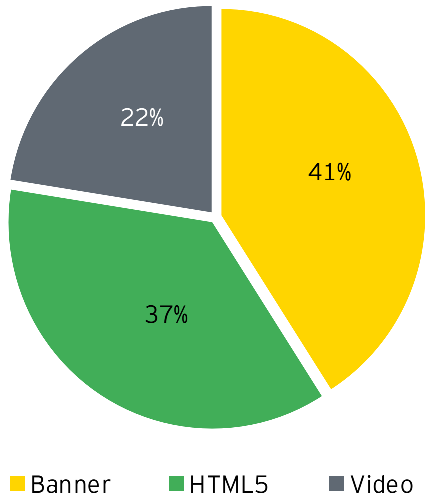
Services was the largest advertising category[49]

Rank	Top five sectors	%Share
1	Services	51%
2	Banking / Finance / Investment	8%
3	Education	5%
4	Auto	5%
5	Food and beverages	4%

The largest advertising category (by number of ad insertions) was services, which comprised e-commerce, online shopping, media and entertainment, real estate, etc. The top five advertisers were Amazon, Girnar Software, Google, Netflix and Flipkart. Amazon accounted for 5% of total ad insertions.

46. TAM AdEX, which monitors 2,500+ websites across mobile, desktop, laptop and tablet
47. TAM AdEX, DAN digital report 2019, EY analysis
48. Limelight Networks' State of Online Video 2018
49. TAM AdEX

Banner ads were most prevalent in 2018[50]



Over 40% of all ad insertions were banner ads, followed by HTML5. Video insertions were at 22%. Video insertions have more than doubled over the last two years as they garner higher advertising rates.

Share of local language ads increased

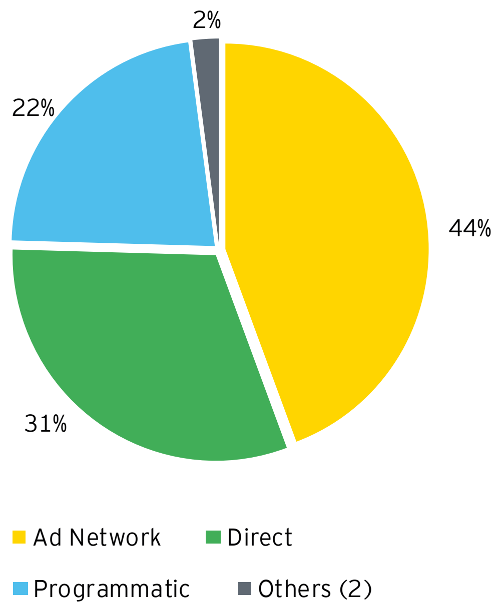
The share of ads in local languages has increased significantly in 2018. While small businesses always preferred local ads to reach local audiences, larger advertising brands took to local language ads in a big way in 2018. As the reach of the internet continues to be fueled by regional subscribers, we expect that the share of language advertising will reflect that of TV, i.e., eventually, only 4-5% of ads will be in English, around 50% in Hindi and the balance in local languages[51]. The CPM differential is limited - just 10-15% lower than English and Hindi since the primary construct remains audience based buying[52].

Share of programmatic ads doubled

Our interviews have shown that programmatic increased from 10% of total digital ads in 2017 to around 20% in 2018[53] and the contribution of programmatic could continue to grow to around 50% by 2021[54]. The CPMs also reduced by up to 20% for non-premium ad inventory during the period, while most premium ad inventory ranged from US$2.5 to up to US$10[55]. Industry discussions indicate that programmatic currently constitutes up to 30-40% of overall share of revenues for some OTT platforms.

Programmatic could also move to other traditional media over time, as the case for efficiency and performance grows. The first signs of this have been seen in more developed advertising markets.

Share of advertising modes[56]

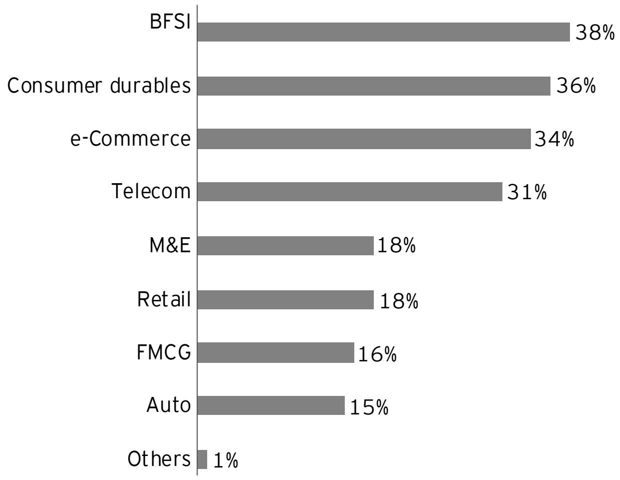


50. TAM AdEX
51. BARC, EY analysis
52. Discussions with OTT platforms; EY analysis
53. Industry discussions, EY Analysis
54. Mobile Ecosystem and ad-Sizing Report 2018 by MMA and GroupM
55. Industry discussions, EY Analysis
56. TAM AdEX

Ad value analysis

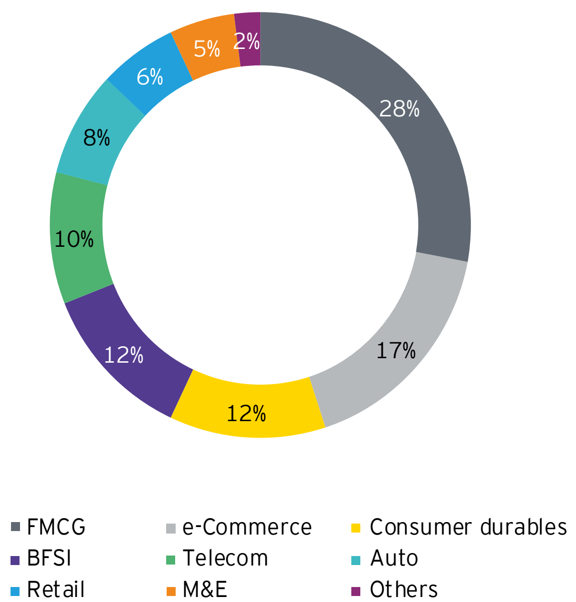
Four ad categories spent over a quarter of their total ad spends on digital[57]

Percentage spends on digital by category



Four categories spent over 30% of their ad spends on digital media – BFSI, telecom, consumer durables and e-commerce. Contribution wise, FMCG doubled its share of spends on digital since 2017.

Category composition of digital advertising 2018



By value, FMCG was the highest spender on digital, comprising 28% of total spends, followed by e-commerce, consumer durables and BFSI.

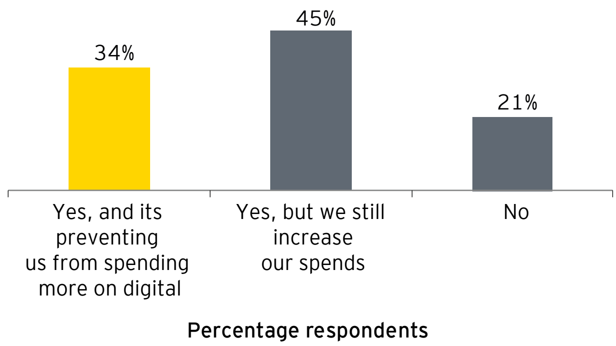
Over 300,000 small and medium advertisers used the digital medium

Large ad platforms claim that there are now over 300,000 small and medium enterprise digital advertisers[58] i.e., those who never or barely advertised on traditional mediums like TV and radio, or were advertisers in local print and classifieds. They expect that this number is growing significantly and could reach 500,000 advertisers within five years.

Their spends are focused on performance advertising – predominantly search and classifieds, on platforms like Google, Facebook, Flipkart, Amazon, Just Dial, etc. However, we are unable to verify these ad spends, as data was not available for review. Industry discussions indicate these spends to be around INR72 billion[59].

Ad fraud was a serious concern

Is digital ad fraud worrisome to you?



Source: EY marketer survey

Our survey of marketers indicated that 34% of respondents would spend more on digital advertising if ad fraud issues were addressed, while 45% would increase spends despite knowing of the risk.

The native ad dilemma

Native advertising was preferable, but the cost of implementing it was sometimes too high for many publishers, leading to lower uptake than it warranted. Several publishers mentioned its appeal to advertisers, but were unable to implement the same across devices, formats, etc. in a real-time manner.

57. Dentsu Digital Report 2019
58. Industry discussions
59. EY analysis based on industry discussions

Digital subscription

In 2018, digital subscription grew 262%

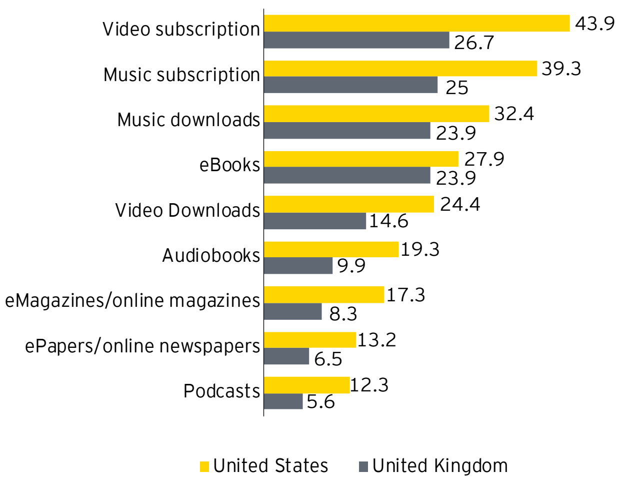
Digital subscription, which includes the amount paid by telcos on behalf of their customers to content owners, grew 262% in 2018 to reach INR14 billion.

	2017	2018	2019E	2021E	Three year forward CAGR
Video	3.4	13.4	21.5	50.5	56%
Audio	0.5	0.8	1.4	2.4	43%
Total	**3.9**	**14.2**	**22.9**	**52.9**	**55%**

INR billion (gross of taxes) | EY analysis

As per industry discussions, even though the percentage of paying subscribers to total consumers is less than 5% and 1% for video and audio respectively, the growth has been significant. However, it still lags behind the global trend seen in developed international markets.

% of consumers who spent on digital content in past 12 months (USA and UK)



Source: Statista Global consumer survey

Telco bundling of content continued to drive high usage

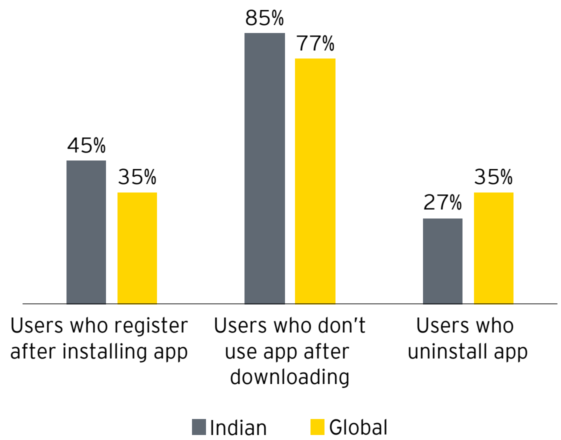
Telcos are becoming the new MSOs – they bundled content along with their data plans to drive sales of data packs. Telcos provided live streaming of events like the IPL and other sports, movies, music, television and digital originals to consumers, for as little as INR150 per month. Up to 60%[60] of viewership volumes were generated by telcos in some cases. We estimate that over 200 million telco subscribers consumed content that came bundled with their data packs. It is not possible to attribute a share of bundled data packs to the M&E sector, and hence the value of these at end consumer prices has been excluded.

The amount telcos paid for syndication was around INR3.5 to 4 billion in 2018 and is expected to continue to grow to reach INR8-10 billion by 2021[61] when over 375 million subscribers would access bundled content. Telco content deals were both fixed-fee / minimum guarantee deals as well as cost-per-stream deals. We have included this value when sizing digital subscription.

However, payment challenges remained

Online payments in India are being driven by credit card penetration (which was 41 million in August 2018[62]) and digital wallets, which are growing exponentially. However, the dual authentication regulatory requirement and poor interfaces between media platforms and wallets sometimes reduce the ease of transactions, especially when purchases are driven by impulse. Indians often install e-wallets, but a majority don't register or use them. Better integration and simplification of processes (such as doing away with compulsory dual authentication for small value payments) can help resolve payment issues.

Indian and global e-wallet user rates (in %)



Source: CleverTap/ Times of India

60. Industry discussions; EY analysis
61. EY analysis
62. https://www.medianama.com/2018/10/223-india-had-41-03m-credit-cards-980m-debit-cards-in-august-2018/

Video subscription

Paid video subscribers doubled in 2018

Video subscription revenues grew almost four times in 2018 to reach INR13.4 billion, on the back of new and relaunched video streaming platforms, growth of smart phones, spread of affordable broadband, regional language content, exclusive content and live streaming of major sports and other impact properties.

Traditionally, the cost of broadband and OTT was 2x to 3x that of a TV connection. 2019 will be a very important year, since the OTT pricing will become closer to TV pricing. This would result in a massive increase in the number of subscriptions, a shift which began in 2018.

Our estimates indicate that paid video subscribers grew from around 7 million in 2017 to around 12-15 million in 2018, net of those accessing content through telco content plus data bundles. 50% of the consumption was in languages other than Hindi while 40% of consumers were from tier II and III cities[63] .

We expect 30-35 million paying OTT subscribers (excluding bundled OTT services from telcos) by 2021, or 7% of total video viewers[64]. Consumers are increasingly using multiple VoD services and at least two SVOD services – of which one could be bundled with telco data plans.

63. Industry discussions & EY analysis
64. EY analysis

Subscription rates reflected segmented audiences

Rates moved in two clear directions viz, rates defined by private platforms and telco bundled rates. All the telcos offered their content for free along with data plans in 2018, be it Jio Prime, Vodafone Red or Airtel TV. Platforms took various approaches, creating packs of various lengths, as well as providing segmented packs for sports and regional content. Some key packs are provided below[65]:

Platform / Telco	Package	Pricing (INR)						
		1-month	3-month	Half year	Annual	Other		Telco bundle
Airtel TV								Free
Alt Balaji			100		300			
Eros Now	SD	49			470			
	HD	99			950			
Everywhere TV (TataSky)						For Tata Sky subscribers	Free	
Hooq			89		450	Bundled with Airtel TV (annual)	249	
Hotstar		199			999	Sports annual pack	299	
Jio TV								Free
Netflix	Basic	500						
	Standard	650						
	Premium	800						
Sony LiV		99		299	499	5-minute delayed sports	Free	
Sun NXT	Monthly pack	50	130		480			
TVF Play		Free						
Viu				299	599	2 months	99	
Vodafone Play								Free
Voot		Free						
Zee5	All access	99		599	999			
	Regional	49			499			

However, we believe that in the long run, particularly in tier II and III markets (sub 0.5 million population), sachet pricing will be key to grow subscription volumes. Up to 40% of OTT subscribers could come from these markets[66].

65. Web-sites and apps of various platforms; app stores accessed Feb 2019. This is not a comprehensive listing
66. TRAI data and EY estimates

A case for multiple apps / unified search

Unified search will become more critical as the number of subscription packs per user increases. Industry expects that most smart phone users will have their bundled telco OTT platform(s) and one or two other subscriptions by 2020. In such a case, unified search across languages – including voice search – will become critical for ease of consumer access.

The pack that will be selected first will be the one with the maximum appeal to the most number of family members, hence building a case for platforms which have sports, movies, news and entertainment all together.

Sports went behind a paywall

Hotstar for the first time put the IPL and other sports behind a paywall, after allowing 10 minutes of free viewing, offering an annual pack at INR299 for all sports, which could have an uptake of 1.5 - 2 million subscribers[67]. This has significantly grown its subscription revenues, despite its content being made available on competing OTT platforms of telcos. Sony Liv continued to have a real-time paid sports feed along with a free five-minute delayed feed for cricket.

Innovation and experimentation

- Innovation was seen in the regional space with the launch of SunNXT by the Sun TV Group, as well as HoiChoi by Shree Venkatesh Films, both of which are targeted regional OTT offerings
- Large media houses like Zee and Viacom added large amounts of regional content on their OTT platforms. Zee created lower priced regional subscription packs (Zee5 launched a scheme of INR49 per month as compared to its Hindi pack of INR99 / INR199 per month). It also launched a Rail Yatri pack for INR10 per week[68]
- Shemaroo launched two devotional apps – Bhakti and Ibaadat – to cater to the needs of different communities, with integrated e-commerce offerings and over 1,000 hours of content[69]
- Many platforms also experimented with release of television shows in advance on OTT platforms, including Viacom18, which took a TV show off air and continued it on its its VOOT platform[70]
- Platforms have also commenced live streaming of events like music concerts, e-sports tournaments, etc. to engage more with younger audiences[71]
- Interactivity became more prevalent – both Jio and Hotstar enabled play along games with cricket, Sony enabled interactivity with Dus Ka Dum and KBC, and VOOT even did a prediction game on the interim budget[72]

67. EY estimates and industry discussions
68. Zee5
69. Shemaroo
70. Viacom18
71. https://techobserver.in/2018/12/18/streaming-revolution-is-taking-over-esports-in-india-heres-why-you-should-not-miss-this-bus-in-2019/
72. EY analysis; VOOT, MyJio, Hotstar, Sony LiV, Zee5

Demand for original content exploded

The total amount of fresh original content created for OTT platforms in 2018 is estimated to be 1,200 hours[73]. Zee announced a planned spend of INR25-30 billion in exclusive content[74], while Hotstar announced plans to spend INR1.2 billion on originals[75]. Amazon and Netflix have both commissioned in excess of ten originals as well from India and are expected to spend over INR10 billion a year in India combined[76].

This content is far more experimental, and production houses and platforms are still finding their own content equations. In some cases, sequels have already been commissioned for series that worked across genres like Karanjit, Gandi Baat and Sacred Games.

While many platforms grew their exclusive content portfolios, most platforms continued to carry non-exclusive library content.

Growth in the demand for content has led to growth in the content production segment. Applause Entertainment has commenced production of over ten new series, SaReGaMa plans on over 100 new series and digital films and many more production houses are trying to meet the demand of additional, high-quality OTT content. The cost of this content is several times higher than that of TV content to meet the quality standards of international and OTT consumers[77].

The huge appetite for local content is driving Netflix's India original content. The majority of Netflix's 12 Indian original series (including new seasons) and eight yet-to-be-launched Indian original films and documentaries, stand-up, unscripted / reality shows will launch on Netflix in 2019 in local languages. On average, once every two weeks a new local high-quality series/film will launch on Netflix India. This is in addition to independent Indian films in different languages that launch on Netflix as well as a growing catalogue of licensed Indian films and TV[78].

Indian content went global, finally

Two of every three viewers of Netflix's Sacred Games were from outside India. In addition to subtitles in 24 languages, Sacred Games was dubbed in English, Brazilian Portuguese, Latin Spanish and Turkish. Ghoul was enjoyed by English speaking Netflix members residing in the US, UK, Australia and Canada- in these four countries, 45% watched with English dubbing, 37% watched with English subtitles and 18% watched with both English dubbing and subtitles[79].

As more of such high quality Indian content is acquired by global OTT platforms, we can expect to see more of this trend in the future. This also provides an opportunity for more content exports from India, which can become a regional content creation hub for global digital platforms, at a significant cost advantage.

The ability to personalize content and match the right content to the right consumer in addition to quality dubbing and subtitles will be integral to high-quality local content finding a global audience. Not only does global viewing make it more attractive to invest in Indian content, it is also a huge draw for Indian content creators and talent to make great content for VoD services.

The global OTT TV opportunity emerged

Towards the end of 2018, Star India announced that it would stop using cable distribution in the USA and made its TV channels available only on the Hotstar platform[80]. Zee announced similar moves in some European markets, Australia and Fiji[81]. These decisions could be a reflection of the cord cutting in these markets, or high distribution commissions charged by traditional distribution platforms. Going direct to consumer enables more revenue flow-back for broadcasters and if marketing can be adequately managed, this can lead to increased margins for them. Additionally, the direct to customer relationships will help with valuations and building valuable consumer data.

73. EY estimates based on 100 original TV series and 50 short films
74. https://www.thehindubusinessline.com/info-tech/as-ott-space-hots-up-Zee5-to-air-150-originals/article24708622.ece
75. https://economictimes.indiatimes.com/tech/internet/hotstar-to-invest-rs-120-crore-in-generating-original-content/articleshow/67534513.cms
76. https://www.exchange4media.com/digital-news/2018-a-turning-point-for-original-content-on-ott-92458.html
77. Industry discussions
78. Netflix India
79. Netflix India
80. http://www.indiantelevision.com/iworld/over-the-top-services/star-india-adopts-hotstar-only-model-in-us-channels-to-off-cable-tv-from-5-january-181215
81. https://economictimes.indiatimes.com/industry/media/entertainment/zee-to-go-ott-only-in-europe-australia-plans-to-pull-plug-on-linear-service/articleshow/67670140.cms

Audio subscription

Audio subscription grew 62% in 2018 to reach INR0.8 billion[82].

A number of OTT platforms operated in the market

The key players today in India are Gaana from the Times Group, Saavn (now combined with Jio Music), Wynk, Google, Apple, Amazon Prime Music and others. In 2019, Vodafone has announced its intention to launch a music streaming service[83]. In addition, Spotify launched its India service in February 2019.

Packages were varied[84]

The following packages were available from different streaming services[85] :

	Pack		
	Monthly	**Quarterly**	**Annual**
Gaana	99	199	249
JioSaavn	99	285	999
Apple	120	NA	NA
Amazon Prime Music (included free with Prime membership)	129	NA	999
Wynk	Free	Free	Free
Google	99	NA	NA
Spotify	129	389	1189

Amounts in INR

In the long run, we expect subscription rates to stabilize around INR30 per month.

Paying subscribers remained negligible

Despite the relatively low pricing, paying subscribers continue to be negligible between 1 and 1.5 million[86] i.e., < 1% of total online streaming consumers in India.

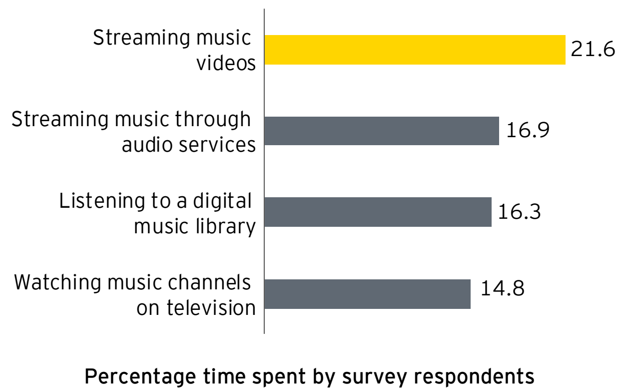
Time spent per user has scope to grow

The industry estimates around 150 million unique users stream music in India, a significant growth from around 50 million users in 2016[87]. The time spent on different platforms varies significantly, ranging from between 10 minutes per user per day to an hour per user per day. This is far smaller than in international markets, where time spent can be over two hours per user per day[88].

Indians preferred to watch their music

Research by Nielsen shows that amongst Indians with internet access, more prefer to watch music videos, rather than stream music, possibly due to the heavy linkage between music and the Indian film industry.

Share of time spent consuming music by Indians in 2018, by medium



Source: Nielsen

82. EY Estimates
83. LiveMint, Feb 2019
84. EY Analysis; various streaming services websites
85. Web-sites and apps of various platforms
86. Industry discussions
87. Gaana, Universal, Spotify, Saavn, EY analysis
88. Industry discussions; Statista; Spotify

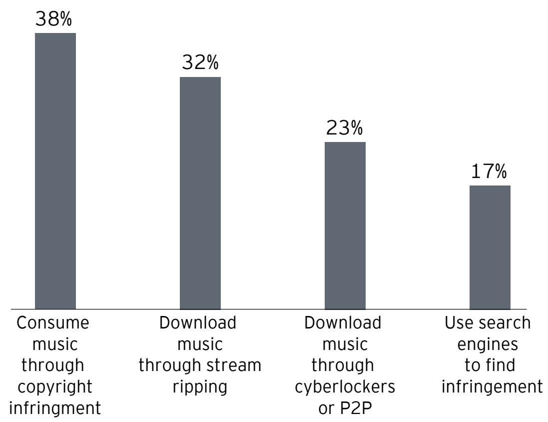
It was a year of innovation

The audio streaming market has been innovating to enable differentiation, both from radio and music TV stations, as also between different streaming platforms. Innovations included multiple language user interfaces, voice search, embedded lyrics, better recommendations, auto queueing of songs, improved buffering, etc.

Combatting piracy remained a priority

Piracy remains the ever-prevalent malaise, not just in India, but globally. A study by the IFPI shows that globally, 38% of the 19,000 people it surveyed across 18 countries consumed music through copyright infringement. In India, 76% of its survey's respondents admitted to consuming pirated music[89]. There is a need for innovative methods to combat this, using a mixture of persuasive methods (bundling, attractive pricing, loyalty programs, etc.) as well as penalties for platforms facilitating piracy, blacklisting by advertisers, etc. to choke their operation.

Percentage of consumers aged 16-64 who admit to copyright infringement in music consumption



Source: IFPI

To contain online distribution of pirated content, DPIIT has long proposed setting up a body of industry stakeholders to identify websites that host infringing content, in an effort to curtail their advertising and block them. This is reflected in the draft e-commerce policy which says that such 'rogue' websites will be included in the "Infringing Websites list" after verification to help curtail their sources of revenue.

Future outlook

Digital segment will overtake film in 2019 and print by 2021

We estimate that the segment will grow to INR354 billion by 2021, at a 28% CAGR. Advertising will grow at a 25% CAGR, while subscription will grow at 55% CAGR, on the back of 30 to 35 million paying video subscribers and 6-7 million paying audio subscribers.

Telcos will become the new MSOs

The propensity to consume bundled content will appeal to the mass Indian consumer and telcos will play a more important role in providing such bundles – and unified search – to end consumers. Rollout of fiber to the home and 5G networks will aid this growth, particularly in smaller towns and for long form content. While 60% of total consumption today is through telco bundles, we estimate that to grow to over 75% by 2021 and cater to over 375 million subscribers[90].

Expect to see disproportionate consumption from e-Sports, AR/VR, online gaming and fantasy sports

The digital segment will benefit from the growing popularity of e-Sports, AR / VR technologies, online gaming and fantasy sports, all of which are "Generation Z" products, and which have been covered in relevant sections of this report. These will provide increased impetus to telcos to sell data packs and correspondingly, will increase time spent on M&E content.

Consolidation is needed for profitability

While several OTT platforms have launched, profitability is difficult for most of them. One of the main reasons for this is fragmentation of audiences and high content costs. Till such time as consolidation does not take place, contest costs will remain high as each platform produces or acquires content to meet its needs. In addition, customer acquisition costs will also remain high due to need for increased marketing and retention.

Our industry interviews and analysis indicate that while time spent could grow 3 to 3.5x over the next five years, resulting in massive advertising inventory growth, revenues will grow only around 2x. We estimate that CPMs will correspondingly fall by up to 50% for non-premium inventory.

89. IFPI 2018 Report
90. EY estimates

Global trends

Mobile phones drove digital video consumption

Digital video viewing – already one of the top digital activities worldwide – will continue to grow, driven by expanding mobile usage and improving broadband connections. In 2018, over 2.3 billion people watched streaming or downloaded digital video content via any device at least once per month. Mobile phones are a key channel for consumption: 78% of digital video viewers worldwide regularly used one to watch content[91].

Cultural shift away from content ownership

There is a clear cultural shift from content ownership to content access encompassed with convenience and personalization, which is further empowering consumers to experiment more and make their own decisions for film, TV and music content.

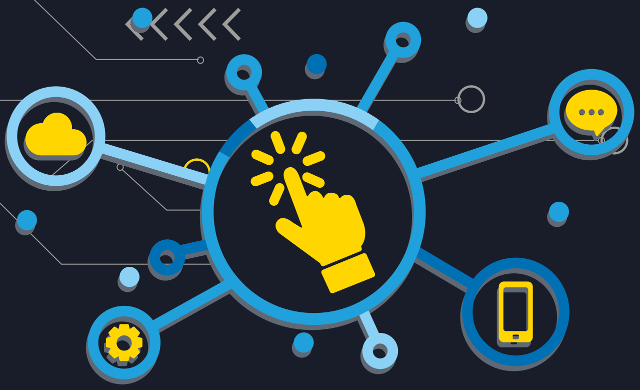
OTT services invested huge amounts in high-quality original programming

OTT streaming services are competing head-on with incumbents as they seek to build and retain audiences. Content, especially original content, is one of the main weapons in their arsenal - they are spending huge amounts for high-quality, original programming and licensing deals. In the six years since 2012, the number of scripted original series for online services has grown by over 950%[92].

OTT sports rights drove content inflation

Globally, OTT delivery has become the main driver of sports media rights inflation, as digital platforms are becoming increasingly aggressive for sports content. This has opened new opportunities for rights-holders while adding new layers of complexity to negotiations and deals.

91. Source: eMarketer
92. Source: FX Networks

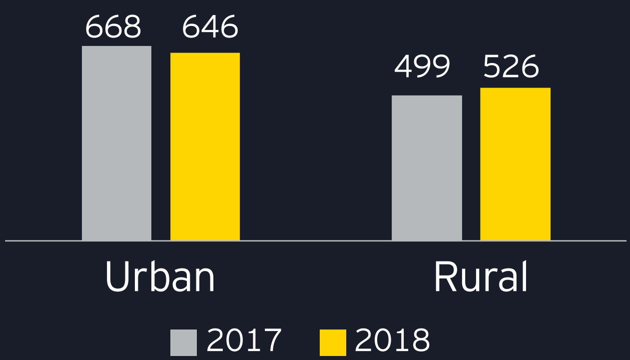


Digital media Trendbook

Mobile subscriber growth was led by

rural markets

Mobile subscriber growth (mn)



Press release by TRAI No. 05/2019 & 23/2018

96% of broadband subscribers were wireless users

Yearly Performance indicators of the Indian Telecom Sector (second edition) 2017 released on May 4, 2018

The Indian Telecom Services Performance Indicators July – September, 2018 released on 8 January 2019

Average data consumption doubled in 2018

8GB
2018

4GB
2017

TRAI, Ericsson Mobility Report 2017 & 2018; EY analysis

Internet penetration grew 28% driven by rural subscriber growth

	Dec 2017	Nov 2018
Total Internet subscribers	446	570
Narrowband subscribers	83	58
Broadband subscribers	363	512
Urban internet subscribers	314	373
Rural internet subscribers	132	197

The Indian Telecom Services Performance Indicators July – September, 2018 released on 8 January 2019; Press release by TRAI No. 05/2019; EY analysis

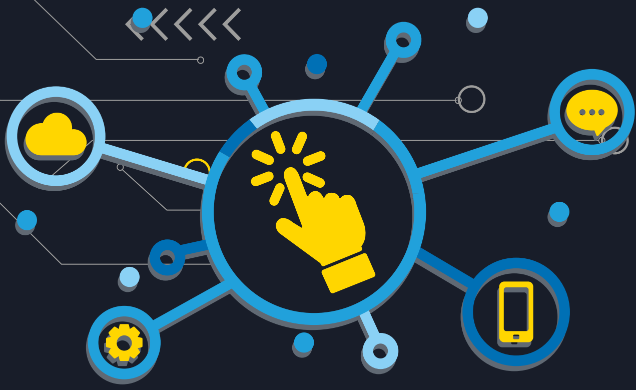
Yearly Performance indicators of the Indian Telecom Sector (second edition) 2017 released on May 4, 2018

Smartphone users reached 340 million in 2018

2017	2018	2019
33%	36%	39%

Smartphone penetration to total phones

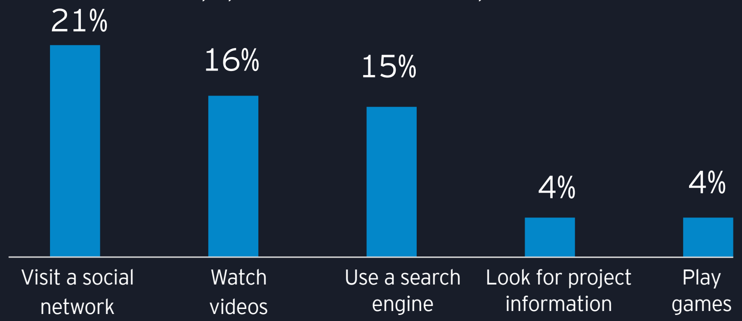
eMarketer; Statista



Digital media Trendbook

Indians spent **30%** of their phone time on entertainment

Most popular activities on smartphones in India



Innovating for the next half billion

260 Million
2017

Online video viewers grew 25%

325 Million
2018

EY estimates using TRAI and industry discussions

Catch-up TV contributed as high as **70-90%** of the total content viewed on the **online platforms** of large broadcasters

Industry discussions

Audio streaming users grew **50%** to reach around **150 million** in 2018

https://musically.com/2019/01/08/how-gaana-became-indias-top-audio-streaming-music-service/

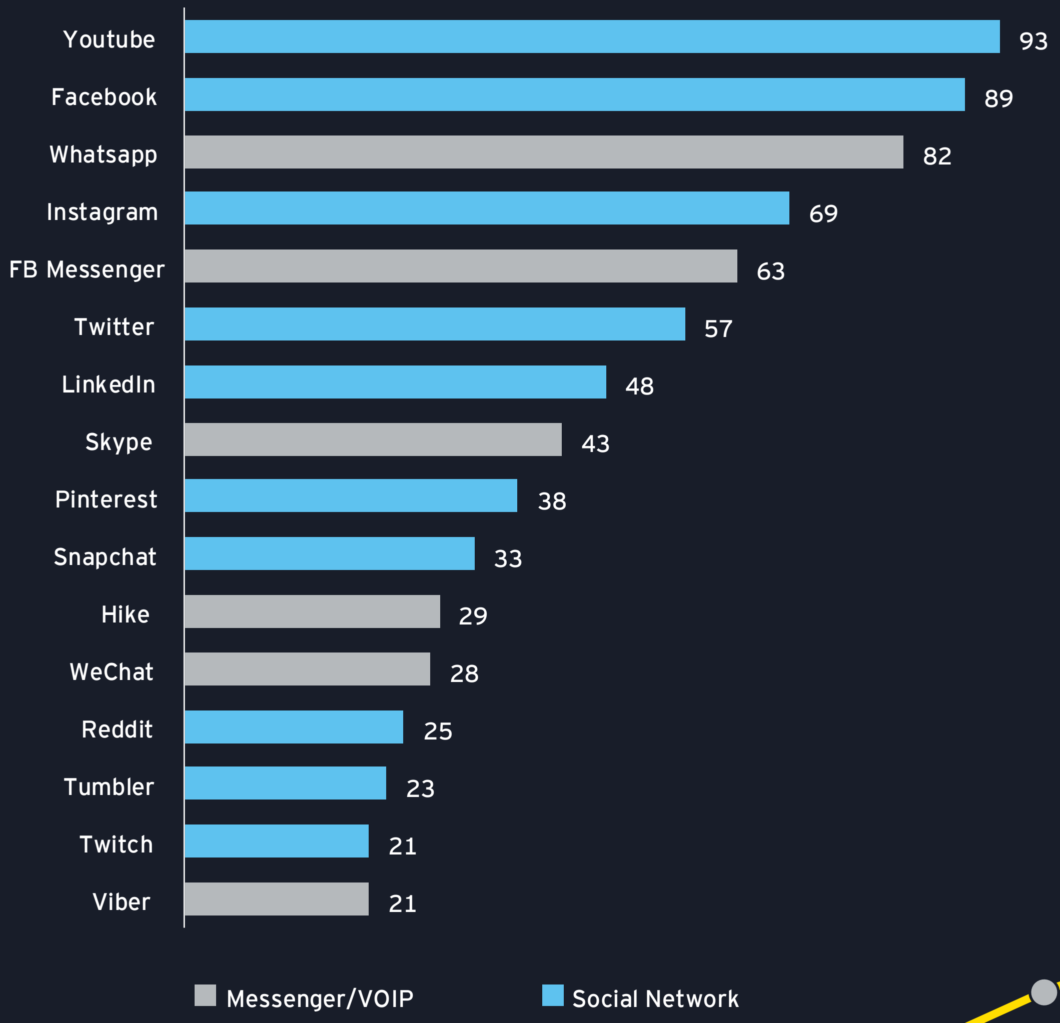
Online news audience grew to **245 million**

NEWS

EY analysis of data from online news companies

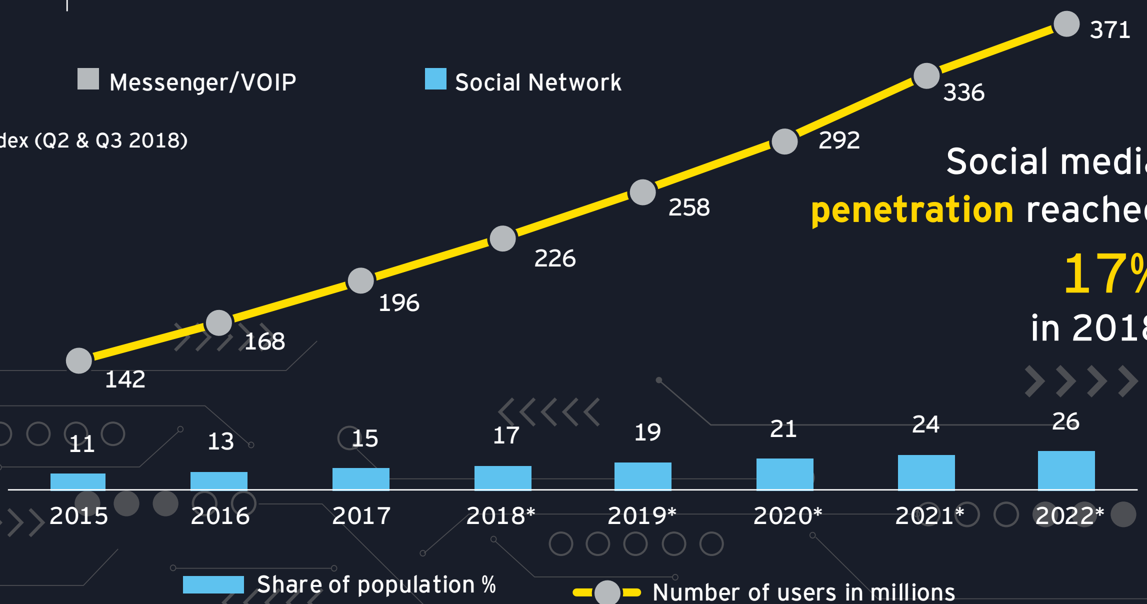
YouTube and Facebook were the most popular social media platforms for Indians

% of internet users who report using each platform

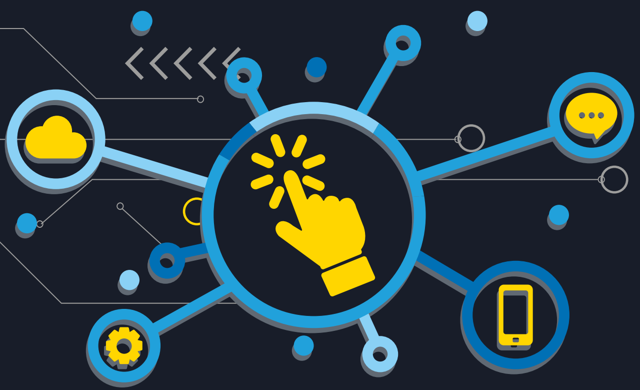


GlobalWebIndex (Q2 & Q3 2018)

Social media **penetration** reached **17%** in 2018



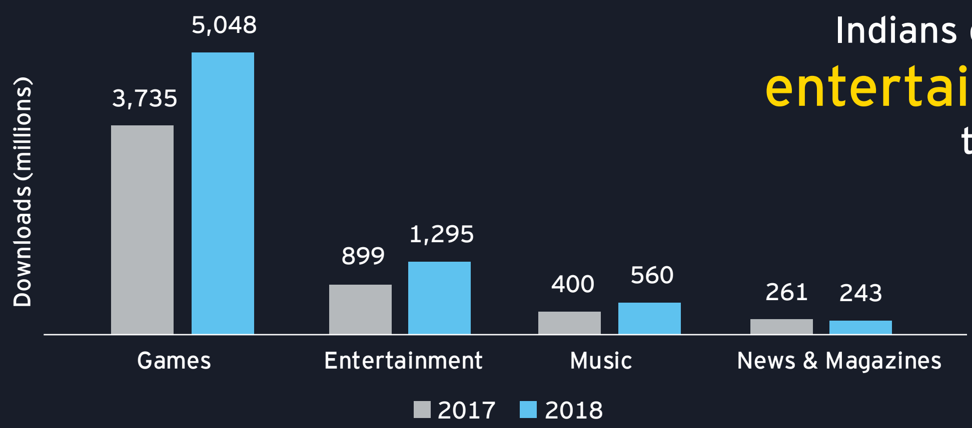
Statista, Statista DMO
*Estimated



The Indian app story

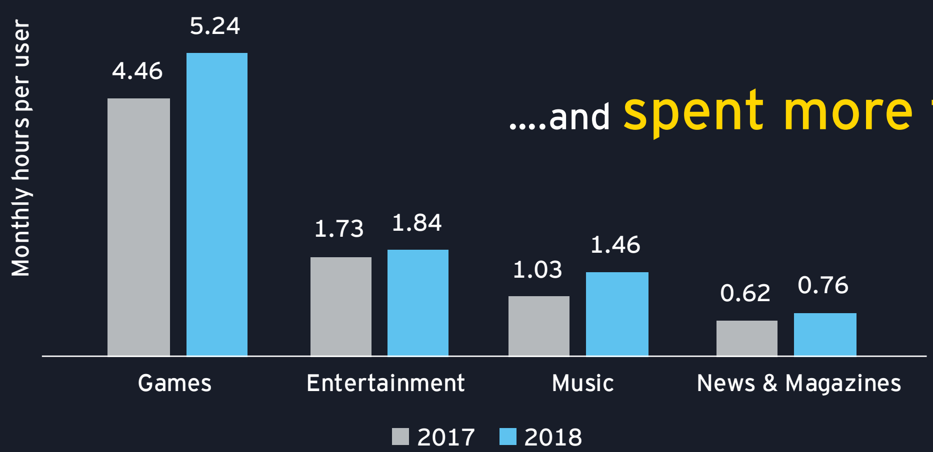
Powered by App Annie

Total Downloads in Select Categories



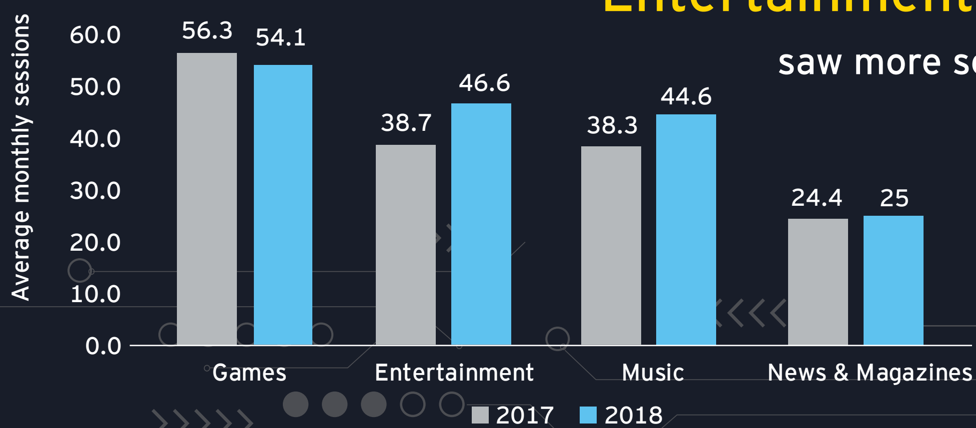
Indians downloaded more **entertainment apps** than ever before...

Total Downloads in Select Categories



....and **spent more time** on them

Entertainment and music saw more sessions per user



All data has been provided by App Annie and is based on their research of IOS and Google Play stores/marketplace. It has not been validated by EY, and presented in summary form for representation purposes only.

Top 10 entertainment apps of 2018

Name	MAU	Downloads	Revenue
Hotstar	1	1	2
BookMyShow	2	13	-
JioTV	3	2	-
Amazon Prime Video	4	10	-
Google Play Movies and TV	5	-	-
Airtel TV	6	4	-
Sony LIV	7	5	9
Voot	8	7	-
Netflix	9	12	1
ZEE5	10	6	6

Top 10 news apps of 2018

Name	MAU	Downloads	Revenue
Twitter	1	4	-
Dailyhunt	2	1	-
Times of India	3	6	-
Inshorts - News in 60 words	4	11	-
UC News	5	8	-
The Economic Times	6	-	-
NDTV	7	-	11
Flipboard	8	-	-
Google News & Weather	9	9	-
The Hindu	10	13	-

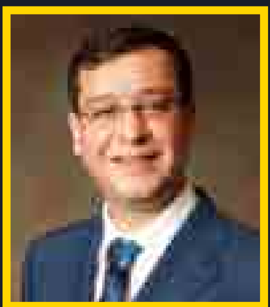
Top 10 music apps of 2018

Name	MAU	Downloads	Revenue
Google Play Music	1	19	-
Wynk	2	3	5
JioMusic	3	1	-
Gaana	4	2	3
Saavn	5	8	4
Shazam	6	-	-
MP3 Video Converter	7	11	-
Amazon Music	8	16	-
MP3 Cutter and Ringtone Maker by AtomicApps	9	5	-
SoundCloud	10	-	-

Top 10 gaming apps of 2018

Name	MAU	Downloads	Revenue
Ludo King	1	1	-
Candy Crush Saga	2	4	6
PUBG MOBILE	3	8	5
Clash of Clans	4	-	7
Doodle Army 2 : Mini Militia	5	15	-
Subway Surfers	6	2	-
8 Ball Pool	7	12	3
Temple Run 2	8	3	-
World Cricket Championship 2	9	-	-
Clash Royale	10	-	14

Expert speak



Amit Goenka
CEO, International Broadcast Business, ZEEL

The OTT space getting so crowded recently has a lot to do with the blurring of lines between Media Houses, Technology companies, Telcos and ISP's. Everyone has jumped into the fray realizing that ownership of Consumer and Content are the real keys to the Kingdom. In a newly converged world my sense is that winning will still rest on the core fundamentals of great story telling and fabulous consumer ease. In this intensely competitive space there will be only one real winner and that's the consumer, and that is as it should be. So my expectation is that we are in for some incredibly exciting times in terms of innovation both in the realm of story-telling and product experience and I think it's going be a lot of fun for all of us.

Gaurav Gandhi
Director & Head of Business, Amazon Prime Video India

In the next four to five years there will be more individuals having access to streaming video than television. While the ubiquitous mobile phone will remain the primary device for streaming access, living room devices' share will go up significantly too. Localisation & Regionalisation will help video streaming go much deeper and wider. And as more streaming services focus on creating high quality, differentiated & disruptive content, customers will get even more discerning about their preferences and gravitate further towards streaming originals.

Rishika Lulla Singh
CEO, Eros Digital

The Indian content fraternity has eternally lived in the shadows of Hollywood content generated from Los Angeles in terms of narratives, story-telling, cast performances, visual effects and all other consumer expectations. But now, for the first time in the history of video, the prolific Indian Content creator gets the same platform to proclaim their prowess.

Varun Narang
CEO, Hotstar

Social gamification will make the future of TV even more addictive than it already is.

Scan the QR code to view videos, where indicated with

Uday Sodhi
Business Head - Digital, Sony Pictures Networks India

2019 will see OTT breaking into the Indian heartland and garnering viewership from smaller towns. In Urban India, technological innovations like fibernet will get more people onto the digital ecosystem thereby triggering a rise in content consumption on mobile as well as other smart devices like smart TV, tablets etc.

Pawan Agarwal
Deputy Managing Director, DB Corp Ltd. (Dainik Bhaskar Group)

Millions of Indians are getting online each year owing to increasing smart phone & internet penetration and falling mobile data rates. We've just witnessed the tip of the iceberg, the real surge will be seen in Tier II & III markets by offering content as per the need of the market mostly regional in languages.

Swati Mohan
Director, Marketing, Netflix

India is one of the major global centers of entertainment and you can see that today in the incredible diversity of stories that entertain people in India and around the world with their gripping, inventive storylines.

Nachiket Pantvaidya
Group COO, Alt Balaji

The past year has been a vindication of the original, exclusive local content strategy for whoever followed that path. The '100 million consumers' industry potential of the Indian SVOD market is now established on twin pillars of mass local original content and affordable pricing – at less than a rupee a day. What is missing is the build up of large original content libraries, which should happen in the next two years.

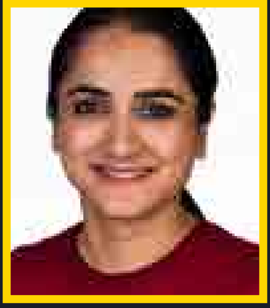
Expert speak

Tarun Katial
CEO, Zee5

The OTT industry pie has grown manifold in 2018, as have the number of players. Content and technology that cater to language markets will be the clear differentiator of the wheat from the chaff in 2019.

Rohit Jain
Managing Director, Lionsgate India

The explosion of private cable television in the 90s was based on the huge latent demand-supply mismatch premise. The current phase is not different, and raises a fundamental question whether for a country of 1.3 Billion people these many shows and stories is adequate to meet the consumer content needs. Additional digital content will ultimately give consumers a choice across potentially 500+ shows in a year, like it is in the US today.



Chanpreet Arora
CEO, Vice India

Data and trends can help define content strategy and investment for today. But to build loyal communities for the future, we need to be cued into the cultural conversation.

Puneet Singhvi
Head, Network18 Digital

The Digital Media Advertising maintained a growth trajectory of 30% Y-o-Y and is nudging towards a healthy 20% of all Ad Spends in the country this year. Audience Data, Programmatic and Branded Content has been the defining trends in 2018. More significantly; the role of premium publishers has become increasingly important in the backdrop of advertiser concerns around fake news busting and brand safe environment. Content based advertising has become a key domain of innovation for the industry.

Scan the QR code to view videos, where indicated with

Animation and VFX

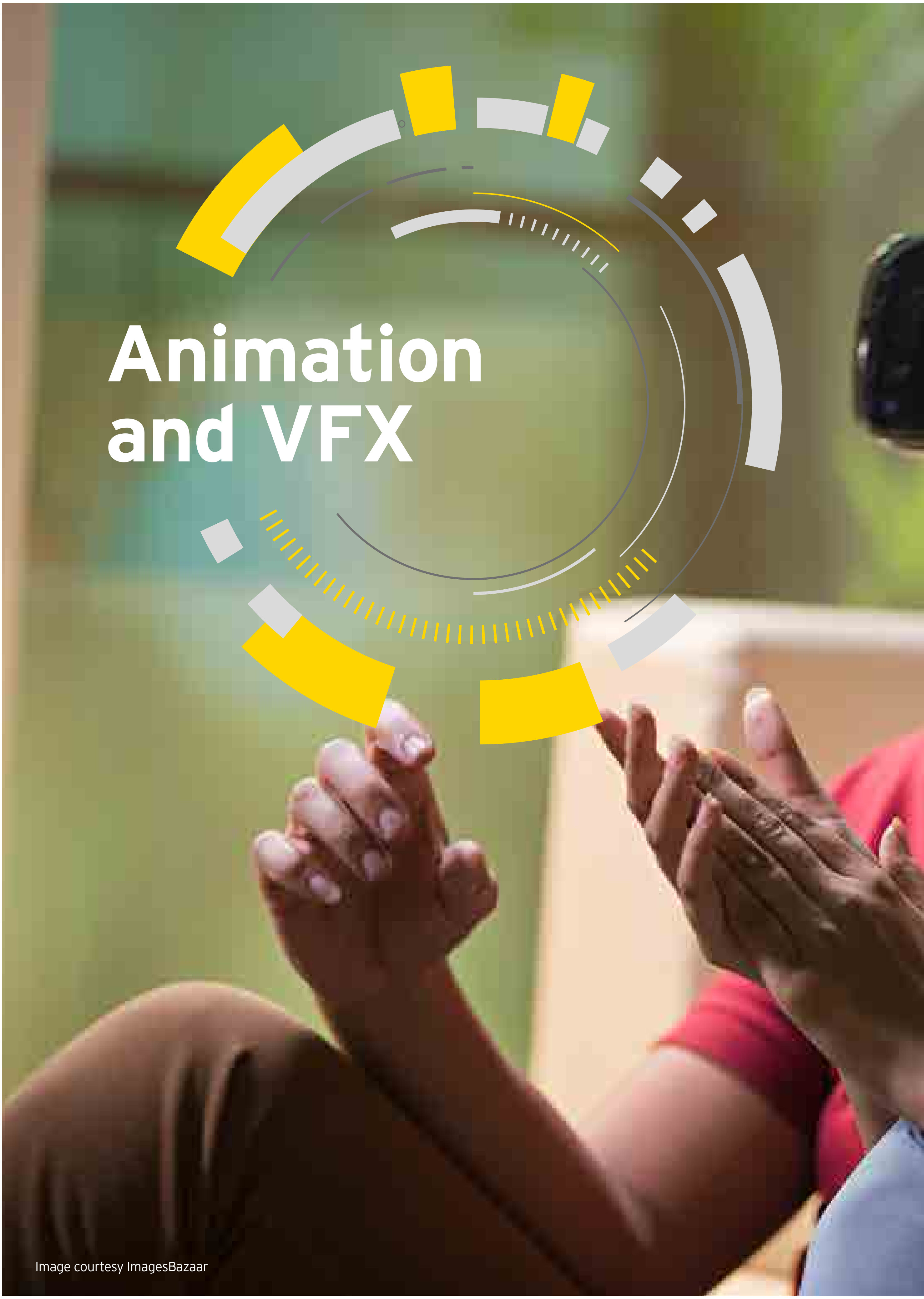


Image courtesy ImagesBazaar

Key messages

The Animation and VFX segment grew to support increased content production

The total animation, VFX and post-production segment grew 18% in 2018 to reach INR78.9 billion

- By 2021, it is estimated that India's animation, VFX and post-production segment will reach INR127.6 billion
- At the start of 2018, India had around 300 animation, 40 VFX and 250 game development studios

Animation grew 10% in 2018 to reach INR18.8 billion

- By 2021, the animation segment is expected to reach a size of INR24.4 billion
- Animation for domestic broadcasting is growing at a healthy rate of around 30%, and now accounts for 30-35% of revenues generated in Indian animation segment
- Using production houses in India for animation can result in savings of up to 50% vis a vis international markets. With development of animation quality and cost-effectiveness in the country, global media companies are increasingly utilizing services of Indian animation studios

VFX grew 27% in 2018 to reach INR39.6 billion

- By 2021, the VFX segment is expected to reach a size of INR75.5 billion
- Several Indian companies are providing VFX services to international clients, including larger international studios
- Indian producers, earlier willing to spend only 5-10% of content budget on VFX, have now expanded their spending to 15-20% of the budget, resulting in better visual effects for domestic content

Post production grew 12% to reach INR20.5 billion

- By 2021, the post-production segment is expected to reach INR27.8 billion
- Domestic demand from digital, film and television is driving growth
- Indian companies are looking to acquire global post-production houses to gain direct international client relationships

Future outlook

- The next phase of growth for the space is expected to be driven by the digital push – by not only OTT players but traditional broadcasters looking to enter the digital space
- Government incentives and schemes (both at central and individual state level) will be important for Indian companies to remain competitive with international counterparts
- Increased investments into building talent base (skills like storytelling for animated content) will be seen

The animation and VFX segment grew 18% in 2018 to reach INR 78.9 billion

	2017	2018	2019E	2021E
Animation	17.0	18.8	20.7	24.4
Post-production	18.3	20.5	22.7	27.8
VFX	31.3	39.6	49.5	75.5
Total	**66.6**	**78.9**	**93.0**	**127.6**

INR billion (gross of taxes) | EY analysis

Animation and VFX has been one of the fastest growing segments of the M&E sector for the past two years, fueled by an increased demand in domestic markets and the emergence of digital content serving platforms across the world. India has traditionally been a hub for outsourced animation and VFX services for the world, but the increase in domestic demand and improvement in skills has led to an increase in the uptake of services provided by Indian companies.

At the start of 2018, India had around 300 animation, 40 VFX and 250 game development studios with more than 15,000 professionals working for them[1].

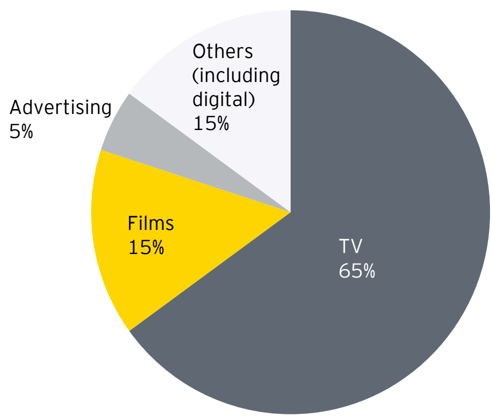
Animation grew 10% in 2018 to reach INR18.8 billion

By 2021, the animation segment is expected to reach a size of INR24.4 billion

Indian animation studios have worked on over 1,000 TV episodes and over 100 films in recent years, domestically as well as internationally[2]. About 65-70% of revenues are generated from work done for clients in other countries, whereas 30-35% of revenues are generated from domestic clients.

Animation for the domestic market

Animation segment (domestic market)



TV comprises 65% of all animation in India, followed by film and digital. 5% of revenues come from advertising animation[3].

1. "Global VFX Market Will Reach USD 19,985.64 M By 2024: Zion Market Research," Global NewsWire, https://globenewswire.com/news-release/2018/09/27/1577156/0/en/Global-VFX-Market-Will-Reach-USD-19-985-64-M-By-2024-Zion-Market-Research.html, accessed on 18 December 2018
2. "India, the Window of Opportunity," EnTech India, http://www.enttechindia.com/wp-content/themes/sepc/assets/file/India_Services_Guide_M&E.pdf, accessed on 18 January 2019
3. Industry discussions, EY Analysis

More original animated content was commissioned by broadcasters

Animation for domestic broadcasting is growing at a healthy rate and now accounts for 30-35% of revenues generated by the Indian animation segment. This number will continue to increase in the future, with a yearly growth rate expected to be around 30%[4]. While earlier TV broadcasters would license library content, they have now started to commission original animated shows and build their own library[5]. Budgets for animated TV shows have doubled over the last 10 years[6].

With the increase in viewership of this genre, the focus on animated content[7] has increased considerably. Last year, Sony launched a channel with 100% locally-produced animated content . Nickelodeon plans to grow its original programming to 500 hours in FY19[8]. Discovery Kids has also gained a lot of traction in terms of viewership. It launched Tamil and Telugu language feeds for its channel as part of its regional expansion plan in the states of Tamil Nadu, Andhra Pradesh and Telangana[9]. However, content availability for pre-school audience and exclusive content for girls remain limited in the country, and with the growth in smartphone penetration, these are areas of opportunity for the segment[10].

Broadcasters investing in animated content

Broadcaster	Channel	Show	Launch month	Description
Discovery Communications[11]	Discovery Kids	Little Singham	April 2018	Discovery Kids, in collaboration with Rohit Shetty Picturez and Reliance Animation launched the new animation series inspired from "Singham" movie
		Bandbudh Aur Budbak	February 2018	Discovery acquired rights of the show from ZeeQ. The show is based on school life adventures of two best friends, Badrinath and Buddhadeb
Viacom 18[12]	Nickelodeon	Rudra - Boom Chik Boom	June 2018	The broadcaster has entered a new genre of magic comedy with this series
Sony Pictures Networks[13]	Sony YAY!	KickO and Super Speedo	May 2018	The channel is investing over INR5 million per episode of KickO and Super Speedo. The channel is further planning to invest in developing its original movies
Disney[14]	Disney Channel	Simple Samosa	May 2018	The series has been launched in four languages - English, Hindi, Tamil and Telugu

4. EY analysis of industry discussions
5. https://www.exchange4media.com/spotlight-news/with-rise-of-localised-content-creationkids-genre-to-grow-by-12-14in-2018-89572.html
6. https://www.rediff.com/getahead/report/want-a-career-in-animation-read-this/20190128.htm
7. https://www.televisionpost.com/sony-yay-will-have-250-hours-of-local-content-in-fy19/
8. https://brandequity.economictimes.indiatimes.com/news/media/nickelodeon-india-plans-to-take-disney-turner-with-a-dash-of-magic/64473403
9. "Discovery Kids launches Tamil, Telugu language feeds," Exchange4Media, https://www.exchange4media.com/media-tv-news/discovery-kids-launches-tamiltelugu-language-feeds-89126.html, accessed on 19 December 2018
10. "Suspended animation," Business Standard via Factiva, https://global.factiva.com/redir/default.aspx?P=sa&an=BSTN000020180914ee9f002nk&cat=a&ep=ASE, accessed on 18 December 2018
11. "Discovery Kids set to disrupt kid's genre with the launch of Little Singham," AdGully, https://www.adgully.com/discovery-kids-set-to-disrupt-kid-s-genre-with-the-launch-of-little-singham-77319.html, accessed on 19 December 2018
12. "Nick aims to up original programming to 500 hours in FY19; set to launch fifth local IP 'Rudra'," Television Post, https://www.televisionpost.com/nick-aims-to-up-original-programming-to-500-hours-in-fy19-set-to-launch-fifth-local-ip-rudra/, accessed on 19 December 2018
13. "Sony Yay banks on originals with a slew of fresh content," Indian Television, http://www.indiantelevision.com/television/tv-channels/kids/sony-yay-banks-on-originals-with-a-slew-of-fresh-content-180419, accessed on 19 December 2018
14. "Disney Channel to launch two new animated shows during summer," Television Post, https://www.televisionpost.com/disney-channel-to-launch-two-new-animated-shows-during-summer/, accessed on 19 December 2018

Animated films

Animation studio	Movie	Release date	Description
Green Gold Animation[15]	Chhota Bheem Kung-Fu Dhamaka	2019	Set in China, the movie is based on Chota Bheem's character, making it the first theatrical 3D release for the character
Green Gold Animation[16]	Hanuman vs Mahiravana	July 2018	The movie is a mythological adventure based on the character of Hanuman

A large ecosystem developed to cater to domestic demand

Apart from the traditional large players that dominated the space, many smaller companies have entered the segment. These players offer similar services at competitive costs, thus keeping the cost per episode manageable. While earlier large broadcasters did not prefer to work with smaller players, this trend has reversed over the past few quarters.

Animation for international markets

Indian animation and VFX services continued to gain traction among international production houses. They provide a cost efficiency of up to 50% compared with other countries[17]. With improvement in animation quality over the last few years and the cost advantage, international studios and animation houses are increasingly utilizing services from India.

During the last few years, Indian animation studios have worked with major international players such as Disney, Warner Brothers, DreamWorks, Sony, Viacom/Nick, BBC, Cartoon Network, Fox, Ubisoft and Zynga, among others. Technicolor India has worked on animation movies such as Penguins of Madagascar, Kung Fu Panda: Legends of Awesomeness, Mickey and the Roadster Racers, Alvin and the Chipmunks, All Hail Kind Julian, Wallykazam, Fanboy and Chumchum and Puss in Boots, among others.

15. "Chhota Bheem readies for Netflix and a new 3D project," Business Today, https://www.businesstoday.in/trending/entertainment/chhota-bheem-readies-for-netflix-and-a-new-3d-project/story/276558.html, accessed on 19 December 2018

16. "Hanuman vs. Mahiravana," IMDb, https://www.imdb.com/title/tt8430866/, accessed on 19 December 2018

17. Industry discussions

Creating IP for international markets

Studio	Partner	Show	Description
Cosmos Maya[18]	Slr Productions (Australia); Telegael (Ireland)	Berry Bees	In October 2018, the co-producers announced the venture in partnership with television partners Rai Ragazzi and Nine Network
Cosmos Maya	Nickelodeon	Atchoo; Tik Tak Tail	The series have been acquired by Nickelodeon and has reached 108 countries
Cosmos Maya[19]	Nickelodeon	Motu Patlu	In 2018, it partnered with Nickelodeon to expand Motu Patlu show to MENA region with Nickelodeon MENA
Toonz Media[20]	Gummybear International	Gummibar And Friends: The Gummy Bear Show - Season 2	In December 2018, the companies jointly launched the second season of the show on YouTube
Toonz Media[21]	Pran's Features	Chacha Chaudhury	In September 2018, the company announced plans to launch the series in India as well as internationally
Toonz Media[22]	Yellow Entertainment	Multiple shows	In June 2018, the companies entered into a deal to co-produce and globally distribute multiple pre-school animated series. The companies aim to develop kids-focused preschool titles with universal appeal to the global marketplace
Toonz Media[23]	Neon Creation and Backbone Entertainment	Chi-Chi, The Apprentice Sorceress	In April 2018, the companies signed agreement to co-produce the fantasy-comedy show based on the pop-up book of same name
Toonz Media[24]	XrisP Co.	The Story of Bookworm GOGO	In March 2018, the companies entered co-production and global distribution deal for the 5-minute, 104-episode series
Green Gold Animation[25]	Shin-ei Animation	Ninja Hathori	In December 2018, the companies signed a 26-episode deal to create Indian version of the show
Assemblage Entertainment	R K IPR Management Pvt. Ltd.	R K Laxman's "The Common Man"	One of India's most famous comics characters, Padma Vibhushan Shri RK Laxman's The Common Man, will be brought to animated life in content across multiple platforms by a joint venture between RK IPR Management and premiere animation studio Assemblage Entertainment

18. "Slr Productions (Aus), Telegael (Irl) and Cosmos-Maya (India) are the co-producers of the series, Rai and Nine Network (Australia), television production partners," Licesing Magazine, https://www.licensingmagazine.com/2018/10/25/atlantyca-announces-the-production-of-brand-new-berry-bees-tv-series-at-mipcom/?lang=en, accessed on 18 December 2018

19. "International co-productions are the way forward, says Cosmos-Maya CEO," Hindu Business Line, https://www.thehindubusinessline.com/companies/cosmos-maya-takes-cartoon-titles-globally/article25437091.ece, accessed on 18 December 2018

20. "Toonz, Gummybear launch second season of animated series," Hindu Business Line, https://www.thehindubusinessline.com/companies/toonz-gummybear-launch-second-season-of-animated-series/article25732284.ece, accessed on 18 December 2018

21. "Toonz, Pran's Features to animate Chacha Chaudhury series," Hindu Business Line, https://www.thehindubusinessline.com/news/variety/toonz-prans-features-to-animate-chacha-chaudhury-series/article25055644.ece, accessed on 18 December 2018

22. "Toonz to partner with Yellow Entertainment," Economic Times, https://economictimes.indiatimes.com/industry/media/entertainment/toonz-to-partner-with-yellow-entertainment/articleshow/64496820.cms, accessed on 18 December 2018

23. "Toonz, Neon, Backbone sign co-production of 'Chi-Chi, The Apprentice Sorceress'," Toonz Media, http://toonz.co/toonz-news.html?id=105, accessed on 18 December 2018

24. "Toonz and XrisP announce the co-production of 'The Story of Bookworm GOGO'," Toonz Media, http://toonz.co/toonz-news.html?id=103, accessed on 18 December 2018

25. "'Chhota Bheem' creators to make 'Ninja Hattori' in India," Economic Times, https://economictimes.indiatimes.com/industry/media/entertainment/chhota-bheem-creators-to-make-ninja-hattori-in-india/articleshow/66997240.cms, accessed on 18 December 2018

Animation for digital platforms

Growth of digital content consumption in India created a significant opportunity for broadcasters and OTT platform providers. Correspondingly, they increased investments in original IP creation. Smartphone penetration, coupled with more OTT platforms, enabled tier-II and tier-III cities to access content online, both on YouTube and large OTT platforms of broadcasters. Due to this, average content consumption of a common Indian has gone up from 450 hours a year[26]. Animation-based content had a major share in this growth of online content consumption.

- In April 2018, Cosmos Maya partnered with Yupp TV to launch its digital channel Wowkidz on the OTT platform. Under its brand Wowkidz, the company owns content portfolio of over 1,000 half-hour shows[27]
- In April 2018, Discovery Kids announced plans to launch its own OTT app to ensure strong presence of the channel in the digital space. As part of the plan, it has also partnered with Netflix for digital distribution of its series[28]
- There are now five Indian companies in the top 100 animation companies on YouTube from companies such as USP Studios, Chu Chu TV, Green Gold, Hoopla Kids, CVS 3D Rhymes, etc.[29]

Animation in advertising

Quality and usage of animation in advertising has improved significantly. Growth in digital advertising is further adding to the animation revenue pie as advertisers are creating more and language versions of ads for digital media, with an increased focus on video. Companies are increasingly partnering with animation studios for creating their advertisements.

VFX grew 27% in 2018 to reach INR39.6 billion

India's international footprint grew[30]

There are several Indian companies providing VFX services to international clients. Red Chillies Entertainment has worked for multiple Hollywood blockbusters such as Sin City. Prime Focus World, which merged with Double Negative in 2014 has worked on movies such as Pacific Rim Uprising and Avengers: Infinity War. Further, the intricately created dragons in the series Game of Thrones were also designed by an India-based Prana Studios. Multiple Hollywood movies have used Indian VFX studios including the last two Harry Potter movies, Pirates of the Caribbean, Percy Jackson, Life of Pi, Skyfall, Prometheus, The Jungle Book and Blade Runner. The trend is coming to the forefront as larger studios have expanded their pipelines and proprietary software to India.

Indian movies invested more in VFX[30]

India has grown significantly in VFX space with movies such as Bahubali and 2.0. Indian producers, earlier willing to spend only 5-10% of the entire budget on VFX have now increased their spending to 15-20% of the production budget, resulting in better visual effects for audiences – a move required to ensure Indians keep visiting cinema halls amidst the growth of online alternatives and home-theatre systems. Movies such as Thugs of Hindostan, 2.0, Kedarnath, Zero and Simmba have used multiple visual effects. For these reasons, domestic VFX is slated to grow at a healthy rate of 40% over the next few years.

- Randamoozham, a Mahabharata adaptation is expected to be created with a budget of INR10 billion, twice the combined budget of Bahubali 1 and 2 (INR4.3 billion). The movie is expected to be made with world-class VFX
- 2.0 has spent over INR1 billion solely on the special effects of its lead characters Chitti and the villain played by Akshay Kumar
- Bahubali 2 appointed 30 VFX studios from around the world. With an overall budget of INR3 billion, INR0.8 billion was spent on VFX for the movie[31]

26. http://www.indiantelevision.com/iworld/over-the-top-services/animation-industry-anticipating-ott-revolution-by-2020-180210
27. "Cosmos-Maya launches linear digital kids channel on YuppTV," Cosmos Maya, https://cosmos-maya.com/cosmos-maya-launches-linear-digital-kids-channel-on-yupptv/, accessed on 18 December 2018
28. "Discovery Kids to enter in OTT space," Exchange4Media, https://www.exchange4media.com/digital-news/discovery-kids-to-enter-in-ott-space-89386.html, accessed on 19 December 2018
29. Industry discussions
30. Industry discussions, public news article and EY Analysis
31. timesnownews.com

Increasing global investment in India

Multiple companies are entering and investing in India to leverage the growing animation and VFX talent and infrastructure it provides:

- In January 2018, Emerald Media acquired Cosmos Maya through a combination of primary and secondary stake acquisition[32]
- In February 2018, Framestone acquired a 50% stake in Anibrain, an Indian VFX studio to bolster its presence in the Indian media landscape[33]
- As part of Vision 2020, UAE-based Aries Group is leading an Indywood Consortium as part of which they plan to invest US$10 billion in India's M&E sector. Part of the investment is also aimed at developing animation and VFX studios and film schools in India[34]

Post-production grew 12% in 2018 to reach INR20.5 billion

Domestic demand from digital, films and television spurred growth[35]

In 2018, about 70% of post-production work done was for the domestic market. This number is expected to grow at a rate of 15% year-on-year. The boom in number of local TV channels and digital content is primarily responsible for this growth. Digital content budgets are higher than those for television by up to 10x on average and the spend on quality post-production is consequently higher.

Indian companies are looking to acquire global post-production houses

Margins in this business are often low and profits are primarily driven by volumes. Many companies in the space have either expanded their service offerings, or are planning to grow inorganically through acquisitions, both domestically as well as internationally. Another advantage of international acquisitions in countries like Canada, France, Spain, Ireland, etc. would be the tax incentives that these countries offer their companies in order to remain globally competitive.

32. "Emerald Media Buys Control of Indian Animator Cosmos-Maya," Variety, https://variety.com/2018/biz/asia/emerald-media-buys-indian-animator-cosmos-maya-1202661023/, accessed on 18 January 2019

33. "Framestore acquired stake in Anibrain," Animation Supplement, http://www.animationsupplement.in/index.php/honours-and-awards/481-framestore-acquired-stake-in-anibrain, accessed on 19 December 2018

34. "Dubai Film Entrepreneurs' $10 B project Indywood," Khaleej Times, https://www.khaleejtimes.com/international/india/dubai-film-entrepreneurs-10-B-project-indywood, accessed on 25 October 2018.

35. EY analysis of production house budgets reviewed by it

Challenges faced by the segment

While India has most of the ingredients to make it an animation, VFX and post-production back-office for the globe, there are certain aspects that could come in the way and need to be addressed by policy intervention, regulatory changes and innovation.

Opportunity to create original characters with global appeal

Indian animation segment relies heavily on storylines around mythological concepts and characters. The share of original characters created and owned by Indian studios is significantly lesser compared to western countries where original characters are created such as Spiderman and Batman, which have a global appeal and are monetized, consequently, at a global level.

Budget limitations

Budgets for Hollywood movies using VFX are generally six to 10 times those of Indian films, resulting in difference in the quality of VFX[36]. In the case of animated films, too, the budget of global studios would average 20-30 times the budget for a typical Indian product. Due to this, even a movie such as "The Jungle Book," which is India-based, is created by foreign animation houses as they have the budget required for carrying out the required level of animation[37].

Higher cost compared to live action shows[38]

According to research, the average cost for producing 2D or 3D animated content is around INR1-2 million or more for a show of 11-22 minutes. The cost further depends on the number of characters, backgrounds, quality of animation, etc. Shows that attain higher viewership usually cost between INR3-5 million. If the content is produced for international markets, the investment can go up to INR10 million. This is significantly higher compared to INR0.7-0.9 million required for one live action episode of comparable size on a GEC channel. This prompts broadcasters to invest more in live action content as opposed to animated content.

36. "VFX: Waiting for a marvel," Fortune, https://www.fortuneindia.com/technology/vfx-waiting-for-a-marvel/102298, accessed on 18 December 2018

37. "Why India's film animation industry is still struggling," Live Mint, https://www.livemint.com/Consumer/srodhe895MOz60byz2e0DL/Why-Indias-film-animation-industry-is-still-struggling.html, accessed on 18 January 2019

Need for more government incentives

An animation content creator needs multiple government incentives to produce a series. In India, such incentives are often lacking. Working with foreign companies doesn't entail tax in India but local production is charged with GST of 15%. In addition, there is a withholding tax on payments. Countries such as Singapore provide incentives amounting to 25% and Malaysia has created a fund for animation producers. Such initiatives are also required in India to strengthen animation and VFX sector and make it more competitive globally[38].

Skilling the workforce to international storytelling standards

The animation segment requires scriptwriters who can adapt storytelling from live action to animated content. India needs creators and writers who can create characters which have international appeal. For this to happen, India's writers need to be exposed to or trained in animation specific storytelling methods. There is need for talent in this space, and is an area large Indian studios need to invest in.

VFX and animation segments are labor-intensive. However, due to the complexity of jobs and lack of adequately skilled workforce, the segment faces a significant challenge. Although freelance talent thrives in the segment, a dedicated pool of workers is required to have a reliable pool of resources for stakeholders.

Some studios have initiated their own training programs to engage and up-skill local talent in collaboration with institutes like Whistling Woods, etc. Prime Focus Studio, in collaboration with Media and Entertainment Skills Council (MESC), operating under Ministry of Skill Development and Entrepreneurship (MSDE), launched Prime Focus Academy of Media and Entertainment Studies (PFAMES), a specialized division providing training in areas such as rotoscopy, digital paint and rotomation and matchmove, among others[39].

38. "Animation sees an uptick despite expensive production," Indian Television, http://www.indiantelevision.com/television/tv-channels/kids/animation-sees-an-uptick-despite-expensive-production-180222, accessed on 18 January 2019

39. "Media and Entertainment skills council together with prime focus launches PFAMES," Business Standard, https://www.business-standard.com/article/news-ani/media-and-entertainment-skills-council-together-with-prime-focus-launches-pfames-118062800515_1.html, accessed on 19 December 2018

Future outlook

The next phase of growth for the segment is expected to be driven by the global digital push

Netflix is expected to spend US$1.1 billion on animated content worldwide in 2018 and Amazon is projected to spend US$300 million[40]. This translates into roughly 10% of total content budget for these companies. This number is expected to go up to about 15% of their total content budget in 2021[41].

In addition to OTT platforms, traditional broadcasters are getting into the animated content space. Most national broadcasters like Viacom, Sony, Disney and Discovery have increased their focus on animated content in India, with other national and some local broadcasters also gearing up to launch original animated content.

Government incentives and schemes (both at central and individual state level) will be important for Indian companies to remain competitive

In February 2018, the Union Cabinet identified animation, under the audio-visual category, as one of the 12 champion sectors. As part of the champion sector categorization, the government has allocated a dedicated fund of INR50 billion for development of the 12 sectors[42].

A list of initiatives launched by state governments recently have been listed below:

- **Andhra Pradesh** – Government of AP has approved Animation Visual Effects Gaming and Comics (AVGC) Policy 2018-2020 with the aim to make the state a preferred location for AVGC. The government aims to attract an investment of INR64 billion by 2020. As part of the plan, an animation and gaming city will be developed in 40 acres in Vishakhapatnam. The government has planned to provide one-time subsidy of 25-30% on capital expenditure for hardware[43]
- **Telangana** – Telangana Government's IMAGE (Innovation in Multimedia, Animation, Gaming and Entertainment) tower, which was announced in 2017, is expected to be operational by 2020. Over 200 companies would be able to operate from the tower. The tower is being developed as part of government's efforts to boost its AVGC sector by encouraging investments[44]
- **Karnataka** – The government has opened a new Centre of Excellence for the AVGC segment. The centre will have digital post-production lab with technologies for animation and VFX, along with technologies enabling development of online gaming platforms[45]

Increased investments into building talent base will be seen

While Indian animators and post-production artists are technically at par with the best in the world, there are areas of specialization where there is room for improvement. Going forward, skills like storyboarding and storytelling for animated content and understanding the tone and complexities of characters for the global audience will become an important point of differentiation. If the segment can identify the right talent and train them appropriately, India could become a preferred destination for a lot of content creators. While Indian companies can continue to acquire foreign talent for these specialized services in the short term, institutes like Whistling Woods, etc. can design specialized courses to address the long-term requirements.

40. https://www.latimes.com/business/hollywood/la-fi-ct-animation-streaming-20181118-story.html

41. https://www.latimes.com/business/hollywood/la-fi-ct-animation-streaming-20181118-story.html

42. "Suspended animation," Business Standard via Factiva, https://global.factiva.com/redir/default.aspx?P=sa&an=BSTN000020180914ee9f002nk&cat=a&ep=ASE, accessed on 18 December 2018

43. "Cabinet approves gaming, animation policy, eyes Rs 6,400 crore investments in Andhra Pradesh," Indian Express, http://www.newindianexpress.com/states/andhra-pradesh/2018/apr/17/cabinet-approves-gaming-animation-policy-eyes-rs-6400-crore-investments-in-andhra-pradesh-1802581.html, accessed on 18 December 2018

44. "Telangana govt's IMAGE Tower to be ready by early 2020," Telangana Today, https://telanganatoday.com/telangana-govt-image-tower-ready-early, accessed on 19 December 2018

45. "Karnataka state to help grow Animation and Gaming industry with a Centre of Excellence in Bangalore," India Tech Online, https://www.indiatechonline.com/it-happened-in-india.php?id=2867, accessed on 20 December 2018

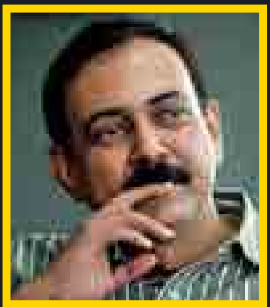
Expert speak

Namit Malhotra
Founder, Executive Chairman & Global CEO of Prime Focus Ltd.

India's animation and VFX segment will grow at a rapid pace on increased content demand, both in India and on global platforms. I expect the industry to double in the next 3-4 years.

Biren Ghose
Country Head, Technicolor India

Animation growth is driven by uptake in digital content and increased domestic TV demand for local content. Vfx on the other hand is witnessing growth rates upwards of 25% due increased share of budget in domestic films / TV and substantial contribution to Hollywood and other international IPs by Indian VFX talent. In the years ahead digital platforms and AR/VR will propel animation and visual effects to new heights both in terms of visual experience and commercial successes.



A K Madhavan
Founder & Chief Executive Officer, Assemblage Entertainment Pvt. Ltd.

As an established and credible base for producing great animation content, India is now healthily positioned to explore a whole new world of possibilities. Local stories and global storytelling is proving itself and the near term will see many Indian properties travelling far and wide. It's an incredible time for animation. It's an incredible time for India!

Scan the QR code to view videos, where indicated with ●

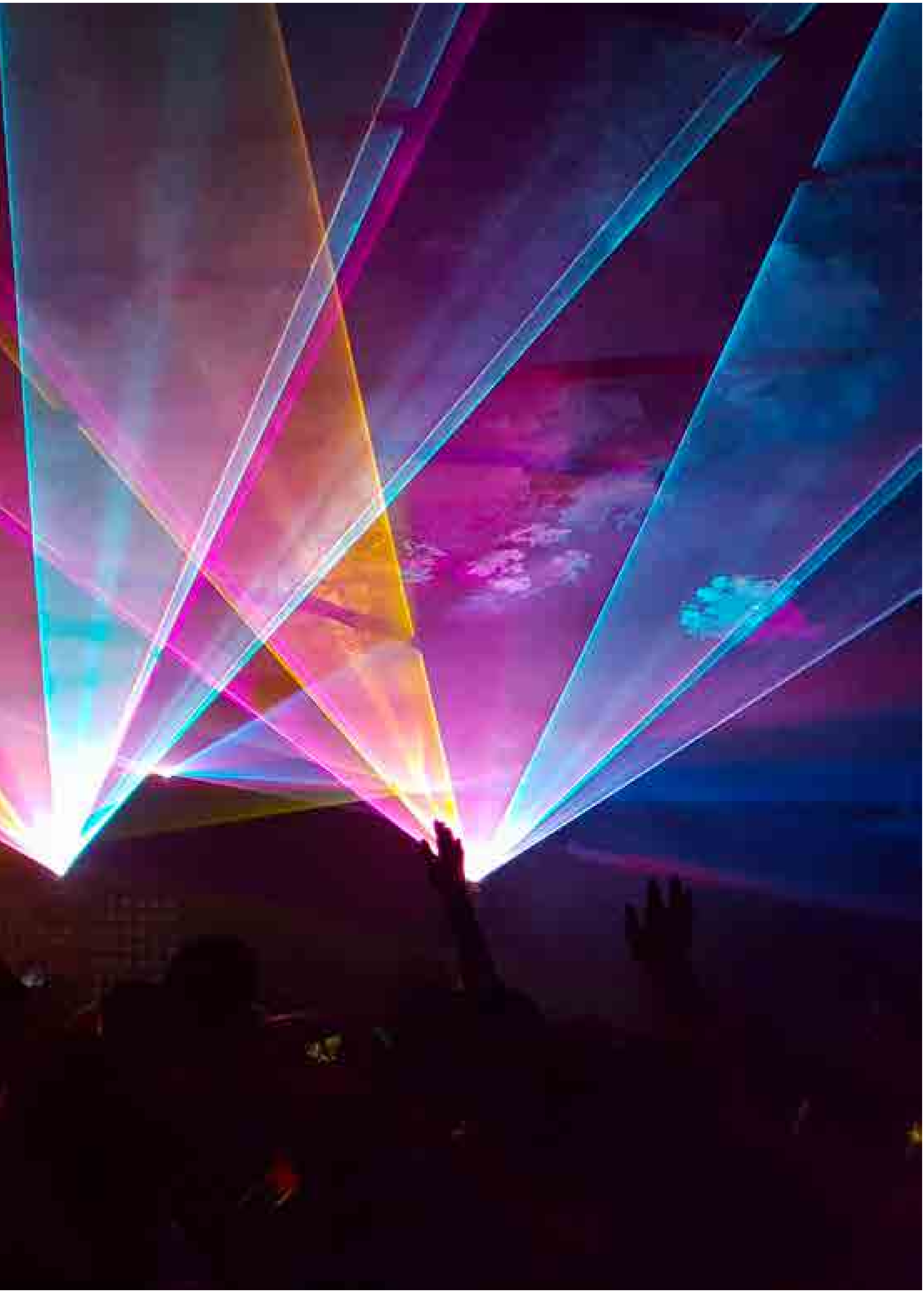
P. Jayakumar
Chief Executive Officer, Toonz Media Group

The rise in animation content consumption due to new viewing platforms and viewing services, both in India and abroad, is resulting in increased demand for quality animation, and hence creating new and highly attractive opportunities for the Indian Animation and VFX industry, across film, television and digital outsourced projects which represent 85% of total animation services turnover in India, and for original content with universal appeal for the global market, enhancing the Indian Animation Industry's global footprint around the world, and growing the talent pool to service this growing demand.

Ashish S K
Founder, Punnaryug Artvisoin Pvt Ltd & Chairman, Ficci Animation, VFX, Gaming and Comics Forum

The kids viewers base in India is almost 33 % of the TV viewers universe. Making kids category the 4th largest in the viewership. This segment has both loyalty and stickiness to the content. The present kids data is presented for 2 years to 14 years kids. But unlike all other age segments kids segment is unique as the kids between 2 and 6 years (pre school) have different liking of content then the kids between the age group of 7 to 10 years and 11 to 14 years. Hence the viewership data for these segments needs to be presented separately. This will help the content creators, advertisers and broadcasters to do justice to this uniquely important kids category.


Live events



Key messages

The organized events and activations segment grew 15.6% in 2018 to reach INR75 billion

- The number of events grew 9% over 2017, led by digital events which grew 35% and activations, which grew 21%
- Ticket sales now contribute over INR7 billion
- Auto, tech and FMCG were the top categories
- 31% of marketers surveyed by EY said that their spends on events and activations had increased by over 10% during the last two years

Intellectual properties and digital integration were increasingly adopted

- 38% of respondents had invested in creating one or more IPs
- Digital integration increased and over half the survey respondents had integrated digital in some form or the other with their events

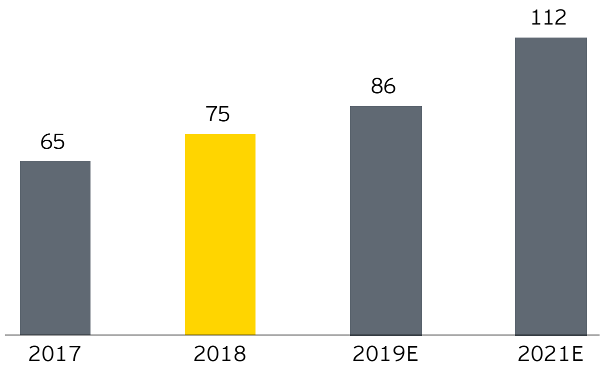
Future outlook

- Margin management will be a key priority for 2019
- Growth will be driven by managed events and IPs: 69% of marketers surveyed expected to spend more on events and activation over the next two years
- Regional markets will continue to drive growth
- 86% of the respondents to our marketer survey indicated that digital integration with events was very important

This section is based on the findings of primary research conducted across more than 30 Indian events and activation companies, over 30 marketers and industry discussions.

The organized live events segment grew 16% in 2018

Event segment revenues



INR billion (gross of taxes) | EY analysis

There was a 9% increase in the number of events

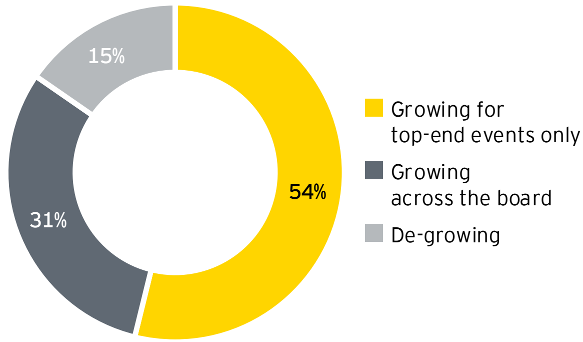
The industry grew at 15.6% in 2018 led by the launch of many large format events, intellectual properties (IPs), weddings, sports and digital activation. The number of events grew by 9% over 2017, led by digital events which grew 35% and activations, which grew 21%.

This value represents the revenue of "organized" events and activation agencies and does not include the multitude of "unorganized" event companies spread across the country. Survey respondents felt on average that just 52% of the Indian events and activation segment was organized.

The size estimate also does not include the value of telecast rights of events (unless owned by an events and activation management company), the value of meetings, incentives, conferencing and exhibitions (MICE) conducted by pure travel companies, value of IPs not owned by event companies and the value of properties managed by in-house activation teams of advertisers.

Ticketed events fueled growth

How well did ticketed events fare in 2018?



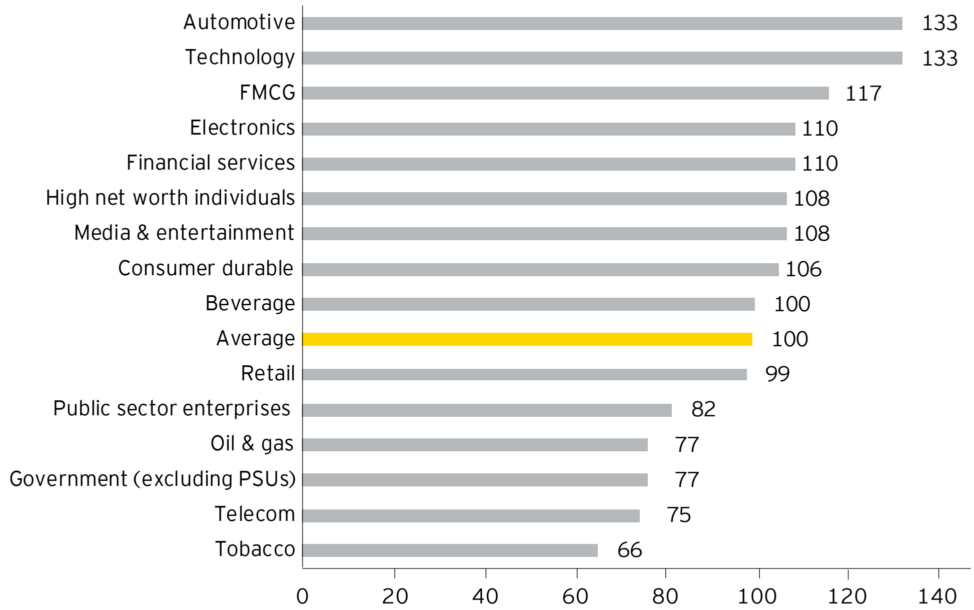
Source: EY analysis based on EY survey of event management companies

31% of respondents believed that ticketed events were growing across the board, while 54% believed that only top-end ticketed events were growing. India saw the launch of marquee properties from Cirque du Soleil and Disney in 2018. Ticket sales now contribute over INR7 billion[1].

1. EY analysis

Auto, tech and FMCG were the top categories

Revenue indexed by category



Source: EY Analysis based on EY survey of event management companies

Auto, tech and FMCG were the key spenders on events and activations. The key change since our last survey two years ago has been the relative reduction in the share of telecom spends. 45% of marketers surveyed by EY said that their spends on events and activation had increased during the last two years.

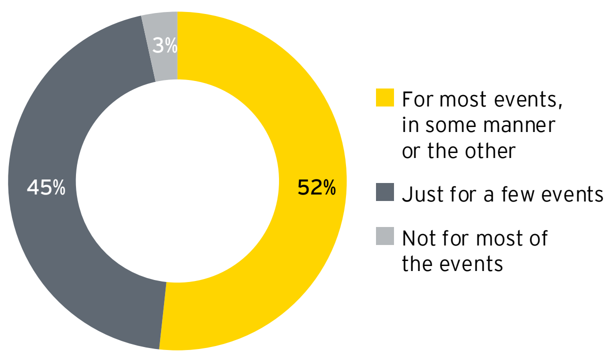
Move towards IPs and digital

38% of respondents had invested in creating one or more IPs

More and more event companies were creating IPs, either owned by them, or in partnership with brands or other event management agencies. While IPs contributed to less than 1% of total events, they provided around 16% of revenues.

Digital integration increased

Have you integrated digital into your event offerings?

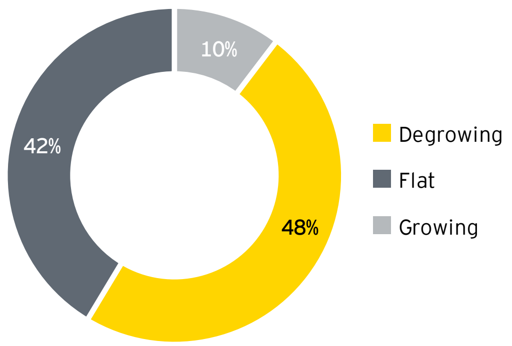


Source: EY Analysis based on EY survey of event management companies

Over half the respondents claimed to have integrated digital aspects into their events. This was across marketing, in-venue, audience engagement, post-event communities, ticketing and food and beverage sales. Large format events had commenced live streaming to build advertising revenues.

2018 saw margin pressure increase

How did margins change in 2018?



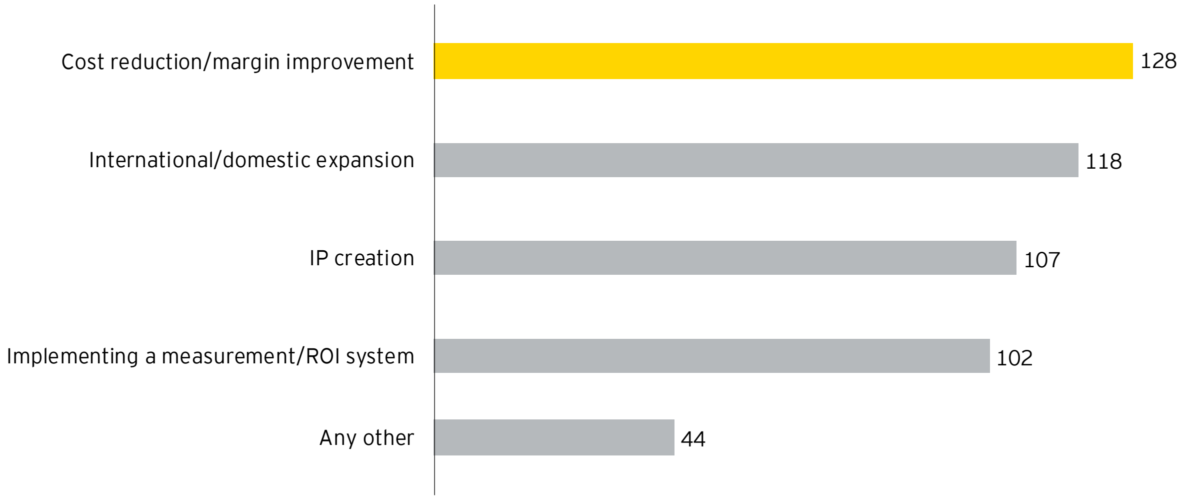
Source: EY Analysis based on EY survey of event management companies

48% of survey respondents felt that margins dropped in 2018, while 42% felt they were flat. Reasons attributed included increased competition due to clients preferring multiple agency pitches for each campaign and increased sourcing pressures.

Future outlook

Margin management is expected to be the key priority for 2019

Key priorities for the next year (indexed)

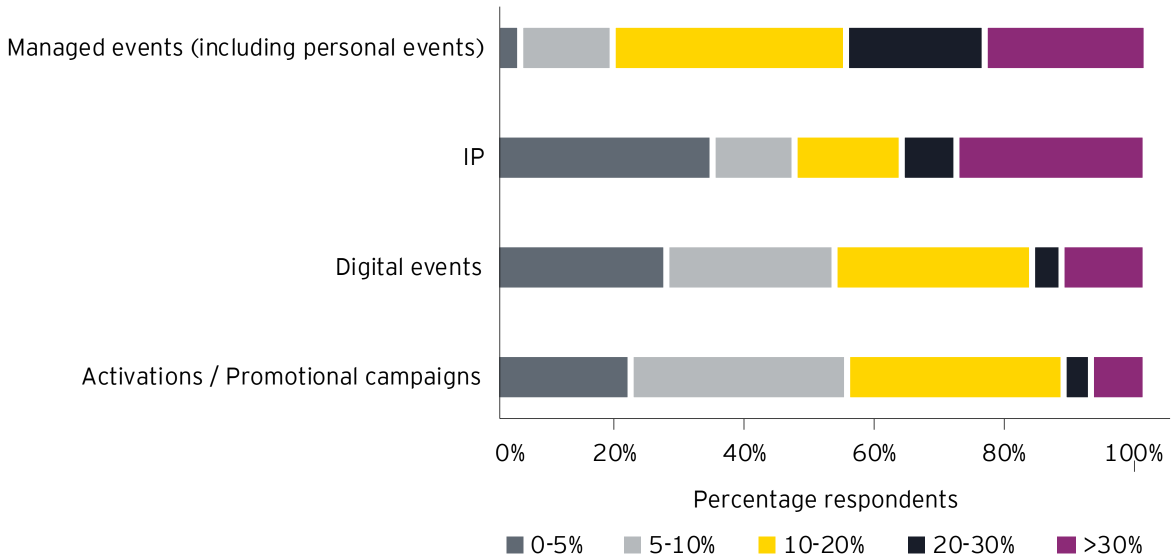


Source: EY Analysis based on EY survey of event management companies

Survey respondents were most concerned around margin management, reflecting the increase in costs, which they are not always able to charge clients. Respondents' next most important priorities were to enable business expansion (primarily into new segments and smaller towns) and IP creation.

Growth will be driven by managed events and IPs

Growth by type of events - next 2-3 years

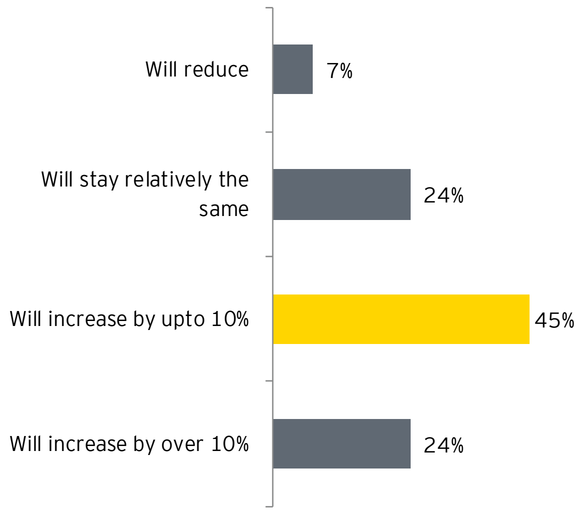


Source: EY Analysis based on EY survey of event management companies

Respondents expected maximum growth to come from managed and personal events (21%), followed by IPs (17%) over the next two to three years. While the number of digital events and activations would grow significantly, it would not contribute to revenue growth as much.

Marketers will increase their spends on events and activation

How do you see your spends on events and activation over the next two years?



Source: EY marketer survey

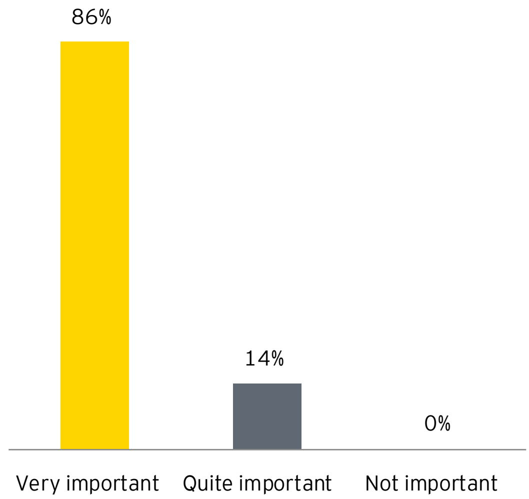
69% of marketers surveyed expected to spend more on events and activation over the next two years.

Regional markets will continue to drive growth

66% of our event survey respondents felt that events revenues in tier-II and III cities grew at the same rate or faster than events in larger cities. India's GDP growth over the next few years is expected to be higher in smaller cities[2]. This will result in increased spending on entertainment in those cities, and a chance for Indian event companies to create low-cost and high-volume properties for these markets. Concerts, sports and personal events will drive this growth.

Digital will drive efficiencies and higher RoI

How important is it for you to see digital integration with your events and activation initiatives?



Source: EY marketer survey

Marketers will integrate digital with their events and activation spends more aggressively in a bid to drive up RoI and increase reach. 86% of the respondents to our marketer survey indicated that they thought digital integration with events very important. They will use interactive experiential solutions on digital platforms to interact with brands and at the same time, enable sales and customer database creation.

2. "The growth paradigm" ; EY report on top 50 Indian cities

Expert speak

Atul Nath
Founder, Candid Marketing

The business of experiences is going to be fundamentally disrupted over the next 5 years, much like most other businesses, and I feel we should be focussed on preparing ourselves for that change.

Roshan Abbas
Managing Director - Geometry Encompass

As we enter an election year there will be fervent activity in the first few months of 2019, but then it is a wait and watch game. We need more infrastructure to build experiences in India. How long will a handful of stadiums and grounds suffice to fulfil the appetite of millennials for concerts, shows and festivals? This generation wants to make memories and are thirsting for more!

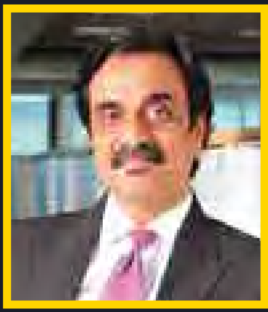
Samit Garg
Co-Founder & CEO, E-Factor Entertainment Pvt. Ltd.

The Indian Wedding Industry is getting more organized. The business has continued to grow at 25 to 30% and the future outlook is even better.

Sanjoy Roy
Managing Director, Teamwork Arts

The event and experiential industry in India is worth tens of thousands of crores. It provides jobs, contributes to local economies, employs millions and yet we remain in the shadows, working under the radar, bringing in riches in a form that isn't recognized and cannot be tabulated.

Scan the QR code to view videos, where indicated with ●



● **Brian Tellis**
Director, Fountainhead MKTG

We are living in a very interesting world, where consumer preferences are shaped by what I call the 'EXONOMY' – the experience economy. Experiential allows you to do good and to serve, instead of merely selling goods and services. I am excited about the disproportionate role that experiential will play in the future of brand building.

Sabbas Joseph
Founder & Director, Wizcraft International Entertainment Pvt. Ltd.

Dispersal of audience over multiple media platforms and the need for every marketing dollar to count are pushing marketers to drive direct to consumer engagement. A combination of experiential and digital is the perfect mix, wherein both impact as well as engagement are direct, consistent and economical. Direct to consumer has created a new world: An audience of One....driving purchase, impact, bottom line and valuation paradigms.

Online gaming

Image courtesy ImagesBazaar

Key messages

Online gamers in India grew 52% to 278 million in 2018

- 5 billion game apps were downloaded in 2018, which accounted for 71% of total entertainment app downloads
- Time spent on gaming increased to over five hours per month on average
- India is now one of the top five markets for mobile gaming globally
- It has over 250 game development companies
- Overseas online gaming companies grew their presence in India

Both casual and real money gaming grew, resulting in the segment growing 59% to reach INR49 billion

- Casual gaming grew 40% to reach INR22 billion
- Real money gaming grew 82% to reach INR26 billion
- 80% and 95% of revenues were driven by advertisement and subscription for casual games and real money games respectively
- 8-12% of gamers paid to play real money games i.e., subscription or in-app purchases

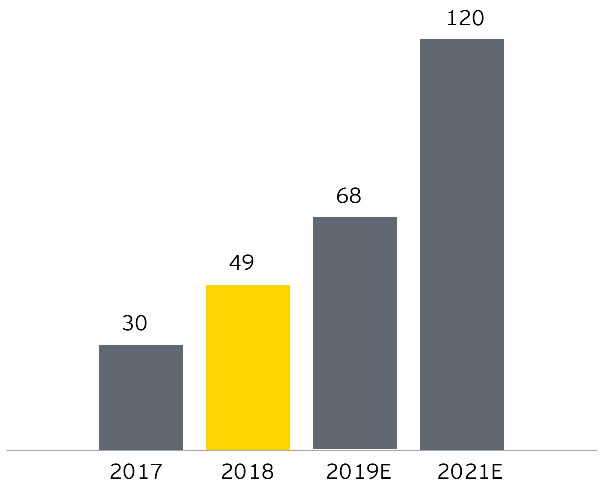
The segment has proactively created self-regulating industry bodies like the AIGF and IFSG

Future outlook

- The segment is expected to grow at 35% CAGR to reach INR120 billion by 2021
- Fantasy sports can cross 100 million players within two years
- Multi-player gaming will continue to grow significantly, following the uptake of PUBG in 2018, subject to the quality of the IP created
- While the Chinese market is showing signs of saturation and regulator control, India will become the next key market for gaming companies and investors
- AR and VR gaming in India has the potential to drive growth of physical gaming zones in malls and common areas, but will remain a niche market product for now. India can become the AR / VR and casual game development factory of the world, if talent is nurtured and infrastructure is built
- 2019 will see the creation of large national gaming brands

Online gamers grew 52% to 278 million in 2018

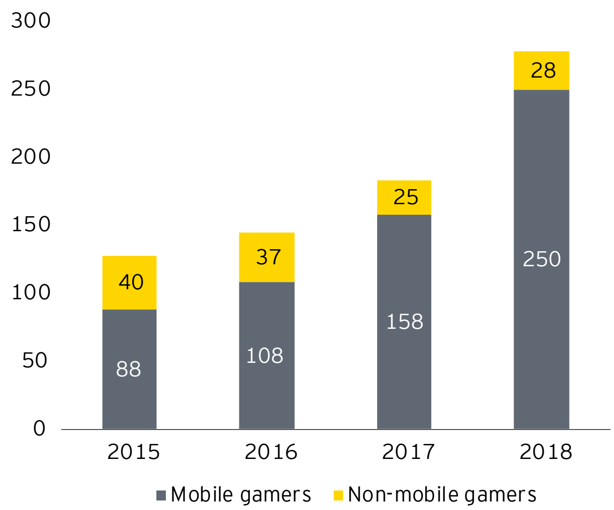
Online gaming revenues



INR billion (gross of taxes) | EY analysis

Indian online gaming subscriber base grew from 183 million in 2017 to 278 million in 2018[1], leading to a 59% revenue growth to INR49 billion. Mobile gamers were 250 million of these.

Online gamers in India (million)[2]



Source: EY analysis

Growth in online gamers was driven by the increase in internet users in India to over 500 million, growth of smartphone user base to 340 million and low data prices. It is believed that with more affordable smartphones, internet connectivity and localized language games, rural India will lead the growth of the gaming industry in the next few years. Gaming is now being recognized as mainstream entertainment in India.

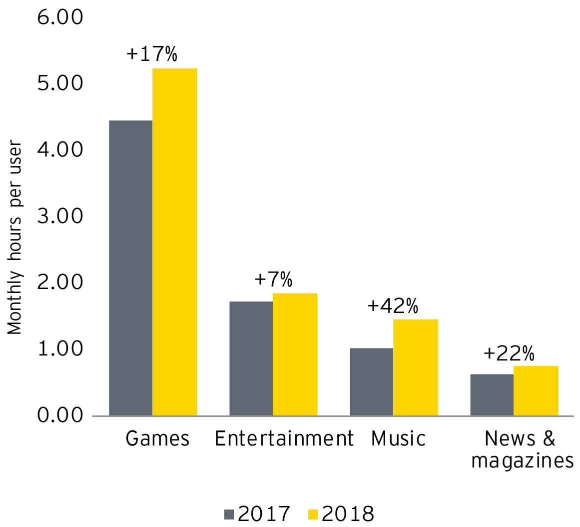
5 billion game apps were downloaded in 2018

5 billion game apps were downloaded in 2018, which accounted for 71% of the total entertainment apps downloaded in the year. Game downloads have increased 35% from 2017[3]. Gaming uptake is clearly driven by young people - 88% of respondents of EY's online gaming consumer survey were in the age group of 21-35 years[4].

1. IMRB Kantar Pokkt MMA report, EY analysis, Industry discussions
2. EY Research
3. App Annie
4. EY's online gaming consumer survey 2018

Time spent on gaming increased to over 5 hours per month on average

Average monthly time spent on Top 20 apps by category MAU (hours) - India, Android Phone



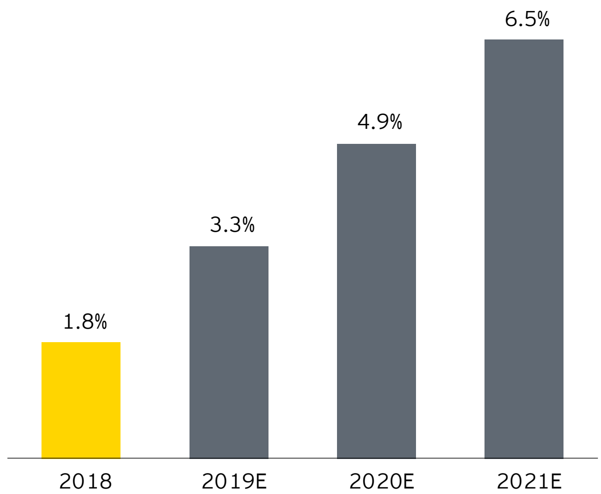
Source: App Annie

Gamers spent 17% more time on games in 2018 when compared to 2017, averaging over five hours per user per month[5].

India is now one of the top five markets for mobile gaming globally

India is now in the top five markets in the world based on the number of users for online and mobile gaming. Smartphones have emerged as the primary device preferred for online gaming with more than 90%[6] of millennials preferring smartphones over gaming PCs and other devices in India. Unlike console gaming, smartphones have brought affordable gaming to users without the hassle of owning expensive hardware and game titles. 89% of all game revenues in India were generated on mobile games[7].

Gaming smartphone shipments (% of overall smartphone shipments)



With the growing demand for mobile gaming, many companies have launched dedicated gaming smartphones to capture share in this segment. These gaming smartphones accounted for 1.8% of overall smartphone shipments in 2018 and are expected to reach 6.5% by 2021[8].

5. App Annie analysis of top 20 game apps
6. https://economictimes.indiatimes.com/tech/software/india-among-top-5-markets-for-mobile-gaming/articleshow/65396386.cms
7. https://economictimes.indiatimes.com/tech/software/india-among-top-5-markets-for-mobile-gaming/articleshow/65396386.cms
8. http://cmrindia.com/cmr-specview-gaming-smartphones-penetration-to-hit-6-5-by-cy2021/

2018 saw large investments in gaming hardware and software

Hardware makers are incorporating more features to enable a technologically enhanced experience in gaming. Acer is witnessing 20% growth y-o-y attributable to its gaming laptops and PCs. Asus, which currently occupies 22% share in the gaming PC market is also working towards offering high-tech devices to increase its market share in India[9]. Currently VR as a technology is picking up in outdoor entertainment areas in the form of VR rides in malls and VR lounges. It is believed that uptake of VR for mobile gaming will grow with a reduction in hardware cost.

India now has over 250 game development companies

Gaming companies are increasingly investing in cutting-edge technologies such as VR, AR, AI and blockchain. AR games such as Pokémon Go have garnered significant positive response in India.

India has progressed from being a back-end support for game development to developing high-quality games. The segment is on the rise with over 250 game development companies, up from 25 in 2010. And once again, this provides India with the opportunity to become a key game development center of the world, which can generate US$2 billion by 2021[10], if supported with adequate incentives and policy support.

9. https://economictimes.indiatimes.com/tech/hardware/asus-eyes-bigger-share-of-indias-consumer-gaming-pc-market/articleshow/65389168.cms

10. EY estimates

Overseas online gaming companies grew their presence in India

India's online gaming segment has attracted investments and new launches by several global players.

International company	Country	Announcement month	Description
NVIDIA[11]	US	January 2019	The company is aiming to increase its Indian online gaming footprint by launching 100 gaming cafes in India in 2019
AGTech Media (Alibaba)[12]	China	August 2018	AGTech, in JV with PayTM, has launched Gamepind, an online gaming platform offering variety of social and casual games with exclusive loyalty rewards to users within the PayTM app. The companies in the venture have infused additional US$16 million in the mobile gaming JV to launch it into a separate app to increase its reach
Yoozoo[13]	China	July 2018	Yoozoo games, which entered India in 2017, is teaming up with celebrities to grow its presence in tier-2 and tier-3 markets in India. The company has recently partnered with Sunny Leone and Gamiana Company to launch an online game in social casino genre. The company further plans to launch three games in the next few months, in addition to its two games operational in India
APUS[14]	China	June 2018	The company has launched "Go Millionaire" online game in the quiz genre in India. The game is available on APUS browser and plans to give away INR40 million as cash prize to the winners. The company is also planning to increase its Indian team by five times to 100 and set up an R&D facility to strengthen its operations[15]
Tencent[16]	China	March 2018	Tencent is planning to invest US$200 million (INR14 billion) in the Indian online gaming segment with the aim to own at least one-third of India's gaming user base by 2020. As part of its plan, Tencent led a US$100 million investment round in Mumbai-based Dream11
ESL[17]	Germany	February 2018	ESL has acquired minority stake in Nazara technologies for INR265 million. As part of the acquisition, ESL has also entered into an agreement with Nodwin gaming (part of Nazara) for multi-year exclusive licensing rights of ESL system and ESL community platform to Nodwin gaming. The partnership and acquisition is part of ESL's aim to expand its footprint in India

11. "NVIDIA to expand gaming footprint in India, add 100 gaming cafes this year," Economic Times, https://economictimes.indiatimes.com/industry/media/entertainment/media/nvidia-to-expand-gaming-footprint-in-india-add-100-gaming-cafes-this-year/articleshow/67387395.cms, accessed on 18 January 2019
12. "Paytm, Alibaba's AGTech invest $16 million in Gamepind," LiveMint, https://www.livemint.com/Companies/uglnASGz2Pk57ieCu4wXrM/Paytm-Alibabas-AGTech-invest-16-million-in-Gamepind.html, accessed on 20 December 2018
13. "Yoozoo Games partners Sunny Leone for a mobile game that's debuting by end of 2018," ET Tech, https://tech.economictimes.indiatimes.com/news/mobile/yoozoo-games-partners-sunny-leone-for-a-mobile-game-thats-debuting-by-end-of-2018/65141104, accessed on 20 December 2018
14. "APUS Introduces its LIVE Quiz Mobile Game "Go Millionaire"," PC Quest, https://www.pcquest.com/apus-introduces-live-quiz-mobile-game-go-millionaire/, accessed on 20 December 2018
15. "China's APUS rolls up sleeves with hiring plans & R&D centre," ET Rise, https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/chinas-apus-rolls-up-sleeves-with-hiring-plans-rd-centre/articleshow/65524265.cms, accessed on 20 December 2018
16. "How tencent, the world's largest gaming firm, is rebuilding its India biz, TechCircle, https://techcircle.vccircle.com/2018/03/07/how-tencent-the-world-s-largest-gaming-firm-is-rebuilding-its-india-biz, accessed on 20 December 2018
17. "E-sports major ESL invests in gaming company Nazara," The Times of India, https://timesofindia.indiatimes.com/deals/-ma/esl-invests-in-nazara/articleshow/62838971.cms, accessed on 20 December 2018

Online gaming revenues grew 59% to reach INR48.5 billion in 2018

	2017	2018	2019E	2021E
Total	30.4	48.5	68.2	120.3

INR billon (gross of taxes) | EY analysis

Indian online gaming segment grew to reach INR49 billion in 2018, a growth of 59% over 2017. It is estimated to reach INR120 billion by 2021 at a CAGR of 35% with the number of users projected to become 340 million[18] by then.

Casual gaming grew 40% to reach INR22.4 billion

There has been a huge growth for publishers who have produced innovative games such as Ludo King. Social competitive multiplayer games seem to have been well accepted and many companies are focusing on this format of casual games. Casual games are expected to grow at 30% to reach INR49 billion by 2021.

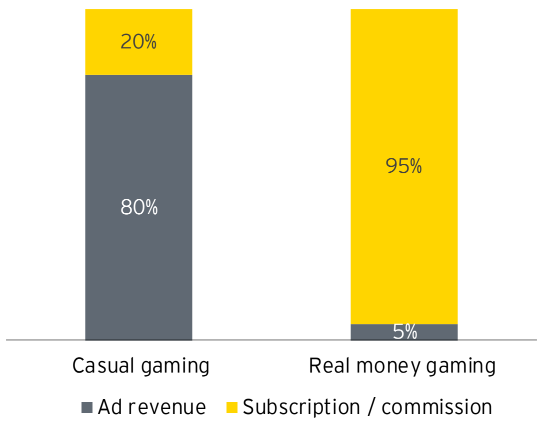
Real money gaming grew 82% to reach INR26 billion

Real money games include fantasy sports, rummy, poker and the like. The drivers for this growth are attributed to increased penetration of smart phones, adoption of wallet-based payment mechanisms, availability of quality gaming content, increased venture capital investments, etc. Real money gaming is expected to grow at 40% CAGR to reach INR71 billion by 2021.

8-12% of gamers paid to play real money games i.e., subscription or in-app purchase

The growth of Indian online gaming segment might be significant in terms of the number of subscribers and downloads, but monetization has remained a challenge as the Indian market is dominated by casual gamers who are reluctant to spend on games. For these gamers, casual games are a form of free entertainment with low perceived value. Therefore, advertising has remained the primary source of revenue for casual games.

Revenue sources



80% and 95% of revenues were driven by advertisement and subscriptions for casual games and real money games respectively[19].

On the other hand, real money games like rummy and fantasy sports provide gamers with a chance for them to win back more or the same amount that they paid. Further, competitive multi-player games like PUBG have also encouraged Indian gamers to make in-app purchases to gain a competitive edge in the game.

Such trends have seen 8-12% of the registered active users paying for real money games and in-app purchases. While the number is very small, the trend of monetization and change in the mindset of Indian players has begun.

18. EY research

19. Industry discussions and EY analysis

The segment has proactively created self-regulating industry bodies

While the Indian government is yet to define regulations for online gaming, the industry is proactively forming self-regulatory bodies. Multiple gaming federations like the All India Gaming Federation (AIGF), The Rummy Federation (TRF) and the Indian Federation of Sports Gaming (IFSG) were formed with the goal to protect the interests of both operators and consumers in real money games. They provide a platform for operators to address key issues and present a unified front[20].

Federations have defined or are in the process of defining self-regulatory frameworks, laying down industry specific guidelines and adopting international best practices around fair play, responsible gaming, ethical advertising, online security and privacy, software integrity, user verification and complaint redressals.

To bring more credibility to the industry, the federations have started conducting third-party audits to ensure that operators follow the set guidelines.

Future outlook

Fantasy sports can cross 100 million players within two years

Sports, particularly cricket, will drive the growth of fantasy gaming which can cross 100 million players within two years. Fantasy wrestling and kabaddi would see increased focus as platforms try to broad-base their appeal.

Multi-player gaming will continue to grow

Multi-player gaming will continue to grow significantly, following the uptake of PUBG in 2018, subject to the quality of the IP created. Higher per-user revenues can be realized with fiber based internet and streaming games.

Investor interest in Indian gaming will increase

While the Chinese market is showing signs of slowing down and regulator control, India will become the next key market for investors, given the growth factors mentioned in this section. Indian gaming companies have already begun to attract investments.

Company	Main investors	Total funding
Dream11	Tencent, Kalaari Capital, Multiples Alternate Asset Management Pvt. Ltd.	US$100 million
Nazara Technologies	WestBridge, IIFL Asset Management, Turtle Entertainment	US$82 million
Ace2Three	Clairvest Group, Matrix partners	US$76 million
99 Games	Ascent Capital, Kalaari Capital, Dream incubator	NA
MoonFrog Labs	Tiger Global Management	US$16 million

20. Industry discussions and EY analysis

AR and VR gaming can drive growth of physical gaming zones

AR and VR gaming in India has the potential to drive growth of physical gaming zones in malls and common areas, but will remain a niche market product for now. India can become the global AR and VR game development factory of the world, if talent and infrastructure is nurtured.

2019 will see the creation of large national gaming brands

Gaming companies are now set to establish brands to consolidate gamers who presently have a plethora of options to choose from in each game format. Each company wants to differentiate its product and market its unique selling point. New companies are investing towards marketing while majority of the existing online gaming companies we interviewed expected to spend higher amounts towards marketing.

India gaming Trendbook

EY survey of 1,500 smartphone owning adults

67% played **games**

86% played games on their **mobile phones**, while 31% played on their **laptops**

72% would prefer to play on **bigger screens**

55% played **popular games** on app stores while 48% played games **recommended** by friends

Average time spent playing games was **30 minutes** a day; while most played **15-30 minutes**

70% of respondents were OK to watch ads, so long as they could **play for free**; only 10% were willing to pay for in-app purchases

Top reasons for playing games were

entertainment 85% and **stress relief** 73%

46% of respondents played once and 31% played twice a day

50% only played **single player format games**

79% were reluctant to play games where they had to **pay to play**

- Fear of losing to a bot or computer was 32%
- Poor perception about themselves was 13%

Most **preferred time** to play was during:

- 62% **work breaks**
- 48% **travelling**
- 45% **and post dinner**

Of those who played **Real Money Games**

65% were willing to pay over INR100 per session and wallets were the most preferred mode of payment

Key issues with gaming:

60% believed gaming impacted phone performance

34% believed they would get addicted

Fantasy sports in India

Powered by Indian Federation of Sports Gaming

2 out of 3
people are aware of fantasy sports

Fans who played

Fantasy Sports in 2018

45-50 million

Smartphone/Tablet followed by computers are the most frequently used devices for playing **fantasy sports**

Frequency of play	Smartphone /Tablet	Desktop /Computers
More frequently than once a week	93%	73%
Less frequently than once a week	6%	24%
Average per week	6 days	4.1 days

Source: Nielsen's survey of 2,724 respondents who are Indian males aged 18-35 years across selected cities

All data has been provided by IFSG and is based on their research. It has not been validated by EY, and presented in summary form for representation purposes only.

Audience mainly comprises of

young independent Indians

who have high disposable incomes

Age
72%
25-35 year olds

28%
18-24 year olds

Occupation
84%
Working

16%
Student

Education
51%
Graduate

6%
Not graduate

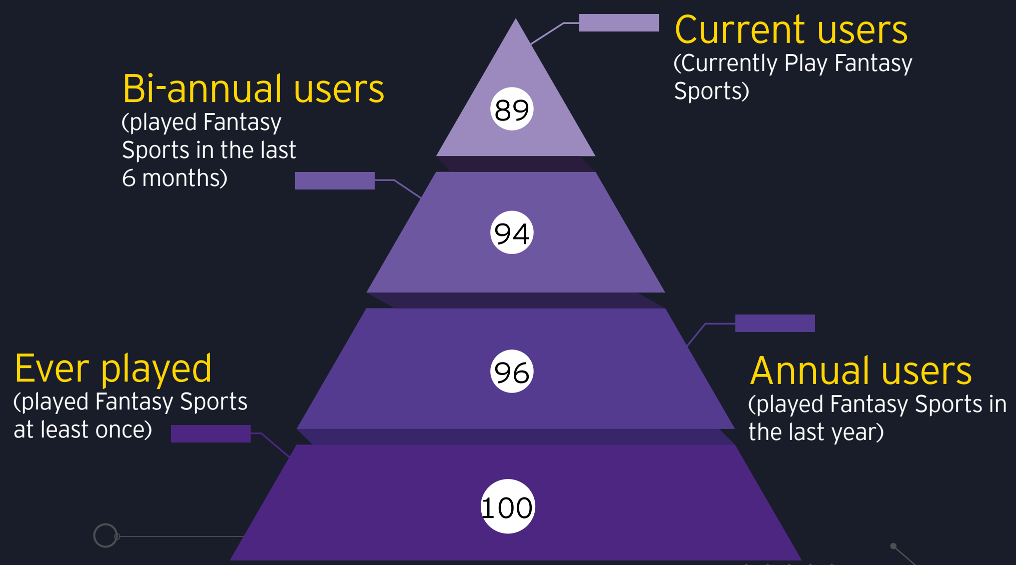
42%
Post graduate

NCCS
75%
A1

20%
A2/A3

5%
AB

Gamers demonstrated high levels of stickiness



34%
Play on more than 1 platform

66%
Play on only 1 platform

Expert speak

Nitesh Damani
Director, Sugal & Damani

Online gaming is proliferating in India like never before due to friction-less payment methods, rise of digital payment users, growing local developer ecosystem and localized games.

Harsh Jain
CEO & Co-Founder -Dream11

For a sports fan, Fantasy Sports provides a platform to not only showcase their knowledge and skill amassed overtime, but also to receive recognition in the fantasy sports game. Fantasy sports is rapidly changing the way fans consume sports content, making the overall sports experience more exciting and engaging.

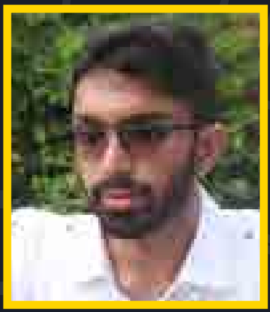
Saurabh Aggarwal
CEO & President, Octro Inc.

Gaming in India is growing, and if there was ever a time to be in this space, it is NOW!

Manish Agarwal
CEO, Nazara Technologies

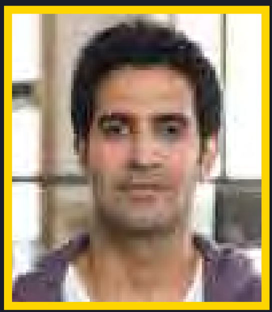
The gaming industry has seen an acceleration during the year along with overall macro economics helping growth in revenues and online gamers. We now also see an acceptance of gamers to pay and play leading to robust revenue growth for the industry.

Scan the QR code to view videos, where indicated with



Hridhay Muralidharan
Co-Founder, Dotball Interactive Private Limited

Consumers now look at a e-sports and games as a serious profession, not just a hobby. The advent of Data Science is really shaping up better decision making and personalisation of content to consumers. The future is certain: Next unicorn will be from the gaming industry.

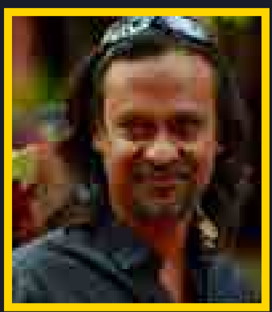


Ankush Gera
Founder/CEO, Junglee Games

The Rummy Federation (TRF) was setup to provide guidelines around self regulation, advertising and responsible gaming. We've onboarded a good amount of operators and are passing down all of this knowledge to them. The TRF is starting to conduct audits to ensure operators are following the guidelines set forth by the federation.

Roland Landers
CEO, All India Gaming Federation

Online Real Money Gaming (RMG) Industry stakeholders are governed by the AIGF's self regulation charters that are based on best practices in legality, integrity, player rights and responsible gaming. Our wish is for the Online RMG Industry to be regulated centrally by a National Gaming Commission, so that the existing uncertainties (under State Acts) that make it difficult for businesses to invest and grow, are eliminated.



Anand Ramachandran
Co-Founder, Fantain

Fantasy Sports has a big role to play in promotion of sports in general. We are excited to be part of the growth of the Online Fantasy Sports Gaming industry in India.

Rajesh Rao
Founder & CEO, Dhruva Interactive

Online Real Money Gaming (RMG) Industry stockholders are governed by the AIGF's self regulation Charters that are based on best practices in legality, Integrity, Player Rights and Responsible Gaming. Our wish is for the Online RMG Industry to be regulated centrally by a National Gaming Commission, so that the existing uncertainties (under State Acts) that make it difficult for businesses to invest and grow, are eliminated.

Out Of Home (OOH) media

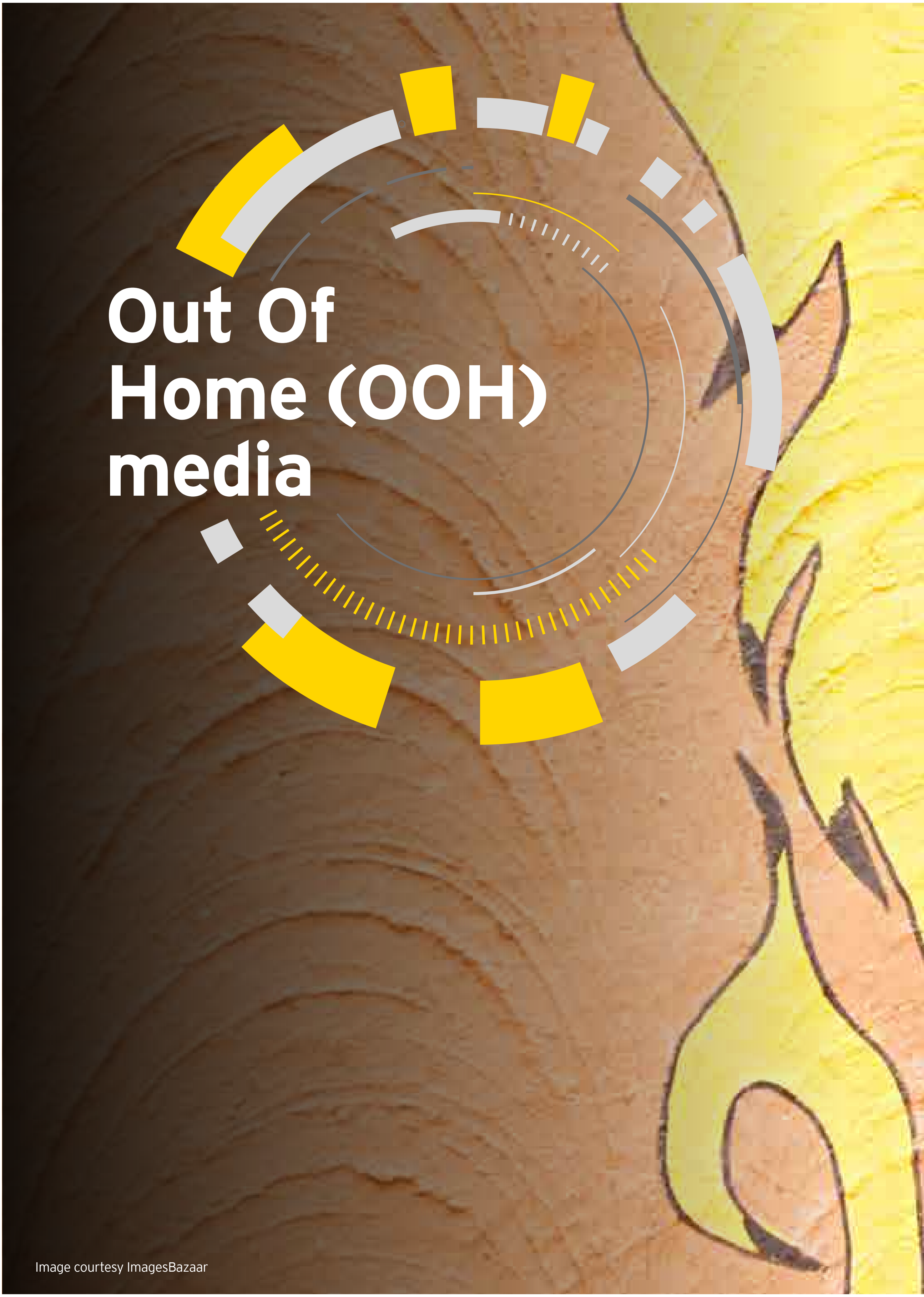


Image courtesy ImagesBazaar

Key messages

Rapid infrastructure development drove growth

- OOH media reached INR37.3 billion in 2018
- The segment grew at 8.8%
- Retail, consumer services and real estate were the largest advertiser categories
- Digital OOH grew to reach INR1.5 billion which is 4.7% of the total segment

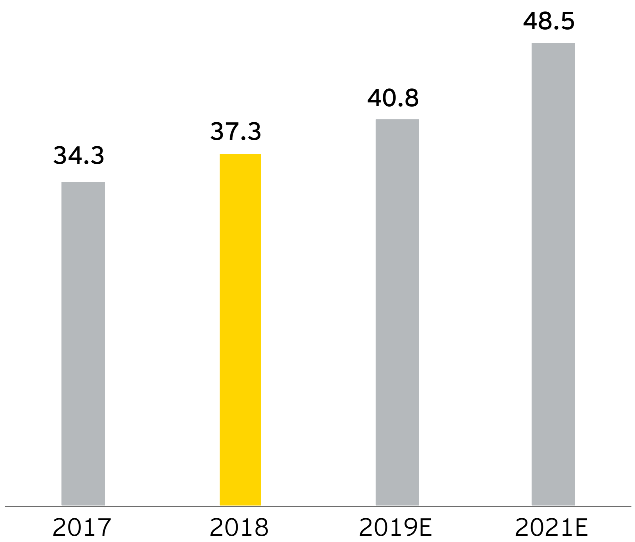
Future outlook

- We expect transit media growth to continue unabated - from around 34% today to around 45% of the OOH segment by 2021
- Station naming rights will become a more important source of revenue
- Digital OOH could reach INR5-6 billion in five years
- Measurement metrics linked to consumer data, profiling, maps and footfalls will come into being

OOH media grew 8.8% in 2018

The segment reached INR37.3 billion

OOH segment revenues



INR billion (gross of taxes) | EY analysis

Out Of Home (OOH) media grew by 8.8% in 2018 to reach INR37.3 billion. It is expected to grow 9.5% in 2019 and reach INR48.5 billion in 2021 at a three-year CAGR of 9.2%.

Organized retail was the largest category in 2018[1]

Category	Category contribution in 2018 (in %)	Category growth over 2017 (in %)
Organized retail	16%	14%
Hospitals, restaurants, education, OTT	14%	24%
Real estate and construction	12%	14%
FMCG	9%	18%
Financial services	9%	15%
Telecom	7%	-13%
Auto	7%	4%
Media	5%	15%
E-Commerce	4%	7%
Electronic durables	2%	16%
Petroleum / Lubricants	1%	-14%
Pharmacy	1%	-17%
Energy	0%	-18%
Others	12%	-5%
Total	**100%**	**9%**

Retail, consumer services and real estate were the top contributing sectors to the ad spend in the OOH segment. Growth was driven by education and OTT platforms. However, ad spend fell across telecom, petroleum, pharmacy and energy categories.

1. Pitch-Madison Advertising Report 2019

Digital OOH grew to reach INR1.5 billion

Digital OOH market reached INR1.5 billion[2], accounting for 4.7% of overall OOH market. Digital OOH is further estimated to grow to reach INR5-6 billion over the next five years. Its share is expected to reach around 8% of the OOH segment by 2021[3].

Growth would be driven by the following factors:

- 4-5x or higher growth in the number of digital displays, which are estimated to be around 70,000 today[4]. Already, 50-60% or more of advertising spaces at airports and malls have been converted to digital OOH, contributing approximately 20-30% of industry growth[5]. With the development of new airports, smart city projects, malls and metro stations, among others, digital screens are expected to grow further
- Digital OOH lends itself to better measurement. Integrating site data with consumer data, profiles and retail sales data enables better informed investment decisions
- When combined with activations, digital OOH delivers leads and consumer profiles, enabling direct to consumer interactions for brands

Increasing adoption of real-time OOH media solutions was seen in 2018

Companies are introducing tech-enabled OOH advertising systems to achieve more efficiency and transparency. In December 2018, Posterscope India launched ROOH (Real Time Out of Home), a planning-buying platform for OOH inventories. ROOH platform has over 60,000 digital screens accessible via a single platform. The platform uses a wide variety of data feeds to create customized and targeted advertising, allowing advertisers to directly control the content that is being played on screens[6].

Rapid infrastructure development drove growth

The rapid development of infrastructure, including upcoming airports, smart city projects, malls, metros, bus shelters, public conveniences, coffee shops, along with increased advertising opportunities in tier-II and tier-III cities are all contributing to the growth of OOH media.

Airports account for a majority of digital OOH media, attributable to the time travelers have to view ads at specific touch-points like boarding gates. In the next three years, it is expected that 30[7] new airports will get operationalized and metros will be operationalized at Mumbai, Delhi, Bangalore, Chennai and seven[8] other cities. The Railways plan to implement the rail display network with 100,000 digital screens across all stations by 2022[9].

Challenges remained, however

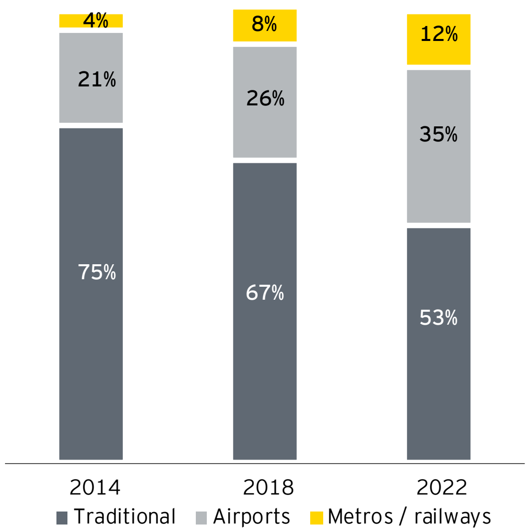
The lack of a reliable universal measurement system and timely permissions from concerned local and regulatory authorities are the largest challenges faced by the segment. Several attempts at measurement have been planned, but the need for a universal metric remains unmet. Implementation of OOH campaigns in tier-III and rural markets is also difficult to track, resulting in the need for expensive audits and monitoring mechanisms.

2. "DOOH boom is coming to India," WARC, https://www.warc.com/newsandopinion/news/dooh_boom_is_coming_to_india/40858, accessed on 16 December 2018
3. Refer 2 above
4. https://www.impactonnet.com/cover-story/the-impact-trends-report-2019-6272.html
5. Industry discussions
6. "Posterscope launches India's first digital OOH Ad Exchange - ROOH," Afaqs, https://www.afaqs.com/news/story/54061_Posterscope-launches-Indias-first-digital-OOH-Ad-Exchange---ROOH, accessed on 16 December 2018
7. 30 new airports to come up in India over the next 15 months https://www.business-standard.com/article/economy-policy/30-new-airports-to-come-up-in-15-mths-country-s-100th-coming-up-in-sikkim-118092000930_1.html
8. 15 more cities will soon have metro rail in India https://economictimes.indiatimes.com/industry/transportation/railways/15-more-cities-will-soon-have-metro-network-union-minister-puri/articleshow/66419131.cms
9. http://www.newindianexpress.com/cities/bengaluru/2018/nov/26/giant-digital-screens-to-display-info-on-trains-at-bengaluru-stations-1903171.html

Future outlook

We expect transit media growth to continue unabated

Composition of OOH



Source: Industry discussions, Pitch Madison, IPG Magna, GroupM, EY analysis

Given the growth in operational airports (it is expected that over 100 airports will be built over the next 15 years, including 18 under the UDAN scheme[10]), metros in large cities (another 500 kilometers of metros are under construction or planned[11] across Pune, Nagpur, Ahmedabad, Chennai, Vijayawada, Kozhikode, Indore, Bhopal, Patna, Guwahati, Kanpur and Varanasi), the focus of Indian railways to implement digital screens and the proposed infrastructure investment for modernization of bus stands, we expect the share of transit media to grow from around 34% today to around 45% by 2021[12].

Naming rights will become an important source of revenue

Metro station naming rights are generating between INR100 million to INR400 million a year per station, depending on the city and passenger traffic. With new stations coming up, this can become a big revenue source, with a potential to reach INR16 billion within four to five years[13].

Measurement metrics will come into being

We believe that measurement will be implemented on a campaign basis in the near term. This will be led by integrating data across mobile phone location, maps, OOH media site location and footfalls / sales data, which is being proposed by a slew of measurement agencies like Measurement of Outdoor Displays and Moving Walls amongst others.

10. https://economictimes.indiatimes.com/industry/transportation/airlines-/-aviation/to-ease-business-of-flying-government-to-build-100-airports-in-15-years/articleshow/61523048.cms
11. https://en.wikipedia.org/wiki/Urban_rail_transit_in_India;
12. https://www.livemint.com/Politics/ylEObaYWxcC7lGO2E2e4wJ/The-rise-of-metro-rail-network-in-India.html
13. Industry discussions; EY analysis

Global trends

Global growth remained stable and modest

Globally, OOH remains a durable advertising medium where digital is an opportunity, not a threat, leading to stable modest growth. With improved performance of out-of-home campaigns and more organizations willing to experiment and incorporate new digital ad experiences, the segment, especially digital OOH is expected to drive growth.

Operators continued to invest in digital OOH

Operators are investing in digital boards that promote creativity, have enhanced measurability, transparency, daypart selling and increased inventory. With growing consumer familiarity towards digital screens, the value these platforms offer is also bound to increase. This gives an ability to extend hyper-local and immersive experiences into the mix, such as weather triggering, interactive e-health requests and other real-time variables.

The shift to programmatic ad buying is on-going

While at present it is a small piece of the larger pie, OOH advertising's shift to programmatic is happening swiftly. Programmatic buyers testing OOH for the first time must provide high-quality ad creatives by working with ad agencies. Brands can leverage those real-time ad placements to capitalize on reaching high concentrations of their target audiences at the ideal time of day. However, getting digital audience targeting criteria into programmatic OOH is proving slightly difficult, considering the majority of OOH placements are not able to provide the one-to-one audience matching digital buyers desire.

Increased M&A activity

The fragmented nature of the segment, combined with a strong strategic and private equity interest support a robust M&A opportunity. Large technology companies have started to acquire OOH networks to boost their market share as interest in OOH increases and marketers are focused on capturing offline audiences through physical mediums.

Airport advertising

Powered by Times OOH

102 operational airports in 2018

250 planned airports by 2030E

INR 32bn 2025

Passenger traffic in India

309m in 2018

421m in 2020E

INR 10-12bn 2018

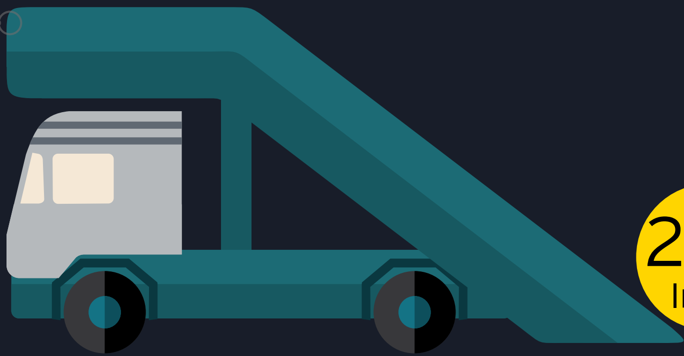
Projected size of Airport advertising in India

Source: AAI, ICRA, Civil Aviation Ministry, CAPA, IBEF

All data has been provided by Times OOH and is based on their research. It has not been validated by EY, and presented in summary form for representation purposes only.

Non-aeronautical
airport revenues*

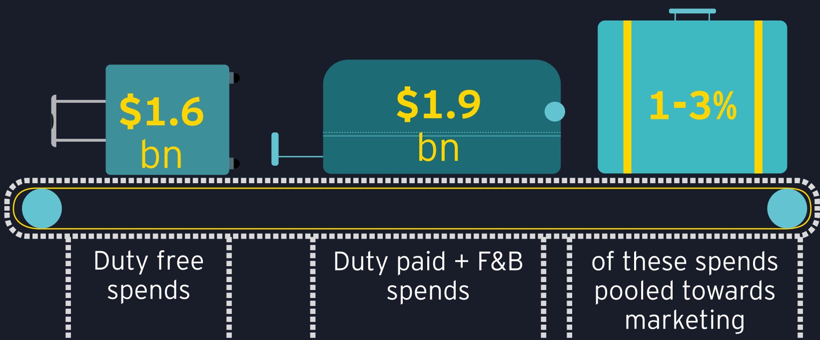
37% Global



25% India

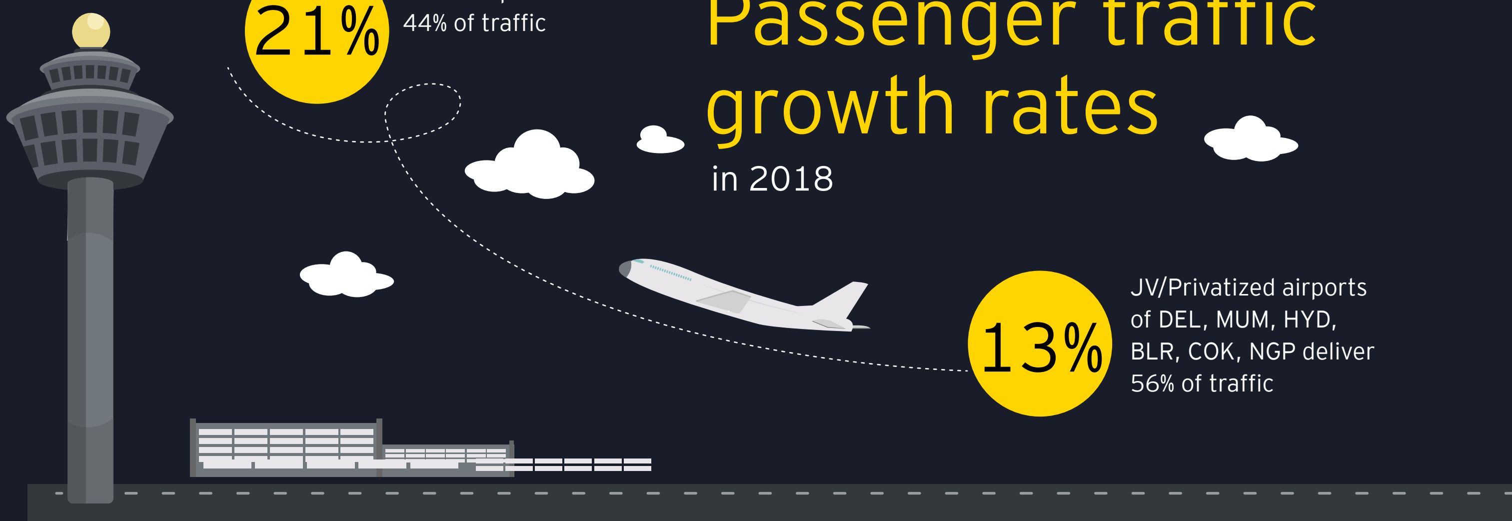
*Includes retail, duty-free, advertising, car rental, parking, hospitality etc

Airport OOH
in 2021 will be driven by



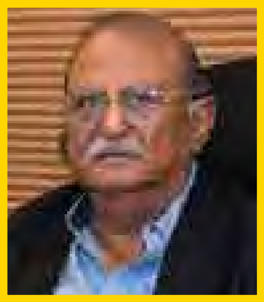
Passenger traffic growth rates
in 2018

21% Other airports deliver 44% of traffic



13% JV/Privatized airports of DEL, MUM, HYD, BLR, COK, NGP deliver 56% of traffic

Expert speak



Sunil Vasudeva
Chairman cum full time Director, Pioneer Publicity Corporation

With existing inventory base, OOH is likely to grow by at least 8 to 9%. However, there will be incremental growth of at least 3 to 4% in the industry with new media avenue opening with the commencement of Metro and Smart City projects.

Alok Jalan
MD, Laqshya Media Group

Millenials who are redefining India's consumption story are spending a major chunk of their waking hours outside the home making OOH more lucrative than ever. 2019 is the year of the Indian general elections which, along with some state elections, will boost marketing spends and would hopefully be a very good year for OOH.

Scan the QR code to view videos, where indicated with

Radio

Image courtesy ImagesBazaar

Key messages

Revenue growth was led by Phase-III inventory and non-FCT initiatives

- Radio grew 7.5% in 2018 to reach INR31.3 billion, taking its share in total advertising to 4.2%
- Radio segment's growth in 2018 was fueled by a 3% volume growth of Radio AdEX, inventory in Phase-III stations coming online and non-FCT revenue growth from digital, content production, events, etc.
- 53% of ad volumes came from the top seven cities, while Maharashtra and Gujarat led on volumes
- Services, retail, food and beverage, auto and BFSI were the top five sectors advertising on radio, with services comprising 30% of the total volumes

Reach increased, but a common measurement system was lacking

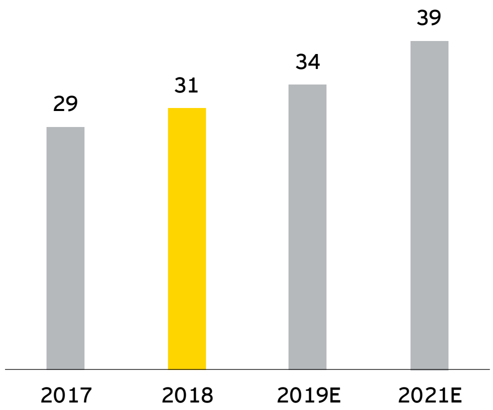
- 47 new radio stations were operationalized in 2018 across 35 cities, taking the total of 386 radio stations in India
- Lack of measurement continues to be major drawback for the segment. Clients are exploring sharper segmentation via niche channels for niche products
- New smartphone models do not all have FM receivers, which could impact radio listenership

Future outlook

- Growth in 2019 will be fueled by ad spends in the upcoming elections, non-FCT revenues and firming of ad rates in regional markets
- Radio companies will focus on building communities to understand consumers better and enable brands to connect directly with their audiences
- There will be increased collaboration between radio players and streaming apps to increase fill rates on streaming audio platforms and sell segmented audiences to advertisers

Radio grew 7.5% in 2018 to reach INR31.3 billion[1]

Radio segment revenues



INR billion (gross of taxes)

Radio grew 7.5% in 2018 to reach INR31.3 billion, taking its share in total advertising to 4.2%.

Growth was driven by a 3% ad volume growth[2], inventory growth from newly operationalized Phase-III stations and non-FCT revenues from digital, content production, events, etc.

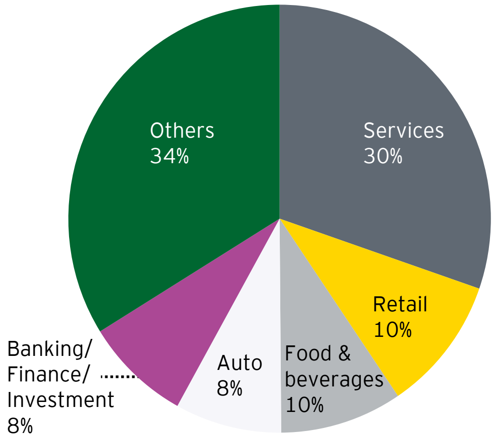
Revenues

Radio AdEX grew 3% by volume

There were over 10,467 advertisers on radio comprising 13,710 brands. 4,262 advertisers were on radio, but did not advertise on TV or print[3].

Services, retail, food and beverage, auto and BFSI were the top five categories advertising on radio, with services comprising 30% of the total volumes[4].

Top 5 categories on radio



53% of ad volumes came from the top seven cities

The skew of advertising continued towards the metros, with the top seven cities contributing around 53% of ad volumes[5]. These cities also benefited from the operationalization of second frequencies.

The local-national split of advertising generated was 40:60 and metro-non-metro split of advertising consumed was 60-40[6]. Stations in tier-II and III towns relied more on retail / local advertising and added "sales feet on the street" to generate higher revenues from SME and retail advertisers.

Importance of non-FCT revenues increased

New business offerings like concerts, activations, digital communities, music streaming – which could collectively constitute up to 20% of radio company revenues today – are natural extensions for radio, given it's strength in content creation, building audience loyalty and packaging undifferentiated content[7]. Many radio companies are now providing more of such solutions to advertisers and we believe this will grow in future.

Investment in digital initiatives grew

More and more radio companies are investing in digital platforms as well as operations.

- Radio City's digital arm, radiocity.in has strengthened its digital backbone by partnering with Google AdWords Premier Small & Medium Business Partner Program and AdsWizz, the technology provider of advertising solutions for the digital audio industry. Partnership with AdsWizz will enable efficient monetization of Radio City's web radio stations through programmatic buying of audio ad inventory (Jun 2018)[8]

1. Trai Prasar Bharti, EY analysis
2. TAM AdEX 90 station data
3. TAM AdEX 90 station data
4. TAM AdEX 90 station data
5. TAM AdEX 90 station data
6. Industry discussions
7. Industry discussions
8. https://www.exchange4media.com/digital-news/radiocity.in-extends-leadership-in-digital-with-programmatic-offering-for-advertisers-via-adswizz-and-google-adwords-90453.html

- The venture capital firm, Unicorn India Ventures, invested in a Kerala-based start-up, Inntot Technologies, which offers software solutions for digital radio receivers (Jun 2018)[9]
- 94.3 Radio One India has launched the first online re-broadcast of its Delhi, Mumbai and Bangalore international format network FM radio stations. It also launched the first audio business channel live stream at www.1cast.in (Jan 2018)[10]
- Radio Umang, India's first online radio station was launched in February 2018. Listeners can tune in to this online radio station through web streaming or download the app. With 24 hours programming, it has found listeners in India and in over 60 countries worldwide[11]
- Sports Flashes launched a first-of-its-kind, 24/7 internet-based radio channel in India, with dedicated sports content. The channel is available on the Sports Flashes mobile app and sportsflashes.com (Jan 2018)[12]

9. https://www.vccircle.com/unicorn-india-ventures-invests-in-digital-radio-solutions-startup-inntot-technologies/
10. https://www.exchange4media.com/media-radio-news/94.3-radio-one-india-launches-www.1cast.innew-audio-business-channel-87825.html
11. "“Radio Umang: India's first online radio station launched,” https://www.outlookindia.com/newsscroll/radio-umang-indias-first-online-radiostation-
launched/1252091"
12. https://techstory.in/radio-sports-flashes-2018/
13. https://main.trai.gov.in/sites/default/files/PIR08012019.pdf
14. http://allindiaradio.gov.in/Default.aspx

Reach

India reached 386 operational private FM stations

47 new radio stations were operationalised in 2018 across 35 cities, taking the total private FM stations count in India to 386 India[13]. The current status of the industry is presented below.

FM Licensee	Operational Frequencies as on Dec 31, 2018
Entertainment Network (India) Limited	66
KAL Radio Ltd.	60
Reliance Broadcast Network Ltd.	58
Music Broadcast Ltd.	39
DB Corp Ltd.	31
Rajasthan Patrika Pvt. Ltd.	18
HT Media Ltd.	15
Others	99
TOTAL	**386**

In addition, AIR's home service comprises 420 stations today located across the country, reaching nearly 92% of the country's area and 99.19 % of the total population. AIR originates programming in 23 languages[14]

Many new smartphones did not come equipped with FM receivers

Over 70% of radio is consumed on mobile phones in India[15]. In metro cities, seven out of 10 people listen to radio while travelling. This number is six out of 10 for non-metro cities. However, many popular new smartphones do not now have FM receivers and this could pose an issue given how much radio is consumed on mobile platforms.

15. http://www.indiantelevision.com/regulators/ib-ministry/76-listen-to-fm-radio-using-mobiles-study-170703

Measurement of listenership remained an issue

Listenership measurement remains a challenge- except for the four metros where Radio Audience Measurement (RAM) data is available, listenership measurement is the biggest pressing challenge in other cities. At present, the segment is using social media platforms and their own surveys to overcome the absence of a credible measurement system. In order to overcome issues in measuring listenership, MRUC in association with AROI is inviting proposals to form an independent body that will measure listenership in the top few markets. Initially the plan is to cover 21 markets and the methodology for research will be similar to what IRS uses now.

News was finally permitted on private FM, but with heavy caveats

Private FM was finally permitted to air news, but only in the form or replays of news broadcasts created by Prasar Bharti, without any modifications[16]. No such restrictions exist on other media like television, digital or print in India.

Future outlook

Growth will accelerate in 2019

Ad spends in the upcoming general and state elections, non-FCT revenues and firming of ad rates in regional markets will fuel growth in 2019.

Radio brands will be leveraged more

Radio will enable more growth through brand leverage, across concerts, branded content, digital content and delivery, events and activations, podcasts, etc. The industry would drive up to 20%[17] of topline from non-FCT revenues by 2021.

Radio and audio streaming will increase collaboration

Radio companies will focus on building communities on [radio + digital] media, to understand consumers better, end enable brands to connect with their audiences directly. Combinations between radio players and streaming apps will be tried to increase fill rates on streaming audio platforms and sell segmented audiences to advertisers. There will be an increase in multi-media offerings to advertisers.

16. http://pib.nic.in/newsite/PrintRelease.aspx?relid=187301

17. Industry discussions

Global radio trends

Radio begins to collaborate with online streaming

Mass medium still achieving impressive consumer reach, although streaming services are gaining share. While most vendors offer their services over the internet, a few radio channels have collaborated with online streaming portals, to serve both online radio and streamed music services using the same platform. Internet provides radio users curated and personalized radio channels and playlists based on their listening habits.

Programmatic advertising makes a beginning

Radio advertising revenue is in persistent slow decline as marketers transition to other, largely digital, offerings. However, the industry is optimistic about programmatic advertising (currently nascent) and its growing role. While radio stations look to programmatic for workflow automation, additional revenues and inventory protection, ad buyers prefer programmatic to make ad campaigns more effective and efficient.

Consolidation

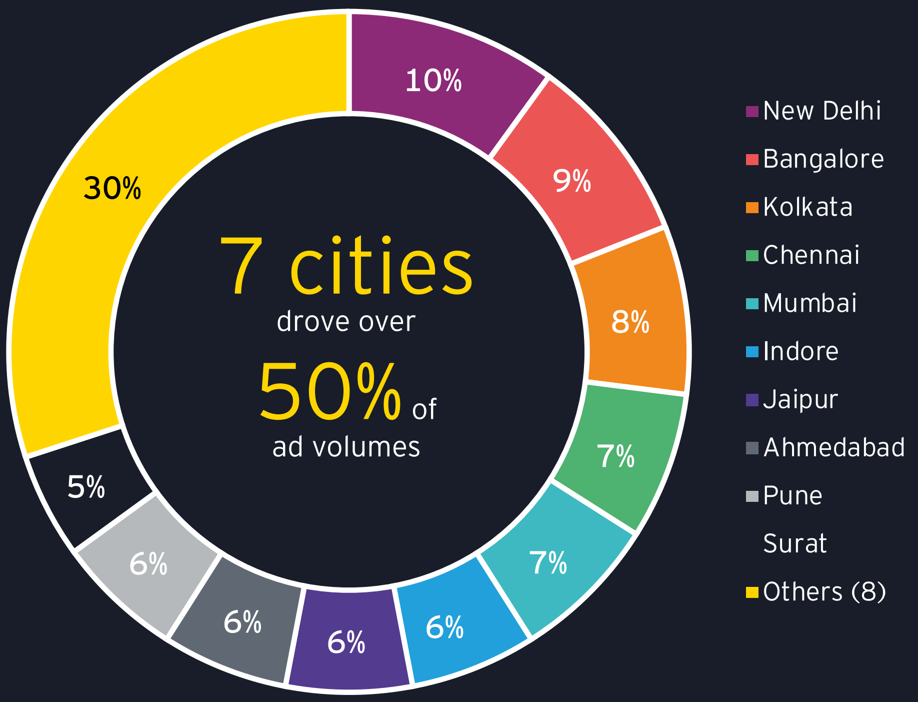
Financial restructurings of several major US players may be a precursor to additional strategic activity. As companies seek scale benefits, consolidation is on the rise among radio stations, which generally are small operations with limited budgets. Larger companies are at an advantage in buying/producing programming, reaching greater audiences, and selling air time to advertisers who want broad coverage. Media ownership deregulation - cross-ownership of TV, radio stations, and other media is further fueling the trend.

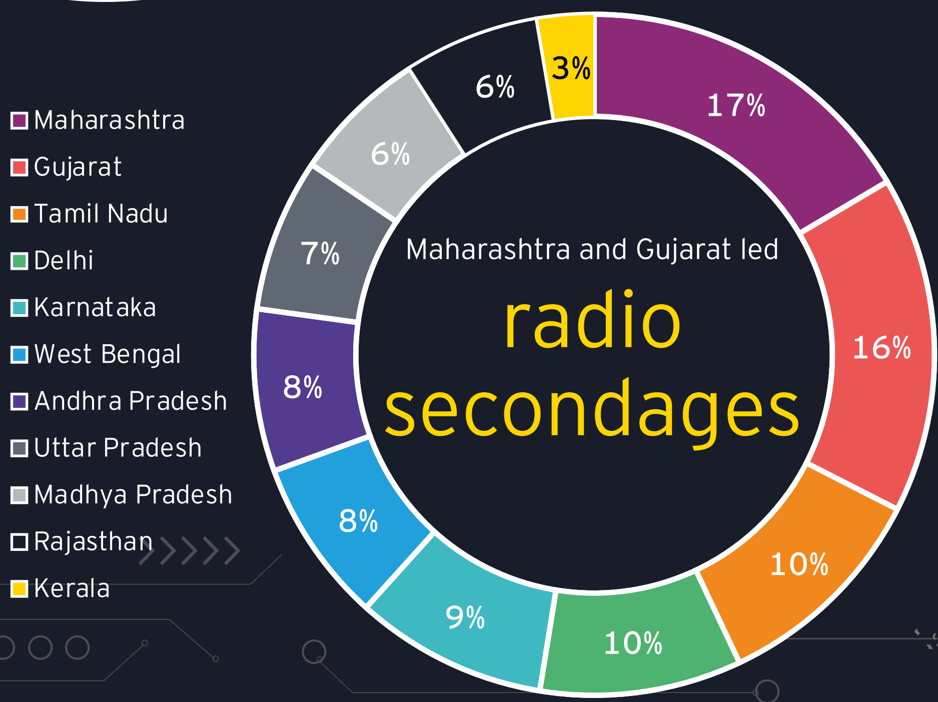
Focus on exclusive content

There is a stronger focus on exclusive content to survive. Given automobiles remain the primary place for consumers to consume radio, cars are increasingly becoming more connected with new entertainment options - connected car and its multiple audio offerings may be the greatest threat to radio broadcasting in the near future.

Radio
Trendbook

Powered by AdEX India (A division of TAM Media Research)





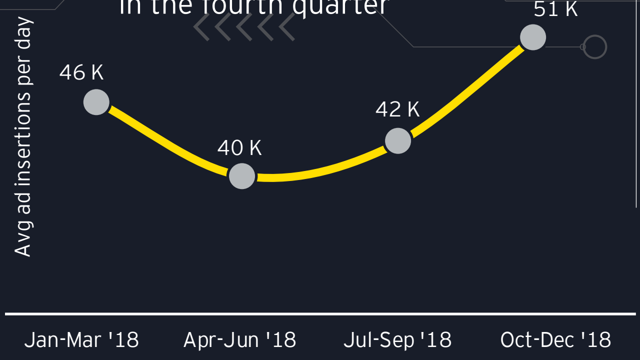
Radio AdEX monitors ads across 90+ stations

All data has been provided by AdEX India (A division of TAM Media Research) and is based on their research. It has not been validated by EY, and presented in summary form for representation purposes only.

Daily ad insertions crossed

51,000

in the fourth quarter



The **top 5 advertising** categories contributed

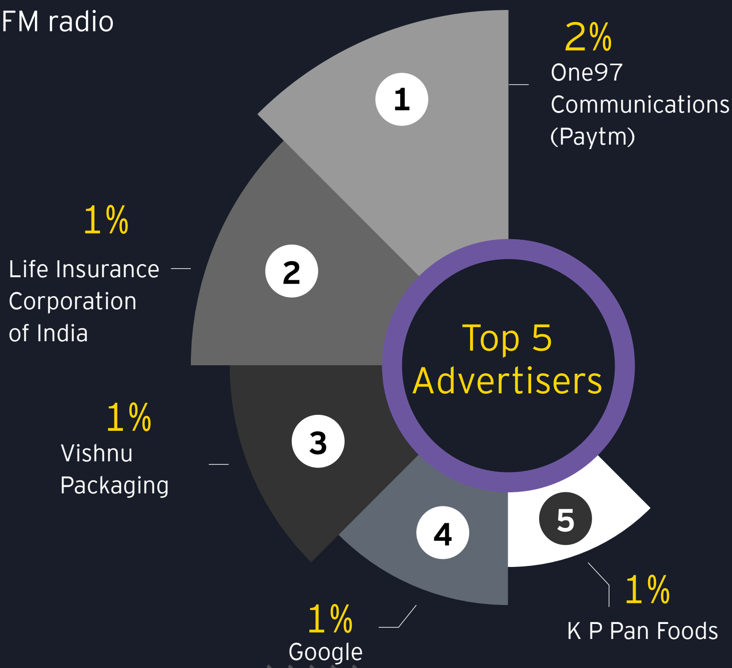
27%

Advertising volumes

PayTM was the

largest advertiser

on FM radio



Services retained its position as the **highest volume spender** on radio

Top 5 sectors	2018	2017
Services	1	1
Retail	2	3
Food & beverages	3	4
Auto	4	5
Banking/Finance /Investment	5	2

Expert speak

Nisha Narayanan
COO & Director, Red FM

In 2019, the radio segment will emerge as a much stronger medium. Radio is constantly innovating and integrating its content with digital. The sector needs to change the way it sells and [radio plus digital] is a potent combination for advertisers.

Prashant Panday
Managing Director & CEO, Entertainment Network (India) Ltd.

I am confident FM radio will the fastest growing traditional media in the years to come. Radio brands will also diversify and become multi media content producers, reaching audiences through radio, video, SM all.

Ashit Kukian
CEO, Radio City

The unique ability of radio to seamlessly integrate with emerging digital platforms has driven innovative and path breaking programming in radio content. Brands have recognized the potential of radio by using it along with other mediums like TV and print. Owing to the change in consumption patterns and growing GDP as compared to last year, radio will certainly witness a double digit growth.

Vineet Hukmani
MD and CEO, Radio One

M&A will be the only way to ensure double digit topline and EBITDA growth in a tough media market overall. In the absence of new licenses, radio players will enter digital music streaming to improve reach.

Scan the QR code to view videos, where indicated with

Abraham Thomas
CEO, Reliance Broadcast Network Ltd.

Radio uses access to local insights, local talent turned influencers, to create podcasts and tell powerful brand stories. The hyper-local reach of radio combined with the interactivity of online audio makes radio plus digital far more impactful than digital alone.

Harrish M Bhatia
President, Sales & Marketing, DB Corp Ltd.

Radio is free and you don't need data, however cheap that may be. World over, radio has survived and it shall do so in India as well. The growth though may come from tier 2 and tier 3 towns where the new Bharat is growing and the local RJ is the only star in the life of the listener. To sustain its growth and get its due respect, radio needs to get a measurement system in place.

Music

Image courtesy ImagesBazaar

Key messages

Music segment grew 10% on the back of film music and audio streaming to reach INR14 billion in 2018

- India was at the 19th position in the IFPI world rankings of music markets
- Film music contributed to over 80% of total revenues
- Audio streaming
    - Grew 50% in 2018 to reach 150 million listeners (excluding YouTube music viewers)
    - However, only around 1-1.5 million listeners paid for the services
    - Paid audio streaming (net of telco bundling) reached INR800 million
    - 96% of music consumers consumed music on smartphones
    - 50% of listenership was outside the top eight metros
    - 75% of music pertained to music released in the last 12 months
    - Three out of four listeners used pirated music

Labels benefitted from this growth

- Growth at the music label level was around 20%
- 83% of total label revenues in 2018 came from digital music formats
- Share of physical music sales fell 50%

Future outlook

- Music segment can reach INR19.2 billion by 2021 driven by audio subscription growth at 43% CAGR
- We expect bundling of music by telcos will drive growth

Music segment grew 10% in 2018

2017	2018	2019E	2021E
12.8	14.2	15.5	19.2

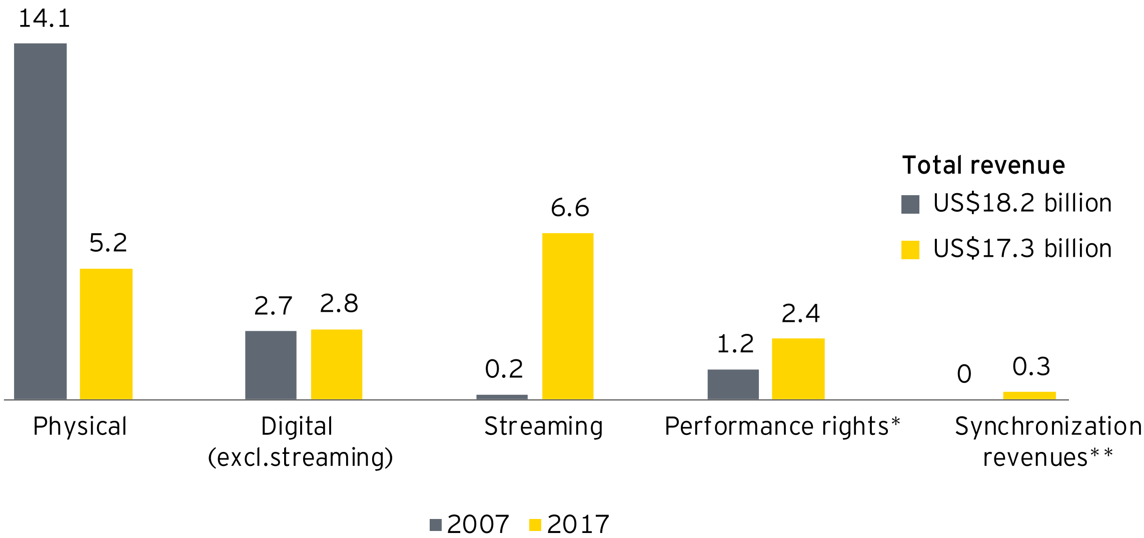
INR billion (gross of taxes) | EY analysis

The Indian music segment grew 10% to reach INR14.2 billion in 2018. It is expected to grow 10.8% annually till 2021, on the back of increased digital revenues, performance rights and synchronization rights[1].

Growth at the music label level was 20%[2], led by digital revenues, which now contribute 83% of their revenues. YouTube accounted for 40% of the digital revenues for labels. Physical music sales fell by 50%[3]. India reached 19th position in the IFPI world rankings of music markets[1].

According to IFPI, streaming accounted for nearly 40% of global music revenues, making it the biggest source of income for the music industry by a significant margin. As market leaders Spotify and Apple Music continue to grow, streaming will dominate music consumption going forward, especially now that smart speakers are making music streaming at home more convenient.

Global recorded music industry revenues in 2007 and 2017 by format



* revenue from the use of recorded music by broadcasters and public venues
** revenue from the use of music in advertising, film, television and games

Source: IFPI

1. EY analysis of IMI data, IFPI music report, industry discussions
2. Industry discussions
3. EY analysis

Film music contributed over 80% of total revenues

In India, songs related to movies have the highest share in terms of revenue and account for over 80%[4] of the music segment's revenues. The three most popular genres amongst internet users in India are new Bollywood music, older Bollywood music and Indian classical music[5].

Licensed streaming services have enabled domestic music labels to flourish. Local artists from across the country are securing a sizeable fan base and Punjab leads the non-film music industry[6]. Saavn has its own Artists and Repertoire team in New York City and collaborates with independent artists on marketing campaigns through its Artist Originals program, while Hungama runs a similar initiative called Artist Aloud[7]. Sofar Sounds, a VC-backed music events start-up headquartered in London, UK operates in 12 cities in India and has played a substantial role in putting independent Indian artists on the digital map[8].

Physical format music sales fell 50% in 2018

The contribution of physical sales to Indian music industry reduced 50% to just 4% of label revenues in 2018[9]. This is much lower than the global share of around 30%[10].

In 2017, SaReGaMa had launched Carvaan, an audio player with pre-loaded songs and other features like USB and FM radio. It has seen a significant uptake of more than 1 million units since its launch[11]. The revenues from these sales have not been included in the sizing of the music segment.

Paid audio streaming (net of telco bundling) crossed INR800 million[12]

The continuous growth of digital infrastructure has paved the way for a 50% growth in audio streaming to 150 million listeners in 2018 (excluding YouTube). Smartphone penetration in India grew to 340 million i.e., 36% of total phones in 2018, up from 33% in 2017 and is expected to further increase to 39% in 2019[13].

However, only 1-1.5 million listeners paid for music, generating INR800 million in revenues. The wide availability of music on services such as YouTube (we estimate around 250 million people watched music on YouTube in 2018) and the large consumption of pirated content present considerable challenges in persuading users to pay for the benefits of streaming.

Over 96% of music consumers consumed music on smartphones

Smartphones and computers remained the universal choices for listening to music across all age groups. 96% of users used their smartphones to listen to music, the highest rate worldwide, followed by computers (92%)[14].

India generated 5 billion music streams in December 2018

Indian audio streaming apps together reached around 5 billion streams per month towards the end of 2018[15], a growth of around 50% over the prior year. 50% of listenership was outside the top eight metros[16]. 75% of music pertained to music released in the last 12 months[17].

Top five music apps

	Apps[18]		
Rank	**By downloads**	**By revenue**	**By MAU**
1	JioMusic	Sing! by smule	Google Play Music
2	Gaana	Stormaker Karaoke	Wynk
3	Wynk	Gaana	JioMusic
4	Saavn	Saavn	Gaana
5	Hungama	Wynk	Saavn

Source: App Annie analysis of iOS and Google Play stores

4. Industry discussions
5. "Vision 2022: India's roadmap to the Top 10 Music markets in the world by 2022," IMI, PPL Report
6. "Greatest Indian Music Business Trends Of 2018," http://loudest.in/2018/07/09/greatest-indian-music-business-trends-of-2018/
7. "Greatest Indian Music Business Trends Of 2018," http://loudest.in/2018/07/09/greatest-indian-music-business-trends-of-2018/
8. "Greatest Indian Music Business Trends Of 2018," http://loudest.in/2018/07/09/greatest-indian-music-business-trends-of-2018/
9. EY estimates
10. IFPI 2018 report
11. SaReGaMa
12. EY analysis
13. eMarketer; Statista
14. "Digital Music Industry," IMI, IFPI Report
15. Industry discussions
16. "IRS data released by Media Research Users Council (MRUC" http://www.musicplus.in/irs-releases-data-radio-mirchi-tops-chart-amongst-fm-broadcasters-india/ and EY analysis
17. Industry discussions
18. App Annie | Adjusted to align with the objective of the section

Indian internet users spent over three hours a day listening to music[19]

Indian internet users surveyed by the IFPI spent 21.5 hours listening to music per week i.e., approximately three hours each day - which is more than the global average of 17.8 hours per week. Indian internet users in the 16-24 years age group listened to 23.9 hours per week on average. 81% users engaged with free audio streaming services.

Three out of four listeners used pirated music

76% of internet users admitted to using pirated music in the last three months[20]. The Indian music industry faced a loss of INR15 billion due to piracy through illegal sites[21]. Of the time Indians spent listening to music, 13% (i.e., three hours each week) was used to hear illegal downloads, as compared to the global average of 7%. In China, where there have been crackdowns on piracy, the figure is 8%[22].

Stream-ripping is the most popular form of music piracy in the country, with 72% users using stream ripping to obtain free downloads of music[23].

The availability of swift remedies, including blocking orders, to tackle these pirate services is crucial to protecting the Indian music and other creative industries. Furthermore, app stores and ISPs that host such services need to be proactive in recognizing this form of infringement and work with industry bodies to curb piracy.

Advertising on music streaming remained negligible

Advertising fill ratios on music streaming apps remained low, with just one minute of advertising per 60 minutes of consumption in some cases. That is a loss of opportunity given that the year ended 2018 with around five billion music streams per month as per industry estimates. Advertising on music streaming has not yet found traction, mainly because compared to other digital platforms, the ability of some platforms to demonstrate return on investment to advertisers is lacking. There is an opportunity to combine radio ad sales with streaming music sales, which could result in growth in this segment.

19. "Digital Music Industry," IMI, IFPI Report
20. "Digital Music Industry," IMI, IFPI Report
21. "The current state of Indian Music Industry," http://www.radioandmusic.com/biz/music/publishing/180905-the-current-state-indian-music-industry
22. "High on piracy and free streaming services: How India's music industry is shaping up," https://www.firstpost.com/entertainment/high-on-piracy-and-free-streaming-services-how-indias-music-industry-is-shaping-up-5046761.html
23. "Digital Music Industry," IMI, IFPI Report

Growth in online music streaming drove investment and innovation

2018 was a year of significant innovation in the field of consumer engagement and experience[24]:

- Multi-language user interfaces – in up to 11 languages - helped increase the uptake of new listeners outside the top 10 cities of India
- Improvement in streaming quality made a big difference in 2018, with a lot of effort being put in to enable streaming even in poor network areas
- Improvements in the quality of recommendations and auto queueing helped increase time spent by over 10%
- Amazon India's Prime Music has integrated the voice features of its smart assistant Alexa, which can be used on the music app and Echo devices. This allows users to request favorite songs and create new playlists using voice commands. Discussions with platforms revealed that up to 20% of new audio streaming listeners used voice search
- Xiaomi launched the Mi Music app at Mi Pop Play, marking Xiaomi's move into offering value-added Internet services for local users. The app offers an integrated music streaming service along with the ability to store offline music
- Gaana introduced an innovation which integrated the game of cricket with music through a gaming property called "Game of Sixes". Each user was registered to a team playlist, based on the city chosen. To score runs for the team, users could either play songs from their team playlist or add songs to it. The team with the highest cumulative runs at the end of the 15-day campaign were declared winners

Indian music artists were signed by foreign labels

A 23-year-old Indian DJ/Producer from India has been signed by one of the UK's largest record labels, Virgin EMI Records, becoming the first Indian artist to be signed by the UK label. Virgin EMI further partnered with Universal Music India to sign other singers to promote their music internationally[25].

Future outlook

The music segment can reach INR19.2 billion by 2021[26]

The music segment needs to be creative in channeling consumers towards a paid subscription model. If the current base of 1% of Indian music pay subscriber, can shift upwards to 2-3%, digital revenues can propel the necessary growth to push the Indian music market towards INR20 billion and beyond.

Bundling of music will drive growth

Given the price sensitive nature of Indian consumers, bundling will drive growth of audio streaming in the next few years, and most consumers would accept the base no-frills package offered to them by telcos and other platforms. Bundled streaming consumption could grow to over 75% of the total market by 2021[27].

24. Industry discussions
25. https://nrinews24x7.com/dj-shaan-becomes-the-first-indian-artist-to-be-signed-by-virgin-emi-records-uk/
26. EY analysis
27. EY estimate

Global trends

Streaming services achieve significant subscriber scale

Industry returning to growth as streaming services achieve significant subscriber scale, creating increasingly favorable economics for artists, labels and publishers. Driven by fans' engagement with streaming, paid subscribers reached 176 million globally by end of 2017[28]. Moreover, streaming services will soon overtake monthly music downloads given the online users preference for accessing content rather than owning the content.

Need to segment customers

As the market recovers and music continues to be consumed globally, record companies continue to focus on providing full and fair value for music - ensuring quality music is offered to fans, while maintaining value for recording artists/songwriters. Music companies need to find a way to develop robust consumer segmentation to provide differentiated products for people who are not converting to subscription.

Piracy is a global problem

Piracy continues to cripple the music industry with record companies tackling illegal services that exploit the work of artists and profit through large scale copyright infringement. Stream ripping is the fastest growing form of music copyright infringement globally. The music industry is leaving no stone unturned - from educating consumers on copyright rules, working with law enforcement agencies, entering litigation against online pirate services, working with online stores to remove infringing apps, etc. to create an environment in which the music sector can grow.

28. Source: IFPI Global Music Report 2018

Music
Trendbook

Powered by IMI and IFPI

#19

India's rank in the global music market
India was ranked 14th in digital revenues

Indians love their music

23.9
Indian youth

21.5
India

17.8
Global

Hours/week

Digital
78%

78% of revenues for music labels came from digital sources

96%
of respondents listened to music on their smart phones

All data has been provided by IMI and is based on their research. It has not been validated by EY, and presented in summary form for representation purposes only.

76%

of respondents admitted to consuming pirated music within the last 3 months

Most popular methods to discover music for **15-34 years olds**

YouTube
Facebook
Instagram

Most popular music genres amongst survey respondents

New bollywood

Old bollywood

Indian classical

52%

of survey respondents didnt pay for music as they felt YouTube met all their needs

IFPI designed and ran the Music Consumer Study 2018 across 20 of the world's major music markets. Fieldwork was carried out by independent research agency AudienceNet, who surveyed 2,000 Internet users in India aged between 16-64.

Expert speak

Blaise Fernandes
President & CEO - Indian Music Industry

The IMI's goal is for India to be amongst the Top 10 music markets the world, from its current 19th position today. This is easily achievable as India has an underpenetrated public performance market and a non-existent ad sync market - the effective use of music and brands. Along with reduction of value gap via legislation, remuneration of fair value for all stakeholders in the music industry can enable this goal.

Vikram Mehra
Managing Director, SaReGaMa

Respect for copyrighted material by internet platforms, fair valuation of music IP through market forces and a just distribution of value between creators and labels will be the foundation for the growth of the music industry.

Vinodh Bhat
Co-Founder & Chief Strategy Officer, Jio Saavn

We will look back at 2018 as an inflection point where music/audio streaming services started to achieve material scale in the India market. Consumers' usage of high quality smartphones with affordable data connections has opened up their ears to new, personalized experiences around their taste in music. Existing and emerging artists (and their labels and managers) now have platforms available to them to express and showcase their creativity to the largest audiences excited to hear their work.

Prashan Agarwal
CEO, Gaana

Having grown at a strong pace for the last 2 years, the music streaming market today stands at an inflection point in India with unprecedented momentum ahead of it.

Scan the QR code to view videos, where indicated with

Amarjit Singh Batra
MD - India, Spotify

There is a critical mass of people who have already adopted streaming and the rest are in a high state of readiness because of fast growing smartphone adoption, and cheap data access. However, very few people pay for music (< 1%) and spend very little time on music streaming services (average of < 1 hour a month). This will change over time as users get exposed to streaming services that offer deep personalisation built around their moods, moments and listening preferences.

Devraj Sanyal
Managing Director & CEO, Universal Music Group, India & South Asia

There is an upsurge in domestic non-film and regional music across traditional formats like television and radio as well as digital platforms and stores. Future consumption of music in India will be a healthy mix of film, non-film, regional and international music and that makes it a great place for the Indian music industry to be in for the foreseeable future.

Sports

Image courtesy ImagesBazaar

India had a great year on the field

2018 has been a watershed year for our sportspersons. India finished third at the Commonwealth Games, had its best Asian Games performance winning 69 medals and most importantly, earned 13 medals at the Youth Olympics. A majority of these athletes belong to non-metropolitan areas, reflecting the emergence of improved sports infrastructure across all tiers as well as our growing bench strength.

- Mary Kom created history by becoming the first Indian boxer to record six gold medals in the Women's World Championships
- The men's hockey team won a silver medal and a bronze medal at the Asian Games, as well as a silver medal at the Champions Trophy
- The women's team became the first Indian women's team to reach the final of the Asian Games in two decades
- Manika Batra claimed four table tennis medals, including two gold, in the CWG before combining with Achanta Sharath Kamal for a historic mixed doubles bronze at the 2018 Asian Games
- PV Sindhu's perseverance on the badminton court made her the first Indian to win a gold medal at the BWF World Tour Finals tournament
- Shubhankar Sharma won the Maybank Malaysia Golf Open Asian Tour Order of Merit title and the European Tour Rookie of the Year award
- The Indian squash contingent ended with five medals in the Asian Games making it a creditable performance including the women's team's silver, men's team's bronze and three bronze medals in the individual event
- In Cricket, India won two world titles and a continental event (Asia Cup), as well as the 2018 ACC Under-19 Asia Cup
- The 2018 Intercontinental Cup belonged to the Indian football team and India entered top 100 in the FIFA football ranking for the first time in 21 years. Sunil Chhetri made history by becoming the second highest international goal-scorer among active players with 67 goals from 105 matches
- Neeraj Chopra's obsessive pursuit of perfection every time he hurled the javelin and the teenage shooting stars who refused to take their eyes off the target, made 2018 a year in which highs easily outnumbered the lows for Indian sports[1]

All these are very healthy signs to actualize India's much anticipated potential for the business of sports.

Indian sports market was valued at over INR185 billion

There are now over 16 domestic leagues in the country – across kabaddi, football, wrestling, boxing, badminton – from just two leagues five years ago. IPL, India's largest league, is valued at US$6.3 billion today[2]. This has all resulted in a steep growth in the sports industry, which has grown to INR185 billion in just five years, including revenues from sports rights and their monetization[3].

The year 2018 saw many positives. Some landmark announcements included:

- Star India acquired all the BCCI cricket media rights for a five-year cycle (2018-2023) with a consolidated bid of INR61.4 billion[4]
- Tencent Holdings announced US$100 million investment in India's biggest fantasy sports platform Dream11[5]
- JSW Sports acquired GMR Sports' 50% equity stake in the Delhi Daredevils team. The deal was reportedly inked for a valuation of INR11 billion[6]

1. Indiatoday.in, business-standard.com, https://timesofindia.indiatimes.com › Sports News › Asian Games 2018, en.wikipedia.org/wiki/Manika_Batra, https://www.livemint.com/Politics/ELNyeDd9txmQPjBHpByJIO/ PV-Sindhu-becomes-the-first-Indian-to-win-World-Tour-Final.html, http://www.uniindia.com/~/22-year-old-shubhankar-sharma-clinches-2018-asian-tour-order-of-merit-title-5th-youngest-indian/Sports/news/ 1430167.html, https://www.indiatoday.in › Sports › Asian Games 2018, https://timesofindia.indiatimes.com/ sports/cricket/news/india-beat-sri-lanka-by-144-runs-to-win-u-19-asia-cup-title/articleshow/66108882.cms, https://www.indiatoday.in/education-today/gk-current-affairs/story/india-fifa-top-100-975299-2017-05-05, https://indianexpress.com/article/sports/sport-others/all-sports-year-ender-king-kohli-magnificent-mary-make-2018-their-own-india-discovers-new-stars-too-5515787/
2. https://www.financialexpress.com/sports/ipls-brand-value-grows-from-5-3-bn-to-6-3-bn-in-2018-mumbai-indians-remain-most-valuable-team/1273817/
3. EY analysis
4. http://www.bcci.tv/news/2018/press-releases/17273/star-india-private-ltd-bags-bcci-india-international-and-domestic-media-rights
5. https://www.vccircle.com/tencent-leads-100-mn-investment-in-fantasy-sport-platform-dream11/
6. https://www.business-standard.com/article/news-ani/jsw-sports-to-acquire-50-stake-in-delhi-daredevils-118030901237_1.html

- New sports leagues, including volleyball, Andhra Pradesh Cricket League, Kho-Kho League, Karate, etc. were launched
- In a clear testament of changing times, 2018 saw Facebook's maiden sports content acquisition for the Indian sub-continent territory with the acquisition of La Liga broadcast rights
- Hero MotoCorp renewed their corporate partnership deal with the golf world's biggest icon Tiger Woods for a reported amount of INR1.5 billion for 4 years[7]
- A sprint sensation also emerged in 18-year-old Hima Das who won India's first ever gold medal at the World Under 20 championships. Following which, the German footwear giant Adidas signed her as their brand ambassador

Indian sports segment growth

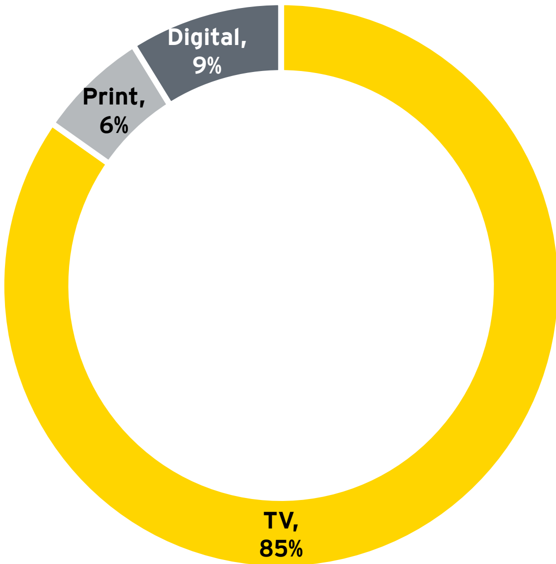
	2017	2018E	Growth
Sports infrastructure	65	76	16%
Media spends	47	59	24%
Ground sponsorship	16	18	16%
Team sponsorship	10	10	9%
Franchisee	8	10	26%
Ticketing / F&B	5	6	22%
Endorsement	5	6	27%
Total	**155**	**185**	**19%**

INR billion (gross of taxes) | EY analysis

The industry grew 19% in 2018 to reach INR185 billion[8]. Growth was driven by increased media spends on sports (2018 boasted of BCCI tournaments, IPL, Olympics and FIFA), franchisee fees for new teams and endorsements, where a larger non-cricketing base earned brand deals. We have not sized the sports apparel and fitness market in the above.

Media spend on sports increased 24%[9]

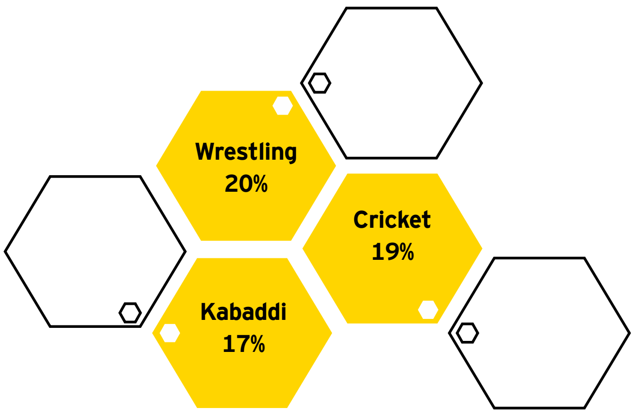
Media spends on sports 2018E



Indian media earned INR59 billion on sports in 2018, an increase of 24%, with television accounting for around 85% of the spend. Media's increasing interest in sports makes the market more conducive to investment.

Sports broadcasting

Wrestling viewership surpassed cricket



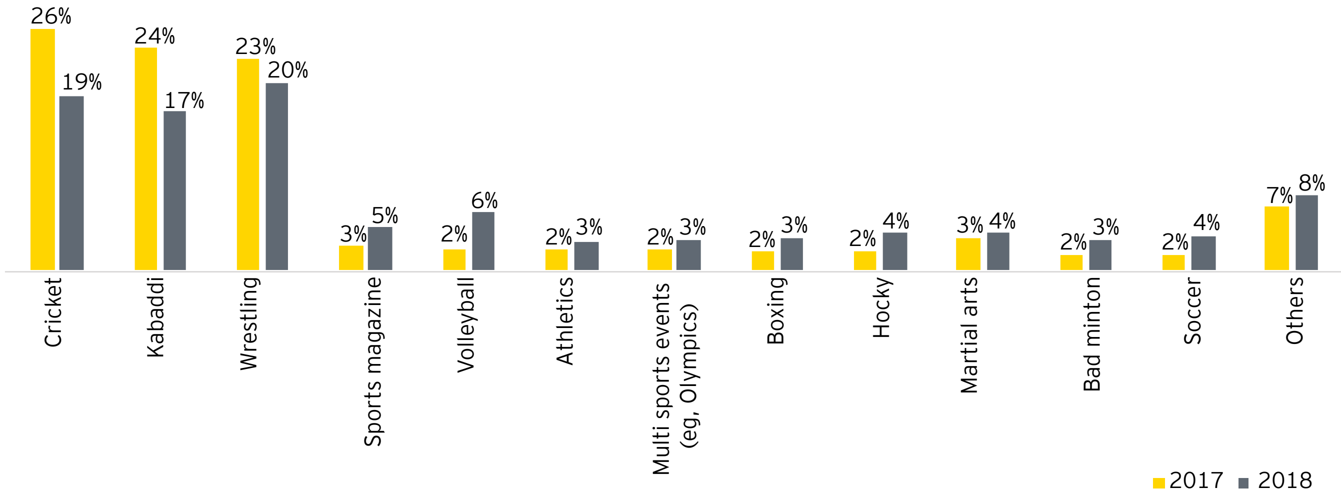
Source: BARC; TG: All India / 2+/ 2017 & 2018/Program Theme: SPORTS

Wrestling overtook cricket in terms of total viewership, on the back of weekly content through the year. It garnered a 20% share in total sports viewership with cricket a close second at 19%. Within the category, key properties were WWE and the Pro Wrestling League.

7. https://www.adgully.com/ads/ESP-SportzPower-Presentation-for-Media-Launch.pdf
8. EY analysis
9. EY estimates

Viewership of sports widened

Viewership share



Source: : Source: BARC; TG: All India / 2+/ 2017 & 2018/Program Theme: SPORTS

Viewership share of the top three sports declined from 73.6% in 2017 to 56.7% in 2018. Growth was seen across all sports like volleyball, athletics, boxing, hockey, martial arts, badminton and soccer.

According to BARC, Pro Kabaddi League (PKL) has seen a sharp fall of 31% in its viewership ratings for the first 12 matches of its sixth season, compared to the previous year. Over 237 million viewers saw the first 24 matches of the 2018 season compared to 345 million viewers last year[10] .

Volleyball was a hit among Indian fans, both in the Asian games and the Rio Olympics held in 2016[11]. This prompted Baseline Ventures and Volleyball Federation of India to launch the Pro Volleyball League. The league plans to kick off with the first leg in Kochi on 2 February 2019. The tickets have been priced at INR300, while season passes will be made available at a 30% discount[12].

10. "Reports: Pro Kabaddi League encounters a huge drop in viewership," https://www.sportskeeda.com/kabaddi/viewers-tired-as-pkl-saw-a-heavy-fall-of-viewership-ratings

11. "Pro Volleyball League to start with 6 teams," https://economictimes.indiatimes.com/news/sports/pro-volleyball-league-to-start-with-6-teams/articleshow/66819803.cms

12. "Inaugural Pro Volleyball League to kick off in Kochi on February 2," https://timesofindia.indiatimes.com/sports/more-sports/others/inaugural-pro-volleyball-league-to-kick-off-in-kochi-on-february-2/articleshow/67476414.cms

13. https://www.insidesport.co/year-2018-top-10-sports-business-deals-and-news-from-india/

14. "Star Wins Cricket Broadcast Rights In India For Rs 6,138 Crore," https://www.bloombergquint.com/business/star-wins-cricket-broadcast-rights-in-india-for-rs-6138-crore#gs.QP1GNAnq

15. "Media: Sector Update Star Sports Is Home For Indian Cricket," ICICI Securities And Finance Company Ltd., April 2018, via Thomson

16. https://www.insidesport.co/dsport-to-telecast-bangladesh-premier-league-in-india/

Media rights remain the biggest source of revenues

The sale of broadcasting and media rights remained the biggest source of revenue for most sports organizations. Broadcasters earned royalties from the sale of their exclusive footage to other media outlets which further enabled them to invest in the organizational and technical undertaking involved in broadcasting sports events. In the first ever live e-auction for sports media rights by the BCCI, Star India outbid Sony Pictures Network with its consolidated bid of INR61.38 billion to acquire all the BCCI media rights for a five-year cycle (2018-2023), setting a new per-match benchmark for BCCI home games at INR602 million, up from INR432 million[13].

Sports broadcasters invested heavily in rights

After the sale of Ten Sports by Zee to Sony for US$385 million in 2018, the Indian sports broadcasting landscape in India is predominantly handled by two players, Star and Sony. While Star acquired the IPL rights from 2018-2022 and retained the rights of domestic and international matches in India for the same time period[14], Sony acquired rights of Australian and English cricket boards, which were earlier held by Star India. Along with these, Sony has rights for cricket events of Pakistan, South Africa, Sri Lanka, West Indies and Zimbabwe cricket boards[15]. DSPORT, the third sports broadcaster, will telecast Bangladesh Premier League in India in 2019[16].

Sports rights

Sony		Star	
Cricket Australia	Up to 2023[17]	BCCI	Up to 2023[18]
Cricket South Africa	Up to 2020[19]	ICC	Up to 2023[20]
England Cricket Board	Up to 2022[21]	Bangladesh Cricket Board	Up to 2020
Pakistan Cricket Board	Up to 2020[22]	New Zealand Cricket	Up to 2020[23]
Sri Lanka Cricket	Up to 2020[24]	IPL	Up to 2022
West Indies Cricket Board	Up to 2020[25]	Karnataka Premier League	Up to 2018[26]
Zimbabwe Cricket Association	Up to 2019[27]	Tamil Nadu Premier League	Up to 2020[28]
Big Bash League	Up to 2023[29]	Asian Cricket Council	Up to 2023[30]
PWL	Up to 2019[31]	PKL	Up to 2019
T10 Cricket League	Up to 2020[32]	HIL	Up to 2018
		Caribbean Premier League	Up to 2019[33]

Note: This is not a comprehensive listing

Digital consumption

Online viewership grew significantly

With more than 202 million[34] viewers turning to the video streaming platform Hotstar to watch the 60-day IPL, a record 28% of STAR India's over 700 million IPL viewers consumed the cricket league online in 2018.

FIFA also saw massive uptake on digital, with an estimated 70 million viewers watching it on SonyLIV. It achieved a peak concurrency of 2 million viewers. SonyLIV had 36 advertisers for the world cup[35] .

Increased sports consumption drove subscription revenues

Both Hotstar and SonyLIV created packages for real-time sports streaming, while also in some cases permitting free consumption of sports content with a five-minute delay. We estimate approximately a million paid sports subscribers in 2018, across different packages.

17. https://www.cricket.com.au/news/sony-acquire-television-broadcast-rights-australian-cricket-india-subcontinent-ashes-star/2017-10-10
18. https://www.bloombergquint.com/business/star-wins-cricket-broadcast-rights-in-india-for-rs-6138-crore
19. https://www.televisionpost.com/sony-bounces-back-with-two-back-to-back-cricket-rights-acquisition/
20. https://www.hollywoodreporter.com/news/foxs-star-india-bags-indian-cricket-rights-940-million-1100025
21. espncricinfo.com
22. https://www.televisionpost.com/sony-bounces-back-with-two-back-to-back-cricket-rights-acquisition/
23. https://www.medianama.com/2017/11/223-177487/
24. https://www.televisionpost.com/sony-bounces-back-with-two-back-to-back-cricket-rights-acquisition/
25. https://www.business-standard.com/article/companies/sony-pictures-network-star-india-stack-up-for-sports-broadcast-rights-118040200019_1.html
26. https://www.business-standard.com/article/companies/sony-pictures-network-star-india-stack-up-for-sports-broadcast-rights-118040200019_1.html
27. https://www.business-standard.com/article/companies/sony-pictures-network-star-india-stack-up-for-sports-broadcast-rights-118040200019_1.html
28. https://www.livemint.com/Consumer/aqCo5tjglYggXcLdPJ65gK/Backed-by-N-Srinivasan-Tamil-Nadu-gets-its-own-Premier-Leag.html
29. https://www.cricket.com.au/news/sony-acquire-television-broadcast-rights-australian-cricket-india-subcontinent-ashes-star/2017-10-10
30. https://www.sportskeeda.com/cricket/asia-cup-2018-star-sports-to-broadcast-asia-cup-on-nine-channels
31. https://www.adgully.com/we-are-adopting-multiplatform-strategy-for-pwl-vaishali-sharma-sony-max-64232.html
32. https://www.televisionpost.com/sony-acquires-broadcast-rights-of-t10-league-for-3-years/
33. http://www.indiantelevision.com/television/tv-channels/sports/star-sports-to-broadcast-hero-caribbean-premier-league-180809
34. http://media.hotstar.com/wp-content/uploads/2018/10/IPL_Watch_Report_E-Book.pdf
35. https://economictimes.indiatimes.com/news/sports/record-70-million-viewers-watched-fifa-world-cup-on-sonyliv/articleshow/65032935.cms

Select digital video services for sports content in India - Jan 2019

Platform	Monthly Cost	Device Availability	Subscribers	Content
Hotstar	Sports package: INR299	Apple TV, Amazon Fire TV	150 million monthly active users as of August 2018; 700,000 paid subscribers as of July 2018	Cricket (Indian Premier League(IPL), Asia Cup), Kabaddi India League, hockey (Hockey India League, soccer, badminton (BWF World Championships), tennis (Wimbledon, French Open, US Open), table tennis, golf, swimming, esports, motorsports
SonyLIV	INR99	Android TV, Chromecast, Sony Bravia TV	30 million total viewers as of May 2018	Soccer (2018 FIFA World Cup, UEFA Championship League, UEFA Europa League, La Liga), cricket, mixed martial arts (UFC), WWE, tennis, golf (European and Asian Tour, Ryder Cup, US PGA Tour), basketball, racing
Jio TV	Free app for Jio SIM Users		Reliance Jio (includes JioTV, JioCinema, JioMusic and other apps) has 177.13 million subscribers as of Feb 2018	Cricket, football, racing, tennis, Kabaddi, WWE, soccer (FIFA World Cup, India vs. England 2018, Hero Intercontinental Cup 2018), Women's Hockey World Cup
Airtel TV	Free Mobile ap with additional packages for purchase based on location	Chromecast	25 million active users as of July 2018	Cricket (IPL 2018)

Note: All services are available on desktop/laptop, smartphone, tablet, with iOS and Android in addition to the devices listed; (1) cost does not take into account trial periods, introductory offers, special promotions, or pricing plans for longer than one month; (2) includes core operating systems/products only, specific device availability may vary; (3) requires Jio SIM subscription to access content

Source: Hotstar subscriber, information as cited by Reuters and Digital TV Life, Aug 16, 2018 and Aug 15, 2018; SonyLIV subscriber information as cited in press release, May 06, 2018; JioTV subscriber information as cited by Strategy Analytics, Sep 26, 2018; Airtel TV subscriber information as cited in annual report, July 16, 2018, Jan 07, 2019 via eMarketer

Viewership grew not just on broadcasters' OTT platforms

Large tech platforms such as Amazon and Facebook are now competing alongside the pure play sports OTT platforms. Amazon has secured ATP World Tour Tennis and Premiere League rights while Facebook won the La Liga rights for India. Reliance Jio's live TV service JioTV acquired the exclusive India digital rights for the T20 cricket series Nidahas Trophy.

Sports Flashes, a multi-sports app, launched Radio Sports Flashes, India's first 24x7 internet radio channel, solely dedicated to sports content. The channel is available on Sports Flashes mobile app and sportsflashes.com.[36] The app acquired the rights to broadcast, promote and distribute audio content during the ICC World Cup 2019, globally.

One big player to watch in this space will be Formula 1's F1 TV service, the data centric sport is ideal for customized fan experiences.

36. "Launch of 1st indian sports radio channel - sports flashes," http://www.indiantelevision.com/iworld/over-the-top-services/launch-of-1st-indian-sports-radio-channel-sports-flashes-180116

Facebook started streaming live sports content in India and globally

In August 2018, Facebook bought the rights to show La Liga, the Spanish top-flight football league, in the Indian subcontinent (includes India, Afghanistan, Bangladesh, Bhutan, Nepal, the Maldives, Sri Lanka and Pakistan) for the next three years[37].

Globally, it bought the rights to stream 25 Major League Baseball (MLB) games in 2018, entered a deal with National Football League (NFL) to stream highlights from regular season games, along with play-offs and the Super Bowl and bought streaming rights to the English Premier League (EPL) in Thailand, Vietnam, Cambodia and Laos from 2019 to 2022[38].

Sports consumption was second only to entertainment on mobile phones

According to the total rate of content consumption on UC News Feed platform in India, sports was the second largest category in mobile content consumption for Indian users, accounting for 19%, after only entertainment, which had 27% [39].

The business of leagues

Indian Premier League cricket (IPL)

Star India is estimated to have fetched INR30 billion from IPL 2018, 35% more than the previous season, which had earned a total of INR22 billion. TV and digital ads are expected to account for INR18 billion and the rest is attributed to distribution deals and overseas rights[40]. The rise in the income from media rights, also meant that for the first time in the history of IPL, all eight teams were set to fetch profits from the single edition[41].

The IPL was valued at US$3.2 billion dollars in 2014 and US$6.3 billion[42] after the 11th edition. Language feeds proved to be a game-changer, especially in markets such as Tamil Nadu and West Bengal, where viewership is said to have grown by close to 50%.

Pro Kabaddi League (PKL)

PKL has emerged as the most watched non-cricket Indian sports league in India. The number of teams have increased from eight in the inaugural edition in 2014 to 12 now. The 2018 season reached 312 million viewers. Recently, Vivo bagged the main sponsor title rights for a sum of INR3 billion for a period of five years[43].

Star India is estimated to earn around INR1.5 billion from ad revenue and sponsorship in PKL 6. For season 5, PKL earned more than INR1.2 billion[44].

Indian Super League football (ISL)

ISL stakeholders, who had collectively garnered INR2 billion from sponsorship sales last season, were 30-40% short of that number just before the commencement of the 2018 edition. Majority of the 10 franchisees struggled to meet their revenue targets, with inventory being available for half the price. Mumbai City FC and ATK (previously Atletico de Kolkata) didn't announce their title sponsors before the league began[45].

Star India, the official broadcaster of ISL, is expected to earn INR2 billion in advertising revenue from the fifth season of the league[46].

37. "Facebook buys rights to show La Liga games in India," https://www.theguardian.com/technology/2018/aug/14/facebook-buys-rights-la-liga-spanish-football-games-india-barcelona-lionel-messi
38. "Facebook just secured Premier League rights for the next four years," https://www.businessinsider.com/facebook-wins-premier-league-streaming-rights-2018-7
39. Cheetah Lab from Cheetah Mobile and UC Media Lab from UCWeb, Alibaba Digital Media and Entertainment Group; https://www.adgully.com/entertainment-tops-mobile-content-consumption-in-india-cheetah-lab-uc-report-81261.html
40. "Star India estimated to have fetched Rs 3,000 crore from IPL 2018," https://bestmediainfo.com/posts.php?year=2018&month=05&title=star-india-estimated-to-fetch-rs-3-000-crore-from-ipl-2018/
41. "IPL 2018 set to fetch profits for all eight teams for the first time," https://www.hindustantimes.com/cricket/ipl-2018-set-to-earn-profits-for-all-eight-teams-for-the-first-time/story-D0zF2F8Mt8sUYzRdujgkWJ.html
42. https://www.financialexpress.com/sports/ipls-brand-value-grows-from-5-3-bn-to-6-3-bn-in-2018-mumbai-indians-remain-most-valuable-team/1273817/
43. "Infographic: How much has the Pro Kabaddi League grown in five seasons?," https://www.sportskeeda.com/kabaddi/infographic-how-much-has-the-pro-kabaddi-league-grown-in-five-seasons
44. "2017 : Indian sports leagues' commercial report card," https://www.insidesport.co/2017-indian-sports-leagues-commercial-report-card-626122017/
45. "Is Indian Super League running out of steam for sponsors?," https://www.insidesport.co/is-indian-super-league-running-out-of-steam-for-sponsors/
46. "Star India seen earning 200 crore in ad revenue from ISL," https://www.livemint.com/Consumer/i2BIURGI7Rvi5Z1k0sSLII/Star-India-seen-earning-200-crore-in-ad-revenue-from-ISL.html

Ultimate Karate League (UKL)

The UKL started in January 2019 with six teams. It is probably the only professional sports league in India that is setting out for three seasons in its inaugural year. The league opted for episodic telecast in India, Nepal, Bhutan, Bangladesh, Maldives and Sri Lanka over Discovery Channel's DSports.

Five sports leagues ran into hurdles in 2018

2018 did not see the annual editions of five sports leagues, including the Hockey India League which was establishing new benchmarks for growth and success. In addition, the Super Fight League (SFL), United Basketball Alliance (UBA), Premier Futsal and Super Boxing League (SBL) all ceased operations. The revamped Hockey India League (HIL) will return in 2019 in a new avatar with a more fast-paced five-a-side format replacing the traditional 11-a-side event.

Emergence of eSports

India accounts for approximately 13% of the global online mobile gaming population and is among the top five countries for online and mobile gaming[47]. India is home to one-tenth of the world's gamers and the count of gamers is estimated to rise to 628 million by 2020[48] from under 200 million in 2015.

The number of game-developing companies in India has gone from just 25 in 2010 to 250 today. By 2020, the domestic game development industry is expected to be worth US$1.1 billion (INR77 billion), according to NASSCOM[49]. Finally, 10 Indian gamers qualified for the eSports sporting event in the 2018 Asian Games Jakarta.

India has over 2 million eSports players, and this number is expected to grow five times by 2021[50]. With growing development of original game titles such as Kingdom Hearts 2.8 and Sea of Thieves among others in India, game development segment of the country is also expected to grow substantially, catering to markets such as the US, China, Japan and Europe[51].

47. "The Man Behind Angry Birds Wants To Collaborate With The Indian Startups," Inc42, https://inc42.com/buzz/the-man-behind-angry-birds-wants-to-collaborate-with-the-indian-startups/, accessed on 20 December 2018

48. https://qz.com/india/1481814/indians-are-betting-big-on-video-games-says-jana-survey/

49. "Online gaming—and wagering on it—is a booming market in India," https://qz.com/india/1481814/indians-are-betting-big-on-video-games-says-jana-survey/

50. "Revealed! India is digital gaming's best kept secret, to have over 300 million digital gamers by 2021," Financial Express, https://www.financialexpress.com/opinion/revealed-india-is-digital-gamings-best-kept-secret-to-have-over-300-million-digital-gamers-by-2021/1353945/, accessed on 20 January 2019

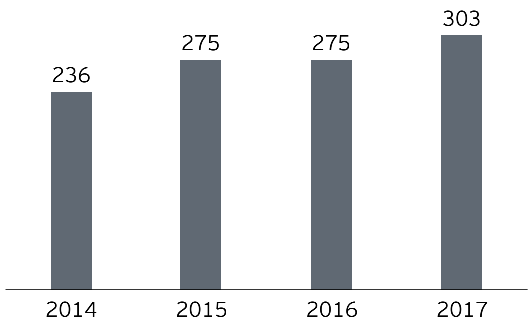
Business opportunities in sports

Investment prospects in the sports industry are dispersed across the entire supply chain, including the manufacturing and retail of equipment and apparel as well as in advertising, talent management, and training[52].

Sports goods and equipment market in India

Almost 60%[70] of all sporting goods manufactured in India are exported, especially to international retail brands, such as Mitre, Lotto, Umbro and Wilson. Over half a million people are employed in the Indian sports retail and manufacturing sector and potential for growth in employment and revenue for firms in this sector is rising.

Sporting goods and equipment exports (US$ Million)



Source: Ministry of commerce; Economic Times

The Indian sports equipment market has witnessed an exceptionally strong growth in recent years and this positive trend looks set to continue up to 2021 as well. A growing population and expanding middle class is resulting in an increasing number of Indians engaging in physical activities involving sports equipment. The Indian market is expected to reach US$4.7 billion by the end of 2022, growing at a CAGR of 12.3% between 2017-2022. Comparatively, the nearby markets of South Korea and China will grow with smaller CAGRs of 6.2% and 7.1% respectively[53]. As a result, a number of international sports equipment brands are entering the Indian market.

51. "India's gaming industry expected to touch $1.3 billion," Money Control, https://www.moneycontrol.com/news/business/markets/dcb-bank-plunges-6-on-report-of-sfio-seeking-cancellation-of-banking-licence-3413731.html, accessed on 21 January 2019

52. "The Sports Industry in India - Investment Prospects in Manufacturing, Retail, and Training," https://www.india-briefing.com/news/sports-industry-india-investment-manufacturing-retail-training-17135.html/

53. "SPORTS EQUIPMENT IN INDIA," MARKETLINE, March 2018, via Thomson1

70 https://www.ibef.org/exports/sports-industry-india.aspx

- Hong Kong-based Xtep Sports has opened its first Indian flagship store, in Bengaluru
- US sportswear brand Under Armor is planning to establish brick-and-mortar outlets in India
- Japanese sportswear brand Asics plans to ramp up offerings across categories such as apparels and footwear in India as it eyes a larger presence in emerging segments such as athleisure, besides strengthening its core vertical. It recently opened its first store in Kolkata
- South Korean owned Italian sportswear brand Fila launched its motorsport collection of footwear in collaboration with MTV Roadies fame Rannvijay Singha in stores across India
- Australian Swimwear brand Speedo plans to set up 50 stores in India by 2020. It launched its first store in Kolkata in January 2018
- Health and fitness start-up Curefit may foray into online retailing of sportswear
- Launched in August 2018, D:FY, a new Indian sportswear brand, recently launched its flagship store in the Phoenix Market City Kurla mall spanning over 4,000 sq. ft.

Training and talent acquisition

While the government has set up schemes - such as Khelo India - for this purpose, there still exists a wide gap in the market for talent acquisition experts and quality trainers. Eminent Indian sportspersons have set up training academies and centers (like Mahesh Bhupati's Tennis Academy or Baichung Bhutia's Football Schools), but some of them face financial instability due to a lack of funding. Private players can invest through direct involvement in the business aspect of such institutes or through an external approach – by providing sponsorships and gaining recognition through brand marketing for their CSR funds.

Better stadium experiences

The entire connected-fan-connected-stadium approach for smart stadia will be an area of increasing interest as leagues grow and fan bases are created.

e-Ticketing, interactivity, signages, F&B, modular galleries are coming into play. An increasing number of stadiums are transforming into multipurpose avenues so that they can also be used for concerts, public meetings and events round the year. Turf protection systems can enable such transformations.

Last season, Pro Kabaddi League (PKL) introduced fan seats (also known as "King Seats") offering the best view of the match[54].

Events around sporting events

Sony partnered with events destination Kasa Kai Mumbai to organize special screenings for the final match of the FIFA World cup 2018 at pubs in Mumbai and Delhi. Spread across 19 states and covering 36 cities, VIVO IPL Fan Park 2018[71] engaged fans all over the country. Each venue broadcasted all the live action of the IPL on giant TV screens, along with music and multiple stalls for merchandise, food, beverages and other activations by IPL's official sponsors. We expect events around leagues to increase over the next few years.

AR and VR initiatives

The 2018 season of the IPL was streamed in VR on Hotstar. This is not Hotstar's first VR initiative. It streamed the 2017 Kabaddi World Cup games live in stereoscopic 3D virtual reality in partnership with VOKE, a Silicon Valley-based VR company[55]. Star India, owner of Hotstar, is expected to completely overhaul its production infrastructure to shoot in VR. We expect to see more investments made in AR and VR initiatives, to enable sports fans to experience being inside their favorite games, as audience members, or even participants.

Fan engagement management

Sports fans want to interact and communicate, and we can expect to see several initiatives on digital media to enable this interaction, with brands.

- Snapchat partnered with four IPL teams - the Mumbai Indians, Royal Challengers Bangalore, Delhi Daredevils and Rajasthan Royals - to share their official stories
- Sport Flashes launched its 24x7 internet radio channel, Radio Sports Flashes, in January 2018, that broadcast sports content like live chat commentaries, talk shows, special sports programs, expert comments, sports news and updates, audio documentaries, university sports and other content
- Cricbuzz collaborated with Twitter to live stream #CricbuzzLIVE every Saturday alongside a live curated timeline of Tweets to a global cricket audience

54. "PRO KABADDI LEAGUE DRIVES SURGE IN INTEREST FOR INDIA'S FASTEST-GROWING SPORT," https://www.nielsen.com/in/en/insights/news/2018/pro-kabaddi-league-drives-surge-in-interest-for-indias-fastest-growing-sport.html

55. "VOKE to Deliver VR Live Sports Events in India," https://virtualrealitytimes.com/2017/04/20/voke-to-deliver-vr-live-sports-events-in-india/

71 https://www.iplt20.com/news/115146vivo-ipl-fan-park-gets-bigger-and-better

Governmental initiatives in sports

Government's involvement in sports has grown

The Indian government has turned its attention to developing the sports sector as a strategy to create jobs, generate revenue, and attract investment into the country, aside from nurturing sports talent. A national committee to study sports governance was set up as well.

The Ministry of Youth Affairs and Sports (MYAS) has the mandate of developing sports facilities and encouraging sporting talent in India. The ministry has been allocated INR22 billion in 2018-19. This is a 13% increase over the revised estimates of 2017-18[56].

Budget allocation

Particulars	Actual 2016-17	2017-18	2018-19
Khelo India	1.6	4.4	5.8
Sports Authority of India	4.4	5.0	4.3
Assistance to National Sports Federations	3.6	3.0	3.4
Other youth schemes/ committees	6.2	7.0	8.5
Total INR billion	**15.8**	**19.4**	**22.0**

Source: PRS India | FY18 and FY19 numbers are estimates

Several sports promotional schemes have been implemented[57]

MYAS, through the Sports Authority of India (SAI), has been implementing the following sports promotional schemes in the age groups of 8-25 years in 27 sports disciplines to identify and nurture sports talent across the country:

- National Sports Talent Contest Scheme (NSTC)
- Army Boys Sports Company (ABSC)
- SAI Training Centre (STC)
- Special Area Games (SAG)
- Extension Centre of STC/SAG
- Centre of Excellence (COE)

For implementation of the above schemes, SAI has established two academic and 10 regional centers across the country. It has also established 23 sports centers under NSTC, STC and Extension centers of STC/SAG in Rajasthan. Majority of sportspersons identified and nurtured under SAI Schemes belong to rural, tribal, coastal, hilly and backward areas of the country. At present, under SAI Schemes, a total of 14,143 sportspersons (9,843 boys and 4,300 girls) are provided with regular sports training on residential and non-residential basis.

Khelo India was launched in 2018[58]

MYAS also implemented a central sector scheme, namely Khelo India, in January 2018. The scheme has a dedicated vertical "Talent Identification and Development" which provides for financial assistance to identified talented players at various levels through different avenues and annual financial assistance, at the rate of INR0.5 million per annum, for a period of eight years under a long-term athlete development program. Further, under the program, the central government allocates 100% of the project cost for building sports infrastructure by states or municipalities.

It is believed sports can create 4.3 million jobs by 2022[59]

The sector skill council of FICCI suggests that there will be 4.3 million job opportunities generated by the sports sector by 2022.

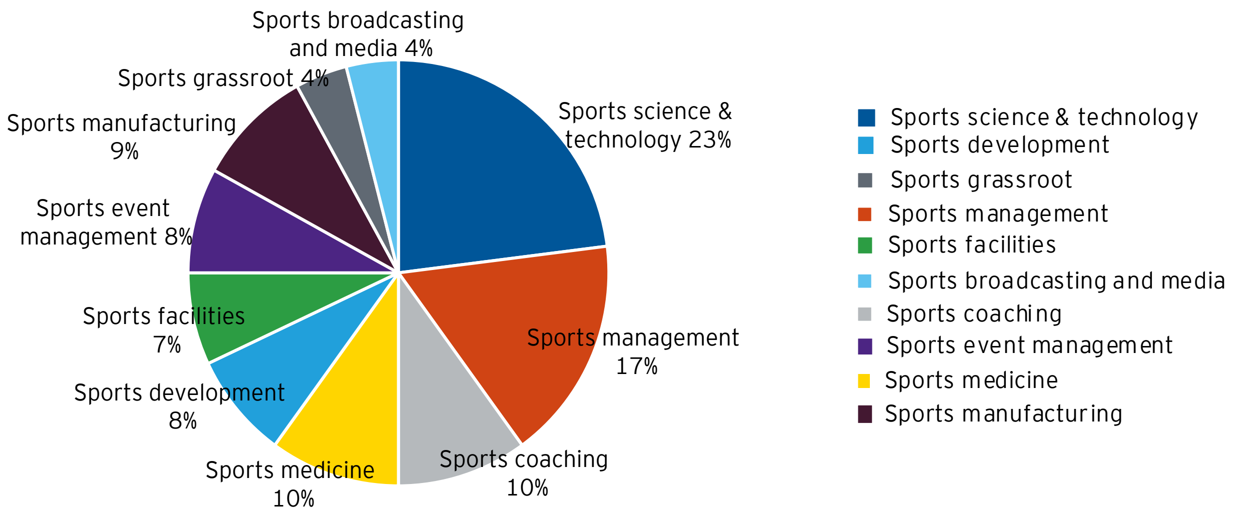
56. https://www.prsindia.org/.../demand-grants-2018-19-analysis-youth-affairs-and-sports

57. Yas.nic.in

58. https://yas.nic.in/sites/default/files/Compendium%20of%20instructions%20on%20Khelo%20India%20National%20Programme%20for%20Development%20of%20Sports%20Scheme.pdf

59. "Sports Development And Youth Engagement," FICCI, 2018, http://ficci.in/spdocument/23041/IISM%20FICCI%20Report%20Final.pdf

Sports employment (2022)



Source: FICCI

Disruptors which will shape India's sports consumption

Rethinking the student-sportsperson

The journey of a sportsperson begins with school and community participation, progresses through the zonal and district levels and then moves onwards to representing India at the national and international level. However, this journey, from interest in sports to participation to potential and then to excellence is a long and tough road and success rates are as low as 2%, with many students dropping out from sports to focus on their board examinations. This journey has two distinct phases - participation and performance excellence- and is important because it equips their youth with life skills that help shape core elements of personality[60]. The most favorable age for an individual to start playing any form of sports or game lies between six to eight years[61].

India is gradually beginning to re-think the journey of student-athletes as it takes inspiration from its global counterparts. India's first National Sports University is set to open in Manipur. It will be the first central university in India focusing solely on sports education. The university aims to fill the void in various areas such as sports science, sports technology and high-performance training[62].

Private entities have also been trying to bridge this gap and provide for student-sportspersons. The Reliance Foundation Youth Sports' (RFYS) football tournament and athletic camps, for instance, are quickly becoming a popular nationwide platform for the sport. For the 2017-18 season, it had over 4,000 institutions and 70,000 athletes participating[63].

Government schemes like "Khelo India" are trying to install sports in youth at an early age. The Central Board of Secondary Education conducted separate exams for six students of class 10 and 12 in 2018 as they were representing the country in international sports championship during the regular schedule[64].

60. "Why India needs to focus on grassroots sports development," https://www.sportskeeda.com/sports/why-india-needs-to-focus-on-grassroots-sports-development

61. "The Longest Yard: Struggles of Student Athletes in India," https://thebastion.co.in/politics-and/sports/the-longest-yard-struggles-of-student-athletes-in-india/

62. "Manipur to Get India's 1st National Sports University: 8 Things We Hope It Has!," https://www.thebetterindia.com/142850/national-sports-university-manipur/

63. "The Longest Yard: Struggles of Student Athletes in India - Part II," https://thebastion.co.in/politics-and/sports/the-longest-yard-struggles-of-student-athletes-in-india-part-ii/,

64. "CBSE conducts separate board exams for six student athletes representing India," https://www.indiatoday.in/education-today/news/story/cbse-board-exams-six-athlete-students-india-1233997-2018-05-15

Marketing to female fans / consumers

IPL introduced women commentators, including former Indian women's cricket team captain Anjum Chopra, ex-England seamer Isa Guha and the Australians Lisa Sthalekar and Melanie Jones, in 2016 in a bid to attract more women to watch the game[65].

BCCI is planning a women's Indian Premier League in a few years. As part of the build-up, an exhibition T20 game was played at Mumbai's Wankhede Stadium ahead of the first playoff (men's) of IPL 2018. The move is likely to attract many female fans towards the sport[66].

Females have been significant contributors to growth in sports viewership in the country, and they are expected to drive the next phase of growth as well. One of the reasons for growth in their viewership has been the availability of sports on non-sports channels[67]. We expect to see female sport themed events to increase over the next few years.

Stadium of the future: The rise of "smart arenas"

The global smart stadium market size is estimated to be US$4.6 billion in 2018 and is expected to reach US$12.5 billion by 2023, at a CAGR of 22.1%. The major factors driving the growth of the smart stadium market include upcoming national and international sporting events, stringent security regulations by sports governing bodies and increasing adoption of IoT technologies for efficient management of stadium infrastructure. Tech Mahindra, AllGoVision and Infosys are some of the key Indian smart stadium vendors[68].

Global trends

Online rights are driving media inflation

Globally, online delivery has become the main driver of sports media rights inflation, as digital platforms are becoming increasingly aggressive in sports media rights acquisitions and are bidding for exclusive rights. This has opened new opportunities for rights-holders while creating additional layers of complexity to negotiations and deals. Sports companies are also experimenting with their own direct-to-consumer services for customer acquisition and engagement.

Data is being used to engage fans

Sports leagues and teams are increasingly leveraging data, ranging from fan engagement and ticketing to performance improvement and digital interactions. To stay relevant and explore different ways of reaching fans, sports companies are experimenting with new technologies, including AI chatbots, augmented and virtual reality applications and voice-controlled devices. Sports broadcast programs are also using real-time analytics and animation to play out what-if scenarios to engage audiences, and social media analytics to gauge their sentiment.

Upsurge in female viewership

In terms of viewership, sports is no longer dominated by males and there has been an upsurge in female viewership for sports events. Also, women's sports is seeing growth in focus for rights holders, brands and media. With gender equality taking prominence, the growth opportunity represented by under engaged females is being recognized, with brands demanding a focus on women's sports.

65. "Men only? Indian Premier League strategy to attract more female fans is working," https://www.thenational.ae/sport/men-only-indian-premier-league-strategy-to-attract-more-female-fans-is-working-1.193831

66. BCCI aims for women's Indian Premier League in two-three years," https://www.hindustantimes.com/cricket/bcci-aims-for-women-s-indian-premier-league-in-two-three-years/story-F6EN3u4HhHwphCnqnxUVbI.html

67. "Sports in India," EY, https://www.ey.com/Publication/vwLUAssets/ey-sports-newsreel/$File/ey-sports-newsreel.pdf

68. "The global smart stadium market size is estimated to be USD 4.60 billion in 2018 and is expected to reach USD 12.50 billion by 2023, at a Compound Annual Growth Rate (CAGR) of 22.1%," https://www.prnewswire.com/news-releases/the-global-smart-stadium-market-size-is-estimated-to-be-usd-4-60-billion-in-2018-and-is-expected-to-reach-usd-12-50-billion-by-2023--at-a-compound-annual-growth-rate-cagr-of-22-1-300628996.html

Brands invested US$694 million in eSports

eSports continues to grow its fan base globally driven by huge investments by celebrities, teams, and brands. Brands invested $694 million in the eSports industry in 2018, accounting for 77% of the total market. It is expected to grow to $1.4 billion by 2021, representing 84% of total eSports revenues[69]. eSports will be embraced in a major way by teams and leagues, including efforts to integrate eSports opportunities into their existing sports experience, ranging from developing eSports lounges to an eSports arena. However, from a monetization perspective, the eSports ecosystem and viewership hours primarily rely on select globally operating game franchises/teams stressing profitability and return on investment as a challenge.

69. Newzoo

Expert speak

Mustafa Ghouse
CEO, JSW Sports

Changing consumption patterns will shape the Indian sports landscape in the immediate future as leagues, franchises and brands compete to grab the attention of a young country with multiple avenues for entertainment. This would necessitate the need for innovative and creative digital content to stand out from the crowd.

Rajesh Kaul
Head - Sports Business, Sony Pictures Networks India

One key trend that is shaping sports consumption on TV in India is broadcasters providing local language feeds for sports. The Hindi feed for WWE was watched by 172 million viewers during 2018 and helped grow viewership in Urban HSM markets by 30%. From an interactive engagement tools perspective, second screen engagement is moving to the forefront and we will continue with this trend as it gives viewers deeper insights and a more immersive experience.

Venky Mysore
CEO, Knight Rider sports

It has become clear that attention spans are becoming smaller and smaller. Well-packaged products are being extremely well-received. Live content, in the form of entertainment, is thriving - as is being reflected by the media deals being done, in the IPL in particular. The way in which other similar short forms of sports content is being consumed, I think the onus is on the franchises and sports administrators to try and understand better what signals the fans are sending, and to re-orient their products appropriately to be able to make it much more attractive than it perhaps is.

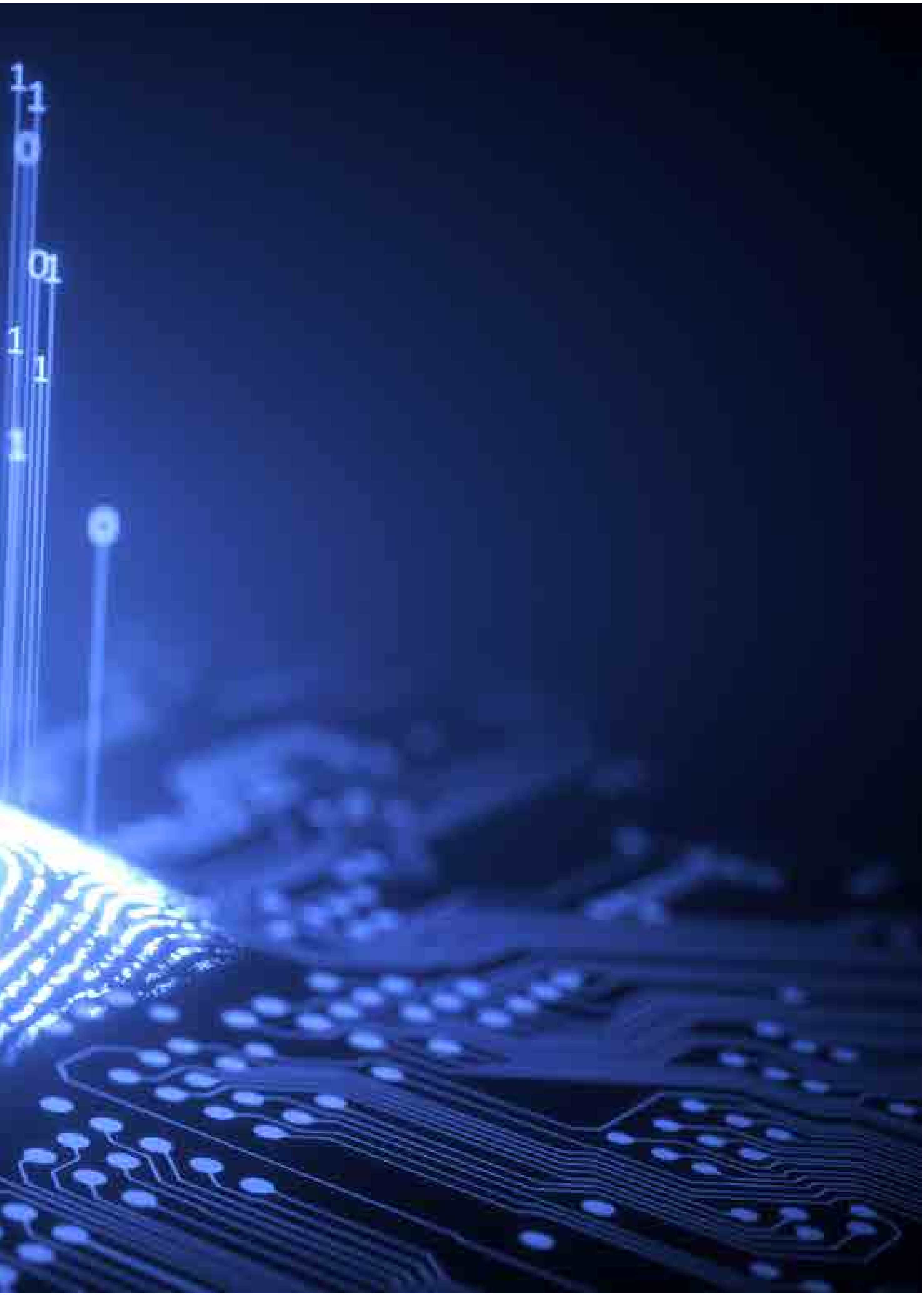
Scan the QR code to view videos, where indicated with

Indranil Das Blah

Founding Partner, Kwan Entertainment & Marketing Solution

Indian sport is at an inflection point. Numerous factors are coming together to help us become a truly sporting nation. Infrastructure for sports has improved by leaps and bounds in the last few years. More sports are spending on development and grassroots than ever before. The governments in the Center and states are lending their support to sports properties. Our media is no longer just covering cricket. Furthermore, brands are waking up to the potential of using the emotional connect sports in a planned and constructive manner. While we still have a long way to go, the growth of the Indian sports industry in all parameters is encouraging and commendable.

Advertising landscape

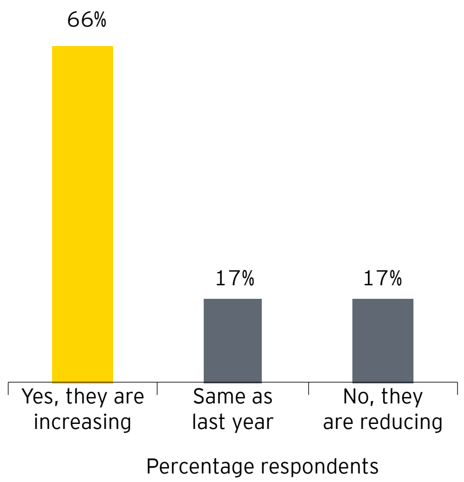


Advertising landscape in India

Digital content consumption, convergence of technology platforms and direct to customer relationships are impacting the advertising agency landscape in India, giving birth to new revenue streams and competition from consulting technology companies. The focus is back on what agencies do best viz, create stories and communicate them effectively, which is driving the creative and media teams to work in tandem. While data provides an insight into consumer trends, creative skills are required to understand consumer sentiment and transform that into high-quality, immersive story-telling.

Majority of marketers were increasing their ad spends

Are your total marketing spends increasing?



Source: EY Marketer survey

Our survey of marketers indicates that 66% of respondents increased their marketing spends in 2018 as compared to 2017, reflecting the healthy growth in India's GDP and that businesses have got over the impact of demonetization (November 2016) and the roll-out of GST (July 2017).

India became the tenth largest advertising market in 2018[1]

Ad Spend (US$ million)				
Country	**2018E**	**2019E**	**Growth**	**Rank**
USA	1,94,920	1,99,223	2%	1
China	87,871	92,711	6%	2
Japan	44,049	45,391	3%	3
UK	26,305	27,562	5%	4
Germany	20,343	20,524	1%	5
Brazil	18,593	19,076	3%	6
France	13,541	13,708	1%	7
Australia	11,713	12,232	4%	8
Canada	11,044	11,648	5%	9
India	9,515	10,872	14%	10

Source: GroupM TYNY 2019 report

India is ranked as the fastest growing Top-10 advertising market in the world, with advertising spends expected to grow 14% in 2019. Growth in 2019 will be driven by elections, the ICC Cricket World Cup, increased consumer spending on the back of higher per-capita income, expected rationalization in GST tax rates and reduction in direct tax rates for the middle classes.

1. GroupM This Year Next Year 2019 Report

Top 10 Agency reckoner 2017-18[2]

Rank	Digital marketing agencies	Ad agencies	Media agencies
1	Ogilvy	Ogilvy & Mather	Mindshare
2	Dentsu Webchutney	Lowe Lintas	Madison Media
3	Interactive Avenues	Mccann Worldgroup	Dentsu X
4	Isobar India	J Walter Thompson	Lodestar UM
5	FoxyMoron	Taproot Dentsu	OMD
6	22feet Tribal	FCB Ulka	Starcom Mediavest Group
7	Digitas	Leo Burnett	Wavemaker
8	The Glitch	DDB Mudra	Mediacom
9	WATConsult	Mullen Lintas	Havas Media
10	SapientRazorfish	L & K Saatchi & Saatchi	Zenith Optimedia

Source: Brand Equity Agency Reckoner 2017-2018

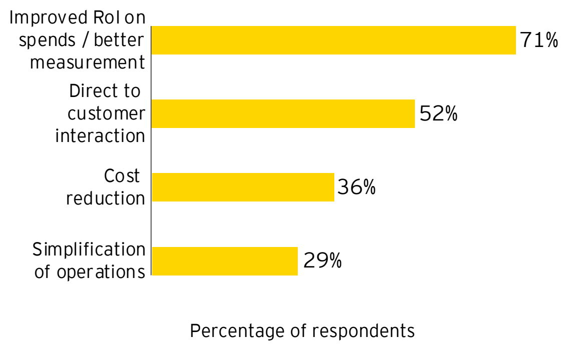
2. https://brandequity.economictimes.indiatimes.com/news/advertising/be-agency-reckoner-2017-2018/65126468

The clamor for a cross-platform measurement metric increased

Audiences, globally and in India, are consuming content seamlessly across screens and media. While theoretically the only relevant cross-platform measurement metric would be ad impressions and the CPM for impressions would be determined by the sharpness of targeting, quality of platform, exclusivity of content, closeness to purchase point, etc. it has not been possible to implement cross-platform measures at an industry level yet.

Our survey with marketers showed that better measurement – and improved RoI on their marketing spends – was the most important priority in 2019, followed by the ability to interact directly with consumers.

Marketers top priorities for 2019



Source: EY Marketer survey

The key reasons, however, for not being able to implement a common cross-platform metric include the preponderance of multiple measurement agencies – no single source of truth, lack of a consensus on what to measure and how to measure it, implementation challenges due to platform fragmentation, etc.

The Demand Gen 2018 Marketing Measurement and Attribution Benchmark Survey showed that the 87% of respondents felt that marketing measurement and reporting were a growing priority for their organization, while 58% stated that their current ability to measure and analyze marketing performance needed improvement. This is an increase of almost 10% compared to 2017.

Spends moved increasingly towards media with direct consumer connect

Advertising growth was led by digital, OTT platforms, online gaming and events – all of which are media where advertisers have a direct connect with consumers. As our forecasts show, we expect this trend to drive advertising investments going forward as well.

There was a move towards project based engagement

The agency-on-record concept has long been at risk and this year the move to project-based procurement of services increased further, particularly for creative agencies[3]. The retainer-model was a way to save money on an annual budgeted spend and agencies used it to dedicate appropriate hours, strategies and assets to specific projects.

With procurement teams getting actively involved in pitch review and decision-making, marketing agencies are increasingly seeing the need to present proposals to two audiences – the brand marketing teams on effectiveness, creativity and brand objective and procurement teams on detailed cost break-ups, potential savings and cost improvement. According to data from Ebiquity, out of the 100 pitches it conducted last year, 54% of clients said the top criterion used was cost improvement, and 34% said it was "strategic vision and expertise"[4].

Processes were centralized

Given the consolidation in ad agencies across larger groups, 2018 saw increased efforts towards centralizing processes across group agencies – not just support processes but also mainline media buying and monitoring processes. We expect this trend to continue, and India can become a global back-office for large agency groups.

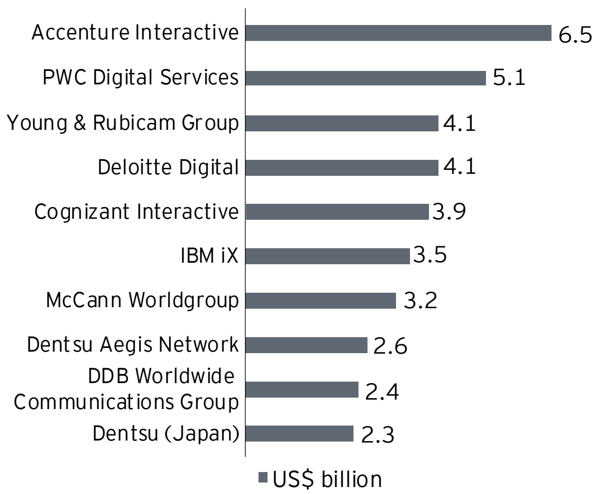
3. Industry discussions
4. https://digiday.com/marketing/advertisers-care-cost-transparency-agencies/?utm_medium=email&utm_campaign=digidaydis&utm_source=daily&utm_content=190212

Digital advertising

Globally, digital advertising was led by technology and consulting companies

Accenture Interactive and PWC Digital Services lead the digital advertising agency business, combining media services with consulting, as clients demand more digital transformation services, of which digital advertising forms a portion.

Top 10 ad agency networks worldwide, by company revenues, 2017



Source: eMarketer.com | Advertising age, 'Marketing Fact Pack 2019' sponsored by Neustar, Dec 17

In 2017, for the first time, four consultancies featured in Ad Age's ranking of the ten largest agency companies in the world. With combined revenues of US$13.2 billion, the marketing services units of Accenture, PwC, IBM iX and Deloitte sit just below WPP, Omnicom, Publicis Groupe, Interpublic and Dentsu. In 2016, only two consultancies–Accenture Interactive and IBM iX–made the top 10.

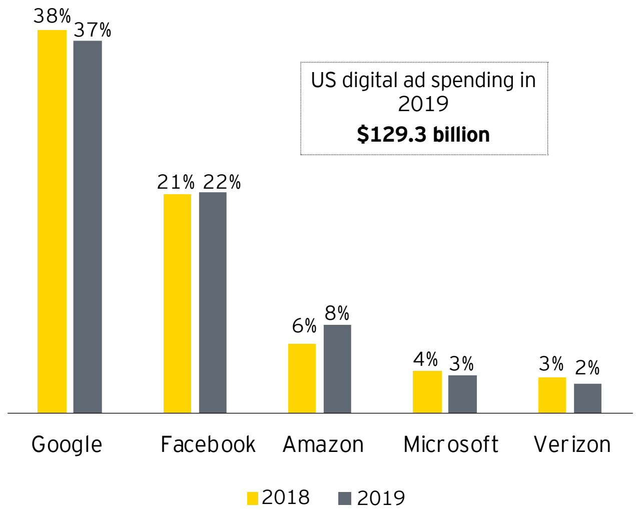
We expect to see similar trends in India as well, with clients increasing their focus on interacting with consumers before, during and after the sales process, which requires changes to internal processes and systems, marketing automation, advertising, customer data management, after sales service, loyalty programs and more.

Search advertising moved to e-commerce platforms

As per eMarketer, Amazon expects to double its US digital ad revenues business in 2019, thereby reducing Google and Facebook's duopoly share. Amazon's web services sales increased by 46% y-o-y as compared to 14% growth in online store sales in Q4 2018. By 2023, US digital media spends will account for 66% of total media spends[5].

Amazon challenges the ad duopoly

Top 5 companies by estimated share of US digital advertising revenue*



Including ads appearing on desktops, laptops and other internet connected devices, including all formats of advertising, net ad revenues after paying traffic acquisition cost(TAC) to partner sites, including YouTube & Instagram advertising revenues

Source: eMarketer Feb 2019

India is Facebook's second largest market[6]. Social media and Search advertising together make 54% of total digital media spends[7]. E-Commerce is the largest spending sector at 19% of total digital media spends[8]. Collectively Google and Facebook constitute about 70% of Indian digital spends[9]. With access to consumer purchasing trends, ML-led analytics and adaptive shopping experiences, e-commerce platforms such as Amazon, Flipkart, Snapdeal, Paytm, Myntra and others could expect to increase their advertising revenues in India over the next 1-2 years.

5. https://www.geekwire.com/2019/report-shows-amazon-taking-digital-advertising-market-share-google-facebook-duopoly/
6. https://www.deccanchronicle.com/nation/current-affairs/220219/india-second-largest-market-for-facebook-says-fb-vice-president-mark.html
7. Digital Advertising in India Report 2018
8. Digital Advertising in India Report 2018
9. Industry discussions

Marketing technologies (MarTech) investments increased and led to deal volumes

As advertisers and agencies collectively strive to get a 360-degree view of their customers, marketing technologies lead the way in increasing marketing reach, better segmentation, identification of trends or patterns that earlier were not visible, faster turnaround times and tangible efficiencies.

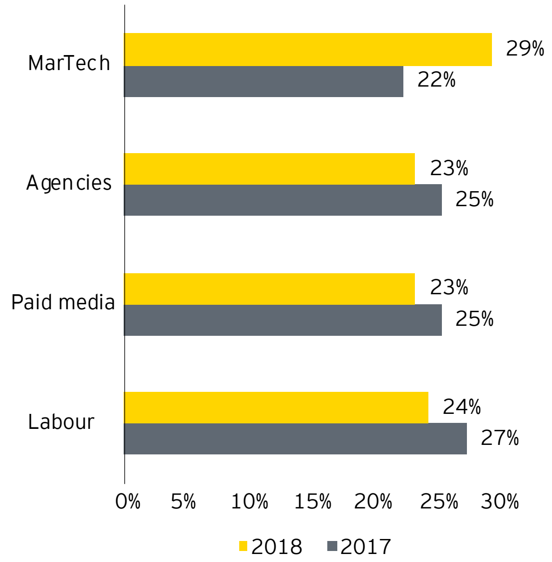
Among marketers worldwide surveyed in October 2018, almost two-thirds said they were actively working on implementing MarTech[11]. A recent Gartner survey found that MarTech contributed 29% of the CMO's budget, which is the largest allocation across their priorities[12].

Marketing and customer analytics and MarTech acquisition and use were the top priorities of CMOs as per an October 2018 Gartner survey[13].

Globally, 107 MarTech M&A deals were logged in 2018[14]. Adobe led through its acquisitions of Magento (US$1.68 billion)[15] and Marketo (US$4.75 billion) . The largest network-agency led MarTech M&A was IPG's US$2.3 billion acquisition of Acxiom[16].

Within MarTech, prioritized activities were customer relationship management, marketing automation, data visualization and integration, content personalization and engagement, conversational marketing (chatbots), predictive analytics, event tracking, social media monitoring, video marketing and then other AI and ML initiatives.

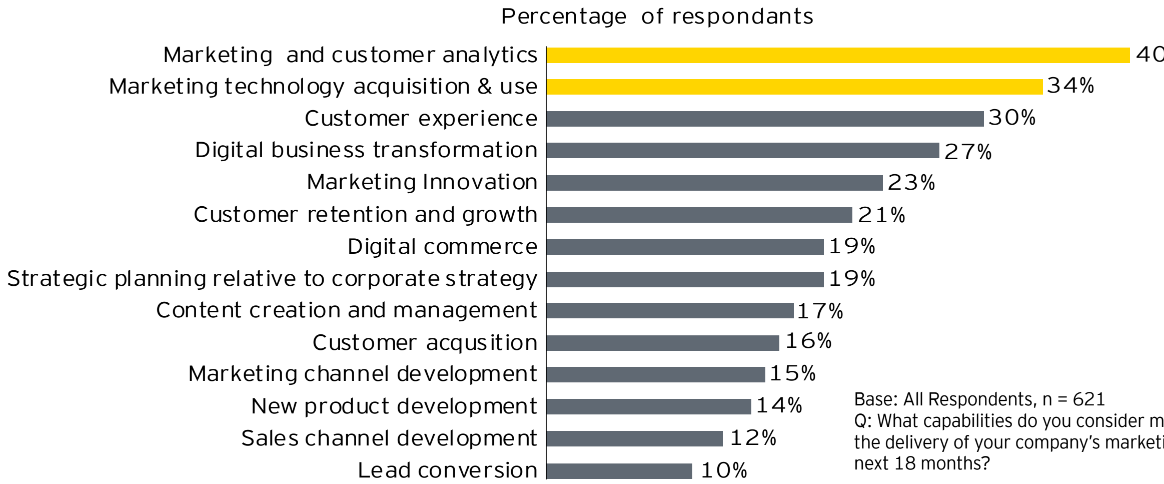
Budget allocations percentage[10]



Base: All respondents ,excludes don't know, 2018: n =618; 2017: n = 350; 2016: n = 375; 2015: n = 424; 2014: n = 363
Q. Please tell us how your company's fiscal year 2018 total marketing expense budget is being allocated to or spent on people and programs
ID: 361758

Source: Gartner (October 2018)

Most vital marketing capabilities supporting the delivery of marketing strategies over the next 18 months



Base: All Respondents, n = 621
Q: What capabilities do you consider most vital in supporting the delivery of your company's marketing strategy over the next 18 months?

Source: Gartner (October 2018)

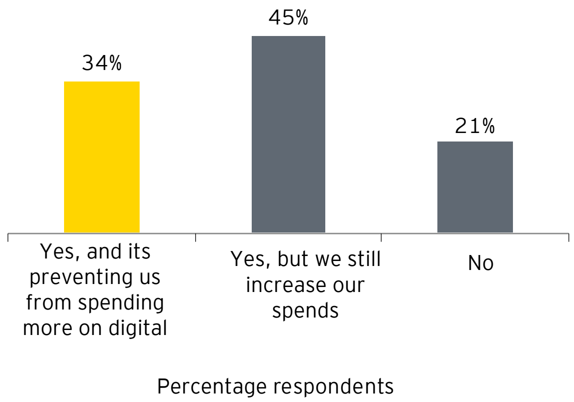
10. https://chiefmartec.com/2018/11/MarTech-jumps-29-cmos-budget-gartners-2018-2019-survey/
11. eMarketer - Seven marketing tech trends for 2019
12. Gartner 2018
13. https://chiefmartec.com/2018/11/MarTech-jumps-29-cmos-budget-gartners-2018-2019-survey/
14. http://www.rthree.com/en/insight/detail/214KSwK/Mar-Tech-and-Data-Dominated-M-amp-A-in-2018-as-Traditional-Agency-Acquisitions-Slowed.html
15. DAN Digital Report 2019
16. http://www.rthree.com/en/insight/detail/214KSwK/Mar-Tech-and-Data-Dominated-M-amp-A-in-2018-as-Traditional-Agency-Acquisitions-Slowed.html

Ad fraud mattered more

According to industry analyst firm Forrester, budget lost from fraudulent online ads globally is expected to reach US$10.9 billion by 2021[17].

Common fraud types include generation of fake impressions, ads that do not get viewed while they play or the user scrolls, ads not viewed completely, incorrect audience profiling, specialized click farms, bot-based traffic, etc.

Is digital ad fraud worrisome to you?



Source: : EY Marketer survey

Our survey of marketers in early 2019 indicated that almost 80% were concerned about it while a third of them would spend more on digital advertising if ad fraud was appropriately managed.

The Financial Times recently warned advertisers of "jaw dropping" levels of fraud. It found display ad space on FT.com fraudulently offered by 300 accounts on 10 separate ad exchanges and video ads on 15 exchanges. The publisher claimed that it didn't sell video ads programmatically and only used two platforms to sell its space[18] .

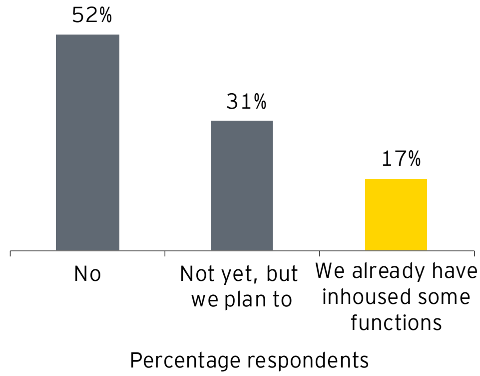
Programmatic advertising made it possible to buy digital ad inventory across millions of websites with targeted placements and pricing based on demand and supply. eMarketer expects programmatic digital display ad spending to reach US$45.94 billion by 2019[19] . However, with rising ad fraud, use of ad-blockers and brand safety concerns, advertisers are asking agencies to give brand safety the utmost importance during campaign execution and are moving to performance-based metrics to evaluate digital campaigns[20].

17. https://www.forbes.com/sites/forbesagencycouncil/2018/03/09/in-a-digital-world-struggling-with-ad-fraud-marketers-must-prioritize-brand-safety/#6ebb89f7a7fb
18. 2018 Programmatic Ad Fraud Transparency report - QueryClick
19. https://www.forbes.com/sites/forbesagencycouncil/2018/03/09/in-a-digital-world-struggling-with-ad-fraud-marketers-must-prioritize-brand-safety/#6ebb89f7a7fb
20. Industry discussions
21. https://www.forbes.com/sites/willburns/2018/09/12/as-in-house-agencies-become-the-norm-the-opportunities-for-outside-agencies-evolve/#3c84d827661c

In-housing the digital media buying function has begun

The growth of digital advertising and access to advertising platforms and the analytics they provide has prompted some clients to start in-housing their media buying processes.

Have you / are you planning to inhouse any digital agency functions?



Source: : EY Marketer survey

17% of marketers surveyed by EY in early 2019 had in-housed some portion of digital media buying, while another 31% were considering it. While in-housing can lead to savings in agency commissions, particularly for smaller advertisers who are more focused on performance advertising, it may preclude access to leading practices and volume advantages that can be provided by larger agencies. This clearly augurs the need for agencies to redefine their digital media strategy and approach to managing digital spends. We expect more agencies to provide or partner to provide a consulting layer on their service offerings, blurring the line between advertising, consulting and technology.

According to the In-House Agency Forum (IHAF) and Forrester Research, who co-fielded the new study, "State of In-House Agencies" for the American market, there is a 52% increase in penetration of internal agencies in the past decade[21]. Some of the key reasons holding ground for continued agency engagement are:

- Agencies have deeper insights while in-house teams can observe only their own brand
- Agencies can drive collaborations and cross-pollination of learnings driving value exchange across their advertisers and partners
- Investments in agencies' technological capabilities and tech platforms helps reduce advertisers' need on buying third-party solutions in piecemeal[22]

22. Industry discussions

Expert speak

CVL Srinivas
Country Manager, WPP India

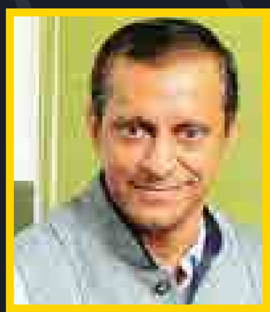
While the agency of the future needs to embrace data and technology, it needs to layer it with strong creative leadership to be able to play an important role in its client's marketing transformation journey. Whether clients out-source or in-source, there are huge opportunities for those who can adapt themselves to the changing dynamics. Agencies need to understand their client's business challenges and evolve bespoke models that deliver effective solutions.

Apurva Purohit
President, Jagran Group

From content processing to recognition, AI will have a positive impact on businesses by helping them personalise content based on user preferences or injecting algorithms to analyse content and understand markets which are triggered by a specific kind of content. This coupled with targeted advertising augurs well for the sector, overall.

Shashi Sinha
CEO, IPG Mediabrands India

The disruption caused by the structural changes is behind us. Consumers benefitted from low tax incidence, while minimum support price put more money in the wallet. This positivity helped advertisers loosen their purse strings and India continued to be the fastest growing advertising market.



L V Krishnan
CEO, TAM Media Research Pvt. Ltd.

The interplay of technology & content is making brand communication on media platforms sink the dividing line between advertising & brand engagement. The only guiding light to this continuing change is 'Rich Data'. Occurrence & behavioural data is increasingly becoming paramount from multitudes of sources, integration of which is simplifying not just decision making, but defining new forays of entertainment & knowledge services to the market place.

Scan the QR code to view videos, where indicated with ●

● **Ashish Bhasin**
Chairman & CEO - South Asia, Dentsu Aegis Network

This is probably the best time for Indian Advertising because we have a superb talent base and a great grasp of digital and the new media economy. We should look at "Make in India" for advertising because in this area we can become a great powerhouse supplying services globally, since we have a huge cost and talent advantage.

Saurabh Varma
CEO, Publicis Communications, South Asia

From a communications perspective, the first trend that we will witness is that the old mediums as they become obsolete, the new mediums of communication will give you the opportunity to interact more with the narrative itself. The second major trend is the understanding of the technology landscape and how it will make many industries redundant. One of the biggest issues CEOs are confronted with is around the concept of transformation. I think this narrative will become bigger in 2019. There will be more emphasis on digital business transformation and that's a big bet that we're going to be focused on in 2019.

● **Sam Balsara**
Chairman - Madison World

The Indian adex grew by 14.6% in 2018 and we project it to grow at 16.4% in 2019. Digital and television will be the key drivers of growth. Indeed, happy days are here again for media barons

Aditya Kanthy
Group CEO & Managing Director - DDB Mudra Group

We have a massive task on our hands, are we truly capable of helping clients bring it all together? With the fragmentation of media, the need for specialisation and the complexity of client structures - do we have the caliber to make a real difference?

Blockchain in Indian M&E

Blockchain use cases in the media value chain

Content creation, aggregation, distribution and consumption form the milestones and touchpoints for most content in the M&E sector across films, TV, web-based content, music, news, etc. A multitude of stakeholders are involved at each step, resulting in a highly complex value chain.

Key use cases for blockchain in M&E are:

- Transparent royalty calculations
- Automatic royalty payments
- P2P content sharing
- Fundraising for creative projects
- Improvements in digital advertising, including fraud prevention and ad effectiveness

Illustrated in the diagram is the M&E sector value chain with some potential areas where blockchain could create an impact. Blockchain use cases are represented by the numbers 1-7 and have been mapped back to the key actions and stakeholders that could be impacted.

Outlook on Blockchain in the Indian M&E sector

Blockchain in India is poised to gain steady traction, making India one of the leading blockchain hubs of the world, with enterprise adoption in the next three to five-year horizon. The highly fragmented nature of the M&E value chain make it rife for blockchain innovation and an important lever in the overall blockchain landscape for India.

Several factors contribute to India's positioning as a blockchain leader in the medium-term:

- Impetus to blockchain technology from government and regulators
- Availability of a vast technical talent pool and proven track record of managing global IT networks
- Strong case for tax authorities to push for transactional transparency
- Entrepreneurial growth and increased access to capital
- Significant opportunities for realization of automation, efficiency and transparency gains
- India Inc's appetite for digital transformation and a climate conducive to collaboration and exploration of emerging technologies

Blockchain use cases in M&E

M&E value chains: *Content creation* → *Aggregation & distribution* → *Consumption & monetization*

Key actions

Content creation

- Conceptualization & scripting
- Scouting talent & crew — 2
- Resource scheduling
- Ancillary content licensing — 1 2
- Funding & commissioning — 4
- Crew contract management — 1
- Post-production

Aggregation & distribution

- Content licensing & syndication — 1 2
- Trade partnerships
- Operationalization / ecosystem enablement — 1 2 3 5 6 7
  - *Digital*
  - *Broadcast*
  - *Theatrical*
  - *Live experience*
- Ad sales, pricing & packaging — 1 6 7
- Consumer aggregation — 3 5
- Royalty processing & contract mgmt. — 1 2 3 5 6 7

Consumption & monetization

- Consumer payment & transactions — 1 3
- Ad consumption — 6 7
- Subscriptions — 5
- Fan engagement — 4
  - *Digital*
  - *On-ground*
  - *Social*
  - *Reputation management*
- Own/3rd party commerce
- Content sharing — 5

Stakeholders with potential impact

Content creation

- Artists
- Producers
- Directors
- Technical crew
- Writers

Aggregation & distribution

- Governing bodies/Guilds
- Record labels
- Broadcasters
- Syndication partners
- IMC agencies
- Distributors/Platform owners
- Film studios

Consumption & monetization

- Payment enablers
- Measurement agencies
- Tax authorities

Legends

1 Royalty payments
2 Attribution & syndication
3 Micropayments
4 ICOs
5 P2P sharing
6 Digital ad fraud prevention
7 Improving ad effectiveness

M&A activity

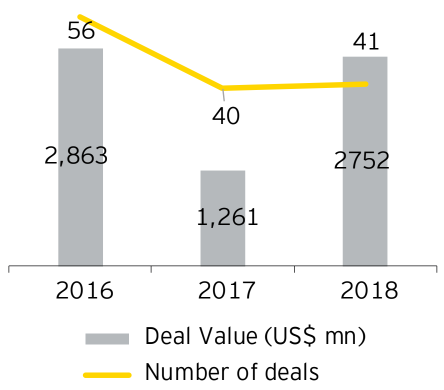
Overview of M&E deal activity in 2018

The M&E sector witnessed an interesting mix of deal activity in 2018 both on the traditional as well as the new media front

Increasing content consumption, improved data bandwidth and curated content creation are all rapidly enhancing the media value chain. The usage of content is increasingly moving towards a mobile-first medium which has sprouted multiple digital platforms and content creators specifically for the digital platform. On the other hand, traditional sectors such as TV and radio are increasingly re-inventing their offerings and platforms to retain and grow audiences.

The enhancement and expansion of the digital sector is providing an inherent thrust on the fund raising in this space which in turn has led to the need for the traditional players to start consolidating their positions to compete effectively with digital players.

Deal value more than doubled in 2018

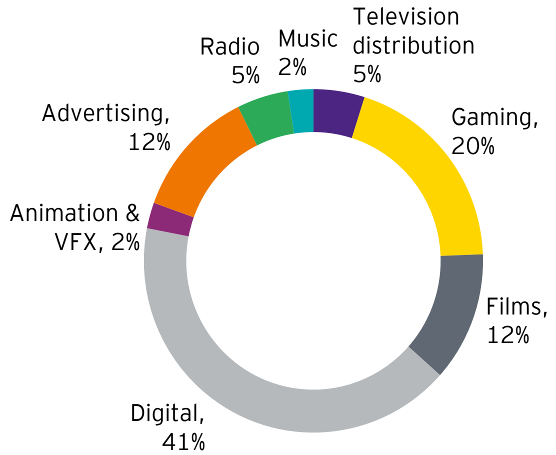


Source: EY Analysis

The number of deals in M&E in 2018 remained the same at around 40 though the deal value more than doubled to US$2.8 billion from US$1.3 billion in 2017. The total deal value for 2018 seems to be catching up with the 2016 deal value level which was at US$2.9 billion[1].

Over 40% of deals in 2018 were in the digital segment

Categorisation of deals in M&E in 2018 by segment

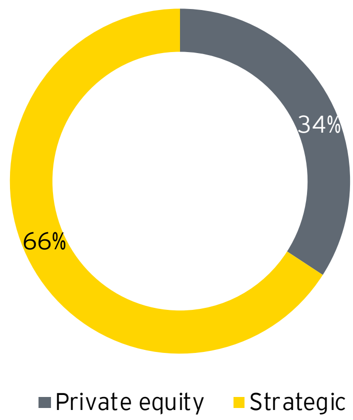


Source: EY Analysis

41% of deals were in the digital segment in 2018, compared to 30% of deals in 2017. Deals in the gaming segment came next with 20% of the deals[2].

60% of deals were led by strategic investors

Categorisation of deals in M&E in 2018 by type of deal



Source: EY Analysis

60% of deals were driven by strategic investors, while 40% were driven by private equity. Half of the deal activity in 2018 was credited to the trio of large deals by Reliance Jio across traditional as well as digital space:

- Saavn Music estimated at US$1 billion[3]
- Hathway Cable for US$420 million, and
- Den Networks for US$327 million[4]

1. EY analysis
2. EY analysis
3. Integration of JioMusic and Saavn in a Transaction Valued at Over US $1 Billion, https://www.saavn.com/corporate/blog/2018/03/23/integration-of-jio-music-and-saavn-in-a-transaction-valued-at-over-us-1-billion/, accessed on 22nd February, 2019
4. RIL's Hathway and Den stake buys may hit broadcasters, https://economictimes.indiatimes.com/markets/stocks/news/rils-hathway-and-den-stake-buys-may-hit-broadcasters/articleshow/66381765.cms, accessed on 21st February, 2019

Digital

The digital segment has been at the forefront of deal activity as India's demographic dividend in the form of smartphone users, internet penetration and improving bandwidth continues to grow exponentially. While platform deals were larger in terms of deal sizes, digital content and digital advertising deals were larger in volume terms within this segment.

Digital platforms

Digital platforms have witnessed a mix of consolidation and fund raise by leading players in the segment to expand reach and enhance their offerings.

- Reliance Jio merged Saavn Music with its proprietary offering, Jio Music, to form JioSaavn in March 2018. It was one of the largest deals of 2018 and the deal combines the media streaming expertise of Saavn with Jio's digital services ecosystem[5]

- Online ticketing platform Bigtree Entertainment, which owns and operates BookMyShow, raised US$100 million from a series of investors led by TPG Growth in July 2018. The funding will help BookMyShow scale its online ticketing business against competitors such as PayTM-Insider[6]

- Mobile-based news and entertainment content aggregator NewsDog, which aggregates articles in English as well as various regional languages such as Tamil, Telugu and Marathi, raised US$50 million in May 2018 from a series of investors led by Tencent. NewsDog intends to utilize the funds to add more vernacular languages and deepen its content library. It also launched a content platform, WeMedia, which allows users to submit content[7]

- Fastfilmz Media India Pvt. Ltd., which develops and offers a movie streaming application, has been acquired by SHAREit Technologies, a content sharing platform, for US$13 million in May 2018. The company operates an OTT platform to showcase South Indian films. The transaction will help SHAREit to expand its content portfolio and grow its regional user base in India[8]

Digital content

With growth coming in from tier 2 and tier 3 cities, rise of vernacular content and technology suited for lower bandwidths and android phones are gaining traction. The digital content space has seen significant interest from overseas investors, both strategic as well as financial. This trend is expected to continue in 2019 as the digital content market continues to expand aggressively with a focus on regional content and deeper internet penetration in the country.

- Sharechat, a social networking and content platform, raised US$110 million from a group of investors led by Shunwei Capital in January 2018. Sharechat app acts as a messaging app and is available in local languages such as Marathi, Gujarati, Bengali, Tamil, and Punjabi among others[9]

- Social media app Roposo raised funding of US$10 million from its existing investor Tiger Global and Bertelsmann India Investments in October 2018. The platform offers a TV like interface and is available in regional languages including Punjabi, Gujarati, Tamil, Bengali, and Hindi among others. The company plans to utilize the funding for product technology, talent acquisition and further expansion of the community[10]

5. Integration of JioMusic and Saavn in a Transaction Valued at Over US $1 Billion, https://www.saavn.com/corporate/blog/2018/03/23/integration-of-jio-music-and-saavn-in-a-transaction-valued-at-over-us-1-billion/, accessed on 22nd February, 2019
6. VCCEdge
7. Tencent leads $50M investment in NewsDog, an app vying to be India's Toutiao, https://techcrunch.com/2018/05/22/newsdog-tencent-50-million/, accessed on 22nd February, 2019
8. SHAREit Acquires Fastfilmz To Increase Video Content, Regional Users, https://inc42.com/buzz/shareit-acquires-fastfilmz-to-increase-video-content-regional-users/, accessed on 23rd February, 2019
9. India's first social network in regional languages ShareChat raises funding led by SAIF Partners, https://yourstory.com/2016/07/sharechat-funding, accessed on 22nd February, 2019
10. VCCEdge

Digital advertising

Deal activity in the digital advertising sector is inherent given the activity in the digital space. Innovative ad-tech players and creative content creators are at the bedrock of deal activity in this sub-segment.

- InMobi, a leading mobile marketing and advertising platform, acquired California based Aerserv in January 2018 for a deal value of US$90 Million. Aerserv is an inventory and audience monetization technology platform for mobile publishers. The acquisition will help InMobi in adding new clients and increase monetization from its current customers[11]
- WPP's GroupM acquired digital creative agency The Glitch in February 2018 to expand its portfolio of services in India. The Glitch has delivered award winning campaigns for client such as OYO Rooms, Tinder, Netflix, Unilever, among others. It will operate as a separate brand while also leveraging GroupM's expertise in data and analytics to complement its creative and content skills[12]
- Scarecrow, a creative agency to some of the leading brands in the world, was acquired by M&C Saatchi Worldwide to become M&C Saatchi Scarecrow in April 2018. The deal was valued at US$15 million for a 51% stake in Scarecrow[13]
- In April 2018, Punchh, a digital marketing firm for retail brick and mortar stores, raised US$20 million from a group of investors led by Sapphire Ventures. The funding will help the company expand the marketing cloud to new industries and roll out predictive marketing capabilities using AI and machine learning[14]
- In September 2018, Microsoft backed mobile marketing firm Affle, acquired Vizury Interactive Solutions' commerce business and brand in an all-cash deal. Vizury is a digital customer relationship management company, its commerce division includes re-targeting media business and push notification CRM platform business. The customer contracts as well as the technology platform will be transferred to Affle[15]
- Grey Group, owned by WPP, acquired a majority stake Autumn Worldwide, an independent social media and digital marketing agency, in October 2018. Its services include digital and social media campaigns, influencer and blogger marketing, online reputation management, content marketing, marketing big data and insights and command-center management services. The deal is in line with Grey's strategy to expand its footprint in the region[16]

Television

Television was the second largest sub-segment in terms of deal size led by the twin deals of the acquisition of Hathway and Den Networks by Reliance Jio. These deals will provide Reliance Jio last-mile connectivity to offer its triple-play services - voice, data and video - seamlessly. This sector saw most of the strategic transactions.

Television distribution

The Indian TV distribution segment is at a cusp in its evolution post the digitization of cable TV. While most of the homes in India underwent a switch-over to digital addressable systems from analog cable systems, the sector is now experiencing a consolidation phase with players joining hands to achieve scale and profitability.

There were two major deals in the TV distribution space in 2018:

- In October 2018, Reliance Jio announced the acquisition of a 51% stake in Hathway for a deal value of US$420 million through a preferential issue of shares. With this acquisition, Reliance Jio will get access to consumers directly and through its network[17]
- Reliance Jio also announced the acquisition of a 66% stake in Den Networks through a mix of preferential issue and secondary purchase of shares totaling a deal value of US$327 million[18]

With stakes in both Hathway and Den, Reliance Jio is getting access to a pan-India user base across 1,100 cities. It will also help Jio GigaFiber with last mile connectivity and offer high speed broadband services to over 50 million homes.

11. InMobi Acquires Los Angeles Based AerServ for $90 Million, https://www.inmobi.com/company/press/inmobi-acquires-los-angeles-based-aerserv-for-90-million/, accessed on 21st February, 2019
12. GroupM agrees to acquire digital creative agency, The Glitch, in India, https://www.groupm.com/news/groupm-agrees-acquire-digital-creative-agency-glitch-india, accessed on 23rd February, 2019
13. VCCEdge
14. Marketing platform Punchh raises $20M Series B, https://techcrunch.com/2018/04/12/marketing-platform-punchh-raises-20m-series-b-to-give-brick-and-mortar-retailers-better-data-analytics/, accessed on 22nd February, 2019
15. Times Internet, Microsoft-backed Affle acquires Vizury's commerce biz, https://www.vccircle.com/times-internet-microsoft-backed-affle-acquires-vizury-s-commerce-biz/, accessed on 22nd February, 2019
16. VCCEdge
17. RIL's Hathway and Den stake buys may hit broadcasters, https://economictimes.indiatimes.com/markets/stocks/news/rils-hathway-and-den-stake-buys-may-hit-broadcasters/articleshow/66381765.cms, accessed on 21st February, 2019
18. RIL's Hathway and Den stake buys may hit broadcasters, https://economictimes.indiatimes.com/markets/stocks/news/rils-hathway-and-den-stake-buys-may-hit-broadcasters/articleshow/66381765.cms, accessed on 21st February, 2019

Television broadcast

The Supreme Court judgement enforcing the implementation of the tariff order and interconnect regulations by TRAI is a watershed judgement in the Indian television broadcast segment As per the new tariff order, broadcasters will now have to declare the maximum retail price and nature of all the channels. Distribution platform operators will have to declare network capacity fees and distribution retail prices[19].

With pricing policies clearly outlined, much needed transparency and parity has been infused into the value chain. This will put emphasis on broadcasters to focus on quality content. From a financial perspective, subscription revenues (for broadcasters) are likely to decline for weaker channels and certain genres while carriage fees (for distributors) are likely to rise over the next 12 months. Marketing expenses of broadcasters are set to increase in the short term as broadcasters vie for consumer wallet share[20].

The broadcasting segment will therefore travel towards unchartered territory. This will set the pace for consolidation in the broadcasting space where standalone / lesser viewed channels will face a challenge in surviving and hence look for larger broadcasters to be housed with.

Film

Over the last three to four years, the multiplex segment has rapidly consolidated and is now dominated by four players. This trend of consolidation in the Indian multiplex segment will continue as there are still smaller independent regional players in the industry. Indian multiplex players are also looking for outbound deals as they target overseas markets, such as the Middle East, to expand their base. There is also an increasing interest from global players in the Indian multiplex space. Ancillary businesses around the multiplex segment, such as ticketing platforms, have also attracted strategic as well as financial investors.

Some of the key transactions in the sector include:

- Carnival Group signed a definitive agreement to acquire a 100% stake of Elan Group in Novo Cinemas in July 2018. The deal is estimated to be in the range of US$75-100 million. Carnival Group along with other Indian exhibitors are establishing presence in the Middle East region through acquisitions and partnerships. Carnival Group also has a presence in Singapore[21]
- In August 2018, PVR Ltd acquired 71.7% stake in SPI Cinemas for US$158 million. SPI Cinemas is a leading cinema player in South India operating 76 screens in 10 cities. It operates the iconic Sathyam Cinema, which is a household name in the local market. With this acquisition, PVR became the largest player in all the key cities of South India thereby further strengthening its leadership position in India[22]
- Reliance acquired 5% stake in Eros International for US$49 million in February 2018. The streaming service Eros Now also has a platform integration deal with Reliance Jio which aims to ensure technology and content synergies for both[23]
- PayTM acquired Alibaba-backed Orbgen Technologies, which operates Chennai based online ticketing platform TicketNew for a deal value of US$30 million in May 2018. The platform has been expanding in South India through partnerships with single screen theatres and regional multiplex chains. The deal will help over 300 million of PayTM's customers to connect with TicketNew partner cinemas[24]
- In March 2018, PictureTime Digiplex, a mobile digital movie theatre, raised US$4 million funding from a group of HNIs led by Ajay Relan, Founder Chairman of CX Partners. PictureTime provides mobile movie halls to rural areas ensuring quality entertainment at affordable rates. It operates 10 mobile digiplex cinema theatre units and has a presence in Telangana, Andhra Pradesh, Madhya Pradesh and Chhattisgarh. The funding will be used to expand to 100 operational units[25]

19. TRAI website
20. EY analysis
21. Carnival Group to acquire Qatar's multiplex chain from Elan Group, https://economictimes.indiatimes.com/industry/media/entertainment/media/carnival-group-to-acquire-qatars-multiplex-chain-from-elan-group/articleshow/65058481.cms, accessed on 20th February, 2019
22. VCCEdge
23. Reliance is buying 5% stake in Eros International for $48.75M, https://tech.economictimes.indiatimes.com/news/internet/reliance-is-buying-5-stake-in-eros-international-for-48-75m/63009496, accessed on 20th February, 2019
24. PayTM acquires TicketNew parent in a bid to fortify its ticketing biz, https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/paytm-acquires-ticketnew-parent-in-a-bid-to-fortify-its-ticketing-biz/articleshow/64282594.cms, accessed on 19th February, 2019
25. PictureTime digiplex, a mobile movie theatre for rural areas, raises Rs 25 Cr in funding, https://yourstory.com/2018/03/picturetime/, accessed on 20th February, 2019

Print

Similar to last year, the print segment did not witness any deal activity in 2018[26]. The sector faces stiff competition from digital platforms providing on-the-go and on-demand content for users. The economics for the segment are also facing a threat with rising costs affecting the profitability of print media companies in 2018. However, the sector is expected to get a boost in advertisement revenue from the upcoming general elections and increasing regional readership. Deal activity in this sector is expected to be muted over the coming year.

Radio

The radio segment is riding the consolidation wave as the segment is maturing and some of the major players are coming together to achieve greater market share and economies of scale. Also, regional players with very few stations (even one or two) will need to form strategic partnerships with larger players for expanding their reach and growing advertisement revenues. With the lock-in restrictions expiring, more deal activity is expected in the coming year as the industry looks to consolidate.

There were two deals in the segment which are outlined below:

- In April 2018, Music Broadcast Limited (MBL) acquired 100% stake in Ananda Offset Limited, which runs Friends 91.9 FM in Kolkata[27]
- HT Media acquired 51% in Next Mediaworks to expand their offering in English and also offer a better proposition to advertisers in terms of specific consumer segments[28]

Gaming

Gaming has grown exponentially over the last few years. Accordingly, there has been interest in the sector from both financial and strategic investors. Nazara continued its acquisition in the casual gaming sector in the first half of the year and Tencent marked its entry into the Indian gaming sector in 2018.

- AGTech, owned by Alibaba, and PayTM have launched Gamepind, an online gaming platform for social and casual games. The platform has raised US$16 million from the two companies to expand its business in India[29]
- In September 2018, Tencent invested US$100 million in Dream 11 Fantasy Pvt. Ltd., which is a fantasy sports platform. This deal provides Tencent opportunity to increase its India presence in gaming as it faces pressure in China where government is fighting against gaming addiction in children. Tencent plans to invest US$200 million in India and is targeting at-least one third user base of the country by 2020[30]
- Mech Mocha, a mobile gaming start-up, raised US$10 million from various investors including South Korean and Japanese in October 2018. The transaction was co-led by Neoplux and Accel Partners. Mech Mocha plans to utilize the fund in developing multiple vernacular gaming products[31]

26. EY analysis
27. Music Broadcast to acquire Ananda Offset's Friends 91.9 FM radio, https://www.livemint.com/Consumer/ikOu1fH0VvVrD57kJb4nxK/Music-Broadcast-to-acquire-Ananda-Offsets-Friends-919-FM-r.html, accessed on 19th February, 2019
28. Public Announcement to the shareholders of Next Mediaworks, https://www.bseindia.com/xml-data/corpfiling/CorpAttachment/2018/12/6DEE627B_6F21_41A9_A171_7AAFB39FECF2_081713.pdf, accessed on 20th February, 2019
29. Gamepind eyes big league with Rs 110 crore from AGTech, One97, https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/gamepind-eyes-big-league-with-rs-110-crore-from-agtech-one97/articleshow/65381402.cms, accessed on 16th February, 2019
30. Tencent Leads $100 Mn Series D Funding In Dream11 To Enter Indian Gaming Industry, https://inc42.com/buzz/tencent-leads-100-mn-series-d-funding-in-dream11-to-enter-indian-gaming-industry/, accessed on 17th February, 2019
31. Korean, Japanese investors to back mobile gaming startup Mech Mocha, https://www.vccircle.com/korean-japanese-investors-to-back-mobile-gaming-startup-mech-mocha/, accessed on 17th February, 2019

- In January 2018, Nazara Technologies invested US$5 million in Nextwave Multimedia to acquire a majority stake in the company. Nextwave has been topping the app store chart as it published India's most popular cricket game, World Cricket Championship with a massive fan base of over 15 million monthly active users[32]
- Nazara Technologies also marked its entry into eSports by acquiring a majority stake in India's largest eSports company, Nodwin Gaming. Nodwin hosts some of India's biggest eSports events such as ESL India Premiership, The Dew Arena and KO Fight Nights[33]
- In January 2018, one of the world's largest eSports company, Turtle Entertainment GmBH (ESL) invested US$4 million in Nazara. As part of the investment, ESL granted multi-year licensing rights of the ESL system and ESL community platform. Additionally, Nodwin will get media rights of ESL's global content in the Indian subcontinent[34]
- Nazara Technologies acquired 10% stake in Instasportz Consultancy to enter the offline gaming segment. Instasportz provides VR Gaming kiosks across the country and with this investment, Nazara aims to become one stop shop for the gaming enthusiasts and expand to tier 2 & tier 3 cities[35]

Inbound transactions in this space will continue to grow as overseas investors look to take advantage of the booming mobile gaming industry. Overseas gaming companies are setting up India-based teams to boost their operations in the country. Also, the e-sports space is expected to grow aggressively in the next two to three years on the back of better internet infrastructure in the country.

32. Nazara rides the NextWave, buys stake in Chennai firm, https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/nazara-rides-the-nextwave-buys-stake-in-chennai-firm/articleshow/62423966.cms, accessed on 16th February, 2019
33. Nazara picks up majority stake in e-sports platform NODWIN Gaming, https://www.vccircle.com/nazara-picks-controlling-stake-in-esports-platform-nodwin-gaming/, accessed on 16th February, 2019
34. E-sports major ESL invests in gaming co Nazara, https://timesofindia.indiatimes.com/deals/-ma/esl-invests-in-nazara/articleshow/62838971.cms, accessed on 15th February, 2019
35. With 10% stake in InstaSportz, Nazara eyes on offline gaming segment, https://www.inventiva.co.in/2018/08/16/with-10-stake-in-instasportz-nazara-eyes-on-offline-gaming-segment/, accessed on 16th February, 2019

Key M&A themes going forward

The M&E sector is ripe for consolidation and is going to continue to see the digital media, multiplex, radio and TV distribution segments acquiring strong business verticals to expand and complement their existing businesses. This is a trend likely to continue going forward as large media companies look to further strengthen their positions in this fast-growing sector.

Tapping the immense opportunities in tier-II & tier-III markets has only just begun and increasing amounts of regional and vernacular content will only further fuel the growth in this space. India's demographic dividend and increased data and smartphone penetration will make the space attractive and rewarding for investors in the M&E sector. The Indian M&E sector is also seeing huge interest from global strategists who want to monetize the India growth story.

We expect the following themes to drive M&A activity in the Indian M&E sector:

Consolidation	► The consolidation wave in the M&E sector is expected to accelerate and continue as large media corporates strengthen their presence for achieving scale, reach and relevance. The sector is also gaining huge interest from global strategic players who want to be part of the fast clip growth in this sector, on the back of transparency and availability of data ► Players in the traditional media segment are looking to expand their presence to gain regional access as well as enhance their product base ► Monetization in the digital segment will be a function of scale and consolidation trends in this space strengthen that premise. The strategic deal activity in the digital segment has largely been to gain access to a larger user base and hence effectively monetize them. Acquisitions by Reliance Jio of Hathway and Den Networks are examples of how a new player chose to buy vs build to achieve scale
Consumer-centric	► The M&E sector is inherently consumer centric and now with multiple avenues and formats for content consumption, users are spoilt for choice, while brands and media companies strive to build a direct connect with their clients. Content creation for this varied user base is a growing sub-segment and as content gets more targeted and relevant, the focus on monetizing through subscription is a certainty in the future. Gaining direct access to consumers will fuel transactions in this space. Acquisition of Saavn by Reliance Jio and investments in Sharechat and Dream 11 substantiate that customer centricity will remain at the forefront
Convergence	Convergence in the sector will continue as the line starts fading between the technology, telecom and media companies ► Media companies are launching OTT platforms for showcasing their content and overlaying it with AI, big data and blockchain to predict and create content for their user base ► Technology companies are focusing on advertising and MarTech businesses and now, more and more on content creation, including user generated content to retain eyeballs. Google is investing in original video content in India ► Telecom companies continue to partner with content players to provide differentiation of service offerings and boost their customer acquisition and customer retention

Tax environment

Direct taxes

The last few years have witnessed some ground-breaking changes to the tax environment globally. With technological advancements and convergence across the industry, business models have been evolving rapidly. This evolution has impacted the tax base of countries where businesses operate "invisibly". This has triggered a need for change in the tax laws followed historically.

In the M&E sector, the impact of digital content consumption has resulted in significant implications on taxes. The Organization for Economic Co-operation and Development ('OECD')[1] has been attempting to build consensus on the taxation of digital economy businesses, but it is still ongoing. Parallelly, various countries are amending their domestic laws to introduce specific provisions to tax digital businesses and prevent revenue leakages, often meant to be protective measures till a global consensus is reached on the subject.

The tax law in the United States has been overhauled to attract investment and create jobs as well as incentivize bringing back of monies available with the international operations of the US headquartered corporations.

On the domestic front, while India is at the forefront in data consumption and increased smartphone users, it has also been leading the world in taxing digital economy business with the introduction of an Equalization Levy ('EQL') and Significant Economic Presence ('SEP'), both of which are discussed later in this section. Recently, the Indian judiciary has also been adopting a broader view of existing tax laws while dealing with taxation of digital businesses.

In view of these developments, this section captures the impact of some of the changes on the M&E sector as well as outlines key expectations.

Key global developments

The OECD is in the process of building consensus

After releasing its report on "Addressing the Tax Challenges of the Digital Economy", the OECD began follow-up work to build a consensus-based solution for nexus and profit allocation rules i.e., how much tax right does each jurisdiction involved in the digital economy supply chain possess. While the work is still ongoing, the OECD released an interim report, which analyzed the features commonly found in certain highly-digitalized business models and value creation in the digitalized age.

The OECD has released the following new two-pillar approach as a base for future discussions:

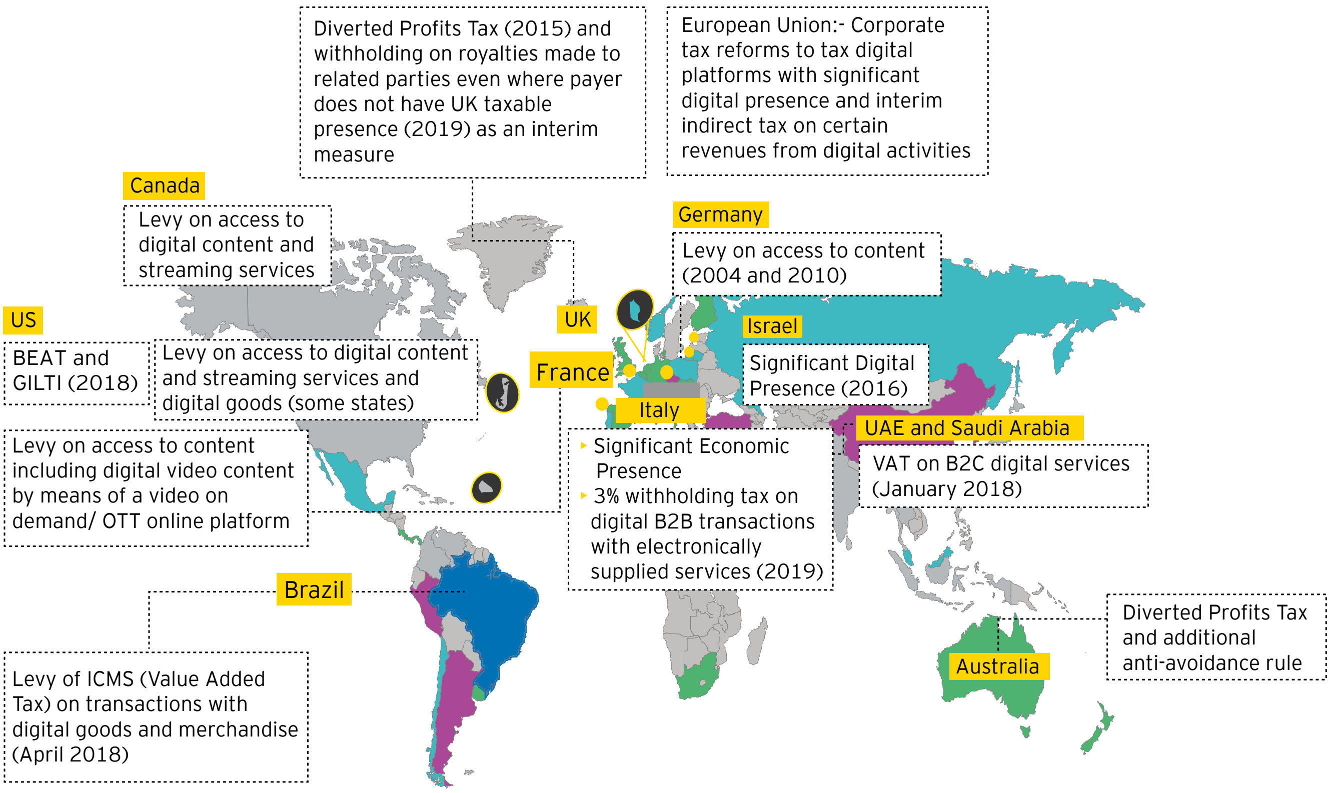
- First pillar: Allocation of taxing rights including nexus issues
- Second pillar: Address remaining BEPS issues related to profit shifting to no / low tax jurisdictions

The above may lead to an altogether fresh international tax framework with several changes and OECD is carrying out more work in 2019 in this context.

1. The OECD is an intergovernmental economic organisation comprising of 36-member countries majorly from the European region. Countries such as India and China are not members but hold a special observer status.

Several countries have revised their digital tax laws

While the OECD is in discussion to build consensus, several countries have been taking individual steps towards establishing regulations for taxing digital transactions, primarily to reduce tax leakages. Media and technology companies with a global presence would need to be nimble and evolve their global operating models keeping in mind the changes in the global tax environment.



With the US tax system being overhauled, content procurement from India may take a hit

In December 2017, the US House and Senate approved the Tax Cuts and Jobs Act (H.R. 1) Conference Agreement bill into law which provides for a complete overhaul of the US international tax regime[2]. While the US federal corporate tax rate has been reduced from 35% to 21% and sops have been given such as non-taxability of dividends received by US corporations from non-US corporations, accelerated depreciation for certain qualified property[3]. However, introduction of provisions such as Base Erosion Anti-Abuse Tax (BEAT) may have a detrimental impact on cross-border payments to affiliates. These provisions seek to disallow for tax purposes payments (beyond a specified threshold) to non-US related parties.

With BEAT provisions in place, US M&E companies may re-evaluate arrangements with Indian related parties for content procurement (including for licensing, production, etc.)

The M&E industry invests heavily in intangible rights (such as content and brand rights), intellectual properties dealing with various facets of its supply chain, marketing and most importantly, understanding its target audience. Today's digital economy and converged world is providing additional impetus to this process with data in focus. FDII (Foreign Derived Intangible Income) tax provisions incentivize income from US Corporations selling or licensing property, including IP, or providing services internationally.

Key developments in India

Increase in cost of digital marketing for Indian start-ups and SMEs

India has introduced an EQL of 6% to tax payments made to non-residents by Indian residents / Indian Permanent Establishment (PE) of non-residents in relation to online advertising and other notified services[4].

While currently EQL is only applicable on online advertising related services, in the future, the scope of services covered by EQL is expected to be expanded. EQL has generated over INR 5.5 billion in tax revenues[5].

Many start-ups and businesses that do not have a significant market share rely on digital advertising platforms (which are mostly owned by foreign players) to reach potential consumers. In most cases the EQL burden may be passed on to the ultimate customer, which raises the cost of advertising for these companies. There is also an additional compliance burden on these companies.

The above also coincides with a ruling by an Indian tribunal in the case of a search engine platform[6], which held that payments made by an Indian taxpayer to its overseas group company for marketing and distribution of advertising software programs of the overseas entity was in the nature of "royalty" under the Income Tax Act as well as the provisions of the applicable Double Taxation Avoidance Agreement (DTAA). This is a contrary to earlier rulings, which have regarded consideration for distribution agreements to not be in the nature of royalties. The Tribunal held that the distribution arrangement involved the use of patented technology, trademarks, secrets and other confidential information of the foreign company. The ruling raises concerns over the tax impact on distribution arrangements for digital services, till the matter is settled by the court.

Offshore digital players may have a business presence in India on account of Indian users or revenues sourced from India

India introduced the concept of SEP in the source rule. The law now provides that SEP in India (irrespective of the physical activities of the non-resident in India) will also constitute a business connection i.e., a taxable presence in India. The SEP will be triggered on transactions of goods, services or property (including downloading of data or software) entered into by a non-resident in India, through digital means, exceeding a monetary threshold (to be prescribed) or systematic and continuous soliciting of business or interaction with a specified number of users (to be prescribed).

While non-residents with tax treaty protection will not be affected by the proposed changes as the expanded definition is yet not incorporated in the bilateral tax treaties, India is proposing to use this introduction to re-negotiate its existing bilateral tax treaties.

With this change, apps / websites operating from outside India may create a taxable presence in India based on the number of Indian users or Indian sourced revenue, irrespective of such company having any sort of physical presence / local entity in India (a departure from existing generally accepted principles).

2. https://www.ey.com/gl/en/services/tax/international-tax/alert--report-on-recent-us-international-tax-developments---22-december-2017
3. including, inter alia, film and television equipment, theme and amusement park assets, computers and peripherals etc
4. The draft report based on which the Government had proposed to introduce EQL provisions initially contained 13 notified services.
5. http://www.pib.nic.in/PressReleaseIframePage.aspx?PRID=1564086t
6. Income Tax Appeal Nos. 1190/Bang/2014, 949&950/Bang/2017 before the Bangalore Income Tax Appellate Tribunal

The Indian judiciary has also been broadly interpreting the existing laws in the context of new age businesses. Recently, the Authority for Advance Rulings (AAR) in case of an entity engaged in providing global payment solutions[7], held that the automated equipment (owned by Indian support services arm) and the technology network used for the overseas entity's business, constituted a fixed place PE (i.e., a taxable business presence) for the overseas entity in India, since the same was at the disposal of the overseas entity (relying on who is involved in upgradation and maintenance of the equipment, who is responsible for the work performed by the equipment, etc.).

Such a ruling would impact technology driven foreign entities deploying dedicated networking infrastructure in India (including mirror servers, authentication equipment etc.) to provide services to its users in India. Arrangements for technology infrastructure would need to be reviewed, to understand the level of control that overseas companies exercise over the equipment in India, and alternative strategies may need to be adopted.

Maintenance of servers in India

Recently, the Reserve Bank of India ('RBI') has introduced a requirement to store / localize India related customer data from the perspective of data privacy. E-commerce and social media companies have been asked to set up local entity / servers in India. Further, the RBI has mandated that all data related to payment systems be locally stored in India from the perspective of surveillance, monitoring and exclusive control of data[8].

New e-commerce rules

The Department for Promotion of Industry and Internal Trade ('DPIIT'), in December 2018 had introduced rules for India's e-commerce industry on how foreign online retailers should structure their business operations in India. The new regulations propose a relation on conditions for eligible borrowers, eligible lenders and end-use restrictions[9]. Further, in light of the revised e-commerce guidelines, companies operating through marketplace model need to assess their existing business model and in case of any gaps, it needs to align its operation to comply with these new provisions.

In addition to the above, the DPIIT has issued a draft national e-commerce policy for stakeholder comments 23 February 2019. The draft policy seeks to address certain key issues of the e-commerce ecosystem – data, infrastructure development, marketplace model, regulatory issues (taxation, consumer protection, payment, etc.), for stimulating the domestic digital economy and export promotion through e-commerce[10].

The policy, acknowledging the increasing importance of data aims to regulate cross-border data flow, while enabling sharing of anonymized community data.

Further, recognizing the inter-disciplinary nature of e-commerce, the policy recognizes the importance of enacting regulations in the areas of taxation, law, small enterprises and start-ups, consumer protection, payment systems, content liability and environment in harmony with the necessities and interests of the digital ecosystem.

The draft also recommends setting up of a registered business entity in the India by the e-commerce sites or apps which are available for download in India.

Relaxation of requirement of additional authentication / validation in case of "card not present" transactions

"Card not present" transactions are typically those, where a card holder cannot present his or her card to the merchant for physical examination at the time of the payment (online, telephone transactions, etc.).

Earlier, RBI notification mandated to put in place additional authentication / validation based on information not visible on the cards for all online card not present transactions.

However, based on representations received from various segments of the industry, the RBI has issued a notification[11] relaxing the additional factor authentication for low-value online card transactions.

As per the RBI notification, customers can now opt out of the process of two-factor authentication for online card transactions involving payments up to INR 2,000 across all merchant categories. However, banks and card networks are free to facilitate their customers setting lower per-transaction limits.

7. AAR No. 1573 of 2014 before the Authority for Advance Rulings
8. RBI notification DPSS.CO.OD No.2785/06.08.005/2017-2018 dated 6 April 2018
9. https://www.ey.com/gl/en/services/tax/international-tax/alert--india-amends-foreign-investment-rules-governing-foreign-debt-investment-into-indian-entities-and-foreign-direct-investment-into-e-commerce-sector
10. https://dipp.gov.in/sites/default/files/DraftNational_e-commerce_Policy_23February2019.pdft
11. RBI notification DPSS.CO.PDNo.1431/02.14.003/2016-17 dated 6 December 2016

Applicability of censorship to OTT players

Recently, the Delhi High Court has dismissed a public internet litigation filed by an Indian NGO[12] seeking directions to frame guidelines to regulate the content broadcast on online platforms. During the proceedings, upon issue of a notice, the Ministry of Information and Broadcasting ('MIB') stated to the High Court that the online platforms are not required to obtain any license from the MIB for displaying their content and the same is not regulated by the MIB.

The Ministry of Electronics and Information Technology also informed that they do not regulate internet content and there is no provision for regulating or licensing an organization or establishment for putting up content on the internet.

The High Court, accordingly, dismissed the petition on the basis that it cannot issue a direction to frame guidelines or provisions when the Information Technology Act already provides for stringent provisions. Some of the leading OTT players have signed up self-regulation code of Best Practices which establishes guiding principles for online curated content providers to conduct themselves in a responsible and transparent manner and also aim to ensure that consumer interests are protected.

Holding international events in India creates a taxable presence

The Supreme Court of India ('SC') in a landmark judgement[13] affirmed the Delhi High court order and observed that the international sporting event conducted in India was a virtual projection of overseas entity on Indian soil. The SC upheld that the overseas entity had a fixed place of business in the form of physical location i.e., the place at which the event was held, which was at its disposal through which it conducted business. Though the access to circuit granted to the overseas entity was not permanent or everlasting, having regard to the commercial transactions, access for the short duration of two weeks was sufficient for creation of a fixed place PE.

Companies proposing to host India specific events may need to consider their roles / functions to determine if they create a taxable presence in India. Where similar facts exist, such as bringing various parties together in substance to execute the overall work or project in India and each of such entities may carry on complimentary work, and facilitating such work amounts to carrying on the business of taxpayer, the arrangement may need to be re-evaluated considering the observations made in the ruling by the court.

Limited Liability Partnerships and service companies now eligible to avail overseas commercial borrowings

As part of the on-going efforts at rationalizing multiple regulations framed under FEMA 1999 over time, regulations governing all types of borrowing and lending transactions between a person resident in India and a person resident outside India, both in foreign currency and Indian Rupees, have been consolidated and the Revised Regulation FEMA 3(R)/2018 has been notified by the Government of India on 17 December 2018.

In line with the above revised regulation, it has now been decided, in consultation with the Government of India, to rationalize the extant framework for ECB and Rupee Denominated Bonds to further improve the ease of doing business. An A.P. (DIR Series) Circular on the new ECB policy has been issued incorporating the new framework.

Under the revised policy, all entities eligible to receive FDI in terms of FDI Policy, including Limited Liability Partnerships, would be eligible to raise ECB. RBI in consultation with Government of India may specify any other entity / sector eligible for ECB or amend the existing eligibility norm. A negative list, for which the ECB proceeds cannot be utilized include real estate activities, investment in capital market, equity investment, working capital purposes except from foreign equity holder, repayment of Rupee loans except from foreign equity holders, etc.

Exemption to start-ups from "angel tax"[14]

The DPIIT has recently released a notification which has relaxed the conditions and procedures for exemption from "angel tax" for start-up companies from an approval-based process to a "green channel" process. The DPIIT has laid out certain criteria to be adhered to by start-ups to claim such angel tax exemption by way of raising the cap on aggregate share capital and share premium consequent to past or proposed issue of shares from INR 100 million to INR 250 million, dispensing with the net worth and income criteria for resident investors (as was provided in the earlier rules), and introducing anti-abuse provisions[15].

12. Appeal No. W.P.(C) 11164/2018 before the Delhi High Court

13. Civil Appeal Nos. 3849 TO 3851 OF 2017 before the SC

14. This refers to the tax levied under the domestic tax law on the capital / premium invested by the investors in start-ups in excess of the start-up's fair value and is referred to as 'angel tax'

15. https://www.ey.com/Publication/vwLUAssets/angelTaxFeb19_2/%24FILE/angelTaxFeb19_2.pdf

Sector wish list

Clarification on lower withholding tax rates

Under the law, the rate of TDS is as high as 10% on payments for professional services, royalties and fees for technical services (under Section 194J of the Act). This assumes a profitability of 30 - 40% (at corporate tax rate of 25 – 30%). However, several companies in the M&E industry are predominantly loss making or have much lower net profit margins and therefore, such a higher rate of TDS leads to cash blockages for taxpayers.

In the case of media buying agencies, a rate of 2% under Section 194C of the Act assumes a profitability of 6 – 9%, whereas these usually range from 1 – 2% and in some exceptional cases, profitability may be as high as 4%. This leads to blockage of cash in the form of TDS, and makes the model unviable.

TDS provisions need to be rationalized and it should be clarified that the rate of 2% applicable to media buying agencies under Section 194C of the Act applies only on the margin / commission earned by such companies and not on the entire cost. Furthermore, authorities may consider reducing the rate of 10% on payments under Section 194J of the Act to below 5%. Equally, long standing provisions relating to non applicability of tax withholding on revenues from exploitation of theatrical rights is now being called in question. It is important to take immediate measures to nip this in the bud else it may materially impact the financial prospects of film industry.

Make in India

The "Make in India" campaign was launched in 2014 to promote local manufacture and innovation across industries. It covers 25 sectors[16], including M&E[17].

Given the increasing demand for content globally, there is an opportunity to make India a hub for content production exports, on account of the low cost of production (including equipment hire and low cost of labor), abundant talent and adoption of a host of technological advancements such as VFX, 3D / 4D formats, drone shooting, animation, etc.

The government should contemplate providing tax incentives such as extending tax holiday benefits under Special Economic Zone scheme for content production export activities), etc. to make India a hub for content production (similar to the benefits provided to the IT / ITeS industry).

Given the diverse locations for shoots – different terrains including beaches, deserts and mountain ranges as well as world heritage sites - this would also boost tourism. Film tourism could generate US$3 billion by 2022[18] if adequately incentivized.

Tax incentives for the film exhibition industry

The Indian film exhibition industry is largely untapped with less than one-fifth the number of screens present in developed markets such as the US and China[19]. This is despite India being one of the largest producer of movies in the world[20] and the second most populated country. While there has been de-growth in screen-counts in India over the past few years, China has recorded phenomenal growth which can partly be attributed to a lower tax rate.

On similar lines, to increase penetration of the exhibition industry in Tier 2 and 3 cities, government should contemplate providing tax incentives in the form of tax holiday period, lower rates, weighted deductions, subsidies, etc. for the industry.

Simplified taxation regime for events industry (including sporting events)

With a varied diaspora and a population of over 1.3 billion[21], India has a huge potential to host global events. These events have can lead to generation jobs for locals, not only through direct employment, but also through development of infrastructure facilities required to support these events, related media spends and tourism.

However, due to ambiguities in the taxation regime, global companies have been reconsidering hosting such events in India.

To give impetus to the events industry, the government should consider putting in place a simplified taxation regime along with lesser compliances for the events industry, after carefully considering the views of the stakeholders on their profitability. A relaxation in the taxation regime for taxing non-resident personnel attending these events (including for film shoots in India) will also go a long way in making India a hub for global events and film shoots.

Further, like the single window clearance for foreign film makers in India, the government should also provide a single window clearance for the events industry, to give impetus to this growing entertainment segment.

16. http://www.makeinindia.com/article/-/v/make-in-india-reason-vision-for-the-initiative
17. http://www.makeinindia.com/sector/media-and-entertainment
18. Transforming Location into Vacation, EY, 2019
19. http://ficci.in/spdocument/22949/FICCI-study1-frames-2018.pdf
20. https://www.ey.com/Publication/vwLUAssets/ey-building-brand-india-through-film-tourism/%24File/ey-building-brand-india-through-film-tourism.pdf
21. https://data.worldbank.org/indicator/SP.POP.TOTL?locations=IN

Goods and Services Tax (GST)

GST was implemented with effect from 1 July 2017. Since then the government has been consistently taking various initiatives to stabilize the new regime. A far-reaching tax reform like the GST is a big challenge and requires streamlining of procedural aspects which were earlier envisaged by the law but needed to be reviewed due to sector representations. Further rate rationalization has also been an equally important priority. Over the past few months, the efforts of the government to peg rates at 18% or lower for almost 99% of goods is brave and laudable[22]. This initiative has also led to the much-needed rationalization of GST rates on cinema tickets.

On the procedural front the government has implemented a partial compliance regime, keeping in abeyance compliances related to filing and furnishing details related to credits[23]. The administration is also continuously and proactively removing bottlenecks for granting refunds and procedural issues are being dealt with thorough consultation driven by a focused attention towards achieving ease in doing business.

Significant changes in the GST regime

The M&E sector witnessed following significant changes in the GST regime when compared with erstwhile tax regime (pre-dominantly leviable to service tax). The sector has undertaken a significant effort to embrace the changes and do business in India.

Partial elimination of multiple taxes that resulted in cascading tax impact

Prior to introduction of GST, the Indian indirect tax had a three-tiered tax structure viz, central taxes (such as Excise Duty, Service Tax, etc.), state taxes (such as State Value Added Tax ('VAT'), Central Sales Tax, State Entertainment tax, etc.) and local body taxes (such as Octroi duty, Show tax, etc.). 17 different taxes levied by central, state and local body governments were subsumed under the GST.

M&E sector suffered from dual taxation of service tax and VAT, service tax and entertainment tax, octroi and sales tax, etc. on various transactions. Some sectors such as copyright distribution, print advertisements, etc. were not brought under the ambit of indirect tax which caused cascading of taxation. With subsuming of taxes into GST, the issues relating to dual taxation and cascading of taxes were partially eliminated.

However, the government has allowed local bodies to levy entertainment tax in addition to GST which is likely to cause problems relating to dual taxation if such taxes are chosen to be levied by local bodies.

Requirement of obtaining multiple GST registrations

Under the erstwhile service tax legislation, the law allowed service providers having a pan-India presence to obtain one centralized registration whereby the main/ head office of the service provider could be identified as principal place of business and additional places of business could be added/ deleted in the same registration certificate as and when the need arose.

Under the GST legislation, the intention of the law appears to mandate registration in every state from where the service provider makes a supply of service. Given this, one of the major exercises carried out by M&E companies as part of the GST implementation process was to determine the supplies made by the individual regional/ state level offices before concluding on the requirement to obtain GST registration in states.

Therefore, in the case of a pan-India supplier making supply to multiple states, GST registration was needed in all such states.

Further, the GST legislation does not permit granting a centralized registration to service providers having a pan-India presence, thereby making state-wise registration mandatory in select cases. This can be considered as one of the most significant changes in GST. For each state in which suppliers were registered, they had to carry out tax compliances and be administered by multiple tax authorities.

Increased compliances

Under the service tax legislation, while the law mandated monthly discharge of service tax to the government for majority of the service providers, the return filing process was limited to filing of bi-annual service tax returns. Also, it was a summary return based on the principals of self-disclosure and self-compliance wherein a consolidated number pertaining to output supply of services was to be reported for every category under which the service tax had been discharged. Specific disclosure pertaining to advances received, exempted services provided, export services provided, etc. were also required to be made. Further, credit availment, utilization, reversals and adjustments were all to be disclosed in the same return as a consolidated number for the period.

22. https://economictimes.indiatimes.com/news/economy/policy/working-to-bring-99-items-in-sub-18-gst-slab-prime-minister-narendra-modi/articleshow/67141101.cms

23. Monthly GSTR2 and GSTR3 returns have been kept on hold vide notification 30/2017 CGST dated 11 September 2017

With the advent of the GST legislation, another significant change which impacted every tax payer was the increase in the number of compliances. While the initial proposition was to mandate filing quarterly returns for disclosing invoice level output supplies, invoice level inward supplies and discharging monthly liability, the government authorities prescribed monthly returns for disclosing invoice level output supplies and a summary return to report credit availment and discharging the monthly GST liability.

Thus, a tax payer having offices in five states, has to file 130 GST returns in a year as compared to two returns for all offices under service tax regime.

Based on the output supplies details filed by the supplier, the government generated a report of tax credits eligible to the recipient. The due date for claiming credits for the period FY 2017-18 which was initially September 2018 (now revised to March 2019) indicates that the suppliers reconcile the credits reported by them in the monthly returns with the report made available by the government. Failure to reconcile such differences is likely to deem the credit ineligible and liable to reversals.

In addition to ongoing monthly returns, tax payers are required to file an annual return for each registration in each state by 31 December of the following financial year to which such returns pertain (extended to 30 June 2019 for FY 17-18). In addition to the annual return, suppliers exceeding the annual turnover threshold of INR 20 million have also been mandatorily subjected to filing the annual audit report to be submitted along with the annual return. Broadly, the audit report is a reconciliation of the financial statements with the GST returns filed by the supplier throughout the year.

The above-mentioned returns are routine returns applicable to most suppliers. In addition to the above, on a case to case basis, additional returns are to be filed on a periodic basis such as:

- Returns for distributing GST credit through input tax distributor mechanism
- Statement furnishing Tax Collected at Source
- Statement furnishing Tax Deducted at Source
- Returns reporting goods movement under job work arrangements
- Returns by dealers under composition scheme

Taxability of intra-company supplies

Under the erstwhile service tax legislation, given that there was no concept of separate state wise registration, there was no taxability on intra-company supplies. In fact, intra-company supplies commonly referred to as "self-supplies" were out of purview of service tax.

However, the GST legislation recognizes each state wise registration of an entity as a "distinct person". Further, given that supplies between distinct person fall under the ambit of GST even though made without consideration, the intention of the legislation appears to tax even intra-company transactions.

Given this, suppliers having a pan-India presence and registered for GST in multiple states need to evaluate the ramifications of these provisions and evaluate the taxability of common services provided by one office to multiple offices across states which inter-alia include head office services and services provided by regional / state level offices to the head office which interalia include sales and customer support services.

Interlinking of GST credits to GST registration

Under the service tax legislation, applicability of service tax was indifferent to the registration status of the recipient since tax rate and nature of tax leviable on the supply of services was standard.

However, under the GST legislation, the type of tax to be levied viz, Integrated Goods and Services Tax ('IGST') or Central Goods and Services Tax ('CGST') and State Goods and Services Tax ('SGST') depends on the registration status of the recipient. Determination of nature of supply, i.e., inter-state supply vis-à-vis intra-state supply has been linked to place of supply provisions which inter-alia are based on registration status of the recipient in many cases.

Thus, under the erstwhile legislation, the recipient could take the credit of hotel services irrespective of the fact that the recipient was registered or not in the state where the hotel is located. Under GST, if the recipient does not have a registration in the state in which the hotel is located, such credit will be lost. Such lost credit is an additional cost incurred by companies in GST regime.

Inter-dependency of vendor compliance with credit availment

Procedure for credit availment under the erstwhile service tax legislation was limited to receiving the invoice from the vendor mentioning the correct details such as name, address of registered premises, appropriate disclosure of taxable value, taxes and cesses, etc. The credit availment was not linked to whether the vendor has carried out all the compliances under the service tax legislation such as timely filing of returns, timely payment of liability, etc., though similar concept was introduced under various state VAT legislations.

However, this has significantly changed under the GST legislation. Under the GST legislation, while one may avail the credit basis the invoice received from the vendor, its availment can be challenged by the GST authorities if the vendor fails to carry out the necessary GST compliances such as filing of returns disclosing output invoices for the month, payment of GST on such invoices raised, etc.

Changes expected and key measures to be taken in near future

The past 18 months of GST have been an important learning for the sector as well as the government. The dynamic environment within which GST functions has necessitated frequent changes to legislation and procedures. Having learnt from the experience, this section focuses on the key measures which could be taken by the sector going forward to cope with the constantly-changing facets of GST.

GST credit management

One of the conditions for availing GST credit of vendor invoices under the GST legislation is the matching of the invoices reported by the vendor on the Goods and Service Tax Network ('GSTN') portal. Assessees can claim credit of only those invoices which the vendor has uploaded on the GSTN portal. Though the process seems straight forward, assessees experienced various challenges while reconciling the vendor invoices recorded in their internal systems with the vendor invoices appearing on the GSTN portal for the period 2017-18. Some of the key reasons for mismatch were as follows:

- Non-filing of GST returns by vendors
- Non-receipt of vendor invoices by assessees
- Incorrect invoice details entered by vendor
- Incorrect recording of invoices by assessee
- Availment of credit in wrong GST registration number

It is believed that more emphasis should be laid by the GST authorities on questioning the credits availed by the assessee in its monthly return vis-à-vis the credit appearing on the GSTN portal. With real time data available with tax authorities, identifying discrepancies in credit availed against credit available should not be a challenging activity.

Companies would need to build robust accounts payable systems with appropriate vendor management and reconciliation tools to take pre-emptive steps to minimize reconciliations adjustments between the credit availed and the credit available monthly.

GST audit

The due date for filing GST audit for the FY 2017-18 has been extended to 30 June 2019. Given the extension, it is imperative that the sector gears up to take on the task of filing timely GST audit reports. GST audits are mandatory only for classes of assessees whose annual turnover is in excess of INR20 million on a pan-India basis. Further, such audit reports are required to be filed by the assessee for each registration in each state.

The challenge lies in the exercise of reconciling the figures reported in the monthly GST returns for each state with the financial statements prepared by the company at a consolidated pan-India level. Manner and methodology to be adopted for distribution of certain items of the financial statements to each of the GST registrations is likely to be a significant hindrance for most of the companies subject to GST audit.

New return formats

As per the press release by the Government of India pursuant to the 31st GST Council meeting[24], it is understood that the government intends to introduce a new monthly GST return filing system on a trial basis from 1 April 2019 and on mandatory basis from 1 July 2019. While the timelines may be relaxed by a few months, the new return formats will significantly change the compliances undertaken going forward. If the new returns functionality is introduced, it may even require software, business process, commercial and financial change in each organization.

24. Press release - Recommendations made during 31st Meeting of the GST Council held on 22 December 2018 (New Delhi)-Rate changes

The key features of the said returns proposed by the GST Council through its note released in July 2018 are as follows:

- There would be facility for continuous uploading of invoices by the supplier anytime during the month and such uploaded invoice shall be continuously visible to the recipient
- Only uploaded invoice would be a valid document for availing input tax credit. Invoices uploaded by the supplier by the 10th of the subsequent month shall be auto-populated in the liability table of the main return of the supplier
- After the due date for the filing of return is over, the recipient shall also be able to see the return filing status of the supplier and thus be aware whether the tax liability on purchases made by him has been discharged by the supplier or not. Viewing facility shall also show the trade name of the supplier
- Invoices uploaded by the supplier by 10th of the next month shall be posted continuously in the viewing facility of the recipient and the taxes payable thereon which can be availed as input tax credit shall be posted in the relevant field of the input tax credit table of the return of the recipient by 11th of the next month
- Invoices uploaded after 10th of next month by the supplier shall get posted in the relevant field of the return of the subsequent month of the recipient though viewing shall be continuous
- There shall not be any automatic reversal of input tax credit at the recipient's end where tax has not been paid by the supplier. In case of default in payment of tax by the supplier, recovery shall be first made from the supplier and in some exceptional circumstances like missing taxpayer, closure of business by the supplier or supplier not having adequate assets or in cases of connivance between recipient and the supplier, etc. recovery of input tax credit from the recipient shall be made through a due process of service of notice and issue of order
- There would be a facility to file two amendment returns for each tax period within the time period specified in section 39(9) of the CGST Act, 2017

Local body entertainment taxes

The Constitutional (One Hundred and First Amendment) Act, 2016 as passed in the Parliament, by virtue of clause 17(iii) substituted the entry in the State List of the Seventh Schedule to the Constitution of India with a new entry. The new entry retains in the State List "the power to levy taxes on entertainments and amusements to the extent levied and collected by a Panchayat or a Municipality or a Regional Council or a District Council."

The Local Body Entertainment Tax ('LBET') under GST would impose a significant burden on the entertainment sector. Levying LBET would not only increase the complexity and perpetuate the anomalies that arose in the previous tax system but would also essentially negate the relief intended and provided by the GST Council by GST rate reduction on cinema tickets. The table below captures the status of implementation of local body entertainment taxes in the states across India:

<table>
<tr><th>Sr. no.</th><th>State</th><th>Status</th></tr>
<tr><td>1</td><td>Maharashtra</td><td rowspan="3">Bills in their legislative assemblies to impose LBET, the law has not yet been made effective</td></tr>
<tr><td>2</td><td>Gujarat</td></tr>
<tr><td>3</td><td>Punjab</td></tr>
<tr><td>4</td><td>Kerala</td><td>Proposal to introduce LBET announced in 2019-20 budget speech at 10% on cinema tickets</td></tr>
<tr><td>5</td><td>Madhya Pradesh</td><td>Legislation released empowering local bodies to charge up to 20% entertainment tax on most entertainment platforms</td></tr>
<tr><td>6</td><td>Tamil Nadu</td><td>LBET has been implemented at different rates on cinema tickets depending on language</td></tr>
</table>

It is understood that the reason behind the decision to continue the taxes is that the local bodies would not participate in the GST and they would need to be protected from any financial hardships.

Across the world, M&E sector is identified as a priority sector, apart from including entertainment in the VAT or GST base, they provide incentives to promote the sector. No international legislation promotes, levies or supports a supplementary tax on filmed entertainment. Internationally, films are subjected to VAT/ GST at reduced rates, reduced rates or standard rates.

We have given below the various reasons why LBET should not be introduced as a supplementary tax over and above GST:

- State governments are going to be compensated for any loss of revenue arising on account of introduction of GST in the first five years[25]. The growth rate of 14% on base year 2015-16 for arriving at such compensation is higher than the growth rate of state entertainment tax collections
- Entertainment tax revenues have been a miniscule portion of the state tax collections over decades of their existence
- Adverse impact on people of the state as the overall additional burden of such excess tax would be passed on to the ultimate consumer
- LBET would entail compliances at a local body level which prove to be impractical and cumbersome
- LBET on digital mediums of entertainment would be impossible to administer given the cross-state usage of such medium of entertainment

25. GST (Compensation to States) Act, 2017 as amended from time to time

Areas for discussion

GST has been the biggest reform in the indirect tax legislation in the post-independence era of India. While the government has strived to address several issues existing under the erstwhile legislations, there are various pending ambiguities in the GST legislation which need to be resolved. This section focuses on areas under the GST legislation which affect the M&E sector and could be put forth before the government as a representation.

GST on reverse charge on sponsorship services

Service tax regime had introduced a concept of reverse charge mechanism wherein service recipient was liable to pay tax to government instead of service provider discharging the tax liability. The same concept has been continued in the GST regime as well. The list of services covered under reverse charge of GST includes sponsorship services as one of them. Since this sponsorship services are covered in reverse charge, the service provider has to reverse the proportionate input tax credit. This concept of shifting the tax liability to the sponsor results in additional cost to the service provider even if the service is fully liable to GST. This anomaly was corrected for goods transport agencies where an option to charge GST at 12% with full input tax credit was given to the transport sector.

Inverted duty structure on films

Licensing of copyrights, including the theatrical and non-theatrical rights granted by film producers, is liable to GST at 12%. Though most of the expenses incurred are liable to a GST at 18% or above, productions houses could end up having more GST credits than GST liability if the revenue is not sufficient to absorb the GST credits. Without a refund being allowed for such inverted duty, excess GST credit is likely to result into blockage of funds for the producer.

Local Body Entertainment Tax

As per the Constitutional (One Hundred and First Amendment) Act, 2016, local body, i.e., municipality, etc. can levy and collect entertainment tax in addition to GST levied by central and state governments. This could resultant into cascading effect of tax which may defeat the concept of GST.

In case such LBET is implemented, it would impact most of the media businesses including but not limited to television distribution, filmed entertainment, sports and other events.

Restrictions on specific input tax credits

In accordance with the input tax credit provisions under the GST legislation, input tax credit on the input supplies of food and beverages, beauty treatment, outdoor catering and rent-a-cab is not allowed to be claimed irrespective of the fact they are used during furtherance of business and are an integral expense of the M&E sector. This could increase procurement costs for media companies.

Interest implications under customs on import of films on media

In accordance with Customs Valuation Rules, amount of royalty payable by the importer to the vendor outside India is to be included in the valuation of the goods for calculation of customs duty. However, in most cases, entire royalty amount cannot be ascertained at the time of import (since it is dependent upon revenue generated in India). Consequently, importers are subject to interest implications under the Customs Act for delayed payment of duty.

Exemptions from customs duty on royalty value on content imported on tangible media which were available under the erstwhile service tax legislation should be grandfathered into GST and re-introduced.

Export of post-production services

Production studios conduct post-production activities such as editing, dubbing, special effects, etc. for recipients based out of India. Content (i.e., video clips, pictures, text, etc.) received through electronic means for carrying out said activities is received by Indian production studios from recipients outside India. It is important to note that content received for providing post production services are re-exported after completion of post-production activity.

Provisions pertaining to place of supply under the GST legislation currently create an ambiguity with respect to eligibility of post-production services as exports under the GST legislation and hence the same needs to be clarified by the Government keeping in mind the larger interest of the sector. The government vide circular F.No. 137/26/2016 - Service Tax Part V dated 4 May 2018[26], had clarified that services on software involving testing, debugging, modification, etc., i.e., customization, adaptation, upgradation, enhancement, implementation of information technology software shall be treated as exports. This principle can be extended to post production services to avoid unnecessary litigation.

Export of advertisement services provided to clients outside India

There is no specific place of supply for advertisement services, except for advertisement services to government. Thus, the place of supply for advertisement services is determined to be the location of recipient.

In respect of outdoor advertisements, a few tax authorities have given a contrary view by stating that advertisement on billboard in India shall have the place of supply in India. This interpretation could cause unnecessary litigation and should be clarified by the government.

Place of supply for government advertisements

As per the place of supply provisions, the value of supplies of government advertisements to each state or union territory (UT) shall be in proportion to the amount attributable to services provided by way of dissemination in the respective states or UT, as may be determined in terms of the contract or agreement entered into in this regard.

However, in case where these terms are not agreed in the contract or agreement, then the value shall be determined as follows:

Media Platform	Basis of determination of apportionment of value [27]
Television	Viewership of such channel in such state / UT (as per figures published by BARC)
Radio	Amount payable to radio stations
Newspaper	Amount payable for publishing the ad in all the editions of the newspaper/ publication
Hoarding (other than trains)	Amount payable to for hoardings located in each state / UT
Internet	Deemed to have been provided all over India
Trains	Ratio of length of railway track in each state for that train

26. CBIC portal www.cbic.gov.in

27. Prescribed vide Notification 12/2017 IGST dated 15th November 2017

Complying with above requirements would notified would be a challenging task on account of the following reasons:

- Multiple invoices are required to be raised in case of single supply having multiple POS (e.g., advertisement to government, etc.)
- Moreover, such multiple invoices are generally not accepted by government department / agencies. For processing the payment, the government department / agencies require submission of one invoice and not multiple invoice. This leads to financial burden on the advertising agencies operating on wafer-this margins
- At present, IT systems of companies may not be up to the mark to meet the requirements of the notification. Tax payers must rely on various external sources to derive at the value on which tax must be paid. This would increase the compliance burden on Media companies manifold
- One Release Order would have to be split between multiple states and UT, which itself is highly cumbersome (as it would involve significant amount of time and effort for advertising agencies to arrive at the accurate apportioned value)

As an alternative, the government may collect this tax in a separate account and distribute it in the ratio of distribution of revenue to states under the Constitution.

Rationalize GST rates on tickets for sporting and other entertainment events

Rate rationalization of various goods and services continues to be one of key pain points of the M&E sector under GST. While the government has taken measures to rationalize rates of various goods and services in the past 18 months, they have only recently reduced the GST rate on the much talked about cinema tickets. Admission to sporting and other entertainment events continue to remain in the 28% tax bracket under GST.

Entertainment and the sporting sector in India are one of the most popular means of mass and affordable entertainment. Classifying admission to sporting events in the highest tax bracket of 28% is akin to treating sporting events in lines with betting, gambling and luxury goods. While the sector appreciates the GST exemption for tickets valued up to INR500, it is imperative that the government mulls over its decision to continue taxing sporting events in the highest tax bracket where ticket value is more than INR 500.

Regulatory update

Compiled by Cyril Amarchand Mangaldas

Recent major developments in the M&E sector

Privacy and Data Protection

2018 has been a watershed year for privacy and data protection jurisprudence in India. A summary of the recent key developments in this space is provided below.

Right to Privacy Judgement

In Justice K S Puttaswamy (Retd.) & Anr. v. Union of India & Ors., dated August 24, 2017 ("Right to Privacy Judgment") a Constitution Bench comprising of nine judges of the Supreme Court of India ("SC") unanimously upheld the right to privacy as a fundamental right guaranteed under Part III of the Constitution of India ("Constitution").

Perhaps more importantly, the SC ruled that informational privacy forms part of the right to privacy, confirmed that it was a horizontal right (i.e., a right capable of being applied against private persons) and required the formulation of comprehensive legislation to protect rights of individuals[1].

Justice Srikrishna Committee on Personal Data Protection

The Ministry of Electronics and Information Technology ("MEITY") constituted a Committee of Experts on July 31, 2017 under the Chairmanship of Justice B.N. Srikrishna (Retd.) ("Committee") to recommend a data protection framework in India, and propose a draft data protection bill. Pursuant to its mandate, the Committee released the draft of the Personal Data Protection Bill, 2018 ("PDP Bill") along with its corresponding report in July 2018.

The PDP Bill requires that all data fiduciaries (entities responsible for determining the purpose of processing of data), process personal data of individuals in a fair and reasonable manner, respecting the privacy of the individual, and only for lawful specific purposes. Further, personal data is permitted to be collected and stored only to the extent, and for the period, necessary to fulfill the purpose of its collection. Additionally, the PDP Bill prescribes the implementation of 'privacy by design' that is every data fiduciary will have to design their information technology architecture and processes in a manner that will anticipate and avoid harm to the data principal. Interestingly, the PDP Bill has defined a 'child' to mean any data principal who is below the age of eighteen years. This is significant as the PDP Bill provides for the classification of data fiduciaries whose websites or services are directed at children or those data fiduciaries who process large volumes of personal data of children as 'guardian data fiduciaries', and prohibits them from profiling, tracking, monitoring of, or targeting advertising at, children.

The PDP Bill also contemplates the creation of a sector agnostic regulator called the Data Protection Authority of India with wide powers of monitoring and enforcement, standard setting, grievance redressal and adjudication.

While personal data may be transferred outside India under specific conditions, a live, mirror copy of the data must be stored within India. Moreover, the PDP Bill also provides that 'critical personal data' (to be notified by the Central Government) must only be stored in India.

Aadhaar Judgement

The SC pronounced its judgement on the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 ("Aadhaar Act") on in Justice K S Puttaswamy (Retd.) & Anr. v. Union of India & Ors., dated September 26, 2018 ("Aadhaar Judgement")[2] which has a significant impact on privacy law in India.

The judgment has far reaching consequences for businesses (especially those that are mandated to undertake KYC under applicable law), as it read down Section 57 of the Aadhaar Act and therefore, removed the ability of companies and individuals to seek to authenticate the identity of personnel on the basis of contractual provisions. However, the Court left intact the portion of Section 57 which enables the collection of Aadhaar information to establish the identity of a person for a purpose backed by a law.

Intermediary Guidelines

MEITY released the draft Information Technology [Intermediaries Guidelines (Amendment) Rules], 2018 ("Draft Rules") on December 24, 2018, under Section 79 of the Information Technology Act, 2000 ("IT Act") for public consultation and feedback. The Draft Rules propose an entity localization requirement for all intermediaries with above five million users and entities specifically notified by the Government. Accordingly, intermediaries who fall within the criteria outlined above will now need to comply with all relevant statutory obligations, such as inter alia, regulatory compliance and filings under the Companies Act and labour law compliances. Crucially, this will also trigger attendant tax obligations because such incorporation will create a 'permanent establishment' for the purposes of taxation. Furthermore, the Draft Rules would also require intermediaries to deploy technology based automated tools or appropriate mechanisms, with appropriate controls, for proactively identifying and removing or disabling public access to unlawful information or content.

1. Justice K S Puttaswamy (Retd.) & Anr. v. Union of India & Ors., (2017) 10 SCC 1.
2. Writ Petition (Civil) No. 494 of 2012.

Introduction of the Draft E-Commerce Policy dated February 23, 2019

- The Department for Promotion of Industry and Internal Trade has released the Draft National E-Commerce Policy ("E-Commerce Policy") on February 23, 2019 for stakeholder comments. The E-Commerce Policy defines e-commerce as the "buying, selling, marketing or distribution of (i) goods, including digital products and (ii) services; through electronic network." Consequently, a number of OTT Platforms and service providers may be covered under this wide definition. Some of the key features of the E-Commerce Policy are that it (a) classifies small firms and start-ups attempting to enter the digital sector as an 'infant industry' and envisages providing data access to these 'infant industries'; (b) suggests that the policy of not imposing taxes on 'electronic transmissions' should be reviewed; (c) suggests that measures to check the violation of intellectual property should be established; and (d) suggests that reviews and ratings of products and services should be authentic and reliable. Most importantly, the E-Commerce Policy notes that data generated in the country is a national asset and seeks to impose restrictions on cross-border data flow. It proposes a restriction on the transfer outside India of certain types of data including data collected by Internet-of-Things ("IoT") devices installed in public spaces, data generated by users in India on e-commerce platforms, social media websites and search engines[3].

5G Technology in India

- The Telecom Regulatory Authority of India ("TRAI") has released a White Paper on Enabling 5G in India ("White Paper") on February 22, 2019. The White Paper envisages the deployment of 5G technology in India by 2020, along with the rest of the world. The White Paper highlights the specifications of the 5G technology, discusses the potential use and architecture of 5G network, and tries to identify regulatory challenges that need to be addressed for the deployment of 5G in India. 5G would be a game changer for the media and entertainment sector, particularly Over-The-Top ("OTT") platforms, as it would enable high resolution and very high-speed download of video content using 5G network. The 5G technology is also expected to be a game changer for the fourth industrial revolution technologies, such as Artificial Intelligence Modelling Language, Augmented Reality / Virtual Reality, and therefore, it will also revolutionize online gaming in India, and put the Indian M&E sector at par with the rest of the world[4]
- TRAI has proposed that a total of 275 MHz in the 3300-3600 MHz frequency range be auctioned for 5G enabled services[5]
- In this regard, the Government driven High Level Forum on 5G at the Department of Telecommunication ("DoT") headed by AJ Paulraj has recommended that the guidelines on regulatory issues relating to 5G technology be promulgated by March 2019 to expedite early 5G deployment[6]

New Tariff Regime for Broadcast and Distribution

- In 2017, TRAI released the following:
  - The Telecommunication (Broadcasting and Cable) Services Interconnection (Addressable Systems) Regulations in 2017 ("Interconnection Regulations")
  - The Telecommunications (Broadcasting and Cable) Services (Eighth) (Addressable Systems) Tariff Order in 2017 ("Tariff Order"), (collectively, "New Regulatory Framework")
- The Interconnection Regulations and the Tariff Order regulate the framework for tariffs to be charged by broadcasters and distributors as well as govern the arrangements between various services providers engaged in broadcasting services

3. Department of Industrial Policy and Promotion, Draft National E-Commerce Policy, February 23, 2019.
4. Telecom Regulatory Authority of India, A White Paper on Enabling 5G in India, February 22, 2019.
5. Telecom Regulatory Authority of India, Recommendations on Auction of Spectrum in 700 MHz, 800 MHz, 900 MHz, 1800 MHz, 2100 MHz, 2300 MHz, 2500 MHz, 3300-3400 MHz, 3400-3600 MHz Bands, dated August 1, 2018.
6. Department of Telecommunications, Report of the 5G High Level Forum on Making India 5G Ready, August 23, 2018.

- Inter alia, the New Regulatory Framework provides: (i) the broadcasters are required to declare a monthly maximum retail price for a-la-carte channels; (ii) for a levy of a network capacity fee, as well as a ceiling on the amounts chargeable by distributors as network capacity fees; (iii) manner in which broadcasters and distributors may charge for bouquets of channels; and (iv) manner in which broadcasters and distributors may apply discounts and carriage fees[7]

- Star India Pvt. Ltd. had filed a writ petition before the Madras High Court, challenging the power of TRAI to issue tariff orders for content, which it argued that "at a stage, anterior to the cable TV operator beaming signals to the consumers, that broadcasters rights are not covered by the TRAI Act, which regulates only carriage but by the Copyright Act, 1957, which regulates content. Further, TRAI Act is "carriage-centric", on the other hand the Copyright Act, 1957 is "content-centric", and hence tariff, which relates to content is governed by the Copyright Act, 1957 and not the TRAI Act, where transmission and delivery to consumer, namely carriage, pertains to TRAI jurisdiction." The Madras High Court held against the Petitioner, and the matter was finally heard by the SC. Vide its judgment dated October 30, 2018, the SC rejected the arguments of the Appellant by holding that Section 11(2) of the TRAI Act makes it clear that the TRAI may, from time to time, notify the rates at which telecommunication services, including broadcasting services, within India and outside India, shall be provided. The SC also held in para 64 that "We do not find on a reading of the impugned Regulation as well as the Tariff Order made that TRAI has transgressed into copyright land. This is for the reason, as has been stated hereinabove, that regulations which allegedly impact packaging TV channels, pricing of TV channels and the broadcaster's right to arrange his business as he pleases, all have to be viewed with the lens of a regulatory authority, which is to provide a level playing field between broadcaster and subscriber….In this view of the matter, we are of the view that the Copyright Act will operate within its own sphere, the broadcaster being given full flexibility to either individually or in the form of a society charge royalty or compensation for the three kinds of copyright mentioned hereinabove. TRAI, while exercising its regulatory functions under the TRAI Act, does not at all, in substance, impinge upon any of these rights, but merely acts, as has been stated hereinabove, as a regulator, in the public interest, of broadcasting services provided by broadcasters and availed of by the ultimate consumer [8]." What was sought to be regulated, in public interest, by the Tariff Order was the pricing laid down in the Interconnection Regulations; and Tariff Order attempts to balance the rights of broadcasters and the interests of consumers

- TRAI had provided a period up to January 31, 2019 to subscribers and February 1, 2019 to distributors to become compliant with the New Regulatory Framework. However, Tata Sky, Airtel, Sun Direct and Discovery Channel have filed a writ petition before the Delhi High Court, challenging validity of the Interconnection Regulations on merits and implementation hurdles of the Interconnection Regulations. Some of the issues challenged include the inability of freedom to contract between Broadcasters and Distribution Platform Owners ("DPOs"), the caps on discounts between broadcasters and DPOs, the price caps imposed on DPOs, the mandatory caps on carriage fees and queuing systems put in place for carriage of channels resulting in a system of 'must carry', against consumer interest. These petitions are currently being heard by the Division Bench of the Delhi High Court[9]

- Ever since the New Regulatory Framework came into effect on December 29, 2018, the broadcasters and distribution platforms have faced several implementation challenges. To address those concerns, TRAI has issued directions to subscribers and distributors for facilitating easy implementation of the New Regulatory Framework, which included a 'Best Fit Plan' in the Implementation of New Regulatory Framework for Broadcasting and Cable Services dated February 12, 2019[10]. The plan, which is positioned to be designed on consumers' usage pattern and language preference, would be a blended combination of various genres. The deadline for consumers to switch to this plan has been extended by TRAI till March 31, 2019. The Delhi High Court has sought the rationale behind such an extension in relation to the implementation of the new tariffs[11]

7. Telecommunication (Broadcasting and Cable) Services Interconnection (Addressable Systems) Regulations in 2017. See also, The Telecommunications (Broadcasting and Cable) Services (Eighth) (Addressable Systems) Tariff Order in 2017.

8. Star India Pvt. Ltd. v. Department of Industrial Policy and Promotion & Ors., (2019) 2 SCC 104.

9. Vishal Mathur, TRAI's New Rules For Cable, DTH: Will a Rollout Mired in Legal Battles Delay Affordable TV Subscriptions? (NEWS18), January 21, 2019.

10. Telecom Regulatory Authority of India, Information Note to the Press (Press Release No. 11 of 2019), Implementation of New Regulatory Framework for Broadcasting & Cable Services, February 12, 2019.

11. TRAI Must Explain to the Delhi High Court Why Cable And DTH Users Can Now Select Channels By 31 March, (NEWS18), February 14, 2019.

- In addition to the above, TRAI released amendments to the Telecommunications (Broadcasting and Cable) Services Standards of Quality of Service and Consumer Protection (Addressable Systems) Regulations, 2017 ("Quality Regulations"). The purpose of the Quality Regulations is to make available a common framework for service quality standards across various platforms by inter alia prescribing requirements in connection with mandatory offering of a-la-carte channels and bouquets, maintenance of distributor websites and connection / suspension rights for customers
- This amendment makes it mandatory for all the distributors of television channels to either discontinue or modify all their existing packs, plans or bouquets ("Products"); and as well as offer and obtain the option for subscription of new Products from subscribers and supply services in accordance thereof, in compliance with the provisions of the Quality Regulations on or before 31st January 2019[12]

DoT issued the National Digital Communications Policy, 2018 ("NDCP") dated September 26, 2018

- The NDCP aims to "unlock the transformative power of digital communications networks" to achieve the goal of digital empowerment and improved well-being of the people of India; and towards this end, attempts to outline a set of goals, initiatives, strategies and intended policy outcomes. The NDCP aims to accomplish the following objectives by 2022:
  - Establish a comprehensive data protection regime for digital communications that safeguards the privacy, autonomy and choice of individuals and facilitates India's effective participation in the global digital economy;
  - Ensure that net neutrality principles are upheld and aligned with service requirements, bandwidth availability and network capabilities including next generation access technologies;
  - Develop and deploy robust digital communication network security frameworks;
  - Build capacity for security testing and establish appropriate security standards;
  - Address security issues relating to encryption and security clearances; and
  - Enforce accountability through appropriate institutional mechanisms to assure citizens of safe and secure digital communications infrastructure and services[13]

DoT issued Policy Directives on Net Neutrality on July 31, 2018

- Following TRAI's 'Recommendations on Net Neutrality' dated November 28, 2017, the DoT issued a letter dated July 31, 2018 wherein the Government has committed to the fundamental principles and concepts of Net Neutrality i.e., to keep the internet accessible and available to all without discrimination. To ensure that the regulatory framework on Net Neutrality adheres to the fundamental principles and concepts of Net Neutrality, policy directives on Net Neutrality were issued by the DoT vide the same letter, which inter alia, include the following:
  - Principle of non-discriminatory treatment, application, exclusions and exceptions;
  - Non-applicability of principles of Net Neutrality to IoT and Specialised Services; and
  - Transparency and disclosures through implementation of additional regulations governing Net Neutrality in this regard[14]

12. See, Telecommunications (Broadcasting and Cable) Services Standards of Quality of Service and Consumer Protection (Addressable Systems) (Amendment) Regulations, 2018 (No. 11of 2018).
13. Department of Telecommunications, National Digital Communications Policy, 2018, September 26, 2018.
14. Department of Telecommunications, Policy Directives on Net Neutrality, July 31, 2018.

Television – broadcasting and distribution

TRAI issued 'Press Release on Consumer Choices in the New Regulatory Framework' dated January 10, 2019

- Keeping in mind public interest and consumer convenience, and referring to the New Regulatory Framework, TRAI has issued the following mandates to the DPOs: (i) allow subscription of a-la-carte channels as well as bouquets and display the MRP of each channel on the EPG; (ii) all DPOs are required to run a 'Consumer Information Channel' on Channel No. 999; and (iii) consumers are given the right of choosing 100 Standard Definition channels within the network capacity fee of maximum INR 130, being a-la-carte Free To Air ("FTA") channels, pay channels/ bouquet of pay channels or any combination thereof[15]
- This may directly affect the popularity in subscription of channels with lower viewership, which may be counteracted with the increase in rates of advertisement, discussed subsequently

Foreign Direct Investment ("FDI") norms for the DTH sector

- The Government of India has significantly liberalised FDI Policy for the media and entertainment sector, including the Direct-To-Home ("DTH") sector where sectoral cap for FDI was revised to 100% since 2016. However, this relaxation has its limitations in as much as restrictions on vertical integration between broadcaster and DTH platforms which caps the cross-holding at 20%, has not been revised despite recommendation to that effect from TRAI from time to time[16]

TRAI issued Directions regarding the listing of channels in the Electronic Program Guide (EPG) ("Directions") on February 22, 2019

- TRAI released these Directions in order to protect the interest of service providers and consumers, and ensure orderly growth of the sectors. These Directions are applicable to all Distributors of Television Channels (including DTH Operators, Multi System Operators, HITS Operators and IPTV Operators)
- The Directions state, inter alia that,
  - All broadcasters need to declare the genre of each channel they offer, and the distributors are to categorize the channels in the EPG by their genre as declared by the broadcasters. In case of change in genre, the placement of the channel may be changed accordingly;
  - Each channel should be listed only once in the EPG; and
  - Channel numbers must be assigned for each channel that is distributed by Cable TV and DTH operators[17]

Increase in the advertisement rates of private TV channels by Ministry of Information and Broadcasting ("MIB")

- MIB has revised the advertisement rates offered by Bureau of Outreach and Communication to private TV channels. The revised rates have been announced on the basis of comments of the 8th Rate Structure Committee constituted by the MIB, which submitted its report on 1st January, 2019. In comparison with the rates in 2017, these new rates would be increased by 11% for most private television channels. For news channels, the rates applicable would vary, depending on their overall reach in the country[18]

15. Telecom Regulatory Authority of India, Information Note to the Press on Consumer Choices in the New Regulatory Framework, January 10, 2019.
16. Department of Industrial Policy and Promotion, Consolidated FDI Policy, 2017, August 28, 2017.
17. Telecom Regulatory Authority of India, Directions Regarding The Listing Of Channels In The Electronic Program Guide (EPG), February, 22, 2019.
18. Press Information Bureau of India, I&B Ministry Hikes Advertisement Rates for Private TV Channels, January 25, 2019.

MIB has proposed the Sports Broadcasting Signals (Mandatory Sharing with Prasar Bharati) (Amendment) Bill, 2018 ("Mandatory Sharing Bill")

- The Mandatory Sharing Bill purports to empower Prasar Bharati to simultaneously telecast the mandatorily shared signals for sporting events with cable operators and other television distribution platforms/ networks. The Mandatory Sharing Bill was proposed with the objective of providing access to sporting events of national importance on a FTA basis, to the largest number of listeners and viewers, through Doordarshan channels. The proposed amendment to Section 3(1) of the Sports Broadcasting Signals (Mandatory Sharing with Prasar Bharati) Act, 2007 will allow carrying of shared signals on channels that are compulsorily carried on private cable operators and owners of other television distributors and DTH platforms. At this time, the MIB has sought feedback and comments from general public/stakeholders on the Mandatory Sharing Bill[19]

TRAI issued 'Recommendations on Ease of Doing Business in Broadcasting Sector' dated February 26, 2018 ("TRAI EODB Recommendations")

- In order to promote ease of doing business in the broadcasting sector, TRAI has issued its recommendations on the same, which include recommendations on streamlining the process of obtaining permission for uplinking/ downlinking of television channels, by removing redundant processes and re-engineering necessary processes. It further recommended that channels having permission for uplinking from India should require registration only, whereas channels being uplinked from outside India should require permission as well as registration. In cases where a broadcasting company is seeking permissions for uplinking of new satellite TV channels to the already cleared satellites, the process of seeking fresh clearance from Department of Space ("DoS") should be done away with. In keeping with the technological advancements, it was recommended that MIB setup an integrated online portal, and advocated for a single window clearance process. Preferably, such a portal should be integrated with other e- Governance systems like Bharatkosh 17 portal, e-Office application etc., and should be developed within 1 year from the date of acceptance of these recommendations[20]

TRAI released 'Recommendations on Issues relating to Uplinking and Downlinking of Television Channels in India' on June 25, 2018

- TRAI had released its 'Recommendations on Issues relating to Uplinking and Downlinking of Television Channels in India' on June 25, 2018. TRAI, inter alia recommended that due to the existing market conditions and entry barriers, the satellite spectrum auction process for grant of permission for uplinking and downlinking TV channels is not feasible. Further, it recommended that the existing system for grant of such permissions should be continued, and also streamlined. In this regard, it reiterated the need for optimum usage of the existing system of granting permissions for uplinking and downlinking of TV channels for encouraging ease of doing business. One of the suggestions was to provide for an annual increase in licence fee for uplinking and downlinking permissions, with differential fees for uplinking from within the Indian Territory vis-à-vis foreign soil. However, there was no change in entry fee and permission fee for uplink/ downlink permissions. Furthermore, it noted that FTA channels should not be mandatorily encrypted, and broadcasters should have autonomy in this regard. Other recommendations included: (i) reduced timeframe for granting of security clearances from the Ministry of Home Affairs and the DoS; and (ii) an increase in the validity of such clearances to 10 years[21]

19. Sports Broadcasting Signals (Mandatory Sharing with Prasar Bharati) (Amendment) Bill, 2018.
20. Telecom Regulatory Authority of India, Recommendations on Ease of Doing Business in Broadcasting Sector, February 26, 2018.
21. Telecom Regulatory Authority of India¸ Recommendations on Issues relating to Uplinking and Downlinking of Television Channels in India, June 25, 2018

Ministry of Information and Broadcasting issued an Order relating to Changes to Permitted TV channels on December 13, 2017

- MIB vide its Order no. 1404/15(1)/2017 dated December 13, 2017 has provided for the imposition of a fee of INR 100,000 per channel to 'national channels' and INR 50,000 for 'regional channels' for the following changes:
  - i. Change of satellite;
  - ii. Change of name and logo;
  - iii. Change in language of channel;
  - iv. Change in category of channel;
  - v. Change in mode of transmission of channel;
  - vi. Change in teleport or location of teleport; and
  - vii. Temporary up-link of live event.

The broadcasting sector has raised concerns in relation to the financial implications of the above mentioned Order as many of these changes are routinely required by the broadcasting sector in the ordinary course of business.

Post the imposition of such fees, it will become difficult for the broadcasters to re-deploy permitted channels that are finding it difficult to generate viewership interest. In such cases, change in genre, language or logo can be a matter of survival. A case could be made out that most large broadcasters would be able to sail through by planning strategically, however even then, most small regional broadcasters in India would find it difficult to do the same.

Digital media

Popularity of OTT platforms

- The OTT sector in India has witnessed an exponential growth in popularity, and is posing a tremendous competition to TV channels. OTT operators are increasingly adopting voluntary codes of self-regulation in relation to content shown on their platforms. However, these platforms are subject to the Indian laws on defamation in relation to their content. As discussed above in Part I (Recent Major Developments in the Media and Entertainment Sector), the introduction of 5G technology, expected to be rolled out from 2020, could dramatically improve the download speed and quality of resolution of online content, and therefore be of great benefit to the OTT operators

OTT players sign a best practices code for regulation of online content

- In January, 2019 OTT players such as Netflix, Hotstar and Alt Balaji, amongst others, and other Online Curated Content Providers, signed a Code of Best Practices under the aegis of the Internet and Mobile Association of India ("IAMAI"). According to a statement released by these service providers, objectives of this code are to "empower consumers to make informed choices on age-appropriate content and protect the interests of consumers in choosing and accessing the content they want to watch, at their own time and convenience"[22]

PIL in the Delhi High Court for the regulation of OTT platforms

- A PIL was filed before the Delhi High Court by Justice for Rights Foundation seeking directions from the Court to direct the Government of India to frame legal provisions / guidelines to regulate OTT Platforms and the content broadcast on the same. The MIB filed a detailed affidavit stating that the online platforms are not required to obtain any license from the MIB for displaying their content, and the same is not regulated by the MIB. The Court, vide its Order dated February 8, 2019, held that since the content of the OTT platforms is regulated under the IT Act, it was not a fit case for the Court to issue any directions in the nature of mandamus to the Government of India, and accordingly dismissed the petition[23]

TRAI issued a 'Consultation Paper on Regulatory Framework for OTT Communications Services' dated November 12, 2018

- While the above mentioned consultation paper dealt with OTT platforms in the telecommunications space, it was pivotal in identifying the following:
  - Which services when provided by the OTT service providers are to be regarded as the same or similar to services being provided by the Telecom Service Providers ("TSPs");

22. Nayanika Singhal, Netflix, Hotstar and Other OTT Platforms Say No To Censorship, Yes To Self-Regulation, (INDIATODAY), January 17, 2019.

23. Justice for Rights Foundation v. Union of India, W.P. (C) 11164/2018.

- Whether substitutability should be treated as the primary criterion for comparison of regulatory or licensing norms applicable to TSPs and OTT platforms; and
- Whether regulatory or licensing imbalance is impacting infusion of investments in the telecom networks, especially required from time to time for network capacity expansion and technology upgradations[24]

Filmed entertainment

Cinematograph (Amendment) Act, 2019

- Cinematograph (Amendment) Bill, 2019 ("2019 Bill") was introduced in the Rajya Sabha on February 12, 2019 to amend the Cinematograph Act, 1952 ("1952 Act") in order to tighten the legal framework against piracy. The 2019 Bill introduces the new Sections 6AA and 7(1A) in the 1952 Act. The government took into account the massive losses faced by the film segment due to technological advancements; decline in number of moviegoers; increase in piracy and in particular, the release of pirated version of the films on internet; and copyright violation, which in turn causes loss to the government exchequer[25]. The 2019 Bill addresses the above concerns in the following manner:
    - The newly inserted Section 6AA prohibits a person from using an audio-visual recording device in a place to knowingly make or transmit a copy of a film or a part thereof, without written authorisation from the producer of the film[26]. The provision also makes illegal the attempt and abetment of the abovementioned actions. This new provision will act as a deterrent to all from unauthorised copying any part of a film, especially in theatres
    - Section 7(1A) provides that the contravention of Section 6AA is punishable with imprisonment for a term which may extend to 3 years, or with a fine which may extend to INR 10,00,000, or both[27]

Single window clearance for shooting films in India

- The Finance Minister in his Union Budget Speech, 2019 announced that single window clearance would be available to Indian film makers to shoot films in India, at par with foreign filmmakers. Currently, Indian film makers require as many as 50-60 permissions from the local municipal bodies, the police department, state pollution control boards and labour department amongst others, before the commencement of a shoot[28]. However, it remains to be seen how the benefits of this announcement are implemented on ground

Print media

FDI norms for Print Media

- The benefit of liberalised FDI regime has not been extended to print media. The FDI cap of 26% continues for publication of newspapers and periodicals dealing with news and current affairs, as also for Indian editions of foreign magazines dealing with the same. The FDI in this sector is also subject to prior approval of the Government of India[29]

MIB increases advertising rates for print media

- The MIB has revised advertisement rates for print media by increasing the same by 25% over and above the existing rate structure. The MIB took into account the findings of the 8th Rate Structure Committee, which looked at factors such as cost of newsprint, processing charges, etc. These rates are valid for a period of 3 years from the date of implementation, being January 8, 2019. MIB had earlier increased advertisement rates in 2013 when it had announced an increase of 19% over the rates prevalent since 2010. The decision is expected to be of pronounced advantage to medium and small newspapers including those in respect of regional and vernacular languages[30]

24. Telecom Regulatory Authority of India, Consultation Paper on Regulatory Framework for OTT Communications Services, November 12, 2018.
25. See, Cinematograph (Amendment) Bill, 2019 (No. 11 of 2019), Statement of Objects and Reasons.
26. Cinematograph (Amendment) Bill, 2019 (No. 11 of 2019), Section 2.
27. Cinematograph (Amendment) Bill, 2019 (No. 11 of 2019), Section 3.
28. Press Information Bureau, Budget Summary With Major Highlights Of The Interim Budget 2019-20, February 1, 2019.
29. Supra note 16.
30. Press Information Bureau of India, I&B Ministry Hikes Advertisement Rates for Print Media By 25%, January 8, 2019.

Radio

TRAI issued 'Recommendations on Issues related to Digital Radio Broadcasting in India' dated February 1, 2018

- TRAI has issued a consultation paper titled 'Issues related to Digital Radio Broadcasting in India' wherein it recommended that a "managed introduction approach should be adopted for rolling out digital radio broadcasting services in India," and has also submitted a roadmap for the implementation of digital radio broadcasting
- Other recommendations in the said report included:
  - Private sector should be permitted to provide digital radio broadcasting services within the existing frequency band of 88-108 MHz used for FM radio broadcasting;
  - Broadcasters should be allowed to make use of any available digital technology, recognized by International Telecommunication Union ("ITU"), within the allocated/ liberalized spectrum for providing digital radio broadcasting services, subject to adaptation, if any, recommended by MIB/ TRAI from time to time; and
  - For the initial 3 years after declaration of the Digital Radio Broadcasting Policy, the government should grant fiscal incentives in the form of lower tax rates to manufacturers of digital radio receivers[31]

Prasar Bharati announced a collaborative pilot project, 'Sharing of All India Radio News with Private FM Broadcasters'

- Under the FM Radio Phase III Policy Guidelines, a collaborative pilot project announced by Prasar Bharati permits private FM radio stations to procure news bulletins from the All India Radio ("AIR"), free of cost for an initial period of 5 months (till May 31, 2019), on mutually agreed terms with Prasar Bharati. The Minister of Information and Broadcasting stated that the objective behind such a collaboration is necessary to ensure that the citizens of India are informed, educated and empowered. In order to ensure legitimacy and monitor the progress of the collaboration, private FM radio operators will need to first register with AIR to access the list of news bulletins of five minutes and 15 minutes in English and Hindi respectively, in addition to submitting a monthly report to Prasar Bharati on the same[32]

AIR to adopt the international Digital Radio Mondiale ("DRM")

- India's public service broadcaster, the AIR, has begun the switch from an analogue framework to the international DRM, for digital terrestrial radio transmissions in the medium wave and shortwave bands, with the objective of digitising radio broadcasting in India and reducing receiver costs[33]

Music

India accedes to WIPO Copyright Treaty, 1996 and WIPO Performance and Phonograms Treaty, 1996

- In a decision lauded by the Indian music segment, the DIPP's recommendation to the Government that India accede to the WIPO Copyright Treaty, 2002 and WIPO Performers and Phonograms Treaty, 2002 (collectively, "WIPO Treaties"), was approved by the Union Cabinet on July 4, 2018. The WIPO Treaties extend the coverage of copyright to the internet and digital environment, and provide for a robust framework for creators and right owners to use technology to safeguard their works information. Additionally, they recognize moral rights of performers and grant them economic rights. This move is likely to have the following effects on the Indian music segment:

31. Telecom Regulatory Authority of India, Consultation Paper on Issues related to Digital Radio Broadcasting in India, February 1, 2018.
32. Press Information Bureau of India, In A Historic Initiative, Private FM Channels Permitted To Carry All India Radio News, January 8, 2019.
33. Digital Radio Mondiale, Digital Radio Broadcasting in India, June 13, 2018.

- Enable an international copyright system that will allow holders of copyright to gain returns on investment in creating and/ or distributing works;
- Ensuring that domestic copyright holders are given a level playing field in the international arena through reciprocal protection; and
- Boosting business growth in a predominantly creative field, by balancing commercial and creative aspects[34]

Online gaming

276th Law Commission Report on 'Legal Framework: Gambling and Sports Betting Including in Cricket in India' dated July 5, 2018.

- The Law Commission, in its 276th report on gambling and sports betting, recommended that the FDI policy be amended to encourage FDI in the casino/online gaming segment. Further, the Law Commission also recommended the following:
  - Since horse-racing, being considered a game of skill, has been exempted from the ambit of blanket prohibition on "gambling", both by the legislatures and the judiciary, other skill-centric games may also be afforded this exemption.
  - The websites advertising gambling must compulsorily ensure that there is no objectionable or pornographic content on display on their portals/ platforms.
  - Information regarding the risks involved in gambling / betting and how to play responsibly must be displayed prominently on all gambling and betting portals / platforms[35]

The Public Gaming Act, 1867

- Gambling and betting in India is governed by the Public Gaming Act, 1867, ("PGA"). While several states have adopted the PGA, others have enacted their own legislations governing the sector to uniformly criminalize gambling. However the PGA, and the majority of state legislations exclude games of skill from their ambit. Some state level gambling legislations are even clearer about this distinction. For instance, the Nagaland Prohibition of Gambling and Promotion and Regulation of Online Games of Skill Act, 2015 defines 'games of skill' to "include all such games where there is preponderance of skill over chance". Judicial pronouncements has evolved a fairly well settled test for the distinction between games of skill and chance[36]

Cryptocurrency and Online Gaming

- On April 6, 2018, the Reserve Bank of India ("RBI") issued a circular prohibiting all entities regulated by it from dealing in Virtual Currencies ("VCs"). Thus, all banks, NBFCs, payment system providers intermediaries, and other financial institutions regulated by the RBI are prohibited from providing services to any individuals or entities dealing with or settling VCs. Such services include maintaining accounts, registering, trading, settling, clearing, giving loans against virtual tokens, accepting them as collateral, opening accounts of exchanges dealing with them and transfer / receipt of money in accounts relating to purchase/ sale of VCs[37]. IAMAI, among other stakeholders, has challenged the prohibition before the SC by way of a writ petition. The SC while entertaining the petition refused to grant any interim relief to the petitioner vide order dated July 3, 2018[38]. The dispute is still pending before the SC
- Virtual currency was earlier used as a form of electronic money in online gaming sector
- Further, the RBI has constituted an inter-departmental group to study and provide guidance on the desirability and feasibility for introducing a central bank digital currency[39]
- In addition, the Ministry of Commerce and Industry has also set up an Artificial Intelligence Task Force which identified ten specific domains of relevance to India, inter alia, health, manufacturing, agriculture, etc. It provided an analysis of the challenges in each of the domains, the international standard in this regard, and the gaps at the Indian level vis-à-vis international peers as well concrete enablers to accelerate the adoption of artificial intelligence based technologies in India[40]

34. Press Information Bureau of India, Cabinet approves accession to WIPO Copyright Treaty, 1996 and WIPO Performance and Phonograms Treaty, 1996, July 4, 2018.
35. Law Commission of India, Legal Framework: Gambling and Sports Betting Including in Cricket In India, July 5, 2018.
36. See, Dominance Games Pvt. Ltd. & Ors. v. State of Gujarat, (2018) 1 GLR 801. See also, Varun Gumber v. UT of State of Chandigarh, 2017 CriLJ 3827.
37. Reserve Bank of India Notification RBI/2017-18/154, DBR.No.BP.BC.104 /08.13.102/2017-18 dated April 6, 2018.
38. Internet and Mobile Association of India v. Reserve Bank of India, W.P. (C) No.528/2018.
39. Reserve Bank of India, Annual Report 2017-18, August 24, 2018.
40. Artificial Intelligence Task Force, The Report of the Artificial Intelligence Task Force, March 21, 2018.

Animation and VFX

Initiatives in nurturing the animation segment in various states

- Telangana – the government has announced the setting up of an incubation center IMAGE (Innovation in Multimedia, Animation, Gaming and Entertainment) in Hyderabad and the same should be functional by 2020[41]
- Karnataka – the government has launched the ELEVATE 100 program which aims to identify 100 of the most innovative start-ups in the field of animation, IT, Biotech etc. In 2017, the Karnataka government also announced the Karnataka Animation, Visual Effects, Gaming and Comics Policy. As part of the project, the State has announced a venture capital fund of INR 50 crore, with the State contributing 26% and private parties contributing the remaining amount[42]
- West Bengal – while inaugurating the Bengal Silicon Valley Hub in New Town, Kolkata, the West Bengal government introduced a new Information Technology Policy in August 2018, focusing on 3D printing, big data analytics, animation and gaming besides, cyber security, IoT, robotics, drones, fintech, and artificial intelligence[43]
- The Central Government has also taken steps to cultivate the Animation segment by signing an audio-visual co-production deal with Canada that would help producers in both countries to explore technical, creative and artistic resources for co-productions in animation[44]

Other important regulatory changes impacting the M&E sector

Introduction of the Insolvency and Bankruptcy Code, 2016 (“IBC”)

- One of the most important legislative developments in India in the recent years has been the introduction of the IBC. Provisions of the IBC which deal with corporate insolvency have come into effect from December, 2016. Prior to the enactment of the IBC, India did not have a comprehensive insolvency legislation dealing with the services sector, including media and entertainment companies. Erstwhile legislations such as the Sick Industrial Companies (Special Provisions) Act, 1985 dealt with companies engaged in the manufacturing sector. On the other hand, the various schemes for debt restructuring promulgated by the Reserve Bank of India were applicable mainly to Indian banks. With the ‘creditor in control’ model envisaged by the IBC, there has been a fundamental shift in the power equation between the borrower and the lender and also in the overall approach of dealing with corporate insolvency. The IBC empowers both financial and operational (trade) creditors to initiate Corporate Insolvency Resolution Process and envisages very strict timelines for initiating and completing the same. Under the IBC, the National Company Law Tribunal has been designated as the adjudicating authority to deal with all cases of bankruptcy and corporate insolvency. The law also affords an excellent opportunity to acquire companies using the IBC process at attractive valuations

41. IMAGE Tower for Animation, Gaming, (TIMES OF INDIA), November 5, 2017.
42. Karnataka ‘Elevate 100’ Scheme For Start-Ups, (HINDU BUSINESS LINE), January 11, 2018.
43. IBEF, West Bengal Govt. Rolls Out New IT Policy (IBEF), August 23, 2018.
44. Press Information Bureau of India, India and Canada Sign Audio-Visual Co-Production Agreement, February 24, 2014.

Amendments to the Income Tax Act, 1961

- Introduction of Section 56(2)(x) in the Income Tax Act, 1961 has a profound chilling impact on M&A transactions and corporate restructuring activities, including capitalization of media companies by issuance of fresh equity. This section provides that when a person receives cash or property (including shares) over INR 50,000 in a financial year, and the consideration paid is lesser than the fair market value ("FMV") determined as per the Income Tax Rules, 1962, then the entire difference is treated as 'income from other sources' in the hands of the recipients, which is taxable as per the applicable rate. The circular dated January 4, 2019 issued by the Central Board of Direct Taxes withdrawing its earlier circular dated December 31, 2018 has aggravated the problem in case of fresh issue of shares by way of rights issue, issue of bonus shares, and preferential allotment etc., where the shares are issued at a price below the FMV determined as per the Income Tax Rules, 1962[45]

Banning of Unregulated Deposit Schemes Ordinance, 2018 ("Deposits Ordinance")

- On February 21, 2019, the President of India promulgated the Deposits Ordinance under Article 123 of the Constitution, to provide for a comprehensive mechanism to ban the unregulated deposit scheme and protect the interest of the depositors. Under the Deposits Ordinance, all deposits other than those that are expressly carved out in the definition of 'deposits' under Section 2(4) of the Deposits Ordinance are banned with immediate effect. The Deposits Ordinance could potentially impact several film finance transactions, where the monies are borrowed from unregulated entities, not specifically provided under the Deposits Ordinance
- Acceptance of monies by way of advance or loan received from individuals or entities (other than the deposits which are excluded under the definition of the term 'deposit') will be treated as 'deposit' for the purposes of the Deposits Ordinance. Such deposits raised pursuant to regulated deposit schemes (as listed in the Deposits Ordinance) are permissible. Regulated deposit schemes include any scheme or arrangement managed by Collective Investment Management Company registered with Securities and Exchange Board of India ("SEBI") under SEBI (Collective Investment Scheme) Regulations, 1999 and any scheme registered with SEBI under the SEBI (Alternative Investment Funds) Regulations, 2012. Any advance received under a contract for supply of goods or services which becomes refundable will also be treated as 'deposit' from the day such advance becomes refundable. Stringent penal provisions have been prescribed under the Deposits Ordinance for breach of the provisions contained thereunder

Law of Defamation – SC judgment upholds Constitutional validity of criminal defamation

- The media and entertainment sector is most susceptible to reputational damage in the form of libel and slander by print, and electronic media. The current Indian law on defamation provides aggrieved persons with both civil and criminal remedies. Sections 499 and 500 of the Indian Penal Code, 1860 ("IPC") lay down the law of criminal defamation. A writ petition was filed before the SC under Article 32 of the Constitution, challenging the Constitutional validity of those provisions on the grounds that they are violative of the fundamental right to freedom of speech and expression guaranteed by Article 19(1)(a) of the Constitution, the SC upheld the validity of those provisions, and held that the right to free speech cannot mean that a citizen can defame the other, and protection of reputation is not only a fundamental right but also a human right. The SC held that Sections 499 and 500 of the IPC fall within the ambit of 'reasonable restrictions' permitted under Article 19(2) of the Constitution[46]. This judgment has come as a respite to all those who have been unjustly defamed. It is expected to bring about some amount of discipline to journalistic freedom

Disclaimer: This section has been compiled by Cyril Amarchand Mangaldas at the request of EY for purposes of this report and represents their point of view and research.

45. Central Board of Direct Taxes, Circular No. 10 of 2018 dated December 31, 2018 read with Circular No. 2 of 2019 dated January 4, 2019.

46. Subramanian Swamy v. Union of India & Ors., (2016) 7 SCC 221.

About this report

Glossary

20XXE	Estimated value for the year 20XX
AAR	Authority for advance rulings
ABC	Audit Bureau of Circulation
ABP	Ananda Bazar Patrika
ABSC	Army Boys Sports Company
Ad	Advertising
AdEX	Advertisement expenditure
AGR	Adjusted gross revenue
AI	Artificial intelligence
AIGF	All India Gaming Federation
AIR	All India Radio
AR	Augmented reality
AROI	Association of Radio Operators in India
ARPU	Average revenue per user
ATL	Above the line, or media spends
ATP	Average ticket price
AVGC	Animation, visual effects, gaming and comics
AVOD	Advertising VOD
B2C	Business to customer
BARC	Broadcast Audience Research Council
bbl	Billion barrels
BCCI	Board of Control for Cricket in India
BCD	Basic customs duty
BEAT	Base erosion anti-abuse tax
BEPS	Base erosion and profit shifting
BFSI	Banking, financial services and insurance
BI	Broadcast India survey
BSNL	Bharat Sanchar Nigam Limited
BTL	Below the line, or event spends
BWF	Badminton World Federation
CAGR	Compounded annual growth rate
CEO	Chief Executive Officer
CGST	Central Goods and Services Tax
CIO	Chief Information Officer
CMO	Chief Marketing Officer
COE	Centre of Excellence
CPI	Consumer price index
CPM	Cost per mille (thousand)
CPT	Cost per thousand
CRISIL	Credit Rating Information Services of India Limited
CRM	Customer Relationship Management
CRORE	Ten million
CSO	Central Statistical Organisation
CSR	Corporate social responsibility
CWG	Commonwealth Games
CY	Calendar year (January to December)
DAN	Dentsu Aegis Network
DAS	Digital Addressable System
DAVP	Directorate of Advertising and Visual Publicity
DD	Doordarshan
DIPP	Department of Industrial Policy and Promotion
DOOH	Digital out of home
DoS	Department of Space
DOT	Department of Telecom
DPIIT	Department for Promotion of Industry and Internal Trade
DPO	Distribution platform owners
DRHP	Draft red herring prospectus
DRM	Digital Radio Mondiale
DRP	Distributor retail price
DTAA	Double Taxation Avoidance Agreement
DTC/D2C	Direct to consumer

DTH	Direct to home
DVD	Digital video disc
EBITDA	Earnings before interest, tax, depreciation and amortization
ECB	External commercial borrowing
EEMA	Events & Entertainment Management Association
EMDE	Emerging Markets and Developing Economies
EODB	Ease of doing business
EPG	Electronic program guide
EPL	English Premier League
EQL	Equalization Levy
ER	Effective rate
ESL	Electronic Sports League
EU	European Union
EY	Ernst & Young LLP, India
F&B	Food & beverage
FC	Football club
FCT	Free commercial time
FDI	Foreign direct investment
FEMA	Foreign Exchange Management Act, 1999
FFO	Film Facilitation Office
FIFA	Fédération Internationale de Football Association
FIPB	Foreign Investment Promotion Board
FM	Frequency modulation
FMCG	Fast moving consumer goods
FMV	Fair market value
FTA	Free to air
FY	Fiscal year (April to March)
GB	Gigabyte
GBO	Gross box office
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GEC	General entertainment channel
GILTI	Global intangible low-taxed Income
GOI	Government of India
GSM	Grams per square meter
GSMA	Global System for Mobile Communications, originally Groupe Spécial Mobile
GST	Goods and Services Tax
GSTR	Goods and Services Tax Returns
HD	High definition
HIL	Hockey India League
HITS	Headend in the sky
HNI	High networth individual
HR	Human resources
HSM	Hindi speaking markets
IAMAI	Internet and Mobile Association of India
IBC	Insolvency and Bankruptcy Code, 2016
ICC	International Cricket Council
ICO	Initial coin offering
IFPI	International Federation of the Phonographic Industry
IFSG	Indian Federation of Sports Gaming
IHAF	In-House Agency Forum
IIFL	India Infoline Finance Limited
IMF	International Monetary Fund
IMI	Indian Music Industry
INR	Indian Rupees
iOS	iPhone operating system
IoT	Internet of Things
IPC	Indian Penal Code, 1860
IPL	Indian Premier League
IPR	Intellectual property rights (also, IP)
IPRS	Indian Performing Rights Society
IPTV	Internet protocol television
IRD	Integrated receiver/decoder
IRS	Indian Readership Survey
ISL	Indian Super League
ISP	Internet service provider
IT	Information technology
ITU	International Telecommunication Union
JV	Joint venture
KBC	Kaun Banega Crorepati
KPI	Key performance indicator
KYC	Know your customer
LBET	Local Body Entertainment Tax
LCD	Liquid Crystal Display

Glossary

LCO	Local cable operator
LED	Light emitting diode
LHS	Left hand side
M&A	Mergers & acquisitions
M&E	Media and entertainment
MAU	Monthly active users
MEITY	The Ministry of Electronics and Information Technology
MENA	Middle east and North Africa
MESC	Media & Entertainment Skills Council
MIB	Ministry of Information & Broadcasting
MICE	Meetings, incentives, conferences and exhibitions
MIS	Management information system
ML	Machine learning
MLB	Major League Baseball
MMA	Mobile Marketing Association
MoSPI	The Ministry of Statistics and Programme Implementation
MRP	Maximum retail price
MRUC	Media Research Users Council
MSDE	Ministry of Skill Development and Entrepreneurship
MSO	Multi system operator
MVPD	Multichannel video programming distributor
MYAS	Ministry of Youth Affairs and Sports
NA	Not applicable
NAS	National Accounts Statistic
NASSCOM	National Association of Software and Services Companies
NBOC	Net box-office collection
NCCS	New consumer classification system
NDCP	National Digital Communications Policy
NFL	National Football League
NGO	Non-governmental organisation
NSTC	National Sports Talent Contest
NTO	New Tariff Order
OECD	The Organization for Economic Co-operation and Development
OEM	Original equipment manufacturer
OOH	Out of home
OTT	Over the top
P2P	Principal to principal
PAT	Profit after tax
PC	Personal computer
PDP	Personal Data Protection
PE	Permanent Establishment
PFAMES	Prime Focus Academy of Media and Entertainment Studies
PGA	Public Gaming Act, 1867
POS	Place of supply
PPL	Phonographic Performance Limited
PSU	Public sector undertaking
PWL	Pro Wrestling League
QR	Quick response
RAM	Radio audience measurement
RBI	Reserve Bank of India
RCEP	Regional Comprehensive Economic Partnership

RERA	Real Estate Regulatory Authority
RHS	Right hand side
RMG	Real Money Games
ROI	Return on investment
ROOH	Real Time Out of Home
RPA	Robotic process automation
SAI	Sports Authority of India
SC	Supreme Court of India
SD	Standard definition
SEBI	Securities and Exchange Board of India
SEC	Socio Economic Category
SEP	Significant Economic Presence
SGST	State Goods and Services Tax
SME	Small and medium enterprises
STB	Set top box
STC	SAI Training Centre
SVOD	Subscription video on demand
TDS	Tax deducted at source
TDSAT	Telecom Disputes Settlement Appellate Tribunal
TRAI	Telecom Regulatory Authority of India
TRF	The Rummy Federation
TSP	Telecom Service Providers
TV	Television
UAE	United Arab Emirates
UBA	United Basketball Alliance
UDAN	Ude Desh ka Aam Naagrik
UEFA	Union of European Football Associations
UK	United Kingdom
US/USA	United States of America
US$	United States Dollar (US$1 = INR70)
UT	Union Territory
VAT	Value added tax
VC	Virtual Currency
VFX	Visual effects
VOD	Video on demand
VR	Virtual reality
WIPO	World Intellectual Property Organization
Y-O-Y	Year on year

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Industry insights

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Rajan Gupta
Hathway

Thomas Cherian
Netflix

Avinash Mudaliar
Network18

Sanjay Gupta
Star India

Shridhar Subramanium
Sony Music

Maheshkumar Rajaraman
Sun

Neeraj Kalyan
T-Series

Hiyav Bajaj
TDI

Gautam Sinha
Roopam Aggarwal
Times Internet

MK Anand
Times Television

Ashish Sehgal
Zee

Industry data

Hormuzd Masani
ABC

Donny Kristianto
Jordan Krogh
App Annie

Harshita Belwal
Varun Krishnan
BARC

Rajkumar Akella
Comscore

Vinit Karnik
ESP

Vinita Shah
TAM AdEX

Aman Nanda
Sharath Chandra
Times OOH

Ashish Malushte
Ashwin Chuggani
UFO

Images

Deepak Verma
ImagesBazaar

Interactivity

Siddhartha Chandurkar
Shephertz Technologies

Data collation, interviews and analysis

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Anshul Pahwa

Anu Goyal

Bhagyashree Tulpule

Bhavesh Laddha

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Harpreet Singh

Kaushal Shah

Macneil D'Souza

Manish Madan

Meher Tavadia

Nupur Jogi

Pragya Shrivastava

Pratik Kamdar

Pratik Sampat

Prerana Dasgupta

Priyanka Minawala

Saakshi Kishnani

Salome Aggarwal

Siddharth Sharma

Sugandh Bhandari

Vidhi Tibrewala

Vipul Ubale

Data management

Chirag Mahajan

Mohit Mittal

Vedika Makhija

Quality & editorial

Jigar Bhatt

Pranjal Bhatnagar

Shobhana Iyer

Design

Tania Dutta

Vinitha Nair

Vishal Kumar

Yashaswita Gawade

Building a better working world

Sector is the cornerstone of EY's approach to professional services. M&E is one such significant focus area. EY's M&E practice has more than 300 professionals in India across 13 key segments who focus on various issues and challenges the sector faces. We provide services to many of the country's leading M&E companies as well as to global media giants operating in the country. We have developed a wide range of services, such as entry strategy, private equity placement, due diligence, IT security review, organization structure, performance improvement and tax structuring, to name a few. This has enabled us to establish a strong presence in each segment of the industry.

As your advisors, we can help you respond quickly and effectively to the challenges the entertainment sector faces today.

EY's M&E leadership team

Ashish Pherwani
Sector Leader
ashish.pherwani@in.ey.com

Ajay Shah
Transaction Advisory
ajay.shah@in.ey.com

Amod Khare
Tax Advisory
amod.khare@in.ey.com

Rakesh Jariwala
Direct Tax Advisory
rakesh.jariwala@in.ey.com

Govind Ahuja
Assurance
govind.ahuja@in.ey.com

Uday Pimprikar
Indirect Tax
uday.pimprikar@in.ey.com

Utkarsh Sanghvi
Indirect Tax
utkarsh.sanghvi@in.ey.com

Atul Mehta
Transaction Diligence
atul.mehta@in.ey.com

Mini Gupta
Cyber Security
mini.gupta@in.ey.com

Raghav Anand
Digital Media
raghav.anand@in.ey.com

Sunil Verma
Analytics
sunil.verma@in.ey.com

Jay Sampat
Business Development
jay1.sampat@in.ey.com

Mukul Shrivastava
Forensics
mukul.shrivastava@in.ey.com

Rahul Shah
Internal Audit
rahul.shah@in.ey.com

Amiya Swarup
Marketing & Advertising Advisory
amiya.swarup@in.ey.com

Tenzing Niyogi
Sports
tenzing.niyogi@in.ey.com

Radhika Pradhan
Marketing
radhika.pradhan@in.ey.com

Disclaimer

This report has been developed by conducting primary and secondary research, discussions with several companies and industry stakeholders, and cross referencing of available data points. To the extent possible, the data has been verified and validated. However, there can be no guarantee that such information is correct as of the date it is received or that it will continue to be correct in the future. EY does not take any responsibility for the veracity of the underlying data. Use of this report is at the discretion of the reader, and neither FICCI nor EY take any responsibility for the same in any manner. Please obtain professional guidance prior to using the information provided in this report for any decision making. There is no tax, operating, regulatory or other business advice provided in this report. By reading this report, the reader shall be deemed to have accepted the terms and conditions of use mentioned in this paragraph.

Key assumptions used to size the segments of this report:

1. Sizing of various segments has been arrived at using various sources of data, primary research and proprietary EY research. We have tried to then validate the sizing through industry discussions.
2. All INR amounts are gross of taxes. Given the change in rates from July 2017 we have considered half year's impact when grossing up revenues for media companies. The full impact of the revised tax rates has been factored into 2018's gross revenue estimates.
3. Sales between any two segments of the M&E sector are included as revenues for the segment providing the service.
4. Filmed entertainment segment does not include any revenues from food and beverage operations, parking revenues, retail revenues or any ticketing charges billed by online booking portals. Film gross box office is considered at end customer price, for both domestic and international theatricals.
5. Gaming captures only online gaming and no other forms of gaming.
6. OOH does not consider the opportunities for transit media which may appear in the future. It also does not consider the large unorganised wall-painting and retail point of sale markets.
7. The events segment does not consider value of broadcast rights, the large unorganized sector and pure MICE and travel companies.
8. Digital subscription and TV distribution revenues are considered at end customer prices. Telco content purchases have been valued under subscription incomes of media companies.
9. Animation, VFX and post production revenues include those earned from export services by companies in India, and are correlated to averages across the content value chain.
10. Where alternate sources of sizing exist, we have considered the most conservative, unless there is adequate justification not to.
11. No hardware sales are included where bundled with content. Value of sporting goods is not included in the sports segment.
12. There are several statements in this report which refer to certain media companies. Where sources for these statements have not been specifically mentioned, these statements have been sourced from news articles available in the public domain.

Note: This is an abbreviated list of all assumptions used.

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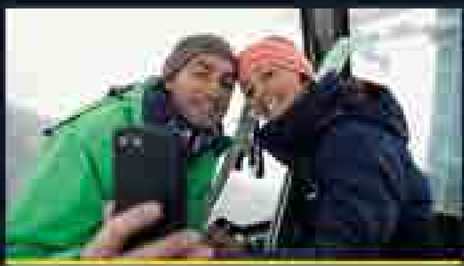
Win the battle for content

The stakes are high. Media and entertainment companies are placing bigger, more expensive bets on content as part of an escalating arm's race against powerful, disruptive competitors. In addition to developing original, exclusive content, media and entertainment companies are investing to lock in the best talent (on and off-screen) as well as in new formats and genres. The winners in the fight to attract and retain audiences will have more than deep pockets. Success will require a clear strategy that is operationally real. Decisions about content acquisition and exploitation will leverage insights derived from data inputs sourced throughout the enterprise to maximize both distribution and monetization. Companies will increasingly utilize a suite of intelligent, automated technologies to efficiently create, manage, customize, distribute and monetize content that satisfies audiences' ever-evolving appetites and drives successful business models.

Choose open or closed models

Audiences lead the way and media and entertainment companies must follow. As consumption patterns change, companies are on a relentless treadmill, rethinking the tools and capabilities they need to reach audiences and make money. As companies increasingly seek to rebalance the business model from advertising and wholesale distribution to "retail" revenue streams, direct-to-consumer models will take center stage.

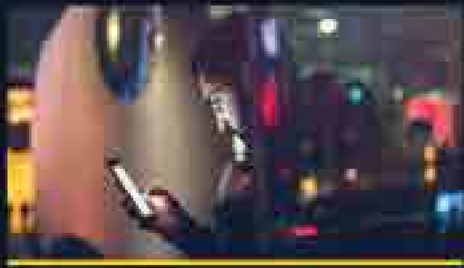
Many traditional media companies will need to build marketing muscle around customer acquisition, engagement and retention. They will have to create frictionless experiences around their content and brands, while ensuring that the level of differentiation is sufficient to compel consumer payment. Even if media companies have these skills (many do not), they will need to evolve to compete, bringing more rigor and technology into their approaches. They will also need to understand the financial impacts of accelerating changes to content and monetization models, which will force tough, long-term decisions about investing in exclusives and originals to attract viewers, marketing their experiences and brands at scale to the right consumers, and generating revenue through subscriptions, licensing, advertising or some combination of each.



Expand the spotlight beyond Gen Z

Media and entertainment companies have been laser-focused on Gen Z and Millennials, potentially at the risk of overlooking older generations. By 2020, for the first time in human history, the world's population aged 65 and older will exceed the number of children under the age of five.[1] Not only is this older age group large but they are affluent, tech-savvy, loyal and enjoy the most leisure time. It is a compelling mix.

To seize the opportunity media and entertainment companies must focus their attention (at least some of it) to understanding the unique features of this older demographic, creating products and services that appeal to their lifestyle and media consumption habits, reaching them with relevant marketing messages through the channels they trust.



Embed comprehensive cyber strategies

Considering the growing threat environment, media and entertainment companies must devise a comprehensive, multilayer cybersecurity risk management strategy that extends throughout the enterprise. This includes protecting the right assets, managing third-party risks, developing a cost efficient and effective cyber risk organization and resource model, and leveraging new technologies such as automation to improve speed in their security organizations.

Recalibrate for growth

Media and entertainment business models are in constant flux and many traditional companies are struggling to find their way in the new, fast-paced reality. After years of disruption, they face a dual dilemma – how to invest in today's promising but cash-burning businesses while simultaneously navigating the shift from legacy operations that remain profitable but tethered to the past. This puts capital allocation strategy as a top priority. With the pressure to meet changing expectations, some are taking a step back to identify routes to long-term, sustainable growth. The conversations are difficult and require transparency from the teams in the trenches all the way up to the board.

[1] "Ageing and health," World Health Organization, February 2018, http://www.who.int/news-room/fact-sheets/detail/ageing-and-health, accessed October 2018.

Automate for effect

Across all media and entertainment sub sectors, traditional incumbents are vying with heavyweight technology companies with more nimble ways of operating and scaling. Media companies often are affected by inertia with a remarkable number of processes - both consumer-facing and behind the scenes - driven by highly manual and archaic operations. In this intensely competitive industry, the ability to use technology and lose legacy behaviors enables leaders to execute efficiently at scale.

Deploying intelligent automation (IA) solutions offers an operational edge that can result in improved margins while also serving as a catalyst for innovation throughout the enterprise. The sheer scale and complexity of the potential options for content creation, distribution and monetization beg for more use of data and technology; without a robust exploration of intelligent automation, companies will struggle to take advantage of machine learning and artificial intelligence to optimize business results.

To deliver on the promise of efficiencies and enhanced capabilities, IA needs to be applied, not implemented. IA is a technology solution; however, it must be accompanied by a program of integration and change management that has strong buy-in, governance and trust.

Obsess about the customer

Digitally native, technology companies have taken products and services that consumers crave and delivered them in a seamless, frictionless and personalized experience. Since consumers compare experiences across providers, the digital leaders have set a benchmark for everyone. As a result, media and entertainment companies are no longer valued solely for the video, music or information they provide, but for the customer experiences they wrap around their core offerings.

In many cases, media and entertainment companies will need to reorient their business and understand the human expectations around frictionless interfaces and transactions. They will need to replace trickle-down decision-making with agile, integrated approaches to decision making that are fueled by data and work across silos of the business. It is critical to unify customer data to achieve a 360-degree view, deploy an agile and connected technology stack and transform the operating model to break down organizational silos.

Prepare for a taxing future

At no point in corporate history has there been so much upheaval in tax. A raft of macro trends and shocks, combined with the inexorable retooling of corporations into the digital age, is creating multiple tracks of transformation. Additional layers of complexity come from within the media industry. As over-the-top (OTT) content distribution models evolve and media companies utilize different platforms and work with new partners and in new markets, they need to understand the tax risks and rewards.

Not only do tax directors need to make plans in increasingly uncertain times, they need to deal with current regulation and anticipate new regulation, transform their tax function and at the same time deliver on the strategic and compliance needs of their business. To achieve all of this, they need flexible and adaptable tax operations, which allow them to focus on what is strategic and adds value.

Rethink advertising experiences and incentives

The current media landscape is caught between two very different forms of marketing: performance-driven marketing built in the native digital world defined by targetability and precision, and brand marketing built on scale and efficient distribution. Increasingly, marketers will need to strike a new balance to understand the precise math of these differing approaches to marketing. And, unfortunately, the evolving advertising market is not yet fluid to enable the calculations to move seamlessly between traditional, linear media and digital formats. While digital continues to ascend, there is still remarkable scale and importance on more linear experiences, which must be enabled for brands to achieve their goals.

Transact to transform

Media and entertainment M&A remains robust. The focus is on high-impact transactions that build convergence offerings and scale. In a disruption-led world, companies are keen to unlock and exploit content and distribution synergies, build a strong direct-to-consumer proposition and create international opportunities.

The challenge for media and entertainment companies lies in execution. To realize full potential in M&A, acquiring companies need to single out the specific drivers of value in a deal and understand how these drivers fit with the existing operations, and then implement an integration program designed and calibrated to achieve the desired outcomes.

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About FICCI

Established in 1927, FICCI is the largest and oldest apex business organisation in India. Its history is closely interwoven with India's struggle for independence, its industrialization, and its emergence as one of the most rapidly growing global economies.

A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry. From influencing policy to encouraging debate, engaging with policy makers and civil society, FICCI articulates the views and concerns of industry. It serves its members from the Indian private and public corporate sectors and multinational companies, drawing its strength from diverse regional chambers of commerce and industry across states, reaching out to over 2,50,000 companies.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

Contact:

Leena Jaisani
Asst. Secretary General
Media & Entertainment Division
FICCI

E: leena.jaisani@ficci.com
T: +91-11-2348-7505

Radhika Pradhan
Markets
EY

E: radhika.pradhan@in.ey.com
T: +91-22-6192-3386

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