

MEDIA & ENTERTAINMENT INDUSTRY

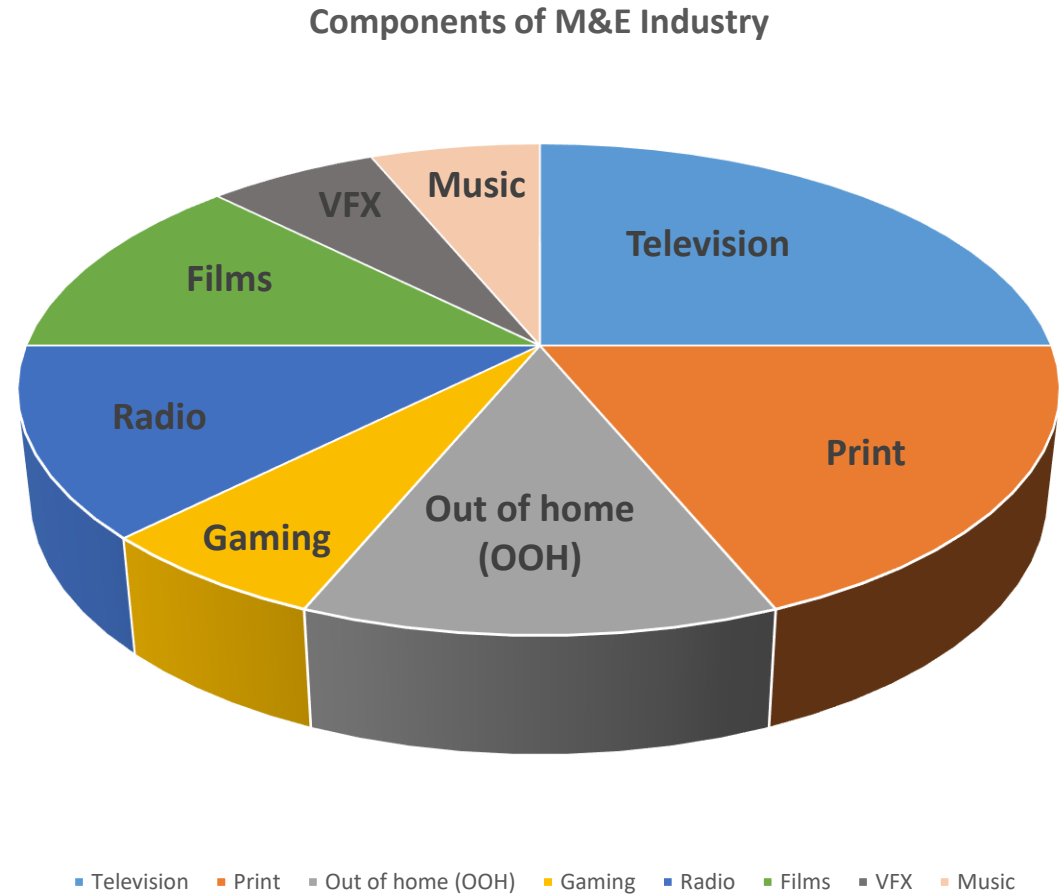


Know the industry and trends that will impact.

MEDIA AND ENTERTAINMENT (M&E) INDUSTRY (CONT.)

Components of M&E Industry:

- Television
- Print
- Radio
- Films
- Out of Home
- Music
- Gaming
- Animation and Visual Effects



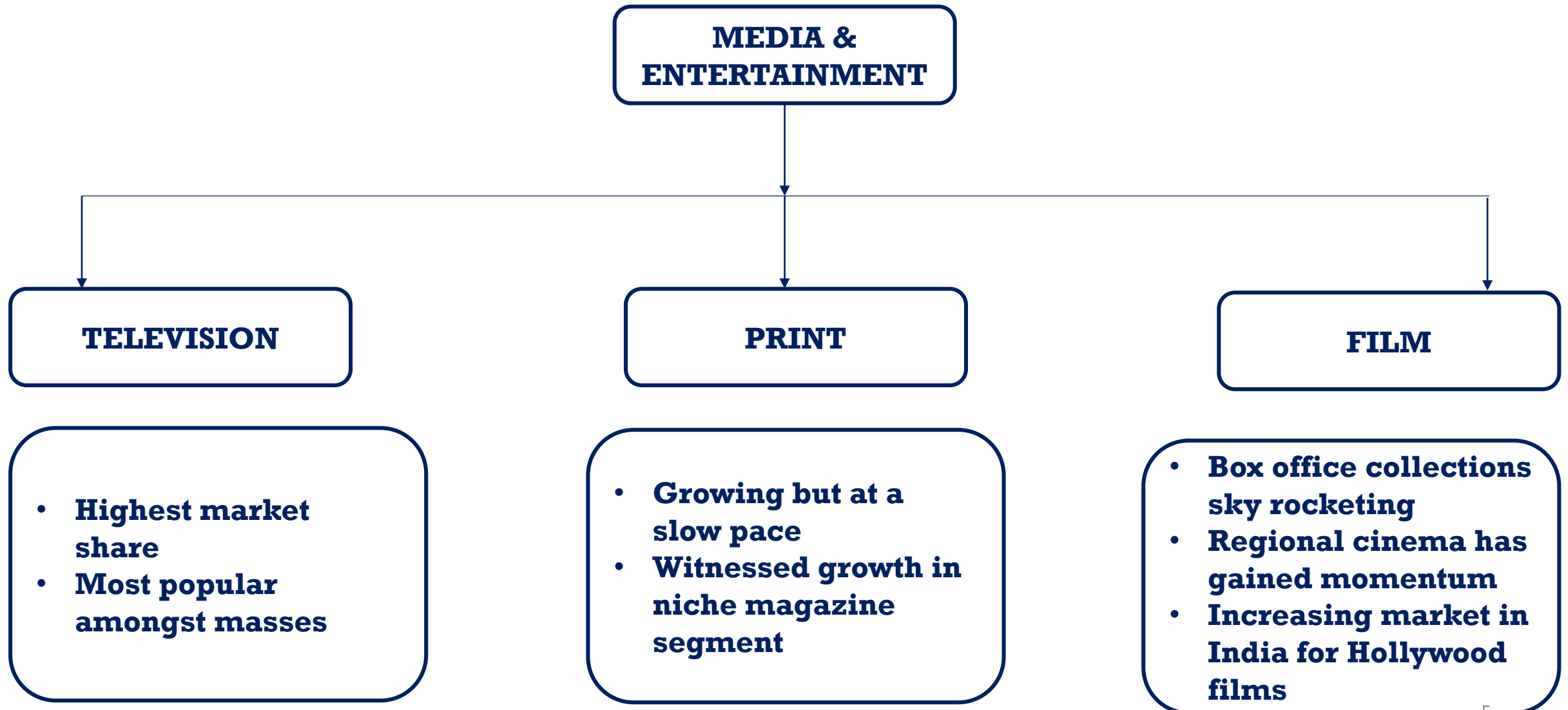
MEDIA AND ENTERTAINMENT (M&E) INDUSTRY (CONT.)

The Indian M&E industry: Size

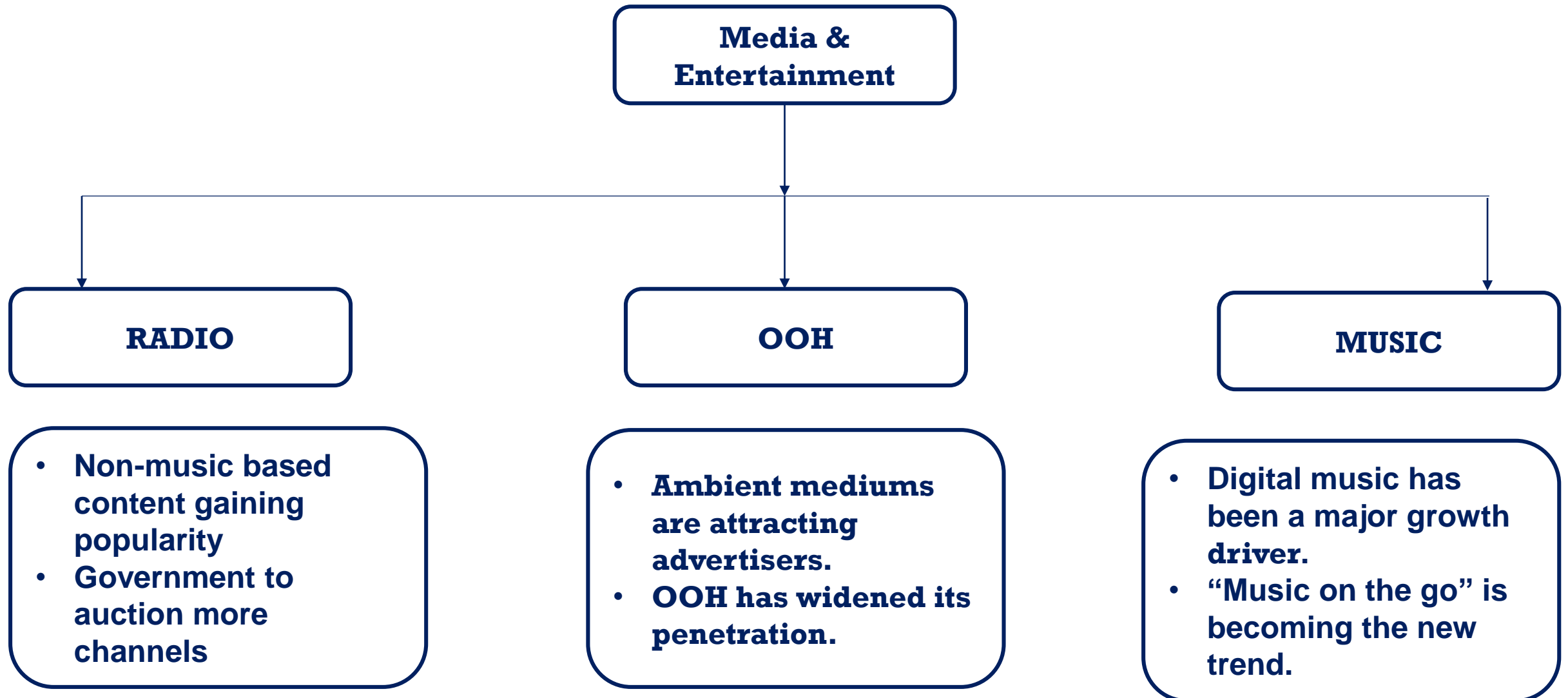
Overall industry size (INR billion) (For calendar years)	2011	2012	2013	2014	2015	2016	Growth in 2016 over 2015
TV	329.0	370.1	417.2	474.9	542.2	588.3	8.5%
Print	208.8	224.1	243.2	263.4	283.4	303.3	7.0%
Films	92.9	112.4	125.3	126.4	138.2	142.3	3.0%
Digital advertising	15.4	21.7	30.1	43.5	60.1	76.9	28.0%
Animation and VFX	31.0	35.3	39.7	44.9	51.1	59.5	16.4%
Gaming	13.0	15.3	19.2	23.5	26.5	30.8	16.2%
OOH	17.8	18.2	19.3	22.0	24.4	26.1	7.0%
Radio	11.5	12.7	14.6	17.2	19.8	22.7	14.6%
Music	9.0	10.6	9.6	9.8	10.8	12.2	13.0%
Total	728.4	821.0	918.1	1025.5	1156.5	1262.1	9.1%

(Source: FICCI-Frames 2017)

MEDIA AND ENTERTAINMENT (M&E) INDUSTRY (CONT.)



MEDIA AND ENTERTAINMENT (M&E) INDUSTRY (CONT.)



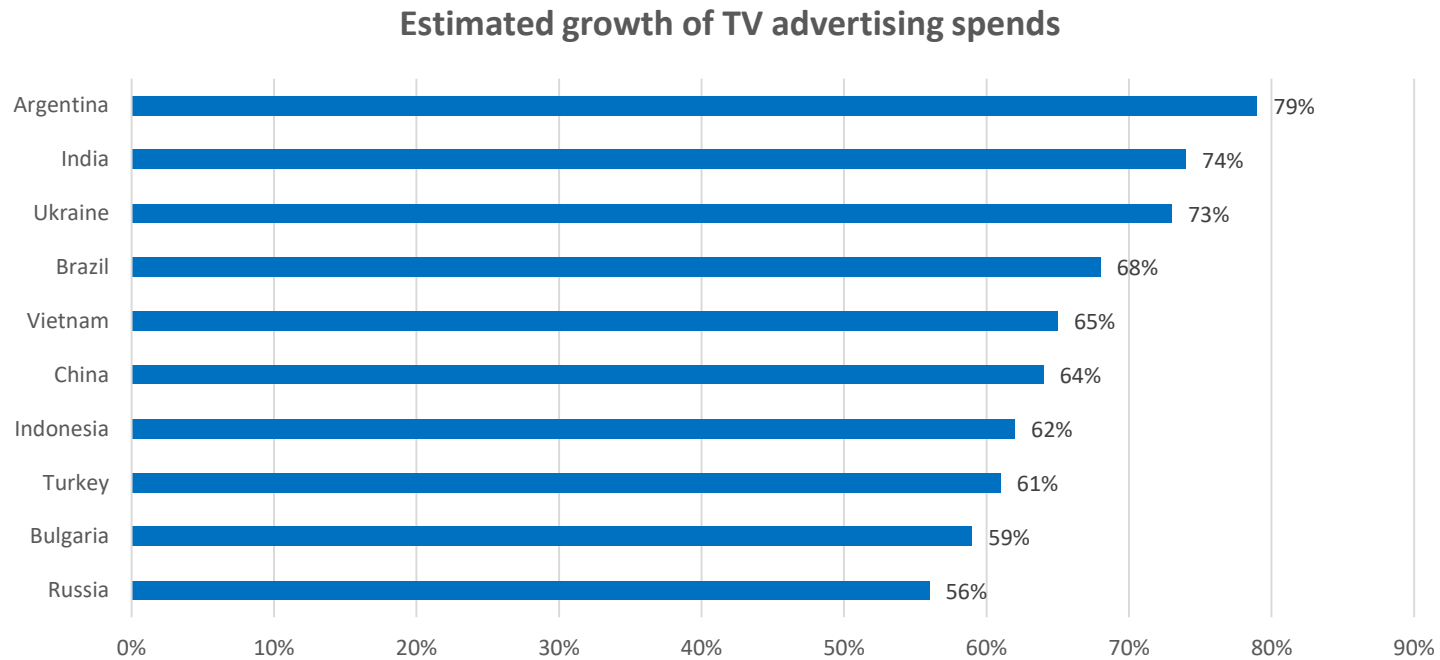
TELEVISION



- India is one of the few large markets where all traditional media will witness growth. The size of television industry was approximately Rs. 588 billion in 2016 which grew at 8.5% over 2015. It will grow at a CAGR of 14.7% and is estimated to touch Rs. 1,166 billion by 2021.
- Digital advertising is on a growth path but television spends are the foundation of the media industry.
- Digitisation exercise is amongst the fastest digitization in the world. China is still in the process of digitizing its TV homes. Phase IV was officially completed on 31 March 2017.
- Millennials are preferring “television on the go” and thus Amazon TV and Apple TV are making inroads.

TELEVISION (CONT.)

The chart below shows the estimated growth of TV advertising expenditure in the fastest growing television ad markets between 2011 and 2017. The Indian TV ad market is expected to grow 74% between 2011 and 2017



(Source – www.statista.com)



PRINT

- Print is slowly climbing the ladder but shows positive sign of growth. Indians love to read the newspaper with their morning cup of tea.
- The Indian newspaper industry will continue to grow from Rs 23,161 crore in 2016 to Rs 24,447 crore in 2021. Print advertising is expected to account for Rs 18,258 crore of a total advertising of Rs 61,204 crore this year as forecasted by Group M.
- 1,05,443 newspapers/periodicals are registered with the Registrar of Newspapers for India (RNI) as on March 31, 2015.
- More than 70,000 newspapers are printed in India and around 90% are either printed in Hindi or other vernacular languages. The demand for regional print media is growing at a faster pace than that of the English language print media.

Rank	Newspaper	Readership numbers
1	Dainik Jagran	54,254,000
2	Dainik Bhasker	33,432,000
3	Hindustan (local)	29,411,000
4	Amar Ujala	28,720,000
5	Lokmat	23,276,000
6	Daily Thanti	20,305,000
7	Dinakaran	16,741,000
8	Ananda Bazar Patrika	15,318,000
9	Eenadu	14,726,000
10	Rajasthan Patrika	14,205,000
11	The Times of India	13,447,000
12	Hindustan Times	6,254,000
13	The Hindu	5,140,000
14	The Telegraph	2,877,000
15	Deccan Chronicle	2,816,000

PRINT (CONT.)



- Globally, magazine, book and newspaper publishing combined registered a near flat or negative growth. However, Indian publishing remained one of the fastest growing the world, due to factors such as demographics, increasing literacy rates, educational needs and a strong desire to consume news and content in local languages, combined with nascent digital/broadband penetration.
- The Indian magazine industry is one of the biggest and most varied in the world.
- India is the world's seventh largest book publishing country and there are over 16,000 publishers in India, the huge majority of them small players and family-owned units. Book retailing is expected to grow, especially in India with growth in young and new consumers, rise in literacy levels and expansion of regional circulation and readership.

FILMS

- Cinema sector is expected to register a good growth, with box office revenue estimated to rise from Rs 10,957 crore in 2016 to Rs 18,047 crore in 2021, at a CAGR of 10.4 per cent.
- Content will continue to be king and drive growth in this sector.
- Hollywood movies have gained momentum in Indian market. The movies are dubbed in more than one regional language to attract more masses.
- The government of India and Canada have signed an audio-visual deal which facilitates producers from both the countries to harness their collective resources.
- Shooting overseas is picking up. Shivaay was shot in Poland.
- VFX and animations is slowly becoming integral part of Indian film making. Few films where VFX was used are Bahubali, Sultan, Shivaay, Mohenjo Daro etc.



FILMS (CONT.)

- Trend is now changing. Now even mid and small-budget movies with strong content are getting released in foreign theatres and distributed aggressively.
- Aamir Khan's 'Dangal' has made Rs. 726.32 crore in China so far, S.S. Rajamouli's 'Baahubali 2: The Conclusion' made \$18.9 million in the US, £811,478 in the UK, and A\$2,363,757 in Australia.



DIGITAL MUSIC



- Indian music industry has evolved over the years. Music consumption habit has undergone a sea change.
- Indian music industry trajectory leans towards digital consumption. This is on account of affordable data tariff, increased internet penetration and availability of digital music on digital platforms.
- “Music on the go” is becoming the new trend. Streaming music rides on high bandwidth growth in the country. Players like Saavn, Gaana, Hungama, Amazon Prime Music, Google play, Apple Music etc. compete for higher market share.

DIGITAL MUSIC (CONT.)



- In 2016, the Indian music industry is estimated at Rs. 12.2 billion and is expected to grow to Rs. 25.4 billion by 2021 at a CAGR of 15.8%. Digital music contributes to 70% of overall size of music industry. 80% of music is consumed on smartphones.
- Indians love Bollywood music and this has resulted in it becoming the largest contributor to music consumption in India.

RADIO



- Success of radio is attributed to its localized reach. Radio has witnessed increase in the listeners. The increase in numbers in metros come from mobile users and those ‘stuck in traffic’ on the road!
- First lot of the Phase III was a success. 96 channels out of 135 channels were allotted in 56 cities. The government had a cumulative bid price of Rs. 11.08 billion.
- Sectors like automobiles, FMCG, government spends, retail and M&E has continued to focus on radio advertising. Over a period of time, radio spends have found its way in the advertiser’s media plans.

RADIO (CONT.)



- One of the famous programme on All India Radio is Prime Minister's Mann Ki Baat. Popularity is one of the reason why the programme commands much higher advertising rate as compared to other shows. Ten second slot before Mann Ki Baat is aired is sold over Rs. 2 lakhs approximately while a similar slot costs Rs. 10,000-15,000 in case of cricket matches.
- There are more than 40 players in the industry. But there is further room for consolidations, mergers and acquisitions. For example, Zee Media Corporation Limited has announced to acquire 49% stake in radio business of Reliance Broadcast Network Limited which operates Radio channels in India under the name of 92.7 big FM (MIB approval pending). Zee has also acquired UAE's radio station, Hum 106.2 FM.

OUT OF HOME (OOH)



- Positive indicators will lead OOH segment to a promising long term growth. Hoardings account for the biggest revenue share. OOH reach has widened with its penetration in the new malls that are sprawling up, metro lines, busses, trains, airports, commercial establishments etc. Ambient mediums are also attracting advertisers.
- The Indian Railways has plans to install 100,000 digital screens at 2,175 railway stations across the country which is expected to generate revenue of Rs. 11,770 crores annually.

INVESTMENTS



- At present, India has probably one of the most liberal investment regimes amongst the emerging economies with a conducive foreign direct investment (FDI) environment. The M&E industry has significantly benefited from this liberal regime and most sectors of the M&E industry today allow foreign investment.
- The government (GOI) has recently further liberalised the FDI caps in key sectors (including Direct-To-Home (DTH), print media and radio) and entry restrictions for foreign companies have been relaxed for most segments of the M&E industry. 100% foreign ownership in the non-news and special interest categories in print media is allowed.
- Some recent investments in the M&E industry by global players include:
 - Group M, the US-based advertising media company has acquired a majority stake in Media.Com India, a joint venture between Group M India and Madison Media.

INVESTMENTS (CONT.)



- PE major Warburg Pincus acquired 14% stake in PVR which is the India's largest multiplex chain for Rs. 820 crores.
- Tiger Global Management LLC (US based investment firm) has purchased a 25 per cent stake in 'The Viral Fever' (TVF), an online video content creator, for US\$ 10 million.
- 'Amblin Partners' a new film, television and digital content creation company formed by Reliance Entertainment and DreamWorks (led by Mr Steven Spielberg), along with Participant Media (led by Mr. Jeff Skoll) and Entertainment One (eOne)', has raised US\$ 500 million in debt to develop and produce films.
- Expansion of television bouquet for children was announced by Turner International India with the launch of Toonami, a channel dedicated to animated action. This is the American company's third children's channel in India after Cartoon Network and POGO. Toonami joins an assortment of over 15 channels in the kids' genre, which attracts close to Rs. 500 crore (US\$ 75 million) in advertising.

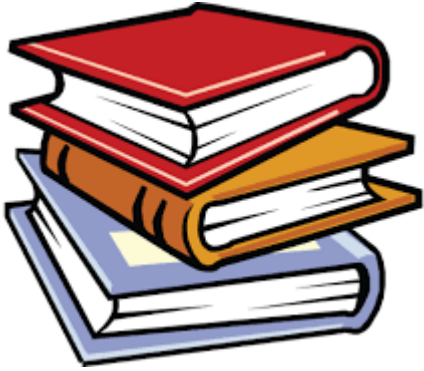
INVESTMENTS (CONT.)

- Walt Disney, who earlier held a 50% stake in UTV, has now acquired a controlling stake in UTV Software Communications.

Some examples of other investments are:



- ScoopWhoop, an Indian digital media and content start-up, has raised US\$ 4 million from Kalaari Capital and plans to use the funds for expansion of its video production unit called ScoopWhoop Talkies.
- Balaji Telefilms Limited has raised Rs. 150.08 crore (US\$ 22.09 million) through allotment of equity shares on preferential basis to catapult the launch and growth of ALT Digital Media, a Business-to-Consumer digital content business segment of Balaji Group.



ACCOUNTING ISSUES



- Gross versus net

A M&E entity in the field of film production/distribution, advertising, media buying etc. may have accounting issues relating to principle/agent relationships. The accounting (Gross/Net) follows the business arrangement.

- Contracts with deferred payment terms

Under Ind AS 115, if a contract is deemed to include a significant financing component, then the company will need to adjust the transaction price to reflect the time value of money.

ACCOUNTING ISSUES (CONT.)



- Barter transactions

Under Ind AS 18 and Ind AS 115, Barter arrangements should be recorded based on the fair values of assets (or services) involved. This issue arises particularly in media companies having inventories.

- Complex business arrangements

Arrangement with media companies include acquiring ownership along with long-term business arrangements. The issue of control and accounting (consolidation etc.) necessarily follow.

- Direct and Indirect Tax issues

Goods and Service Tax (GST), Local Body Tax are some areas where M&E companies are faced with challenges. For example, one has to be careful while drafting the film production agreements (domestic and overseas)

DIGITAL WORLD



- The world is changing and so are peoples' choices and perceptions. Thus media and entertainment sector is ever evolving and has depicted an impressive growth over the years. There are some steady leaders in this sector like television and print but digital media is soaring like a dark horse and making it way ahead by changing the dynamics of this medium.
- The number of internet users are increasing by the day. As reported by Internet and Mobile Association of India and market research firm IMRB International there were 432 million internet users in December 2016. Majority of the population is also now an owner of a smartphone which is available in the market at affordable rates. With all these factors along with greater roll out of 4G services, demand for online content will rise in the coming years.

DIGITAL WORLD (CONT.)

- 55% of the viewers in India have moved to smartphones as stated in The Global Video Insights Report released by Vuclip. Mobile network usage is taking over broadband. Global Video Service and Consumption report for Q1 2016 states that an average person checks his or her smartphone 85 times a day. Smartphones have evolved over the years and so has the way of interaction of the users with their device.
- Demonetisation has catapulted digital payments landscape in India. Digital payments has also witnessed a massive growth with a shift in behaviour change as more people adopt digital payments in daily life.



DIGITAL WORLD (CONT.)



- Paid-search internet advertising revenue is, and will continue to be, India's largest Internet advertising sub-component. Online spending on display ads in India has witnessed strong growth.
- India's internet video segment has produced revenues of Rs 560 crore in 2016 and will grow at 22.4 per cent CAGR to reach Rs 1,540 crore in 2021.

“DIGITAL INDIA” INITIATIVE



- The government has taken an initiative to connect the remote parts of the country. 8,621 villages already boarded and there is a plan to onboard over 55,000 villages by 2019.
- About 112,871 km of optical fiber cable has already been laid under BharatNet for high connectivity. The Bharat Sanchar Nigam (BSNL) has built over 2,500 free Wi-Fi hotspots across the country.
- Google is all set to help India implement Prime Minister Narendra Modi’s “Digital India” initiative and the government has well laid a plan to realise it. “Digital India” is Rs. 1.13 trillion government initiative that seeks to transform the country into a connected economy, attract investment, create employment and support trade.

OVER-THE-TOP (OTT) (CONT.)



Some examples of companies taking the OTT route are:

- Balaji Telefilms is set for the launch of its OTT platform called “ALT Balaji”. They have announced their first original web series about Indian armed forces.
- Subscription led app, nexGTV, has partnered with leading production houses such as Rajshree Entertainment Pvt. Ltd, One Network Entertainment, HT Media Limited, Star Entertainment Pvt. Ltd and 9X Media Pvt. Ltd and secured worldwide digital rights to some of their most popular entertainment properties.
- Amazon had launched Prime Video service in India at a competitive annual subscription price of Rs. 499. It has range of Hollywood as well as International movies, TV shows and Indian original shows in its content library.

OVER-THE-TOP (OTT) (CONT.)

- OTT has benefited as telecom players offering affordable 4G data. As more and more consumers are adopting this medium, the advertisers are getting attracted to OTT. Lot of consumer durables, electronic and automobile firms, as well as premium FMCG companies, looking at advertising on OTT platforms.
- Data rates have dropped drastically across the board with the launch of Reliance Jio. Mr. Ambani said, “Data is the new oil. India does not need to import it. We have it in super abundance. As an industry, we have the urgent task of employing 1.3 billion people with the tools. Data is the [new] oxygen”. Reliance Jio has gained more than 100 million subscribers in less than a year.
- India’s active OTT video subscribers in 2014 were 12 million and is expected to grow to 105 million by 2020 as per Media Partner Asia (MPA) report.



OVER-THE-TOP (OTT) (CONT.)

OTT revenue models are discussed below:

- **Subscription Video on Demand (SVOD):** Viewer has to pay a fixed subscription fee to access available video content on the platform. They can now view content of their choice, anytime and anywhere as per their convenience. Netflix is the best examples for this kind of revenue model.
- **Transactional Video on Demand (TVOD) or Pay Per View (PPV):** In this case, the viewers pay for accessing each piece of content they consume from the online platform. There is no fixed fee involved and one has to pay only for the specific content that he wishes to see. Some other examples using this revenue model are iTunes and Google Play.
- **Advertisement-supported Video on Demand (AVOD):** One of the ways to monetize streaming of videos is advertising, where the content available is free but advertisements are inserted in between the content. Best example for this revenue model is YouTube, as it hosts ads while streaming free content.



MOBILE GAMING

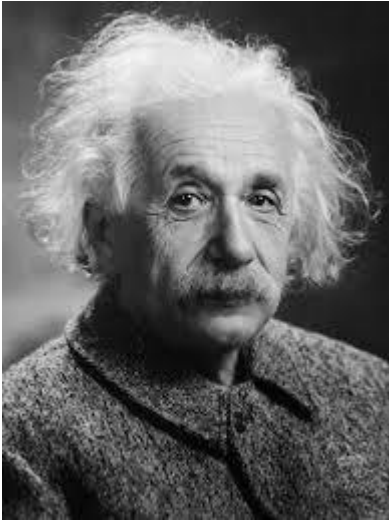


- Revenue in the "Mobile Games" segment for India amounts to USD 1,379.1 million in 2016.
- Mobile Gaming Revenue is expected to show an annual growth rate (CAGR 2016-2020) of 10.81% resulting in a market volume of USD 2,079.7 million in 2020.
- User penetration is at 20.13% in 2016 and is expected to hit 32.20% in 2020.
- Lot of data is generated by millions of gaming users which the advertisers can use as marketing solutions that help marketers to determine the ideal segment to target based on their interests.
- DTH also offers gaming services in India.

AUGMENTED REALITY



- Augmented reality (AR) is a technology that superimposes a computer-generated image on a user's view of the real world, thus providing a composite view.
- It is a relatively new technology but AR advertising has a good potential and the marketers can leverage this to their advantage. Some plus points for marketers are that they can leverage on the convergence of social, location and contextual data. This means of advertising is not very expensive at the same time it is interactive and targeted. Being interactive, it creates an experience for consumers that they can share with others, thereby catering to a larger audience.



Albert Einstein said "I fear the day that technology will surpass our human interaction. The world will then have a generation of idiots."

