



# **Revenue Streams and Audit in Media and Entertainment Industry**

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# Agenda

- Overview
- Fact Sheet
- Industry Verticals
- Revenue Streams
- Audit
- Summary

**What do you do when there is no  
work/business?**

Entertainment

# What do you do when you are stressed out due to lot of work?

like you are doing continuous study for CA exam and things are now going beyond your head

## Entertainment

# So what is Entertainment?

Stimulating brain cells to evoke emotions of refreshment, excitement, fulfilment, satisfaction, happiness and so on..



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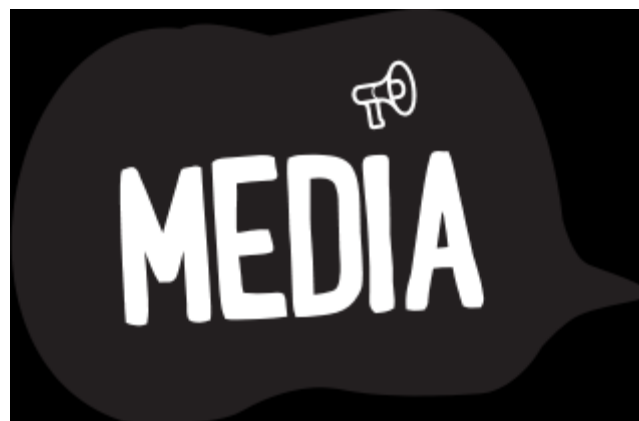
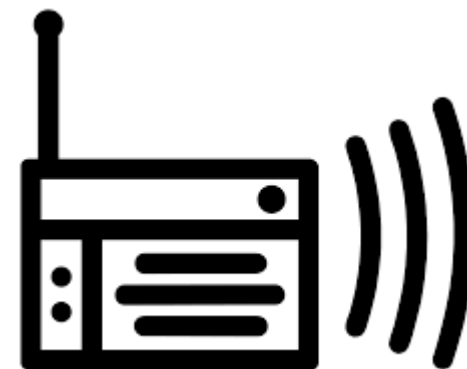
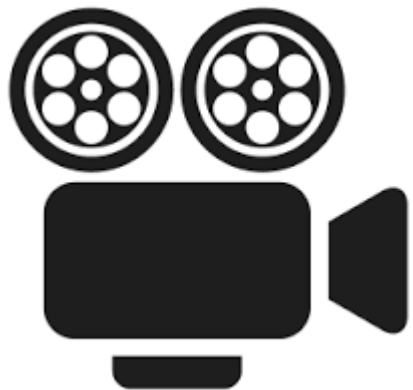
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**From Monkey dance on the  
street to Coldplay Music Concert  
all are forms of Entertainment**

# So what is Media?

Media is the medium of providing  
Entertainment / Stimulating brain cells ..





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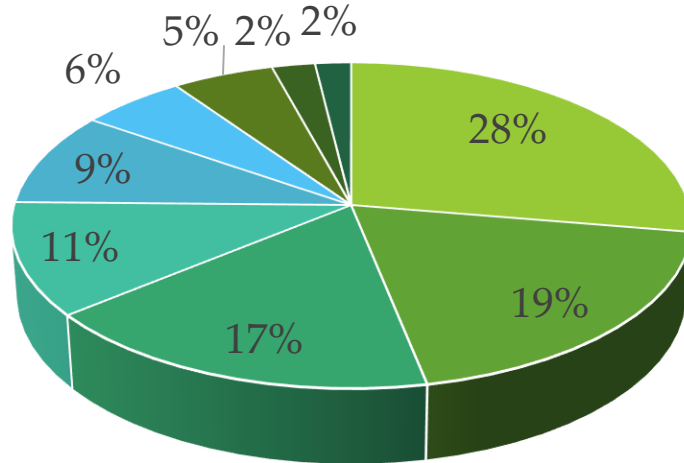
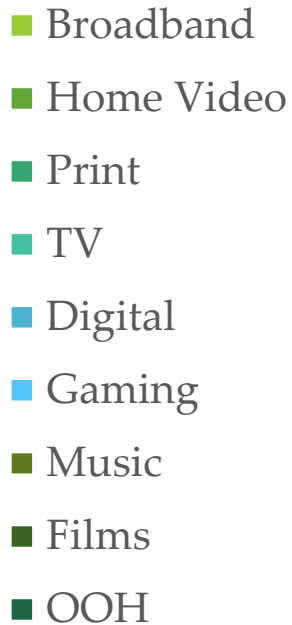
# Now, what is Media & Entertainment?

It is an Industry, which is very big business...

A business which can even flourish in recession...

# Big business: How big?

## Global M&E Industry



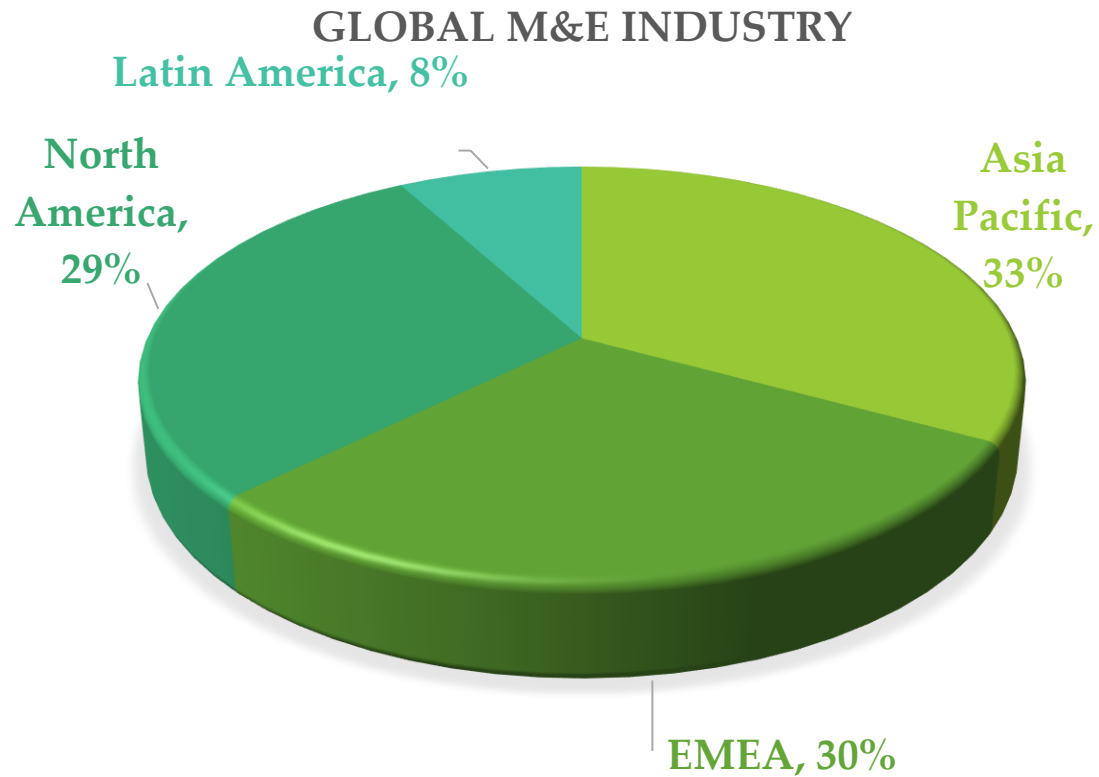
- Globally the M&E Industry is approximately of USD1.8 trillion
- The largest share of 28% is contributed by Broadband
- Home Video and TV together contributes 30%
- While publishing is on decline still it constitute 17% when grouped together
- Digital is on rise

# Global M&E Industry – 2016P

Vertical	USD (billion)	% Share
Broadband	501	28%
Home Video	348	19%
Print	313	17%
TV	203	11%
Digital	169	9%
Gaming	103	6%
Music	99	5%
Films	42	2%
OOH	35	2%
<b>Total</b>	<b>1813</b>	<b>100%</b>

- Digital Advertising is growing at a CAGR of 16% for last 5 years and expected to grow at CAGR of 13% for next 5 years thereby reaching in top 3.
- Broadband is expected to grow at a CAGR of 7.8% and will remain at top
- Print is expected to have a negative CAGR of -1% in next 5 years

# Global M&E Industry – 2016P



- Asia Pacific region contributes highest share which is USD 597 bn.
- Though Latin America is expected to grow at highest CAGR of 11%, Asia Pacific Region would hold its top position with an expected CAGR of 7% for next 5 years
- In next 5 years Global M&E Industry is expected to be of USD 2.25 trillion.

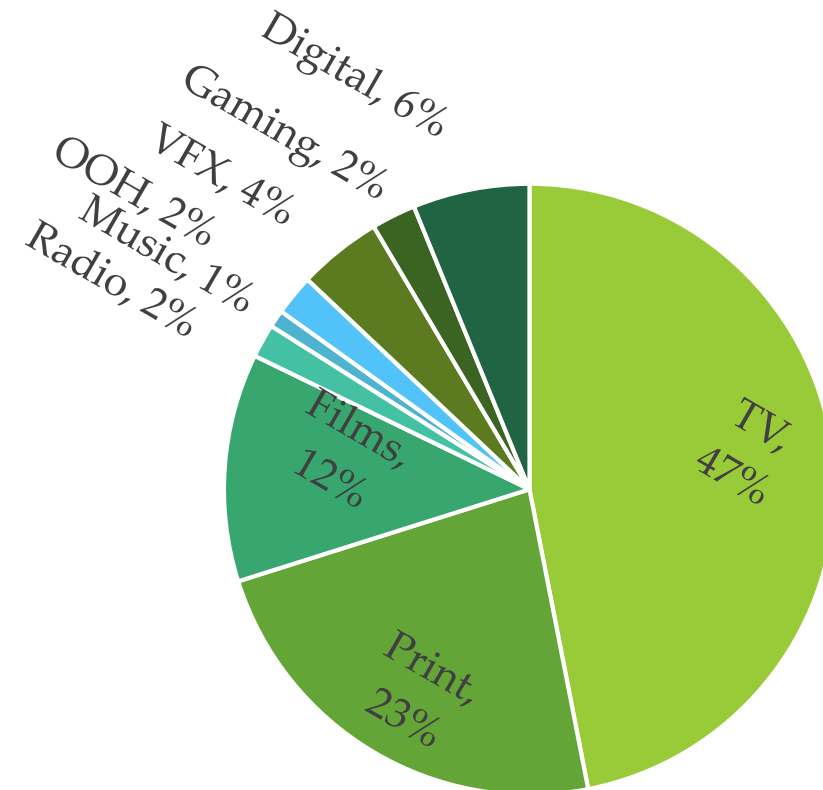


# **Media & Entertainment Industry- India**

# M&E Industry: India

- Estimated size of M&E Industry INR one lac thirty one thousand fifty Crore for 2016
- TV constitute 47% followed by Print 23%, Films 12%, Digital 6% others 12%
- Digital Advertising which constitute only 6% is expected to grow at a CAGR of 33.5%

M&E Year 2016P



# M&E Industry: India

Overall industry size (INR billion) (For calendar years)	2016P	2017P	2018P	2019P	2020P	CAGR (2015-2020)
TV	617.0	709.6	823.3	956.8	1097.6	15.1%
Print	305.2	329.6	355.9	383.6	412.5	7.8%
Films	158.7	174.1	190.0	207.8	227.3	10.5%
Radio	23.4	28.4	32.7	37.8	43.3	16.9%
Music	12.1	14.0	16.1	18.4	20.6	13.8%
OOH	28.3	31.6	35.4	40.0	45.2	13.1%
Animation and VFX	58.3	67.1	78.1	91.3	108.0	16.1%
Gaming	30.8	34.4	39.0	45.4	50.7	13.9%
Digital Advertising	81.1	113.6	153.3	199.3	255.2	33.5%
<b>Total</b>	<b>1,315</b>	<b>1,502</b>	<b>1,724</b>	<b>1,980</b>	<b>2,260</b>	<b>14.3%</b>

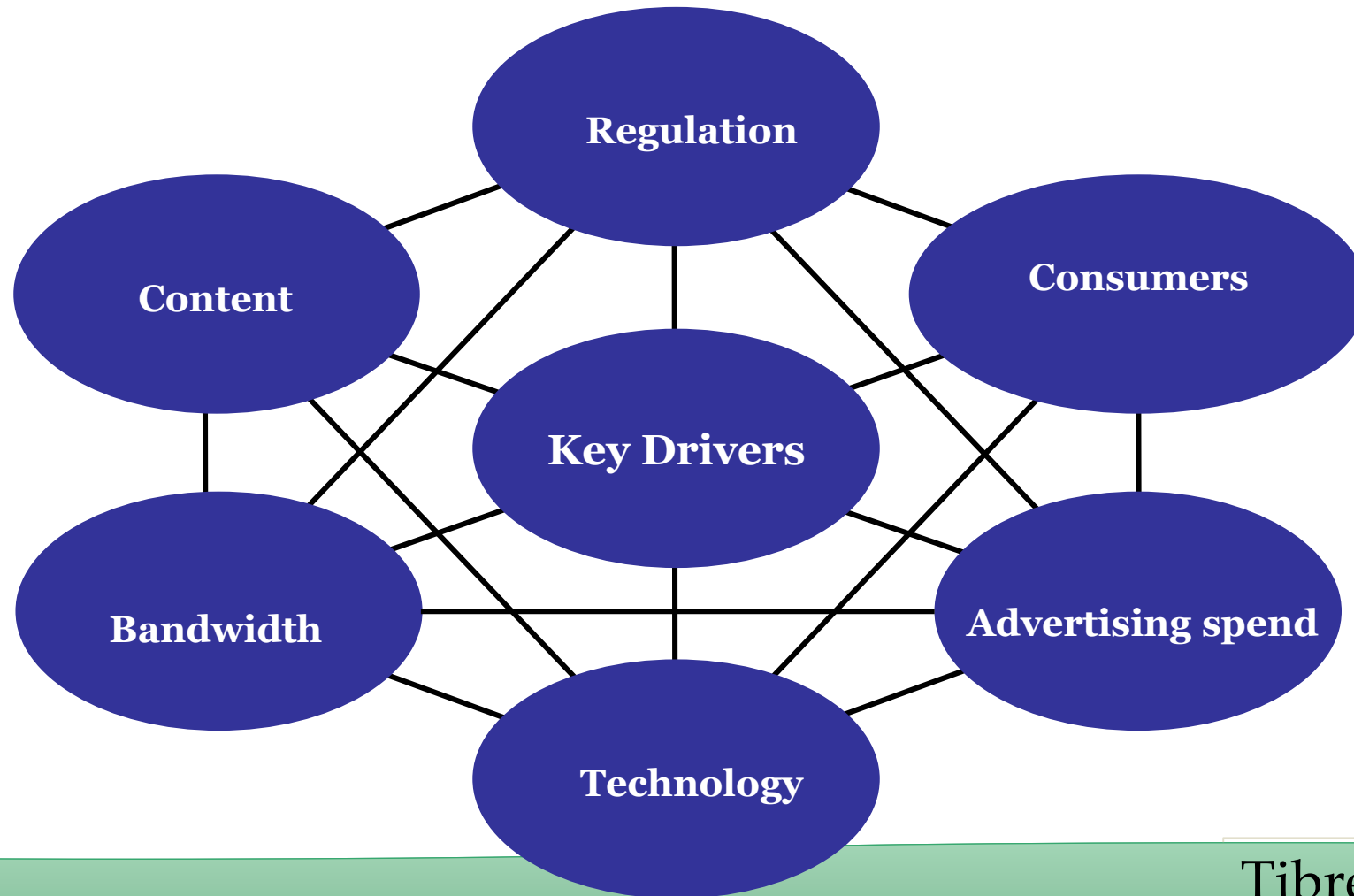
- In India, TV will remain the top contributor for next 5 years
- Due to change in reading habits of young India the growth of print will remain moderate.
- In the context of global outlook where print is expected to have a negative growth, India still have some hopes for the publishing industry.
- After Digital Advertising, Radio is expected to grow at second highest CAGR.



# M&E Industry: India

- As per FICCI – KPMG report M&E Industry is expected to become INR2.3 trillion Industry in next 5 years
- However, Home Video, Social Media, Events and several other medium will ensure that the growth will be more than what we project
- Growth of new Media will change the M&E landscape and will open more Revenue Streams
- Innovative Technology is the single most and the biggest growth driver in this Industry
- High speed Internet penetration will stimulate multi-fold growth of Industry in semi-urban and rural area of India

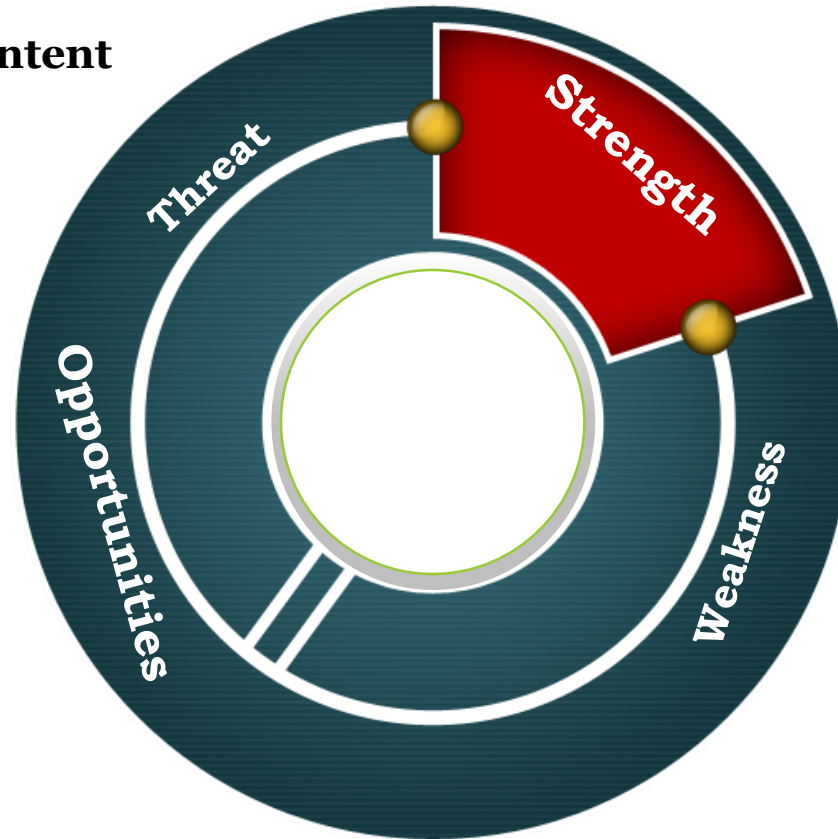
# *Indian M&E Industry : Key Drivers*



# SWOT Analysis

- 1) Piracy
- 2) Shortage of Quality Content
- 3) Plagiarism

- 1) Digital India
- 2) Mobile penetration
- 3) Growth of multiplexes
- 2) Lifestyle spending
- 4) Rapid Deregulation
- 5) Rise in Viewership



- 1) Technology Innovations
- 2) Young Population
- 3) Change in Lifestyle
- 4) Growing Middle Class
- 5) Low Cost of Production
- 6) Availability of Talent

- 1) Highly Fragmented
- 2) Inadequate Infrastructure
- 3) Lower Penetration
- 4) Price undercutting



# **Industry Verticals, their Revenue Streams and Audit**

# Media & Entertainment: Categories

- Print Media – Newspapers, Tabloids, Magazine, Books
- Electronic Media – Television, Radio
- Outdoor Media – Display, Road Shows, Fair, Festivals
- Digital Media – Internet, Mobile, Reading Devices
- Audio Visual Media – Film, Theatre, Home Video, Music, Shows, Events, Live Performances
- Interactive Media – Sports, Gaming, Campaigns, Casinos
- Social Media – Facebook, twitter, YouTube, Instagram, WhatsApp

## Television Industry

Leader in Indian M&E Industry

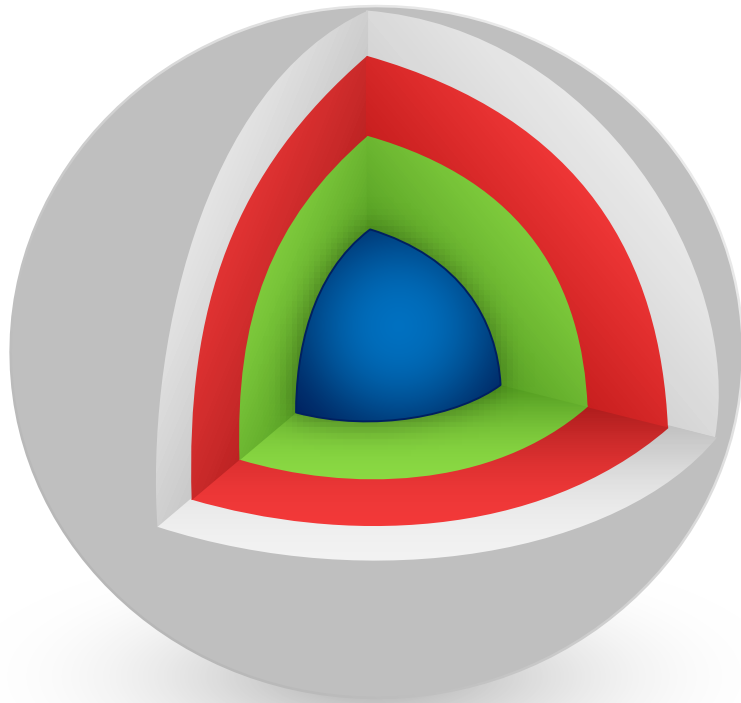


# Television Industry

- Known as broadcast Industry in trade
- Major constituents are:
  - Broadcaster
  - Cable Operators / MSO
  - DTH Service Provider
  - ISP / Cellular Operator
  - Content Provider / Producer / Programmers
  - Component Provider / Supplier
  - Advertising Agency / Advertisers



# Revenue Streams



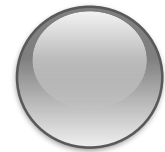
**Advertising, Sponsorship**



**Distribution / Subscription**



**Content sharing, Licensing,  
Broadcast Rights**



**Paid Content**



# Key Audit Points

- The Auditor needs to update himself about:
  - Licensing norms by Ministry of Information and Broadcasting
  - TRAI Regulations
- Advertising:
  - Pricing components – Broadcast Audience Research Council (BARC) Ratings of Channel and Programme, Spot Rates, Peak Hours, Special Programmes
  - Maximum 12 minutes of ad allowed in 1 hour programme
  - Advertising pricing depends upon pricing components – 10 sec slots
  - Sponsorship Advertising pricing depends upon popularity of programme

# Key Audit Points

- Distribution / Subscription
  - Can be through DTH, MSO, Cable Operators, ISP
  - Can be FTA or Paid
  - Pricing component – per subscriber rate, region, type of channel
- Content sharing / Licencing / Broadcast Rights
  - With other broadcaster, producer, distributor
  - Pricing component – Type of programme, popularity, no. of broadcast, revenue sharing
- Paid Content
  - Rack rate or negotiated rates

# Print / Publishing Industry

The traditional media



# Print / Publishing Industry

- Major constituents are:
  - Newspaper / Tabloids publisher
  - Magazine / Periodical Publisher
  - Books Publisher
  - Journalist / Freelancer / Content Provider
  - Distributors
  - Suppliers
  - Newswires, Aggregators



# Key Audit Points

- Specific types of Audits
  - Statutory Audits
  - ABC Audit
  - Circulation / Readership Audit
  - Newsprint Consumption Audit
- Key Regulator / Authorities / Associations
  - Ministry of Information and Broadcasting
  - Registrar of Newspapers (RNI)
  - The Advertising Standard Council of India (ASCI)
  - The Indian Newspaper Society (INS)
  - The Advertising Agencies Association of India (AAAI)
  - Audit Bureau of Circulation
  - The Readership Studies Council of India (RSCI)

# Key Audit Points

- Advertising
  - Pricing components – Card rate, size, page, position
  - Ad Category – Display, Classified, Entertainment, Obituary, Topical
  - Ad type – Free, Make good, paid
  - Type of Agency – Accredited, Non-Accredited, Classified, Corporate, DAVP/DIPR
  - Commission
  - Volume Incentive
- Circulation
  - Subscription scheme
  - Distribution commission for type of Vendors
  - Promotional Scheme
  - Bundled distribution
  - Scrap Value

# Key Audit Points

- Barter
  - Barter Agreement
  - Value in kind
- Sale of Content
  - Sale agreement
- Printing on hire
  - Newsprint consumption
  - Wastage
  - Pricing

## Film Industry

Glamour and Crowd puller



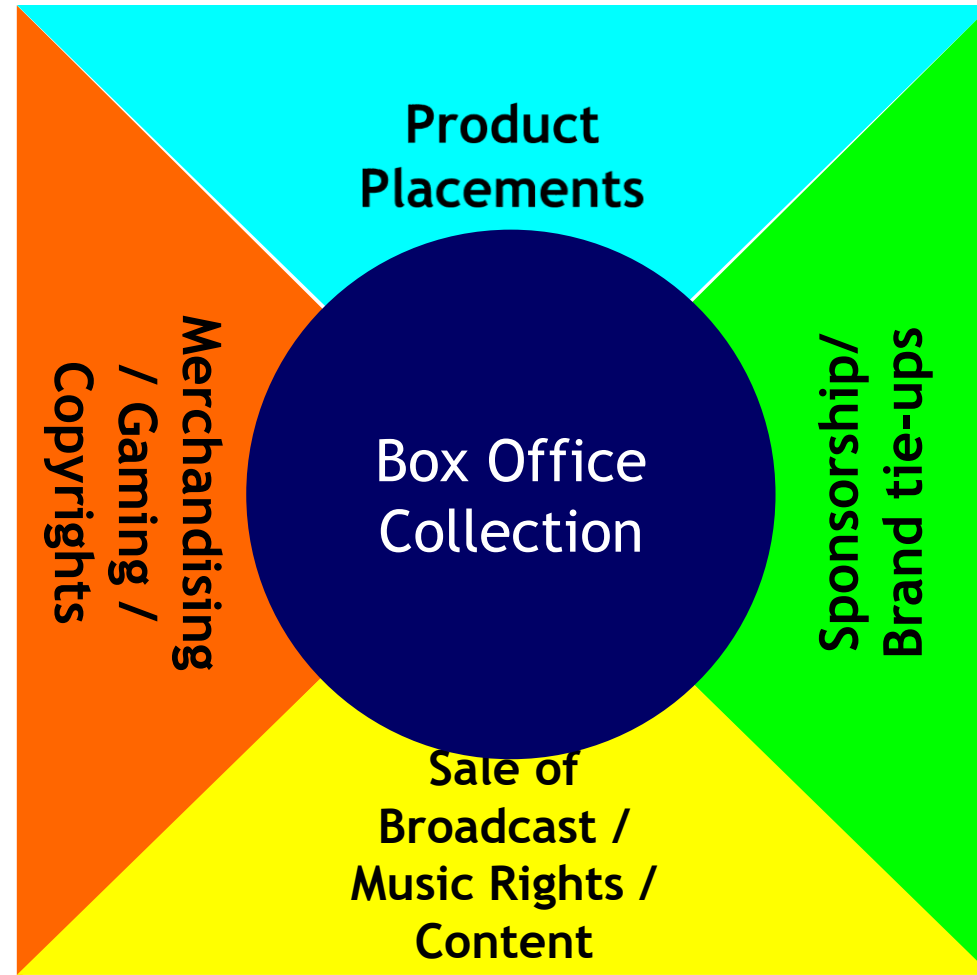


# Film Industry

- Major constituents are:
  - Producer / Investors / Lenders
  - Directors, Cast & Crew
  - Programmer / Animator / Technicians
  - Distributor
  - Exhibitor / Multiplexes
  - Corporate / Branding Agencies
  - Advertising & Marketing Agencies
  - Broadcaster, Music Companies, Merchandiser
  - Tech Developers



# Revenue streams



# Key Audit Points

- Key Regulator
  - Ministry of Information and Broadcasting
  - The Central Board of Film Certification (CBFC)
- Box Office Collection
  - Pricing – Outright Sale, MG, Revenue Share, Theatre Hire
  - Relevant Agreement, Collection Reports
- Product Placement / Sponsorship / Brand promotion
  - Agreements, Barter deals, Agency Commissions
- Merchandising, Gaming, Copyrights
  - Relevant Agreement, Revenue Recognition, Revenue sharing

# Key Audit Points

- Sale of Satellite, Broadcast, Music Rights
  - Agreements
  - Embargo / timing
  - Revenue sharing
  - Promotional Barter
  - Deferred Payment – Revenue Recognition
  - No. of Broadcast, Region, Language, exploitation of other rights
  - Content sale

# Key Audit Points

- Barter
  - Barter Agreement
  - Value in kind
- Sale of Content
  - Sale agreement
- Printing on hire
  - Newsprint consumption
  - Wastage
  - Pricing

# Other Verticals

- The revenue streams and audit principals are similar in Electronic media including Radio
- Animation, VFX industry presently caters to other verticals
- Music Industry and Home Video is highly commoditised and work like a commodity business
- Digital and Social Media is emerging and most promising verticals. At present its main revenue stream is Advertising and content sale. However very soon it will be an integral part of all other verticals of Media and Entertainment Industry

# Summarize

Somebody said:

Life is hard and we need to make it soft, to make it soft we need entertainment, everybody need entertainment, so the entertainment business is evergreen.

And we wish so, Amen.



# Thank You

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